I&M Bank LIMITED
RWANDA

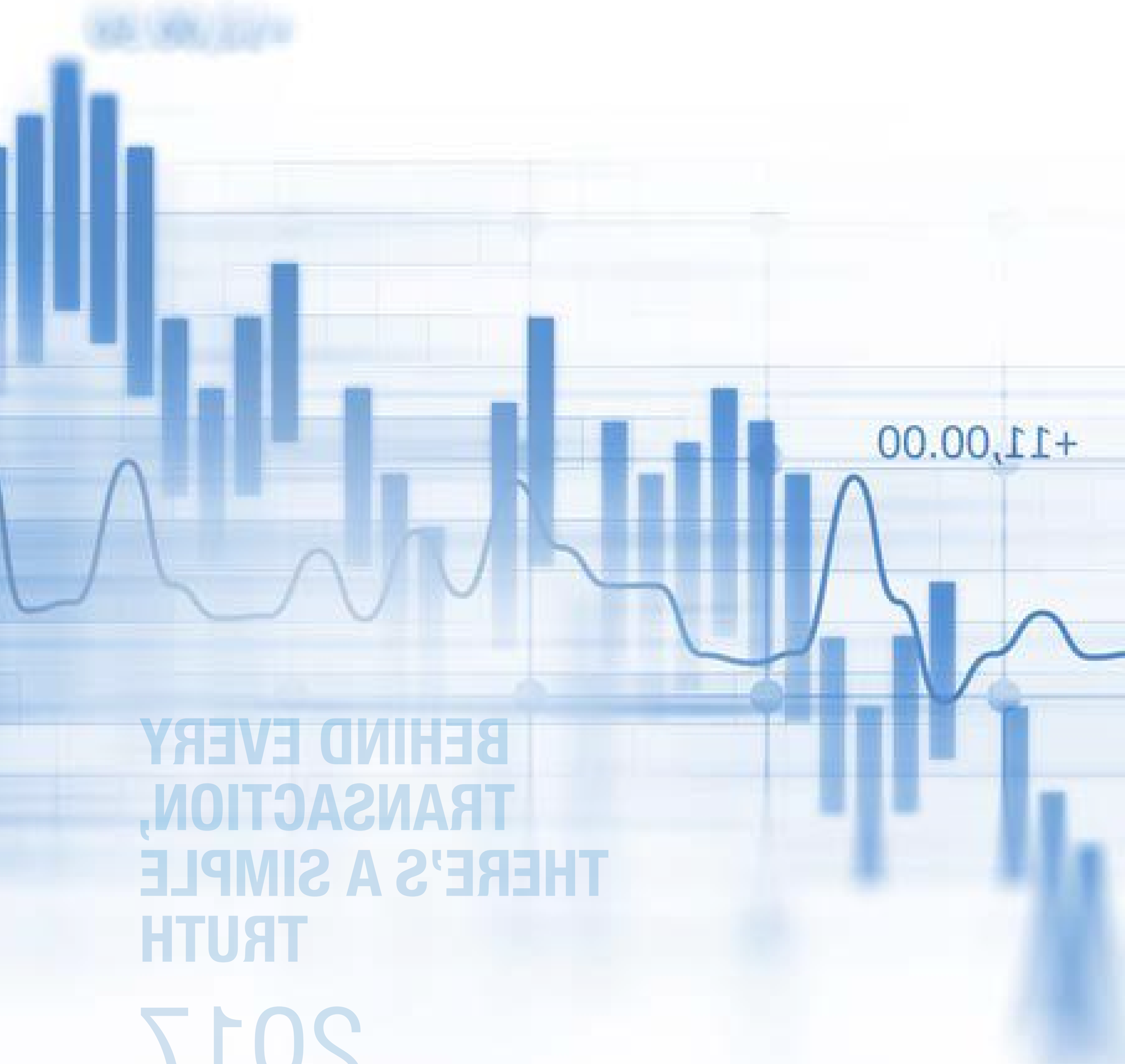
BEHIND EVERY TRANSACTION, THERE'S A SIMPLE TRUTH

2017

Annual Report and Financial Statements, For The Year Ended 31st December 2017

I&M Bank LIMITED

RWANDA



BEHIND EVERY TRANSACTION, THERE'S A SIMPLE TRUTH

2017

Annual Report and Financial Statements, For The Year Ended 31st December 2017


We are on your side

CONTENTS

Chairman's **statement**

It is my pleasure to present the Annual Report and Financial Statements for the year ended 31st December 2017, and also share with you the major achievements of 2017 and provide some details of our plans for the year ahead.

Bill Irwin
Chairman of the Board

Chairman's **statement**

The Economy in 2017
In 2017, Rwanda was rated as one of the top performers on the World Bank's Ease of Doing Business index being ranked second in Sub-Saharan Africa. The economy continues to show steady growth and in the first three quarters of 2017, GDP increased by 8 percent, a significant improvement when compared to the same period in 2016 which witnessed a drop in commodity prices and a drought which affected almost the whole of East Africa. The improved outlook for 2017 - 2018 is mainly on account of the growth in the service sector and improved agricultural production.

Inflation recorded an improvement from 4.9 percent in 2016 to 5.7 percent, because of a significant fall in food prices especially during the second half of 2017.

During 2017, export receipts increased by 57.6 percent while imports slightly declined by 0.4 percent reducing the trade deficit by 21.7 percent and this trend is likely to continue in 2018 following anticipated global economic growth and favorable weather conditions for agriculture. This improvement in the balance of payments resulted in a more disciplined depreciation of the Rwandan Francs by 3.07 percent as opposed to 9.7 percent in 2016.

Against this backdrop we look towards 2018 with optimism. GDP is expected to grow by 6.5 percent based on a foundation of sound macroeconomic management and fiscal discipline.

Banking Industry
The total assets of the banking sector indicated a year-on-year growth of 12.9 percent as at end December 2017 in comparison to 11.6 percent growth reported in 2016. This was largely driven by the growth in customer deposits.

Credit risk remains a concern with the level of non-performing loans at 7.6 percent in December 2017, unchanged from the previous year end. The ratio had increased to 8.2 percent in mid-year and the subsequent decrease has to a large extent been achieved by write offs as opposed to recoveries.

The sector continued to generate profits, albeit lower compared to 2016, with profit before tax declining from Frw 56.1 Billion in December 2016 to Frw 54.1 Billion in December 2017, mainly on account of additional provisions for non-performing loans and reduction in operating margins.

However, the banking sector as a whole remains well capitalized with a high degree of liquidity 43.7 percent as at December 2017 against the 20 percent minimum prudential requirement. Aggregate capital ratios of all banks remained well above the minimum prudential requirements. The system-wide total capital relative to risk-weighted assets (RWA) was at 21.4 percent as at December 2017 against the 15 percent minimum prudential requirement.

During 2017, banks performed a parallel run for the new capital and liquidity requirements for Basel II/III that came into effect from 8th January 2018 and key ratios albeit lower, remain well above the regulatory requirements.

Interestingly, the number of banks increased from 16 to 17 with Commercial Bank of Africa launching its operations in February 2017. Competition continues to be intense and that has helped the discerning customers to pick and choose.

I&M Bank Rwanda Financial Performance
Against this background, the Bank has produced an encouraging set of results with interest and related income up by 20 percent attributable to a strong loan growth across all sectors. Treasury performed well recording encouraging growth in returns on the securities portfolio. Interest expense increased by 19 percent but in line with portfolio growth. There was a decline in non-interest revenues primarily due to FX margin pressure even though volumes remained healthy.

Chairman's **statement**

Our liabilities, mostly comprising customer deposits, increased by 28 percent year-on-year, permitting us to grow our loan portfolio by 32 percent. The Bank managed to contain interest and other similar expenses at 19 percent in line with the growth in our deposits, Net non-interest income decreased by 11 percent in the same period as a result of the squeezed margins in foreign currency Gains and operating expenses grew by 6 percent in line with the inflation rate. All these combined efforts have resulted in a 17 percent growth in profit before tax (PBT) to Frw 9.8 Billion compared to Frw 8.4 Billion for the previous year.

The balance sheet grew steadily owing to a combination of new client acquisitions, expansion of relationships and exceptional growth in mortgages. During the year, we increased our focus on targeted markets including the development sector, cash management and transactional banking.

Major initiatives in 2017

In January 2017, we broke ground on the new premises project, the iconic two-tower complex remains on track for completion in Q3 2019. After completion, the building, which is set to transform the Kigali city skyline, will create a modern working environment for staff and facilitate an improved customer experience.

On February 14, 2017, the Government of Rwanda announced to the public, the offer for sale (OFS) of 99,030,400 shares representing 19.81percent of the issued share capital of the Bank. Despite a relatively short issue period, the OFS was oversubscribed by 209 percent and the Bank is now listed on the Rwanda Stock Exchange with around 1,000 shareholders.

We also commenced the process of upgrading our core banking system from August 2017 and expect to complete in the third quarter of 2018. When completed, customers can expect improved service with improved reliability, faster response times and an increased product range.

Corporate Social Responsibility

By the close of 2017, we had supported a number of CSR initiatives including participation in the Children Cancer Awareness drive, scholarships, and undertaking to cover sponsorship of the medical insurance premium for 1200 vulnerable people in Gicumbi, Rwamagana, Karongi and Rubavu. In a joint effort with staff, we carried out rehabilitation work with survivors of the 1994 Genocide against the Tutsi and also joined various initiatives in Umuganda community service.

We will continue to support community efforts particularly in Health, Environmental protection, Education and Capacity Building.

Staff and Management

We have continued to invest in our people and in the past year, twenty of The Bank's Senior Managers attended a six-month Leadership Development Program conducted by Strathmore Business School. The Management Trainee Program, initiated in 2016 continues to be key for in-house talent growth and recruitment of the 2018 batch of trainees will be undertaken in Q3.

To ensure customer satisfaction and retention, the Bank created a Product Development Unit under the Business Development Division in 2017. This has focused attention to innovation and keeps the customer at the heart of the Bank's value propositions.

Service delivery training, which includes AML / KYC, continues to rank high on the bank's agenda and mandatory annual refreshers for all staff has resulted in being awarded for our excellence in service.

Chairman's **statement**

Awards and Recognition
The Bank's efforts have not gone unnoticed and in 2017, we received four key industry awards including The Best Bank in Rwanda Award by Global Finance, Best Customer Service Bank in Rwanda by Global Banking and Finance Review, Best Taxpayer by the Rwanda Revenue Authority and to top it all off, In January of 2018, The Bank was recognized as the 2017 Best Service Provider during the Rwanda Development Board's Business Excellence Awards.

Future Plans - 2018
We have embarked on 2018 with a new five-year strategic plan which is based on the four growth pillars of Revenue Diversification, Operational Excellence, Digital Channel Optimization and Business growth. Our new core banking system is a key component of this plan and in addition to this we will look to optimize Group synergy's and develop our staff in order to maintain a leadership role in the financial sector.

We shall also continue in our efforts to roll out innovative products to support cashless payments across the country, enhanced Treasury products, Bancassurance and Wealth Management are on the horizon.

Conclusion.
In conclusion, I am pleased with our results in 2017 and these are due entirely to the hard work and dedication of our staff and the support provided by our shareholders and directors.

On behalf of my Board I must appreciate the guidance and insights received from our regulators and in particular the National Bank of Rwanda for their supportive monetary policies, the Government of Rwanda, at all times, without which we would not have achieved the milestones that we had set for ourselves.

I will also take this opportunity to thank my fellow board members and in particular those who are exiting, thanking them for their extensive practical support during their year of service.

My thanks goes to our customers and the wider community without whom the Bank continued growth and success would have been possible.

Thank you all for your contributions and I look forward to your continued support in the coming year.

Bill Irwin
Chairman of the Board
I&M Bank (Rwanda) Limited

CEO **Highlights**

Dear Stakeholders,
I am extremely pleased to report that 2017 has been a year of encouraging progress for I&M Bank (Rwanda) Limited (the "Bank") on numerous fronts.

As previously projected, the Bank managed to sustain the growth momentum despite the slower than expected economic growth in the first half of the year.

Robin Bairstow
Managing Director

CEO Highlights

Economic Outlook

Overall 2017 saw a cyclical recovery of the global economy reflecting a rebound in investment, manufacturing activity, and trade. This improvement comes against the backdrop of benign global financing conditions, generally accommodative policies, rising confidence, and firming commodity prices.

In Rwanda, the economic growth exceeded the previously projected 5.2 percent and grew 6.1 percent, a positive performance that was mostly driven by fourth quarter growth. The main driving sectors of the economy, which are agriculture, industry, and services; with agriculture and industry growing 10 percent while services grew by 11 percent.

The National Bank of Rwanda ("BNR") maintained an accommodative monetary policy stance to continue supporting the financing of the economy by the banking sector, given that both inflationary and exchange pressures remained subdued.

With regards to the financial sector development, financial soundness indicators suggest banking system remains highly liquid and well capitalized. Assets of the sector expanded by 13.8 percent in 2017 compared to 11.2 percent in the previous year. The banking sector assets increased by 12.9 percent (y-o-y) as at December 2017 to FRW 2,685 billion, while the microfinance sector assets increased by 9.7 percent to FRW 244 billion. The growth of banks and MFIs assets is attributable to increased mobilization of deposits. For the year ended December 2017, deposits of banks and MFIs grew by 12.6 percent and 8.5 percent respectively, compared to the growth rate of 7.8 percent and -2.4 percent registered in the previous year.

Solid Financial Performance

With some economic tailwinds, I&M Bank Rwanda registered a solid performance with an increase in the top line from FRW 26.8 Billion to FRW 31.3 Billion representing a year-on-year 17% growth as a result of a strong growth of our loan portfolio across all business sections. Despite challenges of FX margin which remain structurally pressured, non-interest revenues have grown by 11 percent. The Bank closed 2017 with a net profit before tax of FRW 9.85 Billion, after accounting for impairment charges following enhanced measures undertaken in line with our credit policy. The profit after tax increased to FRW 6.5 Billion, a 12% increase in relation 2016 ensuing from increased efficiency and cost curtailment which resulted in a cost-to-income ratio of 57.3% against 60% registered in the prior year.

Our Balance sheet footings increased significantly, with total assets growing by 26% to FRW 260 Billion during the year. The increase was supported by a 32% increase in our loan portfolio. In anticipation of the new standard on impairment of financial assets, the Bank has prudently tightened its provisioning and impairment criteria with a notable impact on the gross impairment ratio decreasing to 2.49% from 2.7% in 2016, which is still below the minimum requirement of 5% as set by the National Bank of Rwanda.

Total deposits which are the principal source of funding for the Bank grew by 30% during the year, following efforts made in collecting funds from utilities and telecoms, outflow monitoring process to retain funds, aggressive value chain and implementation of a Salesforce effectiveness tools. The Bank maintained its efforts started in previous years to reduce the cost of funds by concentrating more on low cost deposits and improving on the net interest spread both in local and foreign currencies. The Bank's liquidity position is comfortable with an overall liquidity ratio of 47 percent as at end December 2017.

The Bank remains well capitalized with the capital adequacy ratio at 19.8% as of end of December 2017, higher than the 15% minimum requirement.

CEO Highlights

Dividend per share has increased by 11.3% to FRW 12.92 from FRW 11.61 the previous year. Although our strong performance across all financial indices is depicted in numbers, its true value is underpinned by the relationships we build with our customers and stakeholders.

Challenges vs. Opportunities

The first half of 2017 in Rwanda was marked by slow economic growth constrained by some challenges related with the completion of big investment projects by the government and reduced performance of agriculture from the long spell of the drought; However it noted an economic rebound in the second half supported by the rebound in the construction sector, growth in the manufacturing sector especially in the context of Made in Rwanda, investments in public infrastructure and interventions promoting structural transformation and diversified exports.

Further, technological disruptions will continue to pose a threat to the banking industry through various Fintech companies and start-ups that are nimble and capable of swiftly leveraging on advanced technology.

With the prevailing conditions, the Bank has managed to grow faster than the industry and position itself strongly for the future to acquire additional market share.

In line with the government's plan for an 80 percent financial inclusion by 2017 and promotion of a savings culture, the Bank ran an extremely successful deposit mobilization campaign with a focus on the youth market which we foresee as critical to future success.

In brief, we see opportunities in all these developments and are gearing up for the future by continuing to build on the Risk Culture and framework that we have set up to ensure safe and sustainable growth.

2018: An exciting year ahead

We have good growth and revenue momentum as we move into 2018. There are a number of initiatives being planned that will position I&M Bank Rwanda on a faster trajectory by the end of the year. We will continue to fortify our risk management framework and manage risks in a prudent manner. On the regulatory side, we are well prepared to meet the implementation of IFRS 9 for adoption starting January 2018 and its potential impact on the Bank remains one of our priorities.

One key area of concentration is on innovation. Technology is transforming the financial services sector, significantly impacting customer expectations and fundamentally changing the banking industry as we know it. The reality is that customers want real time transactions 24/7. With the launch of our new core banking system, the Bank is investing in a state-of-art system that will help boost digital channels to better serve customers on Mobile and Online.

Corporate social responsibility will remain a key part of our operating model, and we will continue to support impactful initiatives with tangible benefits to improve the quality of life in our societies.

I would like to thank the Board of Directors for the timely guidance, the continued support from our Executive Management team, and most importantly our staff without whom I&M Bank Rwanda' continued growth and success would not be possible.

Robin Bairstow
Managing Director
I&M Bank (Rwanda) Limited


WHEN YOU NEED TO PLAN AHEAD FOR YOUR FINANCES
We are on your side

Board of **Directors**

From left to right

1.	**Jonathan Nzayikorera**	- *[Non Executive Director]*
2.	**M. Soundararajan**	- *[Non Executive Director]*
3.	**Richard Mugisha**	- *[Non Executive Director]*
4.	**Andreas Grenacher**	- *[Non Executive Director]*
5.	**Faustin Byishimo**	- *[Executive Director]*

6.	**Arun S. Mathur**	- *[Non Executive Director]*
7.	**Crystal Rugege**	- *[Non Executive Director]*
8.	**Robin C. Bairstow**	- *[Managing Director]*
9.	**Bill Irwin**	- *[Chairman]*
10.	**Dr. Estelle Jonkergouw**	- *[Non Executive Director]*

Senior **Management**

Robin C. Bairstow
Managing Director

Faustin Byishimo
Executive Director and Div. Head of Business Development

Michael Obiero
General Manager / Operations & Internal Services

Louise Kagaju
Chief Internal Auditor

Diana Kwarisiima
Head of Human Resources

John Gatashya
Chief Finance Officer

Ngagi Kabarega
Chief Risk Officer

Norbert Mwanangu
Head of Retail

Benjamin Mutimura
Head of Corporate and institutional Banking

Cynthia Rwamamara
Head of Internal Control and Compliance

Callixte Nyilindekwe
Head of Business Banking

Blaise Pascal Gasabira
Head of Treasury

Nicolas Uwimana
Head of Legal

Alfred Baguma
Head of Credit

bank **information**

BOARD OF DIRECTORS

Bill Irwin – Chairman
Robin C. Bairstow – Managing Director
Faustin Byishimo – Executive Director
Richard Mugisha – Non Executive Director
Arun S. Mathur – Non Executive Director
Soundararajan Madabhushi – Non Executive Director
Dr Estelle Jonkergouw - Non Executive Director
Crystal Rugege - Non Executive Director
Jonathan Nzayikorera – Non Executive Director
Andreas Grenacher - Non-executive director
Bonaventure Niyibizi - Independent director
(Resigned 31st December 2017)

PRINCIPAL PLACE OF BUSINESS

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

REGISTERED OFFICE

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

BANKERS

National Bank of Rwanda
P.O. Box 531
Kigali
Rwanda

I&M Bank (T) Limited
Maktaba Square
Maktaba Street
P.O. Box 1509
Dar es Salaam
Tanzania

