



IM Bank Rwanda Plc.

# Investment Valuation Report

March 2024

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## Investment Rationale

We value IMR with an average target price of Rwf 55 -60

The basis for the BUY recommendation is:

1. The low market on the RSE is mainly due to its average Dividend Payout Ratio of 30%, which is far below that of other banks in the Rwandan market. This low Dividend Yield does not suit cash flow seeking investors such as private and public pension fund and individuals with short to medium investment horizons. For comparison purposes, IMR average dividend yield is 4.61% whilst its Earnings Yield is 15.62%.
2. IMR, given its low Dividend Payout and its high Earnings Yield, is well suited for long term Institutional Investors or Strategic Investors / High Net Worth Individuals with a long investment horizon
3. The Bank has been growing its books at an average of 10% in the past nine years
4. The Bank has seen its EPS increase by an average of 12.5 % in the past nine years
5. Key Regulatory / Prudential Ratios are also very strong
6. The Bank's Balance Sheet has been growing at an average rate of 15 % for the past nine years
7. Total Equity has also been growing by 15% along with total assets for the periods under review
8. The Bank has been growing its online services as well as been embarking in new services to penetrate the market
9. The Bank's Earnings Yield recorded constant increase, reaching peaks of 15.72 % and 15.62 % in 2022 and 2023.
10. Cost Income Ratio decreased and remained constant during the period under review showing well containment of operational costs. We expect Cost / Income Ratio to stabilize in the next five years
11. The Bank has strong Corporate Governance and Management Team
12. However, Non-Performing loans have also been growing at an average of 25% for the past six years; this might be explained by the impact of Covid-2019 on the Bank's loan portfolio. This might be a case for further analysis

## Outlook 2023 and Beyond

Given the above positive results, and based on statistics gathered from independent sources, we expect the Bank to continue adding Shareholder's Value in the next five years. We expect the Bank to grow at least 10% per annum at in the next five years.

The Rwandan economy is expected to strengthen post COVID and international geopolitical instability in the next five years with an average GDP Growth of 8% in 2024 (The African Development Bank – ADB-). An expected growth of at least 6-7 % is expected in the five years thereon. The Banking Sector is expected to grow by an average of 5.6 % as per independent sources.

We however expect IMR to beat this average at least in the next five years to reach an average growth of 9-10 % at least in the next five years and grow with GDP in the long run.

## Recommendation:

BUY Upside Potential of 50%

Industry: Rwanda Banking Sector

Sector: Commercial Banking

52 Week Range: 40-45 Rwf

Average traded Volume (2023): 548,200

% of total shares trade: 0.036 %

Daily Average Traded Volume: 1,502

Shares Outstanding: 1,515,000,000

EPS (2023 full year (E) 8.53 Rwf (2022: 6.2)

Market Capitalization: Rwf 60.6 billion

Intrinsic Market Capitalization Rwf 89.4 billion

Dividend Yield: 2023 (e) 6.7 % (2022: 4.6%)

Earnings Yield: 21.45 % (2022: 15.62 %)

P/E: 2023: 4.66

Beta: 1

Institutional Holdings: around 94% (based on 2021 Shareholders List)

### Note:

1. The Bank's shares trade on the Rwanda Securities Exchange with high Illiquidity.
2. The Bank has not reported any Exceptional Items / Extra Ordinary Expenses that significantly affect its bottom line in for the year 2023. We request Investors to apply caution on this matter.

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# PURPOSE OF THE REPORT AND DISCLAIMER

## Purpose

This report has been prepared with the purpose of valuing the shares of IM Bank Rwanda Plc listed on the Rwanda Securities Exchange (RSE). Data have been obtained from the Bank's published sources for the full year 2022 and other published quarterly reports as available on its website for the period 2023. We have used opinions and forecasts that are our own, which are subjective and approximates.

At the date of this report, The Bank has not yet published its 2023 full Annual Report and Audited Financial Statements. Published figures might change the assumptions and valuation of the Bank.

This report should not be used for any other purpose without the consent of CDH.

## Disclaimer

This research Report has been prepared by CDH Research Desk for its clients. It should not be shared publicly. CDH has used historic public information published by The Bank on its website and any relevant information that have already been made public. No CDH staff conducted interviews with the Bank's staff. Nor did CDH share a copy of its report with The Bank for review. CDH also conducted its own forecast of the Bank's future performance based on its own assumptions that have been disclosed in this report. These assumptions are not exhaustive. CDH cannot guarantee its accuracy, completeness and reliability.

CDH and its staff holds **51,000** IM Bank Rwanda PLC shares at the date of this report, which represents 0.0034% of total shares issued and paid.