CORRESPONDENT BANKS

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

ING BELGIQUE S.A
Avenue Marnix 24
B- 1000 Bruxelles
RPM Bruxelles

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

Bank One Limited
16 Sir William Newton Street
Port Louis
Mauritius

AUDITORS

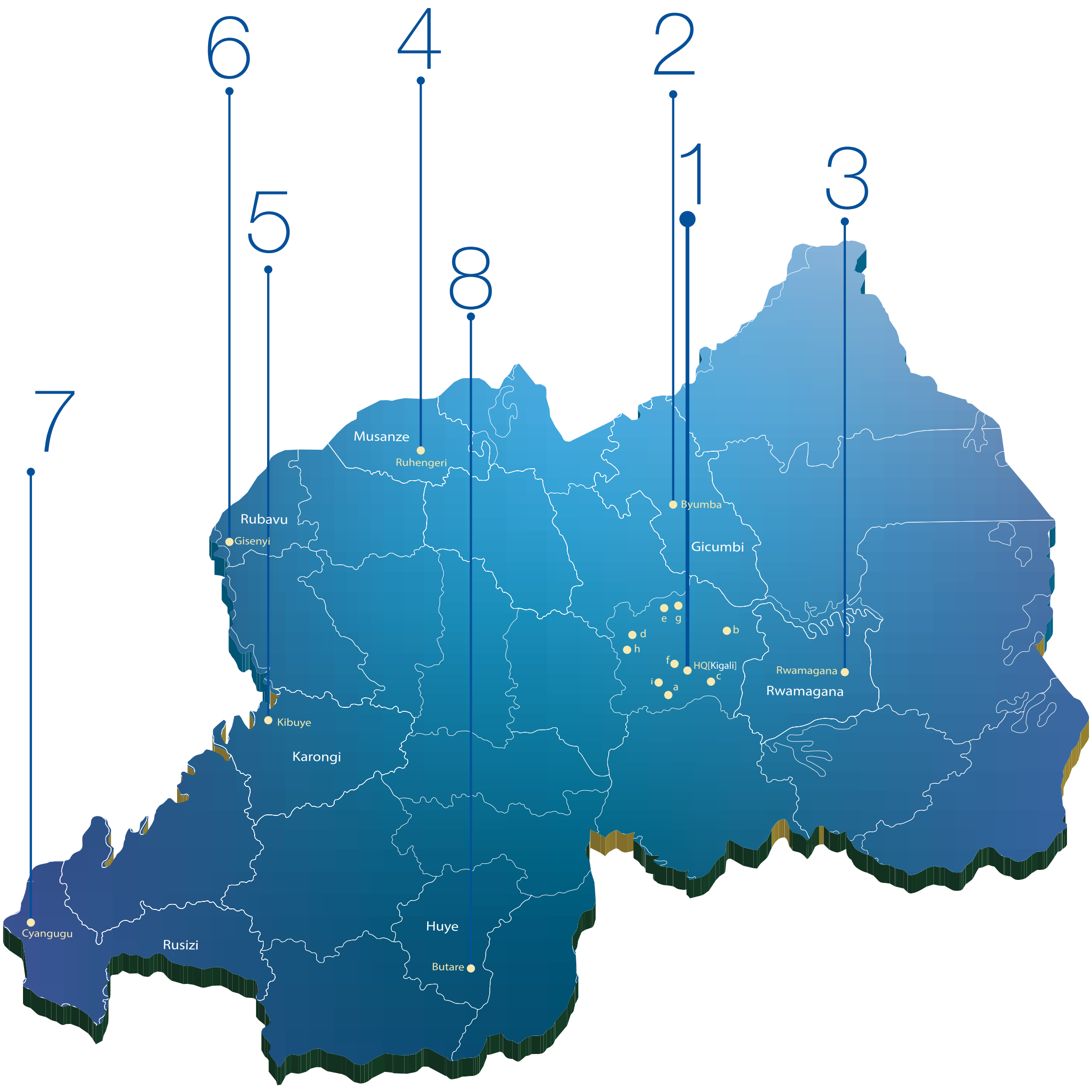
PricewaterhouseCoopers Rwanda Limited
5th Floor Blue Star House
Blvd de l'Umuganda, Kacyiru
P.O Box 1495,
Kigali, Rwanda

SECRETARY

Lena Militisi
KN 3 AV/9
P.O. Box 354
Kigali
Rwanda


WHEN IT'S TIME TO OWN YOUR DREAM HOUSE
We are on your side

our locations



OUR LOCATIONS

[1] Kigali *(Head Office)*
[a] Remera
[b] Nyamirambo
[c] CHIC
[d] Nyabugogo
[e] Kenya Airways *(Cash & Deposit Counter)*
[f] Magerwa *(Cash & Deposit Counter)*
[g] KCM *(Kigali City Market)*
[h] Kigali Heights
[2] Gicumbi
[3] Rwamagana
[4] Musanze
[5] Karongi
[6] Rubavu
[7] Rusizi
[8] Huye

our locations

HEAD OFFICE - RWANDA
KN 3 Av / 9
Tel: +250 788 162 026
Customerservices@imbank.co.rw

REMERA
Gasabo District
Tel: +250 788 162 161

NYAMIRAMBO
Nyarugenge District
Tel: +250 788 162 188

NYABUGOGO
Nyarugenge District
Tel: +250 788 162 162

CHIC COMPLEX
Nyarugenge District
Tel: +250 788 162 198

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

KIGALI HEIGHTS
Gasabo District
Tel: +250 788 162 160

KENYA AIRWAYS
(Cash & Deposit Counter)
Nyarugenge District (UTC Building)
Tel: +250 788 162 026

MAGERWA
(Cash & Deposit Counter)
Kicukiro District (MAGERWA office)
Tel: +250 788 162 169

RUSIZI
Rusizi District
Tel: +250 788 162 164

RUBAVU
Rubavu District
P.O.Box 169
Western Province
Tel: +250 788 162 197

MUSANZE
Musanze District
P.O. Box 120
Musanze Rwanda
Tel: +250 788 162 170

GICUMBI
Gicumbi District
Tel: +250 788 162 165

RWAMAGANA
Rwamagana District
Tel: +250 788 162 174

KARONGI
Karongi District
RSSB Building
Tel: +250 788 162 181

HUYE
Huye District.
P.O.Box 616 Huye Rwanda
Tel: +250 788 162 163

HEAD OFFICE - TANZANIA
I&M Bank (T) Limited: Maktaba Square,
Maktaba Street.
Tel: +255 22 2127330 - 4.

HEAD OFFICE - KENYA
I&M Bank (Kenya) Limited:
Kenyatta Avenue: I&M Bank Tower.
Tel: 254-20-3221001.

HEAD OFFICE - BANK ONE, MAURITIUS
16 Sir William Newton Street,
Port Louis, Mauritius.
Tel: (230) 202 9200.


WHEN YOUR BUSINESS NEEDS QUICK SOLUTIONS
We are on your side

news and CSR

NEWS

Construction of new HQ building starts

Construction work on the new I&M Bank Rwanda Head Office commenced in January 2017 and is slated to end in July 2019. After completion, the building will create a modern working environment for staff and improve customer satisfaction. It will also serve as office place for other different companies and is set to transform the Kigali city skyline.

Offer for sale

On February 14, 2017 as part of its ongoing divestiture program, the Government of Rwanda announced to the public the offer for sale of 99,030,400 shares which represents 19.81% of the issued share capital of I&M Bank Rwanda Ltd. And in only 3 weeks, the OFS had a 209% over-subscription and now the Bank is listed on the Rwanda Stock Exchange where the share value has remained relatively stable throughout the year.

I&M Board Chairman Bill Irwin (right) signs IPO documents with Finance Minister Claver Gatete on Tuesday.

news
and CSR

Core Banking System

In Q3 the Bank started the migration of the core banking system from Delta to Finacle 10 in alignment with I&M Group. Test cases and scenarios are currently ongoing and the project is expected to last 18 months and projected to go live in August 2018.

Support to SMEs

I&M Bank Rwanda signed an agreement with The Development Bank of Rwanda (BRD) for it to extend a facility worth €6 million to finance export-oriented SME's under the Export Growth Fund. The loan agreements were signed on 30th March 2017 between BRD's CEO and I&M Managing Director Robin C. Bairstow.

The credit line is part of a Financing and Project Agreement between BRD and the German Development Bank (KfW), to provide loans to financial institutions for on-lending to export-oriented SME's as well as capacity building to support the implementation of the project. SORWATHE a renowned tea factory benefited from the facility and it has boosted their exports remarkably.

Branch update

In the first quarter, I&M Bank Rwanda relocated its Kacyiru Branch to a modern and spacious space at Kigali Heights. The branch is now the home of Select Banking which is a service that offers targeted customer segment a highly personalized approach to banking. The Bank also undertook a revamp of branch operations and as part of the exercise, added customer service representatives and business advisors in each branch to make customers' banking experience more outstanding and hospitable.

news
and CSR

Customer outreach

In the month of October, I&M Bank Rwanda joined the whole world in celebrating the customer service week. To exceed customers' expectations, banking halls were decorated, special dress codes all week long was introduced, snacks for all walk-in customers and senior managers visiting customers in different branches bearing gifts and so much more. It was a celebration.

To reach all categories of their customers, I&M Bank Rwanda Board of Directors also organized a dinner for top corporate and business customers that took place on the 29th November 2017 at Kigali Serena Hotel. Customers enjoyed a dinner with board members and the Bank's senior managers. It was also an opportunity to introduce to the guests new board members and say goodbye to the outgoing ones.

And to close the year, the Managing Director resumed his branch visits where he visited different branches and customers' businesses across the country, he also met up with top customers in these branches over lunch or dinner to thank them for their continued partnership. Customers also got a chance to give feedback to the MD on how the Bank can make their banking experience more delightful.

Strategy development

In Q3, I&M Bank Rwanda carried out a review of its 5 years strategy. The Bank's emphasis will be placed on sustainable growth through leveraging technology, a strong staff base and customer focused business development.

news and CSR

Kira campaign 2017

On September 1st, 2017 I&M Bank Rwanda launched the 2nd Edtion of KIRA Account Opening campaign with the tagline of "BIBA USARURE" with an objective of spreading financial inclusion to different segments of society to enable them access, to reliable financial services.

During this campaign 3 new products were launched, Malaika women's account, FuturePro student's account and Young Savers and a new segment was added to the current account which is called Young Professionals, to promote affordable banking for those previously unbanked and this resulted into the Bank gaining more than 5700 new relationships.

Other activities

As the main sponsor of Rwanda Children's Cancer Relief (RCCR) activities since its creation in 2014, I&M Bank Rwanda participated in different Awareness activities like the Childhood Cancer Awareness annual walk on Friday, 22nd September 2017 and they joined the monthly community service day known as Umuganda in Kamonyi District in August. Both platforms were used to discuss key subjects including most common childhood cancers, symptoms, early detection and patient care. The Bank also covered insurance for 1500 residents in 5 districts Rusizi, Gicumbi, Huye, Karongi and Rwamagana where they also built latrines and planted trees in Muhazi Sector.

In the education sector, the Bank in partnership with Edified Generation Rwanda, sponsored school fees and materials for 10 best performing student in need and to encourage literacy, I&M Bank Rwanda also sponsored the Rwanda National Spelling Bee competition .

For the 3rd year in a row, I&M Bank Rwanda in partnership with AIESEC hosted 60 students. These students got a chance to follow a presentation on the benefits of saving and steps of developing a good spending and saving habits. They also had an opportunity to visit different departments of the bank to learn how banks operate and to get inspired for future careen paths.

news
and CSR

Kwibuka 23

Day One, in Rwintashya Sector – Ngoma District in the eastern province, I&M Bank Rwanda refurbished Mutsindarwejo's house, and she was given food and electricity. She is a genocide survivor recovering from mental illness as a direct result of the trauma.

On day Two, I&M Bank Rwanda had a night vigil to honor the memory of the 1994 Tutsi Genocide among them 22 staff members of our Bank. In the MD's remarks, he said that the bank is committed to help improving Genocide survivors' welfare and to keep contributing in the country's rebuilding process.


WHEN YOU NEED
FAST LOANS
We are on your side

report
of the directors

The directors have pleasure in submitting their Annual report together with the audited financial statements for the year ended 31 December 2017, which disclose the state of affairs of the I&M Bank (Rwanda) Limited (the "Bank"/"Company").

1. ACTIVITIES

The Bank is engaged in the business of banking: Banking is a business activity of accepting and securing money owned by individuals and enterprises, which also involves transactions carried out to produce profits. It is a principal procedure which creates and controls the money supply of the country.

It not only provides liquidity needs for businesses and families to invest for the future but also makes use of its deposits to give out loans. The loan can either be short term or long term and it claims repayment in the form of installments. The Bank also charges a certain amount of rate of interest on the amount sanctioned. The deposits collected from the customers can be of different types, namely savings, fixed, current and recurring deposits, respectively.

2. RESULTS

As at 31 December 2017, profit before income tax for the year was Frw 9.8 billion (2016: profit of Frw 8.4 billion). Net interest income increased from 14.6 billion in 2016 to 17.5 billion in 2017 in correlation to the increase in the loans which increased from Frw 111.0 billion to Frw 146.5 billion in 2017.

The results of the Bank for the year are set out on page 54.

3. DIVIDEND

The directors have recommended payment of dividend with respect of the year ended 31 December 2017 of Frw 2,605,000,000 (2016: Frw 2,322,000,000) which represents Frw 5.16 per share (2016: Frw 4.64 per share)

4. DIRECTORS

The directors who served during the period and to the date of this report were:

Bill Irwin	Chairman - Independent director
Richard Mugisha	Independent director
Soundararajan Madabhushi	Independent director
Arun S. Mathur	Non-executive director
Jonathan Nzayikorera	Non-executive director
Andreas Grenacher	Non-executive director (appointed on 24th January 2017)
Crystal Rugege	Independent director (appointed on 20th November 2017)
Robin C. Bairstow	Managing director
Faustin Byishimo	Executive director
Dr Estelle Jonkergouw	Independent director (appointed on 02nd March 2018)
Bonaventure Niyibizi	Independent director (resigned on 31st December 2017)

5. AUDITOR

PricewaterhouseCoopers Rwanda Limited were appointed as external Auditors of the Bank during year and have expressed their willingness to continue in the office.

By order of the board Company Secretary

14 march

……………………/…………………………… 2018

Date

statement of directors' responsibilities

The Law No 27/2017 of 31 May 2017 governing companies requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Bank as at the end of the financial Period and of its operating results for that year. It also requires the directors to ensure the Bank keeps proper accounting records which disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates in conformity with International Financial Reporting Standards and the requirements of Law No 27/2017 of 31 May 2017 governing companies. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Bank will not remain a going concern for at least the next twelve months from the date of this statement.

The year-end financial statements on pages 54 to 109 were approved and authorized for issue by the

Board of Directors on 14 March 2018 and signed on its behalf by:-

....
Director

....
Director

statement on corporate governance

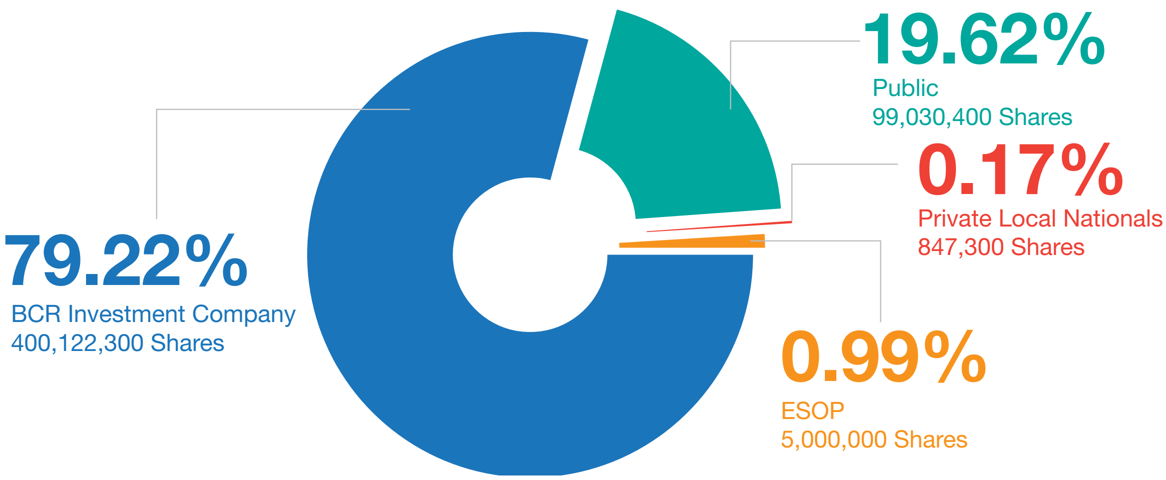
The hallmark of I&M Bank Group's Corporate Governance Framework is a Group-wide commitment to ensure that the highest standards of Corporate Governance are implemented and upheld in all its entities. This in turn ensures that the Group maintains and promotes high standards of integrity, transparency and accountability across all levels, and in particular that at each level, each entity is well and honestly run, generating long term shareholders value.

The listing of I&M Bank Rwanda on the Rwanda Stock Exchange in March 2017, combined with focus from the regulators on Corporate Governance matters have enhanced the need for the Board to ensure that the Bank' Governance framework remains adequate in the light of the obligations that entails to the Bank as a listed company but also in the light of the numerous reforms that financial institutions are ongoing in an ever changing and rapidly growing environment in East Africa and in particular in Rwanda.

This report describes how with the status of a newly listed entity which entails several obligations toward the public, the Bank remains not only compliant with Corporate Governance Guidelines issued by the National Bank of Rwanda, the Capital Market Authority and Rwanda Stock Exchange regulation but also remains committed in adopting best practices and creating a culture of good practices.

SHAREHOLDERS' PROFILE

As at 31st December 2017, the Bank has an authorized share capital of Frw 6 billion divided into 600,000,000 Ordinary shares with a par value of Frw 10 per share. 505,000,000 shares have been issued and fully paid for.



79.22% are owned by BCR Investment Company (BCRICL) a diversified investment company established in Mauritius.

The Bank has as shareholders through BCRICL: I&M Holdings Limited with 54.46%, DEG has 12.38% and PROPARCO 12.38%;

- I&M Holdings Limited is part of I&M Group which is a leader in the financial services industry in East Africa with a significant presence in the banking, insurance, real estate sectors and corporate advisory services; the Group comprises its banking entities (in Kenya, Tanzania, Mauritius and Rwanda), GA Insurance Company Limited, I&M Burbidge Capital Limited amongst others. Listed on the Nairobi Stock Exchange, I&M Holdings Limited is regulated by the Capital Markets Authority as well as by the Central Bank of Kenya as a non-operating holding company.

- DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH is one of the largest Development Financial Institution in Europe, wholly-owned subsidiary of KfW Group which is the development arm of the Deutche Government, promoting private sector companies to contribute to sustainable economic with a particular focus on projects and corporate finance.

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- PROPARCO - Société de Promotion et de Participation pour la Coopération Economique is also a leading Development Financial Institution, private sector financing arm of Agence Française de Développement (AFD). The institution provides loans, makes equity investments by acquiring minority interests held directly or indirectly in the capital of companies and also provides guarantees to help finance and support financial institutions and corporate private sector projects.

19.8% owned by the Government of Rwanda were listed through an IPO in March 2017: 19.62% are now held by the Public and 0.99% held under an ESOP by I&M Bank Employees.

The remaining 0.17% are owned by individual investors.

LEGAL STATUS OF THE BANK
The Bank is a Public Limited Company incorporated in Rwanda on 25th May 1963 and domiciled in Rwanda.

It has been incorporated under the name of Banque Commerciale du Rwanda (BCR) and later changed its name to I&M Bank (Rwanda) Ltd in 2013 after it change in majority ownership.

The Bank is governed by its Articles of Association. In March 2017, the shareholders have agreed to review the Bank' Articles of Association in order to reflect the requirement under the Banking Act.

THE BOARD OF DIRECTORS

ROLES AND RESPONSIBILITIES.

The Bank' articles of Association provides for a unitary board of up to ten directors.

Board Members are the link between Shareholders and Management of the Bank and are collectively responsible to lead and control the organization to enable it to attain its strategic objectives. The Board formulates the future direction of the institution of which planning, organizing and controlling are fundamental directions.

The primary responsibility of the directors is to exercise their business judgment to act in what they believe to be the best interests of the Bank and its shareholders. In discharging that obligation, directors rely on the honesty and integrity of the Bank's senior executives and its outside advisors and auditors. It is the Board's responsibility to take appropriate steps to protect and enhance the value of the assets of the Bank in the best interests of its shareholders. The Board ensures that at the heart of the organization there is a culture of honesty, integrity and excellent performance.

The Board is governed by a board charter that defines its roles and how powers and responsibilities are exercised. The charter also regulates board structure and composition, delegation of authority, board and committee meetings.

BOARD COMPOSITION
During the year under review, the Bank was governed by a unitary board of ten directors of which eight are Non-Executive Directors and two are Executive directors. Out of the eight Non-Executive directors, four are independent directors including the Board Chairman.

The Board has had one resignation during the year, namely Bonaventure NIYIBIZI (Independent Non-Executive Director), effective on the 31st December 2017 for personal reasons.

Crystal RUGEGE has joined the Board as an independent director on the 20th November 2017.

Estelle JONKERGOUW has also joined the board as an independent director on the 2nd of March 2018.

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The current composition of the Board and directors' profile are:

Bill IRWIN
Independent Non-Executive Director / Board Chairman
Year of Birth: 1944

Appointed as director in December 2004 and Board Chairman in October 2009.

Bill is an experienced banker with extensive cultural and commercial experience in strategy, business development, risk, and change management. Prior to joining I&M Bank Rwanda, he was employed for more than thirty years by Standard Chartered Bank serving in Africa, the US and Asia. Latterly he was Area General Manager with responsibility for their various businesses in South, Central, and East Africa.

Bill holds an AIB (Irl.)

Membership on Board Committees: BALCO, BRC Chairman, BCC, BAPRECO, BNC

M. SOUNDARARAJAN
Independent Non-Executive Director
Year of Birth: 1950

Appointed as director in July 2012.

Soundy is a career banker and financial services professional with extensive experience spanning 44 years in commercial and corporate banking, investment banking, general and life insurance, fiduciary services and wealth management.

He held senior positions in State Bank of India in India and New York, Standard Chartered group in India and Kenya, Commercial Bank of Africa and CFC Bank in Kenya where he served as Managing Director of both commercial banking and investment banking businesses. After a brief engagement as a consultant on the transaction advisory panel with PwC Kenya between 2011 and 2013, he is currently leading the Kenyan associate of a fiduciary services and corporate finance business with its head office in Jersey, Channel Islands.

Mr. Soundararajan serves on the Board of I & M Bank Kenya, insurance companies in Kenya and Tanzania and a logistics and equipment distribution business, listed on the Nairobi Securities Exchange.

Soundy holds a Master of Arts from Madras University, India.

Membership on Board Committees: BAC Chairman, BALCO Chairman, BCC Chairman, BRC

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Richard MUGISHA
Independent Non-Executive Director
Year of Birth: 1969

Appointed as director in February 2010.

Richard is a lawyer by profession and currently serves as the Managing Partner at the Trust Law Chambers which specializes in commercial Litigation and conveyance.

Richard brings to the board depth and expertise from managing transactions in the Energy, Banking and Finance sectors in Rwanda; as a current Member of Governing Council Kigali Bar Association and Disciplinary Committee of Chartered Public Accountants. He also participated as a member on the Rwanda Financial Sector deepening planning committee and the National Committee for Regional integration.

In November 2016, he was elected as the President of the East Africa Law Society

Richard holds a Master of Laws (LLM) from the New York University, School of Law

Membership on Board Committees: BNC, BCC and BAPRECO Chairman

Arun S. MATHUR
Non-Executive Director
Year of Birth: 1953

Appointed as director in July 2012.

Arun is an experienced Banker with his career spanning over 40 years in India, Kenya, and the Middle East. He started his banking career in 1976 with the State Bank of India. He later joined Grindlays Bank, India in 1982, and worked in their office in Nairobi, Kenya from 1990 to 1994. He then worked for several banks in Eastern Africa until he joined I&M Bank Ltd in 2000 and was promoted as CEO in 2002.

Mr. Mathur has served as a director of I&M Bank Ltd (Kenya) until May 2016 until his retirement as the CEO after a successful stint of 14 years, Bank One Mauritius, I&M Bank (T) in Tanzania as well as Kenswitch in Kenya.

Arun holds a B. Tech (Hons) Metallurgical Eng. Banaras Hindu University (BHU), Varanasi, India.

Membership on Board Committees: BAC, BALCO, BRC, BCC, BAPRECO,BNC

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Robin BAIRSTOW

Managing Director
Year of Birth: 1966

Appointed as director in September 2015

Robin has 23 years of experience in the financial services sector, having worked in both local and international banking organizations. Prior to his appointment, he held senior positions at Standard Chartered Bank across Central Africa, East Africa and South-East Asia.

Robin is a graduate of the SMNA General Botha with a Dip. In Bus Man.CIBM (SA)

Membership on Board Committees: BALCO, BRC, BCC, BAPRECO

Andreas GRENACHER

Non-Executive Director
Year of Birth: 1974

Appointed as director in February 2017.

Andreas is currently working as the Managing Director for the regional Corporate Finance boutique, DGP Advisory.

Before joining DGP Advisory, Mr Andreas held senior positions in the corporate finance and asset management divisions of the German Development Corporation (DEG), at Deutsche Bank and Credit Suisse and worked in Nairobi, London, Frankfurt and Zurich. He has more than 17 years of experience in the finance sector.

Crystal RUGEGE

Independent Executive Director
Year of Birth: 1979

Appointed as director in November 2017

Crystal is currently working with Carnegie Mellon University Africa (CMU-Africa) as the Director of Strategy and Operations. Prior to joining Carnegie Mellon University, she worked at IBM's Silicon Valley Lab as a software engineer and also as a technology consultant providing IBM's customers with business intelligence solutions. She joins the Board with experience in the technology and education fields.

She has a bachelor's degree in computer science from Grambling State University and master's degree in information systems and management from Carnegie Mellon University.

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Dr. Estelle JONKERGOUW
Independent Non-Executive Director
Birth date: 1960

Dr Jonkergouw was Appointed as a director in March 2018

She currently works as interim professional providing advice and support to strengthen the Financial Risk Management Department.

She has also developed executive risk management trainings and teaches in this field at the Dutch Actuarial Institute and at University of Amsterdam.

She has previously held risk management functions within the banking at Rabobank as the Senior VP - Head Risk Model Validation and Methodology, at Lloyds Bank as the Head of Risk Management and Compliance, Group Risk Management and at ACHMEA where she set up a Financial Risk Management function, implemented a Risk Management Framework for solvency II; she had also worked in the insurance industry making her an expert in enterprise risk management.
Estelle holds a PhD in Econometrics

Jonathan NZAYIKORERA
Non-Executive Director
Year of Birth: 1983

Appointed as director in May 2013

Jonathan is currently the Head of Fiscal Decentralization in the Ministry of Finance and Economic Planning of Rwanda and has occupied several other positions over the last 8 years in the Ministry.

With his experience in public finance management, economic policy management as well as in revenue mobilization, he constitutes a valuable asset to the sound management of the bank.

He holds a Master of Sciences in Economics at the National University of Rwanda.

Membership on Board Committees: BAC, BALCO, BCC

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Faustin BYISHIMO
Executive Director
Year of Birth: 1978

Appointed as director in December 2015

Faustin has served the Bank under various senior positions that include his recent tenures as Head of Corporate Banking and previously Head of Retail Banking. As the Division Head for Business Development, he oversees all the business segments i.e. Corporate, Business and Retail Banking as well as the Transactional Banking Service, Electronic Banking and Product Development functions of the Bank.

Membership on Board Committees: BALCO, BRC, BAPRECO

Bonaventure NIYIBIZI
Independent Non-Executive Director
Year of Birth: 1954

Bonaventure was appointed as director in December 2015 and resigned as at 31st December 2017

Bonaventure comes with an extensive experience in the public and private sector and has played a major role in the creation and implementation of policies during his service at the Ministry of Commerce, Cooperatives and Industries and the Ministry of Energy and Natural Resources. Before joining the public, Mr. Niyibizi had long served with the United States Agency for International Development and Managing Director of COGEBANK for almost 4 years.

Bonaventure holds a Degree in Agricultural Economics and he is currently pursuing a MBA (Finance) program.

Membership on Board Committees: BAC, BALCO, BCC

The unique collective experience of our Board members provides a superior mix of skills and qualifications as required by the Board, in not only discharging its responsibilities and providing a strategic vision and direction for the Bank, but more importantly also adds value and brings in the element of independent judgment and risk assessment to bear on the decision making process.

The appointment of new directors follows a rigorous and transparent procedure: appointment to the Board are done by the whole Board of Directors after receiving recommendation from the Nomination Committee, thereafter, each director is provided with a letter of appointment.

During the year under review, the Board has appointed two female directors, one with extensive experience in risk environment, and the other with extensive experience in IT.

The two new joining directors have undergo induction programs which consists of receiving a pack including main Bank' policies and procedures, Board and Management Terms of Reference and such other useful documents but also meetings with other directors and senior executives of the Bank.

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BOARD MEETINGS

The Board has in place an annual calendar. The Board meets at least quarterly each year for scheduled meetings and on other occasions when required to deal with specific matters between scheduled meetings.

Meetings packs are circulated well in advance to the directors facilitating meaningful deliberations therein. The utilisation of an electronic board pack software has streamlined the process.

Directors have full and unlimited access to the Bank's records and consult with employees and independent professional advisors, as the Board or its committees deem appropriate.

During the year under review, four scheduled Board meetings were held, save for the Nomination Committee which met once since its establishment in June 2017. In addition, a strategy session was held in conjunction with the September Board meeting. A number of directors made site visits during the year. Attendance for the year has been generally excellent reflecting high level of commitment , all members attended at least 75% of the meetings held during the year.

BOARD COMMITTEES

In order to meet all legal and regulatory requirements and effectively discharge its duties, including the exercise of adequate oversight over the Bank' activities, the Board delegates some of its functions to specialized Board and Management Committees. From time to time, the Board has also delegate some specific assignment to directors or other parties to better guide the Board which requires significant expertise. It's worth noting that the delegation does not discharge the Board its' fiduciary duties.

The Board has set up six Board Committees and several top level Management Committees to assist in discharging its responsibilities in accordance with approved terms of reference (ToRs). The Board reviews periodically the Committees' ToRs, as well as membership.

During the year under review, in June 2017, the Bank has formally established a Board Nomination Committee comprised by 3 Non- Executive Directors, two of whom are independent. The Committee evaluate the balance of skills, knowledge and experience and in the lights of this prepare description of the role, skills required for a particular new appointment.

BOARD AUDIT COMMITTEE (BAC)

BAC assists the Board in fulfilling its responsibilities by reviewing financial reporting, ensuring that internal control systems are in place, providing oversight of the internal and external auditors and ensuring that management is taking appropriate corrective actions in a timely manner. The Committee also provides a linkage between the Board and the National Bank of Rwanda by reviewing inspection report; the Committee consider any matter of significance raised at the BRC.

The Committee meets quarterly and in accordance of the regulatory requirement is comprised with three NED and chaired by an independent NED.

BOARD RISK COMMITTEE (BRC)

BRC assists the Board in fulfilling its responsibilities by reviewing recommendations on risks: recommends the Bank' overall Risk Appetite, tolerance and strategy, reviews the Bank' risk profile on an ongoing basis; the Committee is responsible for translating the Risk Management Framework established by the Board of Directors into specific policies, processes and procedures that can be implemented and verified within the different business units, so that risks faced by the Bank are adequately considered and mitigated in line with guidelines issued by the National Bank of Rwanda. It also ensure the Business Continuity Plan is formulated, tested and reviewed periodically.

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It meets quarterly to advise the Board in matters pertaining to principal risks including credit, operational, liquidity, regulatory and compliance risks

The Committee is chaired by an independent NED and comprised of five directors out of which four are NED.

BOARD CREDIT COMMITTEE (BCC)

BCC is responsible for the review of the Bank's overall lending policy and management of credit risk by putting in place an appropriate credit policy, conduct independent loan reviews - by reviewing the Bank credit portfolio on ongoing basis, delegation and review of lending limits, deliberate and consider loan application beyond discretionary limits of Management, ensure statutory compliance. The Credit Risk Management Committee (CRMC) assists the BCC in its role.

The Committee meets quarterly. It is chaired by an independent NED and comprised with six members of which five are NED.

BOARD ADMINISTRATION & REMUNERATION COMMITTEE (BAPRECO)

BAPRECO reviews Bank' remuneration practices, oversee the Human Resources Management responsibilities by reviewing the Human Resources policy on ongoing basis, guide the HR in all matters relating to staff relations and welfare;

The Committee is also responsible for reviewing and approving significant procurement proposals as well as proposed consultancy assignments and unbudgeted capital expenditure. The Committee review also the Bank' authorized signatories, and authorization limits.

BAPRECO meets quarterly and it is chaired by an independent NED and it is comprised with five NED.

BOARD ASSETS & LIABILITIES COMMITTEE (BALCO)

BALCO is ultimately responsible for effective asset/liability Management and for establishing and reviewing the asset/ liability Management Policy and ensuring that the Bank's funds are managed in accordance with this policy. The Committee establishes broad guidelines on Bank' tolerance for risk, review performance against limits; it also reviews and submit for approval to the board limits within which Treasury function operates for its forex and money market. The Committee reviews the budget before recommendation to the Board.

The Committee meets quarterly and it is chaired by an Independent NED and comprised with six members of which four are NED.

BOARD NOMINATION COMMITTEE (BNC)

The BNC reviews the structure, the size and composition of the board and its committees as well as succession planning for Directors. It also leads the process of identifying and recommend for approval by the Board candidates in case of vacancies.

The Committee meets twice a year or more frequently as required and it is comprised with three members all of whom are NED.

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TRAINING AND DEVELOPMENT

Continuous training is necessary to cope with the various changes in the business environment. The Board has the duty to keep abreast with industry, legal developments.

During the year under review, the Directors have attended workshop and trainings including on Corporate Governance, strategic Leadership, Information Security, and IFRS 9;

BOARD EVALUATION

The Bank has in place an effective process of evaluating the Board's Chairman's and individual Directors performance, on an annual basis. This performance evaluation process is reviewed periodically to incorporate global best practice and any amendments issued by the National Bank of Rwanda, the Regulator, from time to time.

CONFLICT OF INTEREST

In accordance with the Board Charter, Directors are committed to avoiding instances that may give rise to conflicts of interests or which may be perceived by others as conflicting situations. Full information on any conflict or potential conflict of interest must be made known to the Board and fellow directors and the onus will be on the directors to advise the Board on any change in their situation.
On declaration of his/her interest, the concerned Director shall not participate in the discussions and / or decision making process on the transaction in relation to which conflict arises. The transaction may however be concluded and approved at market terms and conditions. Related party transactions will also be disclosed in accordance with disclosure requirements and accounting policies and standards.

SHAREHOLDERS' INTERACTION

The Board recognizes the importance of transparency and accountability to shareholders. In this regards, the Board has put in place various initiatives to facilitate regular, effective and fair communication with shareholders.

The Board communicates with the Board through Annual General Meeting, publication of Annual reports but also through its regularly updated website for general information, Bank' initiatives, Investors Briefing.

During the year under review, an email address for investor queries has been created- invest@imbank.co.rw, an Investor Relations Officer has been hired which duties are among other to be the point of contact of shareholders, organize shareholders events, facilitate investor information requests, handle financial results release, maintain effective communication with shareholders

GOVERNANCE PRINCIPLES

The Board ensures that Accountability among staff is enhanced through a system of objective goal setting and periodic performance appraisals. Additionally, the Board has delegated financial and other powers with clearly defined accountabilities for each.

In order to ensure that high levels of efficiency and effectiveness are maintained, the Bank has a good pool of well-trained staff with the appropriate skills required to perform their duties. Further, the Bank ensures that all staff undergo regular training to improve and develop their skills.

The Code of Ethics that all staff are expected to adhere to, encompasses, inter alia, matters touching upon safety and health, environment, compliance with laws and regulations, confidentiality of customer information, financial integrity and relationships with external parties. This Code of Ethics is reviewed periodically and amendments incorporated if necessary.

statement on corporate governance

EXECUTIVE MANAGEMENT

The conduct of the business is entrusted to Senior Executives which operates within the approved Bank strategy, policies and procedure approved by the Board. The Management Committee committees provide the link between the Board and senior management.

Executive Committee (EXCO)

This provides the link between the Board, Top Management and Department Heads. It is responsible for reviewing and benchmarking the Bank's financial and business performance, review of progress of special projects and identification of risks or opportunities in addition to providing a platform for review of new products, initiatives & ideas and developments in the banking industry and impact of changes in regulations / legislation.

Assets & Liabilities Committee (ALCO)

The Bank's Assets & Liabilities Committee primary functions include measurement, management and monitoring of liquidity, interest rate, foreign exchange and equity risks of the Bank in order to protect the Bank's net worth from adverse movements of market.

Credit Risk Management Committee (CRMC)

This Committee is the link between the Board and Management in terms of establishing and implementing the credit and lending policies of the Bank. It is responsible for the sanction of credit proposals in line with the Bank's Credit Policy, effective management and follow-up of all credit-related matters and review of Non-Performing Accounts.

Human Resources Committee (HRC)

This committee assists the Board in fulfilling its Human Resource Management responsibilities with due recognition to this key resource. HRC oversees implementation of all major HR initiatives, rendering support and guidance as appropriate. It also facilitates periodic review of the Bank's HR policies and practices to ensure the Bank remains competitive and able to attract and retain competent Talent for its business.

IT Steering Committee (ITSC)

This committee has been set up to enhance ICT governance in a growing ICT enabled banking environment with emphasis on assessment and management of ICT risks, ensuring optimum use of ICT resources, determining prioritization of ICT investments in line with the Bank's strategy, monitoring service levels and adopting best practices.

Executive Risk Committee (ERC)

The Executive Risk Committee assists the Board of Directors in carrying out its role and is responsible for the Risk Management Program.

The committee oversees I&M Bank (Rwanda) Limited risk management program by ensuring that all risks are identified, measured, assessed, controlled and monitored within I&M Bank (Rwanda) Limited thereby minimizing loss, making sure that all risks are contained within the limits recommended to and approved by the Board. Engaging the respective Risk Type Owners as the risks reside and are managed in their respective areas and ensuring the effective management of Compliance, Operational, Strategic, and Reputational risk throughout the Bank in support of the strategy, in line with the risk appetite and the Governance, Risk and Control framework.

enterprise risk **management framework**

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

Embedding Bank-wide Enterprise Risk Management Culture

The Bank's risk culture is driven by the tone and statements from the Board of Directors on zero tolerance for non-compliance with internal policies and regulatory guidelines. This is in addition to Senior Management Oversight of the Bank's risks on a day to day basis led by the Managing Director. As part of the initiatives to embed an Enterprise Risk Management Culture across the Bank, annual risk refreshers are done to educate and embed risk culture in our day to day decision, this in addition to bank-wide trainings conducted on Enterprise Risk Management, Anti-Money Laundering and Terrorists Financing. We have made good progress on embedding this risk culture and increased focus on frontline ownership of risk as we entrenched the three lines of defence for the implementation of our Enterprise Risk Management Framework. This risk culture has facilitated more dynamic risk identification and enables us to establish a clear linkage between strategic decision making and risk management, as well as identifying and managing correlations across risk types.

RISK MANAGEMENT APPROACH

The Risk Management department & Compliance department are responsible for optimising the risk and return opportunities inherent in the business operations. The risk management infrastructure encompasses a comprehensive and integrated approach to identifying, managing, monitoring and reporting risks with focus on Credit risk, Strategic risk, Market risk, Operational risk, Liquidity risk, Compliance risk, Reputational risk, Legal risk and Information Technology Risks.

Risk Response

The Bank responds to risk events through identification and evaluation of possible actions or developing options to enhance opportunities or reduce the threats created by the risk. This occurs through any of the following ways:

- Evaluating options in relation to the entity's risk appetite, cost vs. benefit of potential risk responses, and degree to which a response will reduce impact and/or likelihood.
- Selecting and executing responses based on evaluation of the catalogue of risks. Risk response strategies are:
  - Avoid the risk by avoiding the business activity that is not within the appetite.
  - Transfer the risk to another party – insurance.
  - Share the risk – common among the multinational and regional banks.
  - Reduce or mitigate the risk by increasing level of controls.
  - Accept the risk.
  - Reject the risk.
  - Delay the risk until another time.

CREDIT RISK MANAGEMENT

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

The Relationship Management Team and Business Heads are the risk owners and the first line of defence since they are the originator and underwriter of credit applications and expected to identify, assess and mitigate risks inherent in each application based on the Bank's credit risk strategy, appetite and policy. The Credit team provides a second level independent review and is responsible for identifying, controlling, monitoring and reporting credit risk related issues. The team also serves as the secretariat for the Credit Risk Management Committee. Credit risk is the most critical risk for the

enterprise risk **management framework**

Bank as credit exposures, arising from lending activities account for the major portion of the Bank's assets and source of its revenue. Thus, the Bank ensures that credit risk related exposures are properly monitored, managed and controlled.

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

MARKET RISK MANAGEMENT

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

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

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

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

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

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

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

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

In addition to all of the above, ALCO also monitor trends and development in the foreign exchange and fixed income markets to ensure that business units keep within the Bank's market risk appetite threshold.

OPERATIONAL RISK MANAGEMENT

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

The first line of defense has the responsibility to conduct inherent risk assessment of their third party services, outsourcing, project management activities, processes, products, people and system and proffer adequate controls to mitigate the identified risks while the Operational Risk Management team

enterprise risk **management framework**

provides independent review of such assessment to ensure it is adequate enough to mitigate the identified risks, monitor emerging risks implications on the bank and response to major disruptions and external threats.

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

The Board has articulated the broad operational risk appetite through a quantitative statement in line with the bank's overall risk management objectives. The board approved the operational loss risk tolerance of 1% of Profit Before Tax.

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

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

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

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

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

LIQUIDITY RISK MANAGEMENT

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

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

STRATEGIC RISK MANAGEMENT

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

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

enterprise risk **management framework**

INFORMATION TECHNOLOGY RISK

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

MANAGEMENT OF CYBER RISK

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

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

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

COMPLIANCE RISK MANAGEMENT

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

RISK APPETITE

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

AML PROGRAMME

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

I&M Bank (Rwanda) Limited has an Anti-Money Laundering system that tracks the watch lists and sanctions lists under the UN sanctions in addition to monitoring all transactions.

enterprise risk **management framework**

COMPLIANCE RISK GOVERNANCE

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

REPUTATIONAL & SOCIAL MEDIA RISK MANAGEMENT

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

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

Risk arises when the Bank's reputation is exposed from negative publicity from one or more reputational/ social media events regarding the organization's business practices, services, staff conduct or financial condition. It measures the change in perception of the Bank by its stakeholders. It is linked with customers' expectations regarding the Bank's ability to conduct business securely and responsibly.
All staff are brand ambassadors of the Bank and are expected to conduct their services to the client in a professional and dignified way while Marketing Communications department is the risk owner and saddled with managing the bank's brand and visibility. The department is mandated to protect the Bank from potential threats to its reputation. The team continuously uses proactive means in minimizing the effects of reputational events, thereby averting the likelihood of major reputational crises with the view of ultimately ensuring the survival of the organization.