We have no other relationship with The Bank. We have no other conflict of interest that needs to be disclosed.

**Do not use this Report for your Investments without doing your own Research.**

It is sole to be used in Rwanda with the consent of CDH. CDH is not responsible for any investment loss suffered by users.

The price and value of investments referred to in this research and the income from them may fluctuate. Past performance does not guarantee future ones. Fluctuations in exchange rates could have adverse effects on the value or price of, or income derived from, certain investments.

CDH Research team is ready to assist any investor who would like to have more details on this report. Please contact our research Team

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# BRIEF DESCRIPTION OF I&M BANK (RWANDA) PLC

I&M Bank (Rwanda) PLC is a Bank registered as a Public Limited Company (PLC) with the Rwanda Development Bank (RDB) and licensed by the National Bank of Rwanda (BNR – The Central Bank) to operate as a Commercial Bank as per Rwanda Banking Laws and Regulations.

I&M Bank (Rwanda) PLC. has a long-standing presence in the Rwandan market as a provider of a wide range of financial services. The Bank was incorporated on 25th May 1963 as the first commercial bank in Rwanda as Banque Commerciale du Rwanda (BCR). In December 2004, BCR was privatized and acquired by Actis – a pan-emerging markets private equity firm – and the Government of Rwanda after recapitalization of the Bank's equity, giving ACTIS an 80% shareholding. On the 17th of July 2012, an 80% equity buy out of Act is by a consortium comprising of I&M Group, and two European developmental financial institutions (DEG and Proparco) led to a re-brand of the Bank to I&M Bank (Rwanda) Limited.

In March 2017, the Bank was listed on the Rwanda Stock Exchange (RSE) by way of an Initial Public

Offering (IPO) following the sale of shares previously owned by the Government of Rwanda.

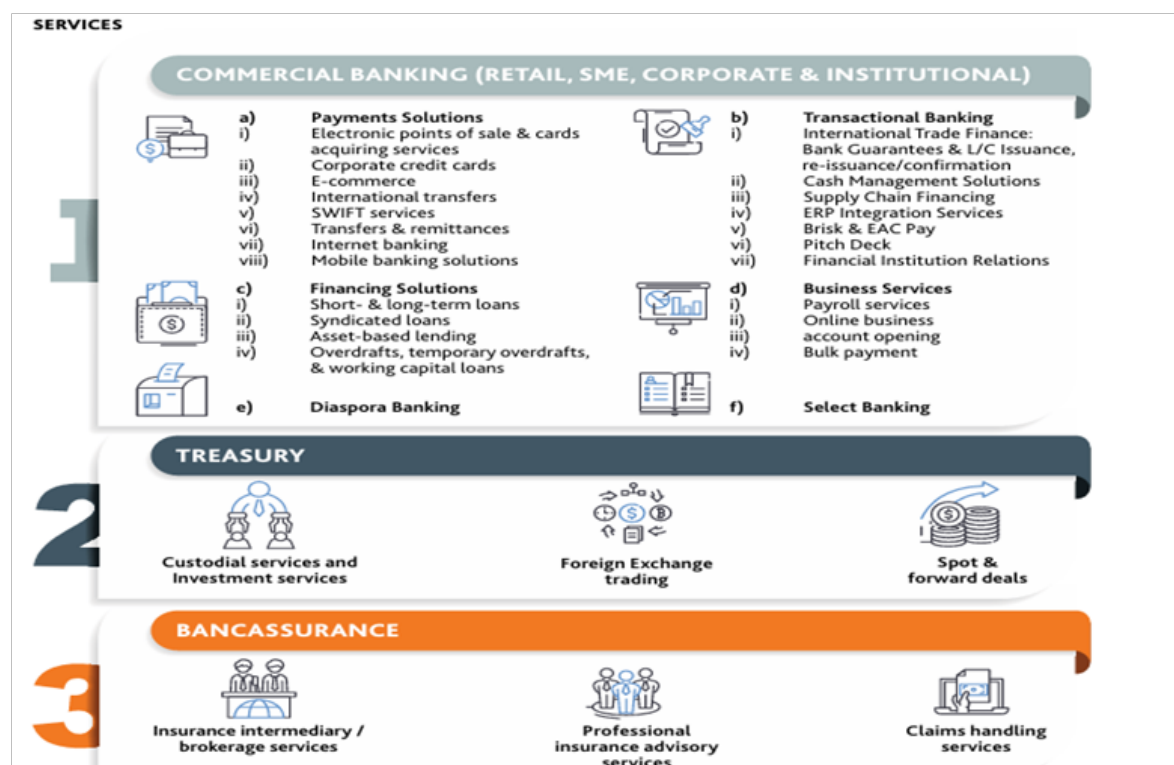
I&M Bank (Rwanda) PLC. offers the full range of personal, business, institutional and corporate banking products throughout its locations. The Bank is a leader in innovation and is the Bank of choice for Coffee, Tea, Minerals, Power, Telecoms, Construction, Hotels, NGOs, Educational Institutions, UN Agencies, Diplomatic representations, and SACCOs/MFIs. This is largely attributed to our hallmark focus on sustaining excellent customer relationships. Steady and positive returns to investors have been a direct result of our customer-focused strategy.