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT

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

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

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

BASEL IMPLEMENTATION

As part of the bank's ERM Implementation Road Map and migration to the Global best practice in Risk Management, we commence implementation of Basel II & III in the following risk areas:

- Liquidity Risk – adoption and implementation of Basel III metrics on liquidity Risk- Liquidity Coverage Ratio and Net Stable Fund Ratio as a regulatory requirement.
- Credit Risk Impairment- IFRS 9 Implementations: we commenced implementation of IFRS 9 impairment on loan portfolio.


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report of the independent auditor to the **members of I&M Bank (Rwanda) Limited**

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our Opinion

In our opinion, I&M Bank (Rwanda) Limited's (the "Bank" / "company") financial statements give a true and fair view of the financial position of the Bank as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in accordance with law no 27/2017 of 31May 2017 governing companies.

What we have audited

I&M Bank (Rwanda) Limited's financial statements are set out on pages 54 to 109 and comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- 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 Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional 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.

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Tel: +250 (252) 588203/4/5/6, www.pwc.com/rw

Directors: B Kimacia, A Eriksson, F Gatome, M Nyabanda

report of the independent auditor to the **members of I&M Bank (Rwanda) Limited**

IMPAIRMENT OF LOANS AND ADVANCES As disclosed in note 3, the directors make complex and subjective judgements over both the timing of recognition, and the estimation of the magnitude of impairment of loans and advances to customers. Specific provisions are held for each of the identified loans. Unidentified impairment on the other hand is made when impairment has not been specifically assigned. Specific provision (identified impairment) for loans and advances to customers is individually calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate of the loan. The key judgement applied is in determining the cashflow to be discounted for each impaired loan. This also involves directors estimating the period it will take to recover the collateral and what value to assign to the collateral. Unidentified impairment is calculated based on historical performance of provisions booked over a three year period based on qualitative and quantitative assessment of the portfolio. The key judgement applied by the directors is on the emergence period used. Emergence period is the time it takes for the Bank to identify an amount of loss incurred from a specific borrower.	We focused our audit on the following areas relating to the determination of the provision for impairment: • The completeness and accuracy of classification of the customers' accounts that are included in determining the identified impairment; • The principal assumptions underlying the calculation of identified impairment, in particular the timing and quantum of future expected cashflows; • The model methodology for unidentified impairment and the appropriateness of the emergence period applied. We assessed and tested the design and operating effectiveness of the controls used in the impairment estimates. These controls included those over the identification of loans and advances that were impaired and the calculation of the impairment provisions. Where impairment was individually calculated, we tested a sample of loans and advances to ascertain whether the loss event (that is the point at which impairment is recognised) had been identified in a timely manner. Where impairment had been identified, we examined the forecast of future cash flows prepared by management to support the calculation of the impairment provisions, challenging the assumptions and comparing estimates to external evidence where available. For the unidentified impairment, our audit procedures included the following: • Testing completeness of underlying data and reports used in the unidentified impairment model. • Assessing the appropriateness of the emergence period based on industry benchmarks and sensitivity analysis.

Other information

Directors are responsible for the other information. The other information comprises Bank information, other disclosures, report of the directors and statement of directors' responsibilities but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the chairman's statement, CEO highlights, board of directors, senior management, our locations, news and CSR, Enterprise risk management framework and statement on corporate governance, which is expected to be made available to us after that date.

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.

report of the independent auditor to the **members of I&M Bank (Rwanda) Limited**

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 on the other information that we obtained prior to the date of this auditor's report, 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 chairman's statement, CEO highlights, board of directors, senior management, our locations, news and CSR, Enterprise risk management framework and statement on corporate governance, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

Responsibilities of directors for the financial statements

Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in accordance with law no 27/2017 of 31 May 2017 governing companies, and for such internal control as directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Directors are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Directors;

report of the independent auditor to the **members of I&M Bank (Rwanda) Limited**

- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requrements.
Law no 27/2017 of 31 May 2017 governing companies requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i. There are no circumstances that may create threat to our independence as auditor of the Bank;

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 Bank, so far as appears from our examination of those books; and

iv. We have communicated to the Bank'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.

For PricewaterhouseCoopers Rwanda Limited

Moses Nyabanda
Director

19 March 2018
Kigali, Rwanda

statement of comprehensive income
for the year ended 31st december 2017

	Note	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000
Interest and similar income	4	24,483,000	20,441,506
Interest and similar expense	5	(6,918,428)	(5,836,180)
Net interest income		17,564,572	14,605,326
Fees and commission income	6(a)	3,187,321	2,795,950
Fees and commission expense	6(b)	(527,091)	(384,439)
Net fees and commission income		2,660,230	2,411,511
Net foreign exchange income		3,125,829	3,466,676
Net fair value (loss) /gain on financial assets and liabilities designated at fair value through profit or loss	7	(221,939)	821,898
Other operating income	8	507,933	90,958
Operating income before impairment		23,636,625	21,396,369
Impairment losses on loans and advances to customers	9	(598,745)	(554,373)
Operating income after impairment losses		23,037,880	20,841,996
Employee benefits	10	(7,132,211)	(6,769,300)
Depreciation of property and equipment	11	(954,547)	(632,441)
Amortisation of intangible assets	12	(87,182)	(103,485)
Operating expenses	13	(5,015,609)	(4,921,565)
Total operating expenses		(13,189,549)	(12,426,791)
Profit before income tax		9,848,331	8,415,205
Income tax expense	19(b)	(3,334,930)	(2,612,054)
Profit for the year		6,513,401	5,803,151
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Fair value loss on available for sale financial assets		-	(15,862)
Deferred income tax on fair value adjustment on available for sale	19(a)	-	4,759
Net loss on available for sale financial assets		-	(11,103)
Other comprehensive Income not to be reclassifies to profit or loss in subsequent period			
Revaluation Surplus on land and Buildings		-	3,057,715
Deferred tax revaluation	19(a)	-	(917,314)
Net gain on revaluation on land and buildings		-	2,140,401
Total comprehensive income		6,513,401	7,932,449
Earnings per share			
Basic and diluted (Frw per share)	31	12.92	11.61
Dividend payout ratio		40%	40%

The notes on pages 59 to 109 are an integral part of these financial statements

statement of financial position
as at 31st December 2017

	Note	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000
ASSETS			
Cash in hand	14(i)	3,021,548	5,048,664
Due from the National Bank of Rwanda	14(ii)	22,675,563	14,202,956
Due from other banking institutions	14(iii)	30,804,171	31,844,955
Non-current assets held for sale	20	2,120,000	1,200,000
Derivative financial instruments	15	68,510	284,782
Investment securities - held for trading	16(a)	17,920,975	16,631,698
Investment securities - available for sale	16(b)	826	826
Investment securities - held to maturity	16(c)	19,812,580	16,492,504
Loans and advances to customers	17	146,513,373	111,083,056
Other assets	18	2,973,118	1,217,924
Property and equipment	11	12,252,110	7,992,369
Intangible assets	12	2,011,418	139,126
TOTAL ASSETS		**260,174,192**	**206,138,860**
LIABILITIES			
Deposits from customers	21	177,422,108	134,152,364
Deposits from banks and other financial Institutions	22	31,708,600	26,707,032
Current income tax		1,098,315	978,698
Other payables	23	6,232,278	5,565,809
Provisions	26	455,331	803,247
Corporate bond	24	104,638	313,913
Borrowed funds	25	6,726,313	5,987,275
Deferred income tax	19(a)	1,362,083	1,207,397
TOTAL LIABILITIES		**225,109,666**	**175,715,735**
EQUITY			
Share capital	27(a)	5,050,000	5,000,000
Share premium	27(a)	400,000	-
Retained earnings		24,056,367	20,250,802
Available for sale reserve	27(b)	693	693
Revaluation reserve	27(c)	2,140,401	2,140,401
Other reserves	27(d)	812,065	709,229
Proposed dividend	27(e)	2,605,000	2,322,000
Total equity		**35,064,526**	**30,423,125**
TOTAL LIABILITIES AND EQUITY		**260,174,192**	**206,138,860**

The notes on pages 59 to 109 are an integral part of these financial statements

statement of changes in equity
for the year ended 31st December 2017

		Share capital Frw'000	Share premium Frw'000	Retained earnings Frw'000	Available for sale reserve Frw'000	Revaluation reserve Frw'000	Other reserves Frw'000	Proposed dividends Frw'000	Total equity Frw'000
As at 01 January 2016	27	5,000,000	-	17,478,880	11,796	-	-	1,970,000	**24,460,676**
Total comprehensive income:									
Profit for the year		-	-	5,803,151	-	-	-	-	**5,803,151**
Other comprehensive income		-	-	-	(11,103)	2,140,401	-	-	**2,129,298**
Transfer to other reserves		-	-	(709,229)	-	-	709,229	-	**-**
Transaction with owners:									
Dividends:									
Final for 2015 paid		-	-	-	-	-	-	(1,970,000)	**(1,970,000)**
Proposed for 2016		-	-	(2,322,000)				2,322,000	**-**
				(2,322,000)				**2,322,000**	**-**
At 31 December 2016		**5,000,000**	**-**	**20,250,802**	**693**	**2,140,401**	**709,229**	**2,322,000**	**30,423,125**
As at 01 January 2017	27	5,000,000	-	20,250,802	693	2,140,401	709,229	2,322,000	**30,423,125**
Total comprehensive income:									
Profit for the period		-	-	6,513,401	-	-	-	-	**6,513,401**
Transfer from other reserves		-	-	(102,836)	-	-	102,836	-	**-**
Transaction with owners:									
Issue of shares	27	50,000	400,000	-	-	-	-	-	**450,000**
Dividends:									
Final for 2016 paid		-	-	-	-	-	-	(2,322,000)	**(2,322,000)**
Proposed for 2017				2,605,000)				2,605,000	**-**
		50,000	**400,000**	**(2,605,000)**	**-**	**-**	**-**	**283,000**	**(1,872,000)**
At 31 December 2017	**27**	**5,050,000**	**400,000**	**24,056,367**	**693**	**2,140,401**	**812,065**	**2,605,000**	**35,064,526**

The notes on pages 59 to 109 are an integral part of these financial statements

statement of cash flows
for the year ended 31st December 2017

	Notes	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000
Cash flows from operating activities :			
Profit before income tax		**9,848,331**	**8,415,205**
Adjustments for:			
Depreciation on property and equipment	11	954,547	632,441
Amortization of intangible assets	12	87,182	103,485
Interest income earned		(24,483,000)	(21,335,914)
Interest expense incurred		6,918,428	8,413,482
Gain on disposal of PPE		9,886	32,952
Changes in working capital:			
Decrease / (increase) in derivative financial instrument		216,272	(212,755)
Increase in held for trading investment securities		(1,289,277)	(9,034,816)
Increase in loans and advances to customers		(35,240,317)	(17,054,182)
Increase in non-current asset held for sale		(1,200,000)	(1,200,000)
(Increase) / decrease in held to maturity investment securities		(3,625,046)	19,309,384
Increase / (decrease) in other assets		(1,945,194)	236,423
Increase in deposits from customers		43,269,744	12,454,817
Increase in deposits from Banks		5,001,568	9,379,780
Increase in other payables		666,469	2,078,474
Restricted balances with the National Bank of Rwanda		(2,291,915)	(1,242,124)
(Decrease) / increase in provisions		(347,916)	187,081
Cash generated from operations		**(3,450,238)**	**11,163,733**
Interest received		22,709,452	20,441,506
Interest paid		(5,134,394)	(5,836,180)
Income tax paid		(2,918,999)	(2,196,705)
Net cash generated from operating activities		**11,205,821**	**23,572,354**
Cash flows from investing activities:			
Purchase of property and equipment	11	(5,231,901)	(1,668,638)
Purchase of intangibles	12	(1,959,474)	(47,491)
Proceeds from sale of property and equipment		27,500	32,952
Net cash used in investing activities		**(7,163,875)**	**(1,683,177)**
Cash flows from financing activities:			
Dividend paid		(2,322,000)	(1,970,000)
Proceeds from long term borrowings		1,548,807	3,348,203
Principle repayment on long term borrowings	25	(831,087)	(317,488)
Principle repayment on corporate bond	24	(200,000)	(200,000)
Issue of shares	27	450,000	-
Net cash (used in) / generated from financing activities		**(1,354,280)**	**860,715**
Net increase in cash and cash equivalents		2,687,666	22,749,892
Net foreign exchange difference on foreign currency denominated balances		120,156	(405,327)
Cash and cash equivalents at 1 January		44,700,269	22,355,704
Cash and cash equivalents as at 31 December	14(iv)	**47,508,091**	**44,700,269**

The notes on pages 59 to 109 are an integral part of these financial statements


WHEN YOU NEED TO
MEET YOUR GOALS
We are on your side

notes to the financial statements
for the year ended 31st December 2017

1. CORPORATE INFORMATION

I&M Bank (Rwanda) Limited (the "Bank") is a public financial institution licensed to provide corporate and retail banking services to corporate, small and medium size enterprises and retail customers in various parts of Rwanda. Its shares are listed in the Rwanda Stock Exchange as from 31st March 2017. The Bank is a limited liability company incorporated and domiciled in Rwanda. The ultimate parent of the Bank is I&M Holdings Ltd, a limited liability company registered and domiciled in Kenya.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis, except for held for trading financial instruments, derivative financial instruments which are measured at fair value, financial instrument held to maturity and loans and receivables that have been measured at amortized cost. The financial statements are presented in Rwandan Francs (Frw) which is the functional and presentation currency and all values are rounded to the nearest thousand (Frw'000) except when otherwise indicated.

Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Law No. 27/2017 of 31 May 2017 governing companies.

The financial statements are approved and authorised for issue by the Board of Directors after obtaining the necessary regulatory approval. The Board of Directors reserves the right to amend or withdraw the financial statements.

2.2 Changes in accounting policy and disclosures

New and amended standards adopted by the Company

The following standards and amendments have been applied by the company for the financial year beginning 1st January 2017:

IAS 7 'Cash Flow Statements': Entities are required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and on cash changes such as acquisitions, disposals, accretion of interest and unrealized exchange differences.

Changes in financial assets must be included in this disclosure if the cash flows were, or will be included in cash flows from financing activities.

The net debt reconciliation is disclosed under notes 24 and 25.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Bank, except the following set out below.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

i) IFRS 9 Financial Instruments which will replace IAS 39 Financial Instruments: Recognition and measurement is effective for periods beginning on or after 1 January 2018. IFRS 9.The directors expected that the impairment requirements, will lead to significant changes in the accounting for financial instruments. The Bank does not expect to restate comparatives on initial application of IFRS

notes to the financial statements
for the year ended 31st December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Changes in accounting policy and disclosures (continued)

9 on 1st January 2018 but will provide detailed transitional disclosures in accordance with the amended requirements of IFRS 7 Financial instruments: Disclosures. The Bank's current assessment on the impact of this standard is as follows:

Impairment
IFRS 9 introduces a revised impairment model which will require entities to recognise expected credit losses based on unbiased forward-looking information. This replaces the existing IAS 39 incurred loss model which only recognises impairment if there is objective evidence that a loss is already incurred and would measure the loss at the most probable outcome. The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts. This contrasts to the IAS 39 impairment model which is not applicable to loan commitments and financial guarantee contracts (these were covered by IAS 37). In addition, IAS 39 requires the impairment of available for sale debt to be based on the fair value loss rather than estimated future cashflows as for amortised cost assets. Intercompany exposures, including loan commitments and financial guarantee contracts, are also in scope for the Bank being a stand-alone reporting entity accounts.

The measurement of expected loss will involve increased complexity and judgement including estimation of probabilities of defaults, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk.

It is expected to have a material financial impact and impairment charges will tend to be more volatile. Impairment will also be recognised earlier and the amounts will be higher.
The implementation program for the new standard is underway including advanced validation of the various models and assumptions. Based on the advanced testing carried out so far, directors are of the view that total impairment will increase between 5% and 10% and capital adequacy ratios will decrease from 19.8% to 19.7%

Key concepts and management judgements
The impairment requirements are complex and require management judgements, estimates and assumptions. Key concepts and management judgements will continue to be refined as part of the validation process and include:

a) Determining a significant increase in credit risk since initial recognition
IFRS 9 requires the recognition of 12 month expected credit losses (the expected credit losses from default events that are expected within 12 months of reporting date) if credit risk has not significantly increased since initial recognition (stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition or which are credit impaired.

The Bank expects to estimate when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. Quantitative assessments will be based on past due information as disclosed in d) below.

Exposures will move back to stage 1 once they no longer meet the criteria for a significant increase in credit risk and when any cure criteria used for credit risk management are met. This is subject to a minimum of 12 months' full performance including timely receipt of all payments over that period, for exposures that have been restructured or granted forbearance or concessions.

notes to the financial statements
for the year ended 31st December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Changes in accounting policy and disclosures (continued)

b) Forward-looking information
Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial instrument, discounted at the original effective interest rate. Expected credit losses are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions.

c) Definition of default and credit impaired assets
The definition of default for the purpose of determining expected credit losses is expected to be aligned to the rebuttable assumptions in the Standard. The performing accounts will be those within the 0-29 days and impairment will be computed over a 12 month horizon, underperforming assets in stage 2 will be those assets past due between 30 to 89 days and non-performing assets in stage 3 will be those assets which are past due for more than 90days. Impairment for stage 2 and 3 will be computed over the remaining expected life of the asset. Qualitative aspects on impairment are disclosed under note 2.3(ii).

d) Expected life
Lifetime expected credit losses must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options, except for certain revolving financial instruments that include both a drawn and an undrawn component where the entity's contractual ability to demand repayment and cancel the undrawn commitment does not limit the entity's exposure to credit losses to the contractual notice period, such as credit cards and overdrafts. The expected life for these revolver facilities is expected to be behavioural life.

e) Modelling techniques
Expected credit losses (ECL) are calculated by multiplying three main components, being the probability of default (PD), loss given default (LGD) and the exposure at default (EAD).

Classification and measurement
IFRS 9 will require financial assets to be classified on the basis of two criteria:
1) The business model within which financial assets are managed, and;
2) Their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest').

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

Financial assets will be measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent solely payments of principal and interest.

Other financial assets are measured at fair value through profit and loss. There is an option to make an irrevocable election for non-traded equity investments to be measured at fair value through other comprehensive income, in which case dividends are recognised in profit or loss, but gains or losses are not reclassified to profit or loss upon derecognition, and impairment is not recognised in the income statement.

The accounting for financial liabilities is largely unchanged as all liabilities will be measured at amortised cost.

notes to the financial statements
for the year ended 31st December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Changes in accounting policy and disclosures (continued)

Based on the ongoing assessment of business models across various portfolios, and a review of contractual cash flow features for material financial assets. There are some classification changes expected but they are unlikely to be significant to the Bank.

Hedge accounting
IFRS 9 contains revised requirements on hedge accounting. The new rules would replace the current quantitative effectiveness test with a simpler version, and requires that an economic relationship exist between the hedged item and the hedging instrument.
Based on analysis performed, the Bank does not expect an impact as it does not currently apply or envisage to apply hedge accounting during 2018.

ii) IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The standard is not expected to have a significant impact on the Bank.

iii) IFRS 16: Leases is effected for periods beginning on or after 1 January 2019 and will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. The quantitative impact will be assessed during 2018.

iv) IFRS 2: Share based payments; In June 2016, the IASB published amendments to IFRS 2, Share-based Payment, which provide additional guidance on the classification and measurement of share-based payment transactions. The amendments clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features for withholding tax obligations, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments to IFRS 2 are effective for annual periods beginning on or after January 1, 2018. The amendments to IFRS 2 are not expected to have a material impact on the Bank.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Bank.

(a) Financial instruments
Financial assets and financial liabilities are recognized when the Bank becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are recognized to the initial carrying amount of the financial asset/liability, as appropriate on initial recognition

notes to the financial statements
for the year ended 31st December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Changes in accounting policy and disclosures (continued)

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

On initial recognition, it is presumed that the transaction price is the fair value unless there is observable information available in an active market to the contrary. The best evidence of an instrument's fair value on initial recognition is typically the transaction price. However, if fair value can be evidenced by comparison with other observable current market transactions in the same instrument, or is based on a valuation technique whose inputs include only data from observable markets then the instrument should be recognized at the fair value derived from such observable market data

(i) Classification
Financial assets
Financial assets are classified depending on the nature and purpose of the financial assets. This is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and recognized in on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial instruments at fair value through profit or loss ("FVTPL")

Financial assets are measured as at FVTPL when they are either held for trading or designated as at FVTPL. A financial instrument is classified as held for trading if:

- it is a financial asset that has been acquired principally for the purpose of selling it in the near term, or it is a financial liability that has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial instrument other than one that is held for trading may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial instrument forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39.

Financial instruments at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

Available-for-sale (AFS) financial assets
AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables or financial assets at fair value through profit or loss.

AFS financial assets are stated at fair value at the end of each reporting period.
Subsequent changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS

notes to the financial statements
for the year ended 31st December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Changes in accounting policy and disclosures (continued)

financial assets are recognized in other comprehensive income and accumulated under the heading of Available –for- sale reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the Available –for- sale reserve is reclassified to profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial liabilities
Financial liabilities are held at amortised cost. That is, the initial fair value (which is normally the amount borrowed) is adjusted for premiums, discounts, repayments and the recognizing of coupon, fees and expenses to represent the effective interest rate of the liability.

The table below summarises classes of financial assets and liabilities and the basis of valuation.

<table>
<tr><th colspan="2">CATEGORY</th><th colspan="2">CLASS</th></tr>
<tr><td rowspan="8">Financial assets</td><td rowspan="2">Financial assets at fair value through profit or loss</td><td rowspan="2">Financial assets held for trading</td><td>Debt securities (note 16)</td></tr>
<tr><td>Derivative assets (note 15)</td></tr>
<tr><td rowspan="5">Loans and receivables</td><td colspan="2">Loans and advances to banks (note 14)</td></tr>
<tr><td colspan="2">Due from group companies (note 28)</td></tr>
<tr><td colspan="2">Loans and advances to customers (note 17)</td></tr>
<tr><td colspan="2">Items in course of collection(note 18)</td></tr>
<tr><td colspan="2">Cash and balances with National Bank of Rwanda (note 14)</td></tr>
<tr><td>Available- for- sale investments</td><td colspan="2">Debt securities/Equity instruments (note 16)</td></tr>
<tr><td rowspan="5">Financial liabilities</td><td rowspan="5">Financial liabilities at amortised cost</td><td colspan="2">Deposits from banks (note 22)</td></tr>
<tr><td colspan="2">Deposits from customers (note 21)</td></tr>
<tr><td colspan="2">Items in course of collection (note 23)</td></tr>
<tr><td colspan="2">Borrowings (note 25) and Corporate Bond (note 24)</td></tr>
<tr><td colspan="2">Other liabilities (note 23)</td></tr>
</table>

notes to the financial statements
for the year ended 31st December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Changes in accounting policy and disclosures (continued)

(ii) Impairment
Impairment on financial assets measured at amortised cost is recognized in accordance with IAS 39, the Bank assesses at each reporting date whether there is objective evidence that financial assets at amortised cost will not be recovered in full and, wherever necessary, recognized an impairment loss in profit or loss. An impairment loss is recognized if there is objective evidence of impairment as a result of events that have occurred and these have adversely impacted the estimated future cash flows from the assets.

Objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

Following impairment, interest income continues to be recognized at the original effective interest rate on the restated carrying amount, representing the unwind of the discount of the expected cash flows, including the principal due on non-accrual loans.

Uncollectable loans are written off against the related allowance for loan impairment on completion of the Bank's internal processes and all recoverable amounts have been collected. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Identified impairment
Impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows of that instrument being assessed are taken into account, for example, the business prospects for the customer, the fair value of collateral, the Bank's position relative to other claimants, the reliability of customer information and the likely cost and duration of the workout process. Subjective judgements are made in this process by management.

Furthermore, judgements change with time as new information becomes available or as workout strategies evolve, resulting in revisions to the impairment allowance as individual decisions are taken case by case. Once a financial asset or a group of similar financial assets have been written down as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized, are not included in a collective assessment of impairment.

notes to the financial statements
for the year ended 31st December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Changes in accounting policy and disclosures (continued)

Unidentified impairment
An impairment allowance is recognized when observable data indicates there is a measurable decrease in the estimated future cash flows from a group of financial assets since the original recognition of those assets, even though the decrease cannot yet be identified for the individual assets in the group. The purpose of collective assessment of impairment is to test for latent losses on a portfolio of loans that have not been individually evidenced.

In cases where the collective impairment of a portfolio cannot be individually evidenced, the Bank sets out to prove that a risk condition has taken place that will result in an impairment of assets (based on historic experience), but the losses will only be identifiable at an individual borrower level at a future date.

The emergence period concept is applied to ensure that only impairments that exist at the reporting date are captured. The emergence period is defined as the time lapse between the occurrence of a trigger event and the impairment being identified at an individual account level. The probability of default for each exposure class is based on historical default experience, scaled for the emergence period relevant to the exposure class.

This probability of default is then applied to the total population for which specific impairments have not been recognized. The resulting figure represents an estimation of the impairment that occurred during the emergence period and therefore has not specifically been identified by the Bank at the reporting date.

The impairment allowance also takes into account the expected severity of loss at default, or the loss-given default (LGD), which is the amount outstanding when default occurs that is not subsequently recovered. Recovery varies by product and depends, for example, on the level of security held in relation to each loan, and the Bank's position relative to other claimants. The LGD estimates are based on historical default experience.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that do not affect the period on which historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Available-for-sale debt instruments
Debt instruments are assessed for impairment in the same way as loans. If impairment is deemed to have occurred, the cumulative decline in the fair value of the instrument that has previously been recognized in other comprehensive income is removed from other comprehensive income and recognized in profit or loss. This may be reversed through the profit or loss, if there is evidence that the circumstances of the issuer have improved.

(iii) Derecognition
Derecognition of financial assets
Full derecognition only occurs when the rights to receive cash flows from the asset have been discharged, cancelled or have expired, or the Bank transfers both its contractual right to receive cash flows from the financial assets (or retains the contractual rights to receive the cash flows, but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment) and substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest rate risk. When an asset is transferred, in some circumstances, the Bank may retain an interest in it (continuing involvement) requiring the Bank to repurchase it in certain circumstances for other than its fair value on that date.

notes to the financial statements
for the year ended 31st December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Changes in accounting policy and disclosures (continued)

Derecognition of financial liabilities
A financial liability is recognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same party on substantially different terms, or the terms of an existing liability are substantially modified (taking into account both quantitative and qualitative factors), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss. Where the terms of an existing liability are not substantially modified, the liability is not recognized. Costs incurred on such transactions are treated as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Loan commitments
The Bank enters into commitments to lend to its customers subject to certain conditions. Such loan commitments are made either for a fixed period, or are cancellable by the Bank subject to notice conditions. Provision is made for undrawn loan commitments to be provided at below-market interest rates and for similar facilities, if it is probable that the facility will be drawn and result in recognition of an asset at an amount less than the amount advanced

(b) Derivative financial instruments
Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward-rate agreements, futures, options and combinations of these instruments and primarily affect the Bank's net interest income, net trading income and derivative assets and liabilities. Notional amounts of the contracts are not recorded on the balance sheet.

All derivative instruments are held at fair value through profit or loss. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. This includes terms included in a contract or other financial asset or liability (the host), which, had it been a stand-alone contract, would have met the definition of a derivative. If these are separated from the host i.e. when the economic characteristics of the embedded derivative are not closely related with those of the host contract and the combined instrument is not measured at fair value through profit or loss then they are accounted for in the same way as derivatives.

(c) Leases
Leases are divided into finance leases and operating leases.

a) The Bank is the lessee
Operating lease
Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including pre-payments, made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.
The total payments made under operating leases are charged on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

Finance lease
Lease of assets where the Bank has substantially all the risks and rewards of ownership are classified as finance leases. These are recognized at lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

notes to the financial statements
for the year ended 31st December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Changes in accounting policy and disclosures (continued)

The corresponding rental obligations, net of finance charges, are included in deposits from banks or deposits from customers depending on the counter party. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The leases entered into by the Bank are primarily operating leases.

(b) The Bank is the lessor
When assets are held subject to a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

(c)Fees paid in connection with arranging leases
The Bank makes payments to agents for services in connection with negotiating lease contracts with the Bank's lessees. For operating leases, the letting fees are recognized within the carrying amount of the related asset and depreciated over the life of the lease.

(d) Revenue
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the bank and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognized.

i) Net fee and commission income
Fees and commissions charged for services provided or received by the Bank are recognized as the services are provided, for example on completion of an underlying transaction
Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan

ii) Net trading income
Trading positions are held at fair value and the resulting gains and losses are included in profit or loss, together with interest and dividends arising from long and short positions and funding costs relating to trading activities.

Income arises from both the sale and purchase of trading positions, margins which are achieved through market-making and customer business and from changes in fair value caused by movements in interest and exchange rates, equity prices and other market variables.
Gains or losses on assets or liabilities reported in the trading portfolio are included in profit or loss under net trading income together with interest and dividends arising from long and short positions and funding costs relating to trading activities.

iii) Net interest income
Interest income on loans and advances at amortised cost, available-for-sale debt investments, and interest expense on financial liabilities held at amortised cost, are calculated using the effective interest method which allocates interest, and direct and incremental fees and costs, over the expected lives of the financial assets and liabilities.

notes to the financial statements
for the year ended 31st December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Changes in accounting policy and disclosures (continued)

The effective interest method requires the Bank to estimate future cash flows, in some cases based on its experience of customers, considering all contractual terms of the financial instrument, as well as the expected lives of the assets and liabilities. Due to the large number of products and types (both assets and liabilities), there are no individual estimates that are material to the results or financial position.

iv) other operating income/expenses
Includes income recognized outside of the ordinary course of operation of the Bank's activities eg gains or losses from sale of property and equipment and operational rental income.

(e) Operating expenses
All operating expenses include office expenses, travel expenses, professional charges, audit fees, allowance for impairment losses on financial assets, depreciation, recognizing, postage and communication, training expenses and other operating expenses. General operating expenses incurred in the current period are recognized in profit or loss. Any payment in excess of the expenses incurred during the period is recorded in the statement of financial position under prepayments. Expenses incurred but not paid for in the current period are accrued in the current year.

(f) Employee benefits
Staff costs
Short-term employee benefits, including salaries, accrued performance costs, salary deductions and taxes are recognized over the reporting period in which the employees provide the services to which the payments relate.

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

(g) Income tax expense
Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Income tax payable on taxable profits is recognized as an expense for the year in which the profits arise.

Income tax recoverable on tax allowable losses is recognized as a current tax asset only to the extent that it is regarded as recoverable and offset against taxable profits arising in the current or future reporting period.

Deferred income tax
Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

notes to the financial statements
for the year ended 31st December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Changes in accounting policy and disclosures (continued)

Deferred income tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be recognized. Such deferred income tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the same entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to recognize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset recognized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(h) Earnings per share
The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Bank and the number of basic weighted average number of ordinary shares excluding treasury shares held in employee benefit trusts or held for trading.

(i) Property and equipment
Property and equipment are stated at cost or fair value less depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognized 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 recognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Land and buildings are measured at fair value less accumulated depreciation and impairment losses recognized after the date of revaluation. Valuations are performed every 5 years to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation surplus. Additionally, accumulated depreciation as at the revaluation date

notes to the financial statements
for the year ended 31st December 2017

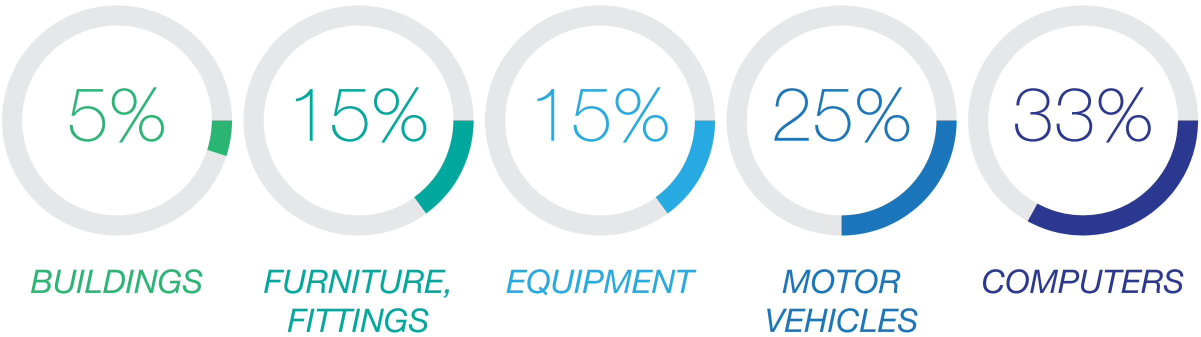
2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Changes in accounting policy and disclosures (continued)

is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

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 recognized 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 of disposal 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.

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:



Freehold land is not depreciated as it is deemed to have an indefinite life. Work in progress is stated at cost and not depreciated. Depreciation on work in progress commences when the assets are ready for their intended use.

Property and equipment is recognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating income' in profit or loss in the Period the asset is recognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial Period end, and adjusted prospectively if appropriate.

(j) Intangible assets
The Bank's intangible assets include the value of computer software. An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated recognized and any accumulated impairment losses.

notes to the financial statements
for the year ended 31st December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Changes in accounting policy and disclosures (continued)

The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful life. The recognized period and the recognized method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the recognized period or method, as appropriate, and treated as changes in accounting estimates. The recognized expense on intangible assets with finite lives is recognized in profit or loss in recognized. Amortisation is calculated using the straight-line method to write down the cost of intangible assets over their estimated useful lives between 3 and 5 years.

(k) Impairment of non-financial assets
The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Such impairment is recognized in profit or loss.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used.

(l) Financial guarantees
In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements (within 'Other payables') at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less, when appropriate, cumulative recognized in profit or loss, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee in terms of IAS 37.

Any increase in the liability relating to financial guarantees is recorded in profit or loss. The premium received is recognized in profit or loss in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

(m) Provisions and contingent liabilities
Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A possible obligation (a contingent liability) is disclosed but not accrued. However, disclosure is not required if payment is remote. A The expense relating to any provision is presented in profit or loss net of any reimbursement.

(n) Cash and cash equivalents
Cash and cash equivalents as referred to in the statement of cash flows comprises cash on hand, unrestricted current accounts with National Bank of Rwanda, and amounts due from banks and government securities on demand or with an original maturity of three months or less

notes to the financial statements
for the year ended 31st December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Changes in accounting policy and disclosures (continued)

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

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

(p) Foreign currency translation
The financial statements are presented in Rwandan Franc (Frw) which is the functional currency of the entity. Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the reporting date. All translation gains and losses arising on non-trading activities are taken to other operating income/expenses' in the statement of comprehensive income.

Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

(q) Employee stock ownership plan
Share-based compensation benefits are provided to employees via the Employee Stock Plan. Information relating to these schemes is set out in note 32.

The fair value of options granted under the Stock Plan is recognized as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:
- including any market performance conditions (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

(q) Employee stock ownership plan (continued)
The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognized the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.
Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognized in relation to such shares are reversed effective the date of the forfeiture.

notes to the financial statements
for the year ended 31st December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 Changes in accounting policy and disclosures (continued)

(r) Share capital
Ordinary share capital
Proceeds are included in equity, net of transaction costs. Dividends and other returns to equity holders are recognized when paid or declared by the Board.

Share premium
Represents amounts received for shares exceeding the face value of the shares

(s) Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing the performance of the operating segments has been identified as the Executive Committee that makes strategic decisions. Segment information is included under note 35.

(t) Non-current assets held for sale
Non –current assets are classified as held for sale when their carrying amounts are to be recovered principally through a sale transaction rather than continuing use. In order to be classified as held for sale, the asset must be available for immediate sale in its present condition and the sale must be highly probable. Non –current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

(u) Comparatives
Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES
In the process of applying the Bank's accounting policies, management has exercised judgment and estimates in determining the amounts recognized in the financial statements. The most significant uses of judgment and estimates are as follows on impairment losses on loans and advances.

The calculation of impairment involves the use of judgement, based on the Bank's experience of managing credit risk.

The impairment charge reflected in the financial statements in relation to the non performing book is Frw 1.275 billion (2016: Frw 1.381 billion). If the cash flows estimates were to increase/decrease by 15% an impact of Frw4.7 million and Frw 300 million respectively would be envisaged and if the timing of the cash flows would extend by 12 months an increase of Frw 173 million would be envisaged.

This sensitivity on the cashflow estimates represents the difference between the regulator prescribed haircut on forced sales value and management own historical experience which differ by 15%. Timing of the cashflows generally take between 1 and 2 years.

Management anticipate that the possible outcome will remain the same in the following financial year as they do not expect the profile of their customers to change significantly. There have been no changes to these assumptions in the past.

Loans individually assesses for changes in credit risk, impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows are taken into account (for example, the business prospects for the customer, the realisable value of collateral, the Bank's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process).

notes to the financial statements
for the year ended 31st December 2017

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

The level of the impairment allowance is the difference between the value of the discounted expected future cash flows and its carrying amount. Subjective judgements are made in the calculation of future cash flows.

In particular as to the timing and quantum of the cashflows. Directors typically estimate when they would realise collateral and the quantum. Furthermore, judgements change with time as new information becomes available or as work-out strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairment charge.

For unidentified impairment directors have carried out historical probabilities based on a three year loss ratio and applied judgement as to the emergence period. A provision of FRW 629 million is held.

The emergence period for the profile of the Bank's customers is between 3 – 6 months. Applying a 3 month emergence period will decrease the provision by FRW 310 million. Like for the identified impairment, management anticipate that the possible outcome will remain the same in the following financial year. There have been no changes in these assumptions in the past.

	31 Dec 2017 Frw'000'	31 Dec 2016 Frw'000'
4. INTEREST AND SIMILAR INCOME		
Loans and advances	20,466,617	16,705,421
Financial assets held for trading	2,074,172	1,502,856
Financial assets held to maturity	1,350,073	2,161,397
Placements with banks	592,138	71,832
	24,483,000	**20,441,506**
5. INTEREST AND SIMILAR EXPENSE		
Deposit from customers & placement	4,497,424	4,389,316
Deposits from banks	1,860,422	1,138,651
Borrowing	560,582	308,213
	6,918,428	**5,836,180**
6 A) FEES AND COMMISSION INCOME		
Current account ledger fees	708,300	988,586
Local and international transfers	602,189	433,129
Commissions on guarantees and letters of credit	649,863	371,453
Other commissions	1,226,969	1,002,782
	3,187,321	**2,795,950**

Other commissions relate to money transfer fees, VISA card commission and ATM card fees.

	31 Dec 2017 Frw'000'	31 Dec 2016 Frw'000'
6 B) FEES AND COMMISSION EXPENSE		
Banking services	167,346	104,931
Other commissions expenses	359,745	279,508
	527,091	**384,439**

Other commission expenses relate to charges on visa card transactions

notes to the financial statements
for the year ended 31st December 2017

7. NET (LOSS) / gain on financial assets and liabilities designated at fair value through profit or loss		
Financial Instruments - held for trading	(59,864)	623,638
Derivative financial instruments (Note 14)	(162,075)	198,260
	(221,939)	**821,898**

8. OTHER OPERATING INCOME		
Operating lease income	101,178	90,958
Proceeds from disposal of PPE	27,500	-
Other income	379,255	-
	507,933	**90,958**

Other income includes legal provisions write back relating to cases won by the Bank.