The Bank provides the following services:

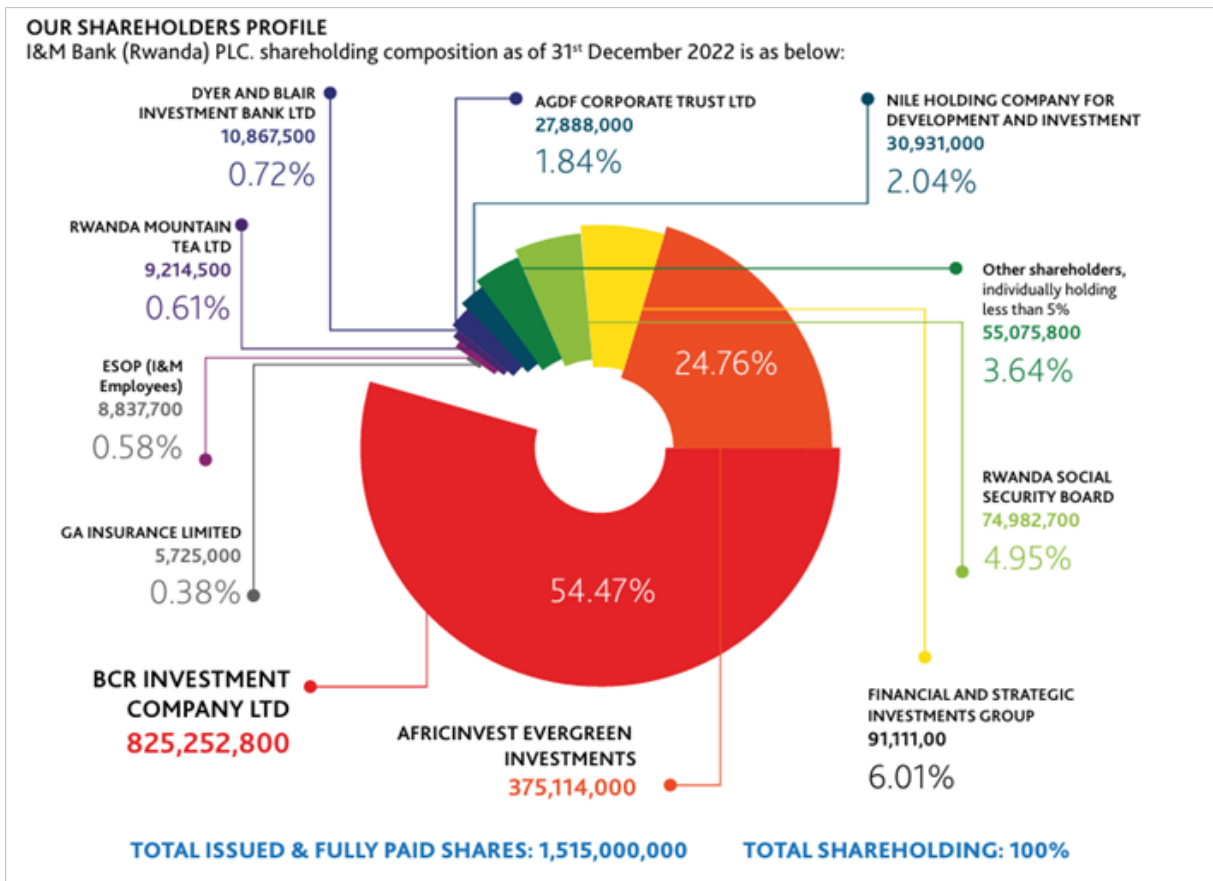
1. Commercial Banking (Retail, SME, Corporate & Institutional)
2. Treasury (Custody and investment services)
3. Banc assurance

Commercial banking represents the largest portion of the Bank's assets. The Bank's products and services are segmented to meet the needs of each customer base and which meet its strategic goals of being the best bank for our customers.

A summary of its main services are as follows:



At 31 December 2021, the Company's shareholders' structure is:



Source: Annual Report 2022



## Country Analysis

According to statistics and reports from the BNR and International Organizations, the positive economic trend observed in 2022 was still evident in 2023, with a 7.7 % increase in real GDP during the first half of the year 2023. This growth is expected to persist throughout the latter part of the year. Despite the negative effects of weather and the base effect in the services sector, real GDP growth is forecasted to remain robust in 2023, although at a slower pace than previously experienced.