9. IMPAIRMENT LOSSES ON LOANS AND ADVANCES TO CUSTOMERS		
Impairment provision:		
Balance as at 01 January	1,914,261	4,661,822
Identified impairment	1,275,451	1,381,183
General provision	281,542	-
Recoveries on provisions	(79,664)	(449,004)
Loans written off	(307,375)	(3,679,740)
Balance as at end of period	**3,084,215**	**1,914,261**
Charge for the period:		
Identified impairment	(1,275,451)	(1,381,183)
General provision	(281,542)	-
Loans written off	(18,610)	(11,306)
Recoveries on amounts previously provided for	79,664	449,004
Recoveries on amounts previously written off	897,194	389,112
Impairment loss on financial assets	**(598,745)**	**(554,373)**

10. EMPLOYEE BENEFITS		
Salaries and wages	6,118,941	6,001,704
Medical insurance costs	320,329	234,970
Mileage allowances	125,235	105,414
Other personnel expenses	268,901	160,623
Contribution to defined contribution plan	298,805	266,589
	7,132,211	**6,769,300**

notes to the financial statements
for the year ended 31st December 2017

11. PROPERTY AND EQUIPMENT

a) Year ended 31 December 2017

	Land and Buildings Frw'000	Motor Vehicles Frw'000	Equipment Frw'000	Computers Frw'000	Furniture and Fittings Frw'000	Work In Progress Frw'000	Total Frw'000
COST:							
At 1 January 2017	6,514,644	762,671	1,430,087	1,105,814	544,421	1,012,079	11,369,716
Additions	16,875	30,500	133,670	182,610	46,984	4,821,262	5,231,901
Transfers from WIP	181,180	-	22,893	464,484	425	(668,982)	-
Disposal	(70,785)	(72,141)	-	-	-	-	(142,926)
At 31 December 2017	**6,641,914**	**721,030**	**1,586,650**	**1,752,908**	**591,830**	**5,164,359**	**16,458,691**
ACCUMULATED DEPRECIATION:							
At 1 January 2017	495,983	643,343	836,432	965,252	436,337	-	3,377,347
Charge for the year	442,821	65,428	177,707	214,768	53,823	-	954,547
Disposal	(53,171)	(72,142)	-	-	-	-	(125,313)
At 31 December 2017	885,633	636,629	1,014,139	1,180,020	490,160	-	4,206,581
NET BOOK VALUE							
At 31 December 2017	**5,756,281**	**84,401**	**572,511**	**572,888**	**101,670**	**5,164,359**	**12,252,110**

Work in progress is composed of payment made in relation to the head office construction project. If the revaluation had not taken place, the NBV for land and buildings would have been FRW 2,901,527,000 (2016: FRW 3,001,706,000).

notes to the financial statements
for the year ended 31st December 2017

11. PROPERTY AND EQUIPMENT (continued)

b) Year ended 31 December 2017

	Land and Buildings Frw'000	Motor Vehicles Frw'000	Equipment Frw'000	Computers Frw'000	Furniture and Fittings Frw'000	Work In Progress Frw'000	Total Frw'000
COST:							
At 1 January 2016	3,610,876	887,832	1,549,782	1,170,578	692,519	583,289	8,494,876
Additions	124,086	22,750	57,662	62,434	40,868	1,360,838	1,668,638
Revaluation 2016	3,057,715	-	-	-	-	-	3,057,715
Transfers from WIP	757,534	9,750	121,175	-	586	(889,045)	-
Transfer to intangible	-	-	-	-	-	(43,003)	(43,003)
assets	(1,035,567)	-	(298,532)	(127,198)	(189,552)	-	(1,650,849)
Write off	-	(157,661)	-	-	-	-	(157,661)
Disposal							
At 31 December 2016	**6,514,644**	**762,671**	**1,430,087**	**1,105,814**	**544,421**	**1,012,079**	**11,369,716**
ACCUMULATED DEPRECIATION:							
At 1 January 2016	1,274,896	715,258	973,727	997,538	551,237	-	4,512,656
Charge for the year	215,894	85,746	161,237	94,912	74,652	-	632,441
Disposal	-	(157,661)	-	-	-	-	(157,661)
Write off	(994,807)	-	(298,532)	(127,198)	(189,552)	-	(1,610,089)
At 31 December 2016	495,983	643,343	836,432	965,252	436,337	-	3,377,347
NET BOOK VALUE							
At 31 December 2016	**6,018,661**	**119,328**	**593,655**	**140,562**	**108,084**	**1,012,079**	**7,992,369**

Revaluation of Land and Buildings

Management determined that both land and buildings constitute separate classes of property, plant and equipment, based on the nature, characteristics and risks of the property. The fair value of the land and buildings has been determined on a market value basis in accordance with the RICS Valuation Professional Standards (January 2014) (''Standards") which comply with the International Valuation Standards. The valuations were performed by Landmark Limited, an accredited independent valuer with a recognized and relevant professional qualification. A net gain from the revaluation of the Land and building of FRW 2,140,401 in 2016 was recognized in other comprehensive income. Fair value measurement disclosures for revalued land and buildings are provided in Note 36(f). None of property and equipment has been pledged as security over borrowings.

notes to the financial statements
for the year ended 31st December 2017

12. INTANGIBLE ASSETS

	31 Dec 2017 Frw'000'	31 Dec 2016 Frw'000'
COST		
As at 01 January 2017	1,688,943	1,598,449
Additions	-	47,491
Work in progress	1,959,474	43,003
At 31 December 2017	**3,648,417**	**1,688,943**
AMORTISATION		
As at 01 January 2017	1,549,817	1,446,332
Charge for the year	87,182	103,485
At 31 December 2017	1,636,999	1,549,817
NET CARRYING AMOUNT		
At 31 December 2017	**2,011,418**	**139,126**

Work in progress primarily relates to capitalization of qualifying expenses related to the ongoing core banking system (CBS) project and a new management information system (MIS) being developed. The MIS and the CBS systems are expected to complete within Q2 and Q3 of 2018 respectively.

13. OPERATING EXPENSES

	31 Dec 2017	31 Dec 2016
Travelling costs	258,667	194,851
Professional Fees	152,573	360,283
Directors remuneration	208,100	188,450
Auditors remuneration	43,377	57,165
Communication expenses	464,886	322,489
Administrative local taxes	40,595	15,970
Insurance costs	102,237	104,842
Water and electricity	212,593	164,312
Fuel expenses	74,133	80,317
Bank supervision Fees	100,923	100,203
Deposit Guarantee Funds	123,907	-
Operating licenses	288,094	113,668
Courier and postage services	25,814	22,736
Consultancy fees	285,166	751,923
Security expenses	396,414	343,164
Printing and stationery	176,633	197,014
Advertising expenses	371,458	414,835
Rent and accommodation	488,257	455,855
Printing security instruments	68,623	59,968
Repairs and maintenance	291,312	405,919
Donations and membership fees	62,708	77,905
VISA fees	133,841	110,998
Provisions	13,822	21,220
Impairment charge on non-current asset held for sale	280,000	-
Other general expenses	351,476	357,478
	5,015,609	**4,921,565**

Impairment charge on non-current asset held for sale relates to write-down of the carrying value of the asset to its net realizable value.

notes to the financial statements
for the year ended 31st December 2017

14. CASH AND BANK BALANCES

	31 Dec 2017 Frw'000'	31 Dec 2016 Frw'000'
i) Cash in hand		
Cash in foreign currencies	1,049,961	2,917,649
Cash in local currency	1,971,587	2,131,015
	3,021,548	**5,048,664**
ii) Due from the National Bank		
Balances in foreign currencies	2,031,964	734,660
Balances in local currency	20,643,599	13,468,296
	22,675,563	14,202,956
iii) Due from other banking institutions		
Current accounts with other banks	13,454,528	22,810,256
Money market placements	17,349,643	9,034,699
	30,804,171	**31,844,955**

iv) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	31 Dec 2017 Frw'000'	31 Dec 2016 Frw'000'
Cash in hand	3,021,548	5,048,664
Due from the National Bank	22,675,563	14,202,956
Restricted balance by National Bank of Rwanda	(10,681,099)	(8,389,184)
Due from other banking institutions	30,804,171	31,844,955
Short term Treasury Bills Securities	1,687,908	1,992,878
Cash and cash equivalents	**47,508,091**	**44,700,269**

For the purpose of statement of cash flows, cash and cash equivalents comprise cash on hand, current accounts with National Bank of Rwanda and amounts due from banks and government securities (treasury bills) with an original maturity of three months or less. Banks are required to maintain a prescribed minimum cash balances with the National Bank of Rwanda that is not available to finance day to day activities and is excluded from the computation. The amount is determined as 5% of the average outstanding customer deposits over a cash reserve cycle period of one month.

Comparatives on cash and cash equivalents have been restated to reflect the restricted balances by National Bank of Rwanda which are not part of cash and cash equivalent.

notes to the financial statements
for the year ended 31st December 2017

15. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank entered into three year SWAP transaction with the National Bank of Rwanda that took effect On 19 August 2015 and maturing on 19 August 2018, In this SWAP transaction, the Bank paid to National Bank of Rwanda US$ 3 Million which was swapped with Frw 2.175 million. The Bank will receive interest of 2% on the US$3 million investment and will pay interest of 8% to the National Bank of Rwanda on the swapped local currency amount.

In 2016, the Bank entered into a second SWAP transaction with the National Bank of Rwanda that took effect on 24th June 2016 and maturing on 22nd June 2018. In the SWAP transaction, the Bank paid to National Bank of Rwanda US$ 3 million which was swapped with Frw 2.346 million. The Bank will receive interest of 2% on the US$3 million investment and will pay interest of 8% to the National Bank of Rwanda on the Swapped local currency amount.

In the current year the Bank has entered into a third and fourth SWAP transaction with the National Bank of Rwanda that took effect on 27th April 2017 and maturing 24th April 2019. In the SWAP transaction, the Bank paid to National Bank of Rwanda US$ 5 million which was swapped with Frw 4.134 million. The Bank will receive interest of 2% on the US$5 million investment and will pay interest of 8% to the National Bank of Rwanda on the Swapped local currency amount.

On 26th October 2017, the Bank paid US$ 5 million to the National Bank of Rwanda which was swapped with Frw 4.2 million. The Bank will receive interest of 2% on the US$% million investment and will pay interest of 8% to the National Bank of Rwanda on the Swapped local currency amount.

In line with IAS 39, financial instruments (Swap) are carried at fair value. As at 31st December, the fair value of the derivative financial instrument (swap) was an asset of Frw 68,509,822 (2016:asset of Frw 284,782,274). The Bank's exposure under derivative instruments is monitored as part of the overall management of its market risk.

The table below shows the derivative financial instruments recorded as an asset at year-end.

	31 Dec 2017 Frw'000'	31 Dec 2016 Frw'000'
Balance as at 1 January	284,782	72,027
Payments under swap arrangement	11,059,433	3,782,140
Receipts under swap agreement	(11,113,630)	(3,767,645)
Fair value gain (note 6)	(162,075)	198,260
Net derivative asset as at 31 December	**68,510**	**284,782**

notes to the financial statements
for the year ended 31st December 2017

16. A) FINANCIAL INVESTMENTS – HELD FOR TRADING

	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000
Government debt securities - Treasury bonds	17,920,975	16,631,698
Maturing within five years from the date of acquisition	17,920,975	12,821,974
Maturing after five years from the date of acquisition	-	3,809,724

These securities are made up of financial instruments purchased with an intention to sell in the near future and are classified as Held for trading. The change in fair value adjustment recognized in profit or loss for the year is a loss of Frw 59.8 million (2016: a gain Frw 623 million).

16. B) FINANCIAL INVESTMENTS – AVAILABLE FOR SALE

	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000
Banque de Développement des Etats des Grand Lacs S.A (BDGL)	5,000	5,000
Rswitch Limited	83,566	83,566
Air Rwanda	4,000	4,000
SWIFT	826	826
Gross Investment	93,392	93,392
Less: Impairment losses	(92,566)	(92,566)
Net investment carrying value	**826**	**826**

Available for sale financial assets are valued using models which sometimes only incorporates data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Investment in BDGL and Air Rwanda and Rswitch are fully impaired whereas the net carrying amount for available for sale financial assets relates to fair value of investment in Swift of Frw 826,000, which is carried at cost as the assets are not traded and there is no readily available market value for them. Fair valuation of the shares are deemed time consuming and costly in comparison to the immaterial nature of the balances. The fair valuation hierarchy is included in note 36.

notes to the financial statements
for the year ended 31st December 2017

16. C) FINANCIAL INVESTMENTS – HELD TO MATURITY

	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000'
Government debt securities - Treasury bills	19,456,388	15,906,034
Government development bond	-	208,200
Government debt securities - Treasury bonds	356,192	378,270
	19,812,580	**16,492,504**
Current	19,456,388	16,163,941
Non-current	356,192	328,563

17. LOANS AND ADVANCES TO CUSTOMERS

	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000'
Mortgage loans	41,754,144	36,394,999
Equipment loans	33,088,004	19,181,241
Consumer loans	35,475,828	21,623,395
Overdrafts	29,933,745	27,997,058
Others	9,345,867	7,800,624
Total	**149,597,588**	**112,997,317**
Identified impairment	(2,455,032)	(1,566,620)
Unidentified impairment	(629,183)	(347,641)
Total (Note 9)	(3,084,215)	(1,914,261)
Net Loans and advances	146,513,373	111,083,056
Current (settled no more than 12 months)	81,541,825	55,796,966
Non-current portion (settled more than 12 months after reporting date)	64,971,548	55,286,090
	146,513,373	**111,083,056**

18. OTHER ASSETS

	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000'
Items in the course of collection	958,129	305,829
Prepayments	1,418,492	245,803
Other commissions receivable	54,518	61,226
Other receivable	541,979	605,066
	2,973,118	**1,217,924**

Other receivables, items in the course of collection, and other commissions receivable are non-interest bearing and are generally on short term period of 30 to 90 days.

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for the year ended 31st December 2017

19. A) DEFERRED INCOME TAX

The following table shows deferred income tax recorded on the statement of financial position in other assets and other liabilities and changes recorded in the income tax expense or in OCI:

Year ended 31 December 2017	**1 January 2017**	**Current period charge / (credit) to PL**	**Charge to OCI**	**31 December 2017**
	Frw'000	**Frw'000**	**Frw'000**	**Frw'000**
Deferred income tax liability				
Property and equipment -revaluation	1,519,812	149,260	-	1,669,072
	1,519,812	149,260	-	1,669,072
Deferred income tax asset				
Provisions	(312,415)	5,426	-	(306,989)
Deferred income tax liability	**1,207,397**	**154,686**	**-**	**1,362,083**

Year ended 31 December 2016	**1 January 2016**	**Current period charge / (credit) to PL**	**Charge to OCI**	**31 December 2016**
	Frw'000	**Frw '000**	**Frw'000**	**Frw'000**
Deferred income tax liability				
Property and equipment	485,795	116,703	917,314	1,519,812
Fair value gains on available for	4,759	-		-
sale equity investments	2,820	(2,820)	(4,759)	-
Leases	493,374	113,883	-	1,519,812
			912,555	
Deferred income tax asset				
Provisions	(217,342)	(95,073)	-	(312,415)
Deferred income tax liability	**276,032**	**18,810**	**912,555**	**1,207,397**

19. B) INCOME TAX EXPENSE

	31 Dec 2017 Frw'000	**31 Dec 2016 Frw'000**
Current income tax charge	3,180,214	2,593,245
Deferred income tax charge	154,686	18,809
	3,334,930	**2,612,054**

Reconciliation of tax based on accounting profit

	31 Dec 2017 Frw'000	**31 Dec 2016 Frw'000**
Profit before income tax	9,848,331	8,415,205
Current tax at 30% on the taxable profit for the year (31 Dec 2016: 30%)	2,954,499	2,524,562
Tax effect on non-deductible expenses	238,805	87,492
Underprovision of current income tax in prior year	141,626	-
Income tax expense	**3,334,930**	**2,612,054**

notes to the financial statements
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20. NON-CURRENT ASSET HELD FOR SALE

The Bank acquired commercial buildings and property worth Frw 1,200 million (2016: 1,200million) from its former clients pledged as collateral through an auction as a result of default by the clients in settling outstanding loans. The Bank is actively advertising the properties for sale and expects to dispose of them in the next one year.

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds generally at auctions to settle outstanding debt.

Impairment of Frw 280 million (2016: Frw nil) has been recognized in respect of the non-current asset held for sale.

21. DEPOSITS FROM CUSTOMERS

	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000
Term deposits	30,197,386	27,830,188
Current and demand deposits	128,278,266	90,110,496
Saving deposits	18,946,456	16,211,680
	177,422,108	**134,152,364**
Break down between current and non-current deposits:		
Current	177,422,108	126,204,696
Non-current	-	7,947,668
Total	**177,422,108**	**134,152,364**

The summary of terms and conditions for the various categories of deposits are below:

a) Term deposits - These are high interest-bearing accounts that are opened for a specific period of time at a fixed rate of interest. Funds are fixed on the account for specified periods of time. Interest is calculated daily and paid only on maturity of the deposits. Interest rates are offered at competitive and attractive rates.

b) Demand deposits – These are non-interest bearing accounts that are due on demand. They are operated by both individuals and institutions with the use of a cheque book. They are subject to transaction activity fees and/or monthly maintenance charges.

c) Savings deposits - This is a deposit account designed for the average income earner that enables one to save some money and earn interest. The more one saves, the higher the interest. Interest on minimum monthly balances is paid into the account bi-annually.

22. DEPOSITS FROM OTHER FINANCIAL INSTITUTIONS

	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000
Demand deposits	11,672,823	4,778,825
Term and savings deposits	20,035,777	21,928,207
	31,708,600	**26,707,032**

The entire balances are current as at both years.

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23 OTHER PAYABLES

	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000
Cheque clearing accounts	2,936,302	2,416,683
Accruals	2,346,435	2,475,698
Other payables	353,955	241,017
Other creditors	595,586	432,411
	6,232,278	**5,565,809**

The entire balances are current

24. CORPORATE BOND

	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000
Rwanda Social Security Board	36,623	109,869
CORAR	36,623	109,869
SORAS	20,928	62,511
SONARWA	10,464	31,664
	104,638	**313,913**
Current	104,638	213,913
Non - current	-	100,000

Movement in corporate bond issued

Bondholders	Opening balance Frw'000	Interest expense Frw'000	Principal repayments Frw'000	Interest repayments Frw'000	Closing balance Frw'000
RSSB	109,869	6,084	(70,000)	(9,330)	36,623
CORAR	109,869	6,084	(70,000)	(9,330)	36,623
SORAS	62,511	3,477	(40,000)	(5,060)	20,928
SONARWA	31,664	1,738	(20,000)	(2,938)	10,464
Total	**313,913**	**17,383**	**(200,000)**	**(26,658)**	**104,638**

The bank issued a corporate bond at an interest rate of 10.5% p.a. at a nominal value of Frw 1 billion through the Rwanda over-the-counter market in January 2008. The bond has a maturity period of 10 Years and is unsecured.

notes to the financial statements
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25. BORROWED FUNDS

	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000
Loan from European Investment Bank	5,999,531	5,916,989
Business Development Fund (BDF) credit IDA	22,671	30,271
Amount due to Development Bank of Rwanda(BRD)	40,015	40,015
Business Development Fund (BDF)-PASP	46,534	-
BRD Borrowing	617,472	-
Post harvest climate grant project	90	-
	6,726,313	5,987,275
Current	1,409,790	1,146,393
Non-current	5,316,523	4,840,882
	6,726,313	**5,987,275**

Movement in the borrowings is as below

Description	Opening balance Frw '000	New loans Frw '000	Interest expense Frw '000	Principal repayments Frw' 000	Interest repayments Frw '000	Closing balance Frw '000
EIB	5,916,989	847,149	519,974	(781,653)	(502,928)	5,999,531
BDF-Credit IDA	30,271	-	-	(7,600)	-	22,671
BRD	40,015	-	-	-	-	40,015
BDF -PASP	-	46,534	-	-	-	46,534
BRD	-	613,200	20,256	-	(15,984)	617,472
PH G	-	41,924		(41,834)	-	90
Total	**5,987,275**	**1,548,807**	**540,230**	**(831,087)**	**(518,912)**	**6,726,313**

The bank issued a corporate bond at an interest rate of 10.5% p.a. at a nominal value of Frw 1 billion through the Rwanda over-the-counter market in January 2008. The bond has a maturity period of 10 Years and is unsecured.

At the end of the year, the following loan balances were outstanding:

a) Loan from European Investment Bank –
Long term loan of Euro 1,299,599, Euro 593,600, Euro 165,650, Euro 1,573,000, Euro 1,073,600, USD 450,300, from European Investment Bank. Repayment amounts are fixed in Rwandan Francs. Settlement of the loans is in the denominated currency equivalent of the Rwandan Franc. The loans accrue interests at a fixed rate of 9.9% p.a, 8.8% p.a; 7.8% p.a, 8% p.a, 8% p.a and 4.4% p.a respectively and will mature on 15th May 2023, 15 November 2021, 17th May 2021, 17 May 2021, 15th May 2021 and 15th May 2019 respectively. The loan is not secured.

b) Business Development Fund (BDF)
The loan "CREDIT (IDA)" was given by National Bank of Rwanda to finance the rural sector support projects (RSSP) in agriculture related project through commercial banks in Rwanda at a nominal interest rate of 5%. On 9 July 2014, this loan was transferred to Business Development Fund (BDF). The loan is not secured.

c) Amount due to Development Bank of Rwanda (BRD)
A 20 year's housing loan was given to different customers through commercial banks by the National Bank of Rwanda in December 1998 at a fixed interest rate of 6%. This loan was later transferred to the Housing Bank in July 2008 that subsequently was transferred to Development Bank of Rwanda.

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25. BORROWED FUNDS (continued)

At the end of the year, the following loan balances were outstanding:

d) Business Development Fund (BDF) Post-Harvest and Agribusiness Support Project
The project is intended to promote investments in growing of beans, Irish potatoes, maize and dairy products, once BDF assess and judge the client to be entitled to this grant, funds are transferred to the bank where client benefited a loan from .Then client pays the loan and once the remaining outstanding loan is equivalent to the grant, the grant is used to liquidate the loan.

e) BRD Borrowing relates to 9 years loan aiming at providing funds for loans to export oriented small and medium enterprises (SMEs) in Rwanda at preferential rate of 8%. The loan is not secured.

26. PROVISIONS	**31 Dec 2017 Frw'000**	**31 Dec 2016 Frw'000**
Balance as at 1 January	803,247	616,166
Additional provisions	60,686	196,069
Unused provisions reversed	(288,602)	(8,988)
Reclassification to other payables	(120,000)	-
Balance as at 31 December 2017	**455,331**	**803,247**

The provisions above relate to on-going legal disputes where the directors, having taken legal advice and are of the opinion that the judgement could be against the Bank. The reversed provisions relate to cases won by bank during the period. The entire balance is current.

Reclassifications relate to items in the course of collection which had been classified under provisions in prior year.

27. SHARE CAPITAL AND RESERVES a) Share capital	**Shares outstanding**	**Ordinary shares (Frw'000)**	**Share premium (Frw'000)**	**Total (Frw'000)**
At 1 January 2016	500,000,000	5,000,000	-	5,000,000
At 31 December 2016	500,000,000	5,000,000	-	5,000,000
Issue of shares	5,000,000	50,000	400,000	450,000
At 31 Dec 2017	**505,000,000**	**5,050,000**	**400,000**	**5,450,000**

Ordinary shares
The total authorised number of ordinary shares is 600,000,000 (2016: 500,000,000), with a par value of Frw 10 per share (2016: Frw 10 per share). 505,000,000 shares are fully paid. There is one class of ordinary shares. All shares issued carry equal voting rights.

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

b) Available for sale reserve
The reserve is attributable to changes in fair value of investment securities classified under the available-for-sale category. This is shown on the statement of comprehensive income and also in profit or loss when the underlying asset has been derecognized or impaired.

c) Revaluation reserves
Revaluation reserve represents revaluation surplus on land and buildings.

d) Other reserves
Other reserves relate to excess provisions on loans and advances that bank would have made based on regulations issued by the National Bank of Rwanda. The reserve is non-distributable.

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27. SHARE CAPITAL AND RESERVES (continued)

e) Proposed dividend

	2017 Frw'000	2016 Frw'000
Proposed dividend	2,605,000	2,322,000

At the annual general meeting to be held on 28th May 2018, a final dividend in respect of the year ended 31st December 2017 of FRW 5.16 per share(2016: 4.64 per share) amounting to FRW 2.605 million (2016: 2.322 million) will be proposed for approval.

Payment of dividends is subject to a withholding tax at a rate of 5% for residents and members of East Africa Community and 15% for non-residents unless otherwise agreed with Rwanda Revenue Authority under various double tax agreements.

28. RELATED PARTIES

I&M (Rwanda) Bank Limited immediate parent is BCR Investment Company limited incorporated in Republic of Mauritius. The ultimate parent is I&M Holdings Limited incorporated in Kenya. All entities within the I&M Holdings Group are related parties.

a) Loans to directors

	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000
Loans and advances to directors and their associates	46,752	28,927
Interest on loans to directors	7,956	5,524

Interest rates charged on balances outstanding are two thirds of the rates that would be charged in an arm's length transaction. There were no loans that were impaired as at 31 December 2017 (2016 Nil) and as such no impairment losses have been recorded against balances outstanding during the year.

The bank maintains current accounts with I&M Bank Kenya Ltd and I&M Bank (T) Ltd. Transactions on the related party accounts are interest free. The following were the total transactions with related parties in the year.

	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000
I&M Bank Kenya Ltd	2,571,015	1,931,037
I&M Bank (T) Ltd	537,528	440,890

I&M Bank Rwanda Limited also had placements with I&M Bank Kenya limited. The interest income as a result of these placements is shown below;

	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000
I&M Bank Kenya Ltd	1,432	-

	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000
a. Key management personnel compensation		
Remuneration to key management		
Salaries and wages	1,478,028	1,303,745
Rwanda Social Security Board	94,003	78,814

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28. RELATED PARTIES (continued)

b. Amounts due from related parties	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000
I&M Bank Ltd	5,332,564	2,674,330
I&M Bank (T) Ltd	247,804	758,342
	5,580,368	**3,432,672**

c) Directors' emoluments	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000
As non-executive	208,100	188,450
As executives	630,360	450,423
	838,460	**638,873**

a) Purchase of services		
Management fees	**147,811**	**144,239**

Management fees relates to cost of shared services incurred by I&M Bank Ltd Kenya on behalf of the bank. These are on arms-length basis.

29. OFF STATEMENT OF FINANCIAL POSITION ITEMS, CONTINGENCIES AND COMMITMENTS

In the ordinary course of business, the Bank conducts business involving guarantees, acceptances and performance bonds. These facilities are offset by corresponding obligations of third parties. At the year-end, the contingencies were as follows:

	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000
Acceptances and letters of credit	2,397,437	9,254,203
Guarantees	21,715,443	9,482,099
	24,112,880	**18,736,302**

Guarantees are generally written by a bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default.

Letters of credit commit the Bank to make payment to third parties, on production of documents, which are subsequently reimbursed by customers. An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented and reimbursement by the customer is almost immediate.

Forward foreign exchange contracts are commitments to either purchase or sell a designated financial instrument at a specified future date for a specified price and may be settled in cash or another financial asset. The fair values of the respective currency forwards are carried under other derivative financial assets / liabilities as appropriate.

Capital commitments

Capital expenditure contracted for the new office building and core banking system at the statement of financial position date but not recognised in the financial statements is as follows:

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29. OFF STATEMENT OF FINANCIAL POSITION ITEMS, CONTINGENCIES AND COMMITMENTS (continued)

	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000
Within one year	13,428,033	9,176,720
After one year but not more than five years	5,871,011	10,311,309
	19,299,044	19,488,029

30. RETIREMENT BENEFIT OBLIGATIONS

The Bank contributes to a statutory defined contribution pension scheme, to the Rwanda Social Security Board. The contributions are charged to profit or loss in the Period in which they relate.

	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000
Contribution to Rwanda Social Security Board	298,805	266,589

31. EARNINGS PER SHARE

	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000
Net profit after tax for the period attributable to equity holders	6,513,401,090	5,803,150,890
Weighted average of ordinary shares in issue	503,750,000	500,000,000
	12.92	11.61

32. EMPLOYEE SHARE OPTION PLAN

The board of directors approved an Employee share ownership plan of 5,000,000 shares of Frw 10 each effective 31st March 2017. The Bank's local directors and eligible employees are entitled to participate under this scheme. As per the agreement, the share ownership plan is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees, and to promote the success of the Company's business. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The vesting period is 3 years from the date of the grant after which, as long as the continuous service status does not terminate, the Shares underlying this Option shall vest and become exercisable.

Whenever possible, the determination of Fair Market Value is based upon the per share closing price for the shares as reported in the Rwanda Stock Exchange for the applicable date.

The exercise price of the option is determined by the board.

The effect of the options was immaterial for the Year ended 31th December 2017.

33. OPERATING LEASES

	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000
Commitments for future minimum lease payments		
Due within one year	703,669	617,686
Due within 1 year and 5 years	332,502	706,669
Due after 5 years	24,250	-

Operating lease commitments represents rental for vehicles, photocopies and offices

notes to the financial statements
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34. SUBSEQUENT EVENTS

The bank met with representatives of International Finance Corporation (IFC) and are in the process of getting a US$ 10 million tier two borrowing payable within the next 5 to 10 years.

The borrowing is to improve the capital position of the Bank with its core capital currently being tied up by Basel II/III framework and the two capital intensive software and construction projects.

The capital position is expected to improve by between 18% and 20% above the minimum regulatory requirement.

35. SEGMENT INFORMATION

The Bank has three main segments:

Corporate & Institutional Banking: the segment services medium sized to large corporates and non-borrowing institutions in various sectors.

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

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

Majority of the Bank revenues are derived from interest income and the executive committee relies primarily on net interest revenue to assess the performance of the segments, the total interest income and expense for all reportable segments is presented on a net basis. There were no changes in the reportable segments during the year. There were number of inter segments account transfers from Business Banking to Corporate & Institutional Banking of customers that have outgrown the Bank's BB segmentation criteria; the transfers explain the decrease in the BB's portfolio size.

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

The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the executive committee. Segment assets and liabilities comprise operating assets and liabilities, but exclude items such as taxation, property and equipment and other assets not directly related to the segments.

31 December 2017	**Corporate and institutional banking**	**Business banking**	**Retail Banking**	**Total**
	Frw'000	**Frw'000**	**Frw'000**	**Frw'000**
ASSETS				
Loans and advances to customers	79,301,427	23,827,644	43,384,302	146,513,373
LIABILITIES				
Customer deposits	161,281,242	15,454,853	32,394,613	209,130,708
31 December 2016				
ASSETS				
loans and advances to customers	46,509,164	27,576,738	36,997,154	111,083,056
LIABILITIES				
Customer deposits	117,005,521	16,034,427	27,819,448	160,859,396

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35. SEGMENT INFORMATION (continued)

Statement of comprehensive income

31 December 2017	**Corporate and institutional banking Frw'000**	**Business banking Frw'000**	**Retail Banking Frw'000**	**Total Frw'000**
Interest and similar income	12,277,154	4,394,371	7,811,475	24,483,000
Interest and similar expense	(6,064,207)	(99,537)	(754,684)	(6,918,428)
Net fees and commissions	1,246,434	564,599	849,197	2,660,230
Net foreign exchange income	1,737,582	1,268,465	119,782	3,125,829
Operating income	**9,196,963**	**6,127,898**	**8,025,771**	**23,350,631**
Net loss on financial assets at FVTPL	(171,159)	(16,401)	(34,379)	(221,939)
Other income	391,718	37,536	78,679	507,933
Impairment of financial assets	(256,763)	(224,357)	(117,625)	(598,745)
Employee benefit	(3,757,415)	(1,164,327)	(2,210,469)	(7,132,211)
Depreciation of property & equipment	(510,582)	(158,217)	(285,748)	(954,547)
Amortization of intangible assets	(46,634)	(14,450)	(26,098)	(87,182)
Other operating expenses	(2,682,823)	(831,338)	(1,501,448)	(5,015,609)
Total operating expenses	**(6,997,454)**	**(2,168,332)**	**(4,023,763)**	**(13,189,549)**
Profit before tax	2,163,305	3,756,344	3,928,682	9,848,331

31 December 2016	**Corporate and institutional banking Frw'000**	**Business banking Frw'000**	**Retail Banking Frw'000**	**Total Frw'000**
Interest and similar income	9,211,737	4,918,730	6,311,039	20,441,506
Interest and similar expense	(5,099,006)	(93,723)	(643,451)	(5,836,180)
Net fees and commissions	1,097,147	536,925	777,439	2,411,511
Net foreign exchange income	2,394,277	965,852	106,547	3,466,676
Operating income	**7,604,155**	**6,327,784**	**6,551,574**	**20,483,513**
Net gain on financial assets at FVTPL	586,641	86,018	149,239	821,898
Other income	64,923	9,519	16,516	90,958
Impairment of financial assets	(237,735)	(207,730)	(108,908)	(554,373)
Employee benefit	(2,632,790)	(1,849,539)	(2,286,971)	(6,769,300)
Depreciation of property & equipment	(245,976)	(172,798)	(213,667)	(632,441)
Amortization of intangible assets	(40,248)	(28,275)	(34,962)	(103,485)
Other operating expenses	(1,914,149)	(1,344,692)	(1,662,724)	(4,921,565)
Total operating expenses	**(4,833,163)**	**(3,395,304)**	**(4,198,324)**	**(12,426,791)**
Profit before tax	3,184,821	2,820,287	2,410,097	8,415,205

Non-current asset additions of Frw 1.9 billion relating to intangible assets and Frw 5.2 billion relating to tangible assets have been disclosed in notes 11 and 10 respectively.

The Bank does not suffer concentration risk and there is no single customer who contributes more than 15% of the revenue.

All the segments are within Rwanda.

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36. FINANCIAL RISK MANAGEMENT

(a) Introduction and overview
The Bank has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risks

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

(b) Credit risk
Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and treasury bills. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

Derivative financial instruments
Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded on the statement of financial position. In the case of credit derivatives, the Bank is also exposed to or protected from the risk of default of the underlying entity referenced by the derivative. With gross-settled derivatives, the Bank is also exposed to a settlement risk, being the risk that the Bank honours its obligation but the counterparty fails to deliver the counter-value.

Credit-related commitment risks
The Bank makes available to its customers guarantees which may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

The Board of Directors is responsible for management and periodically reviewing the credit risk of the Bank.

A Board Credit Committee, reporting to Board of Directors is responsible for oversight of the Bank's credit risk, including:
- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to various Credit committees as stipulated in the Bank's Credit Charter.

- Reviewing and assessing credit risk. The Bank Credit risk management Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances) and by issuer, credit rating band, market liquidity and country (for investment securities).

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36. FINANCIAL RISK MANAGEMENT (continued)
b) Credit Risk (continued)

Developing and maintaining the Bank's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures as follows:-

- The current risk grading framework consists of five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive / committee as appropriate. Risk grades are subject to regular reviews by the Banks's Credit Risk department.

- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Bank Credit on the credit quality of local portfolios and appropriate corrective action is taken.

- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

Each business unit is required to implement the Bank credit policies and procedures, with credit approval authorities delegated from the Bank's Credit Committee. Each business unit has a Head of department who reports on all credit-related matters to local management and the Bank Credit risk management Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to Central Bank's approval. Regular audits of business units and Bank Credit processes are undertaken by Internal Audit.

Exposure to credit risk
The Bank has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Bank is exposed to credit risk are shown in the below:

	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000
Due from the National Bank of Rwanda	22,675,563	14,202,956
Due from other banking institutions	30,804,171	31,844,955
Derivative financial instruments	68,510	284,782
Investment securities - held for trading	17,920,975	16,631,698
Investment securities - available for sale	826	826
Investment securities - held to maturity	19,812,580	16,492,504
Acceptances and letters of credit	2,397,437	9,254,203
Guarantees	21,715,443	9,482,099
Loans and advances to customers	146,513,373	111,083,056
Other assets	2,685,877	972,121
TOTAL	**264,594,755**	**210,249,200**

No category of financial assets are impaired or past due apart from loans and advances to customers as analyzed below:

notes to the financial statements
for the year ended 31st December 2017

36. FINANCIAL RISK MANAGEMENT (continued)
b) Credit Risk (continued)

(i) Loans and advances to customers	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000
Amortised cost – maximum exposure to credit risk	149,597,588	112,997,317
Specific impairment:-		
Gross amount	4,447,322	3,563,964
Allowance for impairment	(2,455,032)	(1,566,620)
Carrying amount	1,992,290	1,997,344
General impairment :-		
Gross amount	145,150,266	109,433,353
Allowance for impairment	(629,183)	(347,641)
Carrying amount	**144,521,083**	**109,085,712**
Total carrying amount	146,513,373	111,083,056
Neither past due nor impaired	136,725,575	104,189,769
Past due but not impaired	8,424,691	5,243,584
Impaired loans and advances	4,447,322	3,563,964
Total Gross loans advances	**149,597,588**	**112,997,317**

Specific impairment has been made for loans and advances that the bank has determined that no objective evidence of impairment exists for them to be individually assessed.

Neither past due nor impaired are the performing loans 0-29 days, past due but not impaired are those assets past due between 30 to 89 days and impaired loans and advances are those assets which are past due for more than 90days.

For the Year ended 31st December 2017, the bank has not recorded any impairment of the amount due from banking institutions abroad neither the amount due from related parties. The assessment is undertaken each financial Period through examining the financial position of the counterparty and market in which operates. The carrying value may not be affected by changes in the credit risk of the counterparties.

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognized on the statement of financial position, they do contain credit risk and are, therefore, part of the overall risk of the Bank.

Impaired loans
Impaired loans are loans for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements. These loans are graded substandard, doubtful and loss in the Bank's internal credit risk grading system.

Criteria for substandard classification:
These are loan balances due for 90 days but less than 180 days. They are also those credit facilities that display well-defined credit weaknesses that jeopardize the liquidation of the debt such as inadequate cash flow to service the debt, undercapitalized or insufficient working capital, absence of adequate financial information or security documentation and irregular payment of principal or interest.

notes to the financial statements
for the year ended 31st December 2017

36. FINANCIAL RISK MANAGEMENT (continued)
b) Credit Risk (continued)

Criteria for doubtful classification
These are loan balances that are more than 180 days but less than 365 days overdue. They are also those credit facilities which, in addition to the weaknesses existing in substandard credits, have deteriorated to the extent that full repayment is unlikely or that realizable security values will be insufficient to cover the bank's exposure.

Criteria for loss classification
These are loans that are more than 365 days overdue. These are also those credit facilities that are considered uncollectable or which may have some recovery value but it is not considered practicable nor desirable to defer write off. They are also accounts classified as "Doubtful" with little or no improvement over the period it has been classified as such.

Past due but not impaired loans
These are loans where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Bank.

Allowances for impairment
The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy
The Bank writes off a loan balance when credit department determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral have failed to cover the entire facility outstanding.

Credit concentration by sector
The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

Concentration by sector:	**2017 Frw'000**	**2016 Frw'000**
Construction	19,801,653	10,752,360
Wholesale and retail	28,236,115	22,801,276
Manufacturing	25,939,761	18,751,747
Agriculture	13,710,828	5,976,073
Transport, warehousing and communication	7,496,476	7,110,994
Mining	1,531,970	1,411,027
Other Industries	52,880,785	46,193,840
	149,597,588	**112,997,317**

To manage concentration risk, the bank continuously evaluate transaction risk in a group of borrowers per sector. The bank looks at the following risk elements:

- Magnitude and volatility in financial performance available in an industry
- Degree of threat in the market
- Economic instances like recession, inflation and capability of an industry to withstand them,

The sectorial exposure limits are set by the Board Risk Committee.

notes to the financial statements
for the year ended 31st December 2017

36. FINANCIAL RISK MANAGEMENT (continued)
b) Credit Risk (continued)

Collateral on Loans and Advances
The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and is updated on a monthly basis by management through its credit department.

An estimate of the fair value of collateral and other security enhancements held against individually assessed loans and advances is shown below.

Class	Exposure Frw'000	Collateral cover Frw'000
Substandard - Loan balances due for 90 but less than 180 days	601,589	999,345
Doubtful - Loan balances due for 180 but less than 365 days	1,524,709	1,457,534
Loss - Loan balances due for one year and above	2,321,024	852,961
	4,447,322	**3,309,840**

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. Collateral is assessed every month for adequacy. It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

(ii) Commitments and guarantees
The table below shows the Bank's maximum credit risk exposure for commitments and guarantees. The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statement of financial position.

	2017 Frw'000	2016 Frw'000
Acceptances and letters of credit	2,397,437	9,254,203
Guarantees	21,715,443	9,482,099
	24,112,880	**18,736,302**

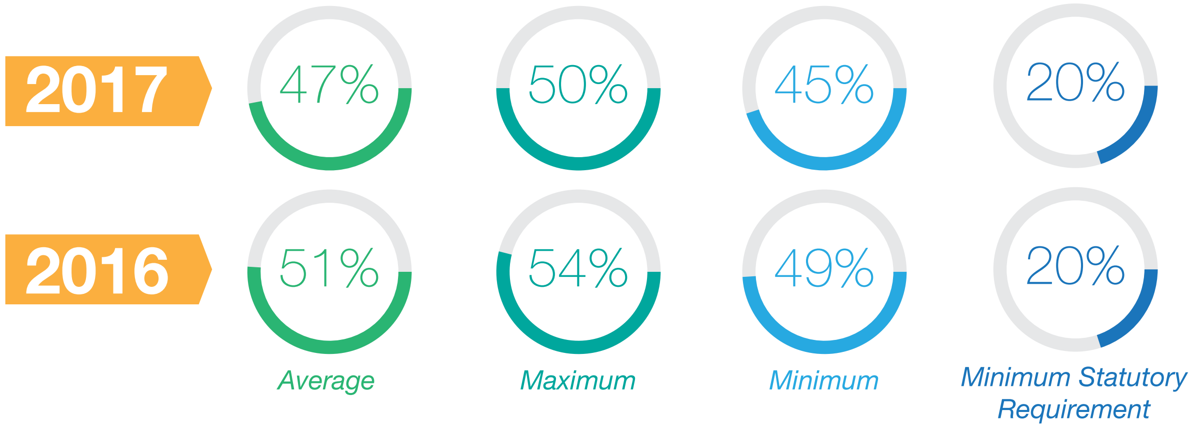
(c) Liquidity risk
Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk
The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by Asset and Liabilities Committee. The Asset and Liabilities Committee (ALCO) also monitors the liquidity gap and at first instance would source funds from market using interbank borrowings and as a last resort, use repo and reverse repo arrangements with the Central Bank of Rwanda. The Bank has also arranged for long term funding as disclosed under note 34.

Exposure to liquidity risk
The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. Details of the reported Bank ratios of net liquid assets to deposits at the reporting date and during the reporting period were as follows:

notes to the financial statements
for the year ended 31st December 2017

36. FINANCIAL RISK MANAGEMENT (continued)
c) Liquidity Risk (continued)



The table below shows details of the contractual maturities of undiscounted cash flows of Bank net liquid assets and liabilities at the reporting date.

	Less than 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
31 December 2016						
Assets						
Cash and bank balances with National Bank of Rwanda	19,251,620	-	-	-	-	19,251,620
Due from other banking institutions	31,844,955	-	-	-	-	31,844,955
Derivative financial instruments	-	-	30,981	(1,278)	-	29,703
Loans and advances to customers	38,112,145	5,771,095	14,066,441	54,325,643	35,758,668	148,033,992
Financial investment	4,002,950	5,177,473	7,571,747	414,403	-	17,166,573
Held for trading	16,631,698	-	-	-	-	16,631,698
Other Assets	972,121	-	-	-	-	972,121
Total Financial Assets	**110,815,489**	**10,948,568**	**21,669,169**	**54,738,768**	**35,758,668**	**233,930,662**
Liabilities						
Customers deposits	90,147,127	1,304,275	36,512,831	8,978,698	-	136,942,931
Deposits from other banks	8,936,138	2,057,694	17,190,274	-	-	28,184,106
Borrowings	-	-	915,039	5,065,644	1,528,878	7,509,561
Corporate bonds	113,913	-	110,000	126,906	-	350,819
Other liabilities	5,324,793	-	-	-	-	5,324,793
Acceptances and letters of credit	-	-	9,254,203	-	-	9,254,203
Guarantees	-	-	9,482,099	-	-	9,482,099
Total Financial Liabilities	**104,521,971**	**3,361,969**	**73,464,446**	**14,171,248**	**1,528,878**	**197,048,512**
Liquidity Gap 31 December 2016	**6,293,518**	**7,586,599**	**(51,795,277)**	**40,567,520**	**34,229,790**	**36,882,150**

notes to the financial statements
for the year ended 31st December 2017

36. FINANCIAL RISK MANAGEMENT (continued)
c) Liquidity Risk (continued)

	Less than 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
31 December 2017						
Assets						
Cash and bank balances with National Bank of Rwanda	25,697,111	-	-	-	-	25,697,111
Due from other banking institutions	30,804,171	-	-	-	-	30,804,171
Derivative financial instruments	-	-	-	83,045	-	83,045
Loans and advances to customers	59,880,599	5,919,241	17,394,825	70,518,837	32,054,073	185,767,575
Financial investment	1,924,344	5,464,045	12,674,038	424,255	-	20,486,682
Held for trading	17,920,975	-	-	-	-	17,920,975
Other Assets	1,554,626	-	-	-	2,715,784	4,270,410
Total Financial Assets	**137,781,826**	**11,383,286**	**30,068,863**	**71,026,137**	**34,769,857**	**285,029,969**
Liabilities						
Customers deposits	125,697,914	3,657,066	48,989,298	-	-	178,344,278
Deposits from other banks	11,672,802	2,029,516	19,042,066	-	-	32,744,384
Borrowings	-	-	1,479,828	4,915,408	1,853,464	8,248,700
Corporate bonds	104,638	-			-	104,638
Other liabilities	5,878,323	-	-	-		5,878,323
Acceptances and letters of credit	-	-	2,397,437	-	-	2,397,437
Guarantees	-	-	21,715,443	-	-	21,715,443
Total Financial Liabilities	**143,353,677**	**5,686,582**	**93,624,072**	**4,915,408**	**1,853,464**	**249,433,203**
Liquidity Gap - 31 December 2017	**(5,571,851)**	**5,696,704**	**(63,555,209)**	**66,110,729**	**32,916,393**	**35,596,766**

This table is presented from a contractual basis as opposed to operationally. The profile of liquidating assets and liabilities is much longer than has been presented.

notes to the financial statements
for the year ended 31st December 2017

36. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risk
Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Traded market risk: the risk of the Bank being impacted by changes in the level or volatility of positions in the trading book. The bank currently holds financial securities held for trading amounting to FRW 17.6 billion

Non-traded market risk: the risk of the Bank's earnings or capital being reduced due to the market risk exposure from banking book positions which may arise net of hedging activities. Market risk on the currency swap is based on the differential of the interest rates between the two currency swaps. This interest rate is fixed at the onset of the contract. The Bank holds a derivative financial instrument valued at FRW 68 million.

Management of market risk
The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

All foreign exchange risk within the Bank is managed by the Treasury Department. Accordingly, the foreign exchange position is treated as part of the Bank's trading portfolio for risk management purposes.

Overall authority for market risk is vested in the Board. The Finance and Treasury Departments in collaboration with the Risk Management Department are responsible for the development of detailed risk management policies (subject to review and approval by Board Risk Management Committee) and for the day-to-day review of their implementation. Management actively engage with their clients to continually roll forward their deposits.

Exposure to market risks – trading portfolio
The bank holds financial assets held for trading amounting to FRW 17.6billion that is exposed to market risk. Less than 1% of listed bonds have been traded in 2016 and 2017. Management adopted the use of the yield curve in the current year as it is a better representation of fair value.

Exposure to interest rate risk – non-trading portfolio
The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. All of the interest rate risk is due to fair value. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for reprising bands. The Treasury back office and Finance Department is the monitoring body for compliance with these limits.

notes to the financial statements
for the year ended 31st December 2017

36. FINANCIAL RISK MANAGEMENT (continued)
d) Market Risk (continued)

A summary of the Bank's interest gap position on trading and non-trading portfolio is as follows:

31 December 2016 **Assets**	**Less than 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 National Bank of Rwanda	-	-	-	-	-	19,251,620	19,251,620
Due from other banking institutions	19,653,203	5,738,524	1,000,000	-	-	5,453,228	31,844,955
Derivative Financial instruments	-	-	79,065	205,717	-	-	284,782
Loans and advances to customers	38,112,145	5,503,084	12,178,737	37,892,208	17,396,882	-	111,083,056
Investment Securities							
- Held for trading	16,631,698	-	-	-	-	-	16,631,698
- Held to Maturity	4,002,950	5,063,154	7,076,400	350,000	-	-	16,492,504
Other assets	-	-	-	-	-	972,121	972,121
Total Assets	**78,399,996**	**16,304,762**	**20,334,202**	**38,447,925**	**17,396,882**	**25,676,969**	**196,560,736**
Liabilities							
Customers deposits	9,725,248	1,283,444	34,774,124	7,947,668	-	80,421,880	134,152,364
Deposits from other banks	11,098,881	2,000,000	8,829,326	-	-	4,778,825	26,707,032
Borrowings	-	-	839,485	4,083,838	1,063,952	-	5,987,275
Corporate bonds	100,000	-	100,000	100,000	-	13,913	313,913
Other liabilities	-	-	-	-	-	5,324,792	5,324,792
Total Liabilities	**20,924,129**	**3,283,444**	**44,542,935**	**12,131,506**	**1,063,952**	**90,539,410**	**172,485,376**
Interest rate sensitivity gap 31 December 2016	**57,475,867**	**13,021,318**	**(24,208,733)**	**26,316,419**	**16,332,930**	**(64,862,441)**	**24,075,360**

notes to the financial statements
for the year ended 31st December 2017

36. FINANCIAL RISK MANAGEMENT (continued)
d) Market Risk (continued)

A summary of the Bank's interest gap position on trading and non-trading portfolio is as follows:

31 December 2017 **Assets**	**Less than 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 National Bank of Rwanda	-	-					25,697,111
Due from other banking institutions	24,183,002	300,000	700,000	-	-	25,697,111	30,804,170
Derivative Financial instruments	-	-	68,510	-	-	5,621,168	68,510
Loans and advances to customers	59,880,599	5,775,999	15,885,227	49,186,982	15,784,566	-	146,513,373
Investment Securities							
- Held for trading	17,920,975	-	-	-	-	-	17,920,975
- Held to Maturity	1,915,152	5,464,045	12,074,191	359,192	-	-	19,812,580
Other assets		-	-	-	1,131,251	1,554,626	2,685,877
Total Assets	**103,899,728**	**11,540,044**	**28,727,928**	**49,546,174**	**16,915,817**	**32,872,905**	**243,502,596**
Liabilities							
Customers deposits	38,228,955	3,638,735	24,380,764	-	-	111,173,654	177,422,108
Deposits from other banks	-	10,882,587	9,153,211	-	-	11,672,802	31,708,600
Borrowings	-	-	1,514,427	4,055,087	1,156,799	-	6,726,313
Corporate bonds	104,638	-				5,878,323	104,638
Other liabilities	-	-	-	-	-		5,878,323
Total Liabilities	**38,333,593**	**14,521,322**	**35,048,402**	**4,055,087**	**1,156,799**	**128,724,779**	**221,839,982**
Interest rate sensitivity gap 31 December 2017	**65,566,135**	**(2,981,278)**	**(6,320,474)**	**45,491,087**	**15,759,018**	**(95,851,874)**	**21,662,614**

notes to the financial statements
for the year ended 31st December 2017

36. FINANCIAL RISK MANAGEMENT (continued)
d) Market Risk (continued)

Sensitivity analysis:	**Frw '000'**
31 December 2016 (+/-) 2%	(+/-) 481,507
31 December 2017 (+/-) 2%	(+/-)433,252

Sensitivity to pre-tax profit or loss is the effect of the assumed change in interest rates on interest bearing assets and liabilities.

Foreign currency exposure
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The board of directors has set limits on foreign currency positions. The foreign currency positions and revaluations are monitored on daily basis to ensure that positions are maintained within the established limits. The amounts below summarizes the foreign currency exposure position as at 31 December 2016.

Statement of comprehensive income

As at 31 December 2016	**USD Frw'000**	**EUR Frw'000**	**GBP Frw'000**	**Other Frw'000**	**Total Frw'000**
Assets					
Cash and balances with National Bank of Rwanda	2,472,157	918,917	259,992	1,243	3,652,309
Due from other banking institutions	25,865,197	2,841,455	73,084	27,038	28,806,774
Loans and advances to Customers	13,380,052	1,055	125	-	13,381,232
Total Assets	**41,717,406**	**3,761,427**	**333,201**	**28,281**	**45,840,315**
Equity and liabilities					
Customer deposits	38,725,152	3,590,836	335,988	-	42,651,976
Borrowings	369,211	5,547,778	-	-	5,916,989
Deposits from other banks	9,319,445	171,582	-	-	9,491,027
Total Liabilities	**48,413,808**	**9,310,196**	**335,988**	**-**	**58,059,992**
Net financial position	**(6,696,402)**	**(5,548,769)**	**(2,787)**	**28,281**	**(12,219,677)**

Sensitivity analysis
The following table demonstrates the sensitivity, to a reasonable possible change in the USD, GBP and EUR, with all other variables held constant, of the Bank's profit before tax due to changes in fair value of monetary assets and liabilities. The Bank's exposure to foreign currency changes for all other currencies is not material. The percentage change used in the sensitivity represents the depreciation of the FRW to the respective currencies:

31 December 2016	Effect on profit before tax and Equity Frw '000
Changes in EUR +/- 6.2%	(+/-) 344,024
Changes in USD +/- 9.6%	(+/-) 642,855
Changes in GBP +/- 8.6%	(+/-) 240

notes to the financial statements
for the year ended 31st December 2017

36. FINANCIAL RISK MANAGEMENT (continued)
d) Market Risk (continued)

Statement of comprehensive income

As at 31 December 2017	USD Frw'000	EUR Frw'000	GBP Frw'000	Other Frw'000	Total Frw'000
Assets					
Cash and balances with National Bank of Rwanda	1,876,442	17,598	1,184,700	3,184	3,081,924
Due from other banking institutions	20,722,650	532,811	3,041,393	2,677,478	26,974,332
Loans and advances to Customers	32,187,563	148	152,037	-	32,339,748
Total Assets	**54,786,655**	**550,557**	**4,378,130**	**2,680,662**	**62,396,004**
Equity and liabilities					
Customer deposits	55,928,918	542,074	4,161,348	2627868	63,260,208
Borrowings	233,328	5,770,475	-	-	6,003,803
Deposits from other banks	10,912,925		230,449	-	11,143,374
Total Liabilities	**67,075,171**	**6,312,549**	**4,391,797**	**2,627,868**	**80,407,385**
Net financial position	**(12,288,516)**	**(5,761,992)**	**(13,667)**	**52,794**	**(18,011,381)**

31 December 2017	Effect on profit before tax and Equity Frw '000
Changes in EUR +/- 13.72%	(+/-)790,545
Changes in USD +/- 3.05%	(+/-)374,800
Changes in GBP +/- 13.02%	(+/-)1,779

(e) Capital management
Regulatory capital
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 analysed into two tiers:

Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.

Various limits are applied to elements of the capital base; qualifying tier 2 capital cannot exceed tier 1 capital; there are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital.

notes to the financial statements
for the year ended 31st December 2017

36. FINANCIAL RISK MANAGEMENT (continued)
e) Capital management (continued)

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank's regulatory capital position was as follows as at:

Tier 1 capital	**31 Dec 2017** **Frw'000**	**31 December 2016** **Frw'000**
Ordinary share capital	5,050,000	5,000,000
Share premium	400,000	-
Reserves:		
Prior years' retained earnings	20,250,801	17,478,880
Net Profit after tax for current the period (50% only)	3,153,865	2,901,575
Other reserves	812,065	709,229
Less - intangible assets	(51,944)	(139,126)
Tier 1 capital	29,614,787	25,950,558
Tier 2 capital		
Revaluation reserve	535,100	535,100
Total Capital	**30,149,887**	**26,485,658**
Risk-weighted assets	**152,194,191**	**119,300,838**
Capital ratios		
Total minimum Tier 1 regulatory capital expressed as a % of total risk-weighted assets	10%	10%
Total minimum regulatory capital expressed as a % of total risk-weighted assets	15%	15%
Total tier 1 capital expressed as a % of risk-weighted assets	19.5%	21.8%
Total capital expressed as a % of risk-weighted assets	19.8%	22.2%

There are no other externally imposed capital requirements.

f) Fair value measurement

The fair values of investment securities are determined using valuation techniques. The bank uses widely recognised valuation models for determining fair values of investment securities.

Valuation methods and assumptions

Derivative financial instruments

The derivative has been valued using a valuation technique with market-observable inputs. The technique used the swap model using present value calculations of expected future cash flows. Significant inputs are interest rates and fluctuations in exchange rates.

Financial Instruments - Held for trading and corporate bonds.

The fair values of the quoted bonds are based on price quotations at the reporting date.

notes to the financial statements
for the year ended 31st December 2017

36. FINANCIAL RISK MANAGEMENT (continued)
f) Fair value measurement (continued)

Cash in hand, Due from National Bank, Other assets, Due to banks and other financial institutions, and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

Financial assets such as Loans and advances, Due from other banking institutions Financial Assets held to Maturity, Other assets, and financial liabilities like Due to customer and Borrowed funds are stated at amortised costs.

The following tables provide the fair value measurement hierarchy of the company's assets and liabilities measured at fair value. The table below includes items that have recurring fair value measurements (i.e. financial assets- Held for trading and available-for-sale, as well as derivative instruments). The table also shows the fair value measurement of financial instruments at amortised cost (i.e. the corporate bond). There have been no transfers between the various levels.

		Fair value measurement using		
31 December 2016	**Carrying amount Frw'000**	**Quoted prices in active markets (Level 1) Frw'000'**	**Significant observable inputs (Level 2) Frw'000'**	**Significant unobservable inputs (Level 3) Frw'000'**
Assets :				
Financial Investments				
- Held for trading	16,631,698	-	16,631,698	-
- Available for sale	826	-	-	826
Derivative financial instruments	284,782	-	284,782	-
Property and equipment				
- Land and buildings	6,018,661	-	-	6,018,661
Non-current asset held for sale	1,200,000	-	1,200,000	-
Total	**24,135,967**	**-**	**18,116,480**	**6,019,487**
Liabilities :				
Corporate bond	313,913	-	313,913	-
31 Dec 2017				
Assets :				
Financial Investments				
- Held for trading	17,920,975	-	17,920,975	
- Available for sale	826	-	-	826
Derivative financial instruments	68,510	-	68,510	
Land and buildings	5,756,282	-	-	5,756,282
Non-current asset held for sale	2,120,000	-	2,120,000	-
Total	**25,866,593**	**-**	**20,109,485**	**5,757,108**
Liabilities :				
Corporate bond	104,638	-	104,638	-

notes to the financial statements
for the year ended 31st December 2017

36. FINANCIAL RISK MANAGEMENT (continued)
f) Fair value measurement (continued)

Quantitative information of significant unobservable inputs – Level 3:

Description	Valuation Technique	Unobservable input	Range	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000
Financial investments – available for sale	Market based valuation technique	Net asset value and last equity transaction on the shares	SWIFT Shares	-	826
Property and Equipment - Land and buildings	Market based valuation technique	Range Price per square metre	Land 14,000 - 118,000 Building 140,000 -500,000	5,756,282	6,018,661

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period:

i) Financial Investments - Available for sale

	31 Dec 2017 Frw'000	31 Dec 2016 Frw'000
Balance as at 01 January	826	16,688
Total FV loss recognized in OCI	-	(15,862)
Balance	826	826

The table below shows the fair value hierarchy for assets and liabilities not measured at fair value

	Carrying value Frw'000	Fair value Frw'000	Level 1	Level 2	Level 3
ASSETS					
Due from the National Bank of Rwanda	22,675,563	22,675,563	-	-	22,675,563
Due from other banking institutions	30,804,171	30,804,171	-	-	30,804,171
Financial investments - held to maturity	19,812,580	19,816,893	-	19,816,893	-
Loans and advances to customers	146,513,373	146,513,373	-	-	146,513,373
Other assets	2,973,118	2,973,118	-	-	2,973,118
TOTAL ASSETS	**222,778,805**	**222,783,118**		**19,816,893**	**222,783,118**
LIABILITIES					
Deposits from customers	177,422,108	177,422,108	-	-	177,422,108
Deposits from banks and other financial Institutions	31,708,600	31,708,600	-	-	31,708,600
Borrowed funds	6,726,313	6,205,425	-	-	6,205,425
Provisions and other payables	6,687,609	6,687,609	-	-	6,687,609
TOTAL LIABILITIES	**222,544,630**	**222,023,742**	**-**	**-**	**222,023,742**

notes to the financial statements
for the year ended 31st December 2017

36. FINANCIAL RISK MANAGEMENT (continued)
f) Fair value measurement (continued)

31 December 2017	**Carrying value Frw'000**	**Fair value Frw'000**	**Level 1**	**Level 2**	**Level 3**
ASSETS					
Due from the National Bank of					
Rwanda	14,202,956	14,202,956	-	-	14,202,956
Due from other banking institutions	31,844,955	31,844,955	-	-	31,844,955
Financial investments - held to	16,492,504	16,492,504	-	16,492,504	-
maturity	111,083,056	111,083,056	-	-	111,083,056
Loans and advances to customers	1,217,924	1,217,924	-	-	1,217,924
Other assets					
TOTAL ASSETS	**174,841,395**	**174,841,395**		**16,492,504**	**158,348,891**
LIABILITIES					
Deposits from customers	134,152,364	134,152,364	-	-	134,152,364
Deposits from banks and other	26,707,032	26,707,032	-	-	26,707,032
financial Institutions	5,565,809	5,565,809	-	-	5,565,809
Borrowed funds	5,987,275	5,608,588	-	-	5,608,588
Provisions and other payables	803,247	803,247	-	-	803,247
TOTAL LIABILITIES	**173,215,727**	**172,837,040**	**-**	**-**	**172,837,040**

OTHER DISCLOSURES

ITEM		**Figures in Frw'000**
1. Off balance sheet items		24,679,681
2. Non-performing loan indicators		
(a)	Non-performing loans	4,447,322
(b)	Non performing Loans Ratio	2.49%
3. Capital Strength		
a.	Core Capital (Tier1)	29,614,787
b.	Supplementary Capital (Tier 2)	535,100
c.	Total Capital	30,149,887
d.	Total risk weighted assets	152,194,191
e.	Core capital / Total risk weighted assets ratio	19.5%
f.	Tier 1 ratio	19.5%
g.	Total capital / total risk weighted assets ratio	19.8%
h.	Tier 2 Ratio	0.4%
4. Liquidity		
a.	Liquidity ratio	47.0%
5. Insider lending		
a.	Loans to directors, shareholders and subsidiaries	46,752
b.	Loans to employees	3,174,642
6. Management and board composition		
a.	Number of Board members	10
b.	Number of executive directors	2
c.	Number of Non-executive directors	8
d.	Number of female directors	2
e.	Number of male directors	8
f.	Number of executive committee	14
g.	Number of females in the Executive committee	3
h.	Number of males in the Executive committee	11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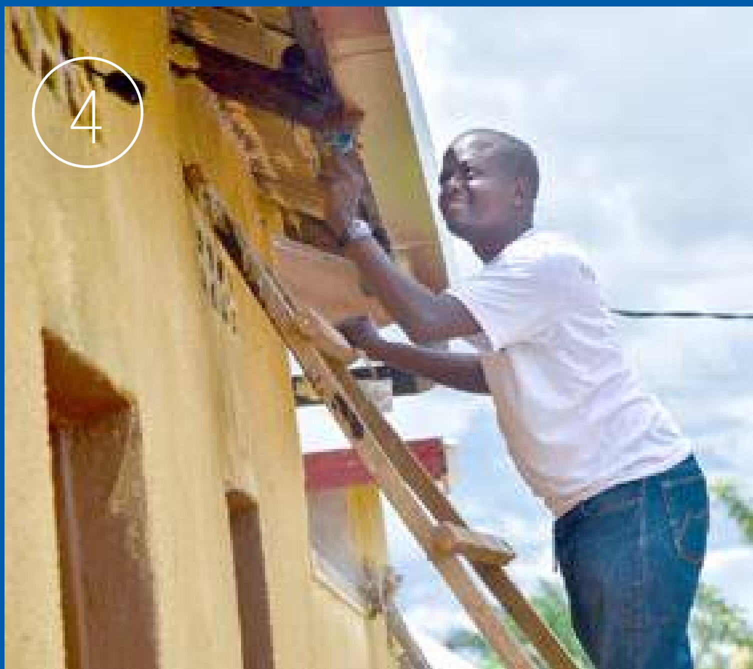
year 2017



in pictures

From a successful KIRA campaign to colourful Kids and staff parties, CSR and Customer service week activities.

1. Staff During community work “Umuganda” in Musanze.
2&3. Kira campaign winners receiving their prizes.
4. Kwibuka 23: Renovation of a survivor house.
5&6. Staff during the end of year Staff Party.
7. PSF International Exhibition stand 2017
8. Our own I&M football team possing before starting a match.
9. I&M swimmers after winning the Rwanda Bankers Sport Competition
10. I&M Kids during the summer kids party.
11. Nyabugogo Branch Staff dressed up for the customer service week
12. Walk for Awarness against childhood cancer
13. MD customer visit to Rusizi.

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