In the first half of 2023, Rwanda's economy showed strong growth with a real GDP increase of 7.7 percent. This growth was driven largely by non-agrarian sectors, particularly the services sector.

## Balance of Payments

The Current Account Deficit (CAD) widened to USD 784 million, up from USD 451 million, representing an increase of 73.9 percent.

The increase in the CAD was primarily driven by deteriorations in trade in goods and secondary income account. The deficit in trade of goods widened driven by higher import bill that outpaced exports receipts. The increase in imports bill resulted from continued elevated global oil and food prices as well as higher imports volume of capital and intermediate goods, reflecting strong domestic economic activities.

Besides, the secondary income surplus dropped by 14.6 percent driven by decreased inflows from government budgetary grants (-34.4 percent) that outpaced the good performance of remittances (13.2 percent). In contrast, the trade deficit in services reduced by 30.3 percent to USD 37 million in 2023H1 from USD 28 million in 2022H1 driven by increased receipts from travel (+44.2 percent), reflecting a strong recovery of tourism sector from the Covid-19 pandemic. In addition, inflows from secondary income rose by 26 percent on account of

The tourism industry experienced a robust recovery, and trade, information, and communication services also improved, contributing to the sector's strong momentum. The tourism industry is making a solid comeback, as evidenced by the positive performance of transportation services, hotels, and restaurants. This recovery is in line with the global trend of tourism bouncing back, which is expected to reach pre-pandemic levels by early 2024. Additionally, an increase in private consumption, bank financing, and ongoing support from the Economic Recovery Fund (ERF) has contributed to the growth in trade services, information and communication services, financial services, and the education sector.

higher government current transfers and Diaspora remittances by 35 percent and 22 percent respectively.

The financial account surplus amounted to USD 556 million in 2023H1, up from USD 370 million in 2022H1, representing an increase of 50.4 percent supported by significant disbursements from government budget and project loans as well as private capital flows notably foreign direct investment (FDI). In the period under review, FDI net inflows were estimated at USD 175 million, up from USD 155 million registered in 2022H1, an increase of 13.1 percent. The continued uptick in FDI reflects the ongoing supportive economic policies such as the "Manufacture and Build to Recover Program (MBRP)" and continued investment in the energy sector. Consequently, in the period under review the balance of payments recorded a surplus of USD 5.7 million compared to a deficit of USD 18.5 million recorded in the same period of last year. The international gross official reserves remain adequate covering 4.4 months of prospective imports of goods and services as of end June 2023.

## Inflation Developments

On average, in the first half of 2023, the year-on-year headline inflation decreased slightly to 17.7 percent from the 18.7 percent recorded in the second half of 2022. This was due to a decline in core inflation and energy inflation, which offset the increase in fresh foods inflation. As of August 2023, the headline inflation stood at 12.3 percent.

In the first half of 2023, core inflation decelerated to 11.8 percent from 13.9 percent in the second half of 2022. The slowdown in core inflation is due to a decrease in core food, core housing, and core transport inflation. Specifically, core food inflation

decreased from 29.6 percent in 2022H2 to 21.9 percent in 2023H1, as a result of lower international food prices and government regulations that affected the prices of maize and rice. Core housing inflation also decreased from 5.9 percent in 2022H2 to 4.1 percent in 2023H1, reflecting the decline in prices of housing materials and maintenance services. Finally, core transport inflation decreased from 9.4 percent in 2022H2 to 8.3 percent in 2023H1, as inflation pressures for vehicle purchases decreased.

## Brief Description of the Rwandan Banking Sector

As of end June 2023, the banking sector comprised of 15 banks (of which 10 are commercial banks, 3 microfinance banks, 1 development bank and 1 cooperative bank).

Due to its size, the banking sector plays a dominant role within the financial system and remains the primary source of financing for the private sector.

Credit is primarily channeled through banks, and they are also providers of other essential financial services including; payment services, and trade and exchange related services. This sector remains stable and continues to perform its functions, ensuring an uninterrupted provision of essential services.

## Banking Sector Performance

The banking sector's balance sheet growth remained stable during the period under review.

The total assets of banks expanded by 18.1 percent to FRW 6,485 billion in June 2023 from FRW 5,492 billion in June 2022, although lower than the growth of 18.8 percent that was registered in the previous year.

The growth in bank's assets was mainly attributed to the growth of customers' deposits (+ 14.8 percent) and equity (+ 12.8 percent). Consistent with banks' business models, earning assets constitute the bigger proportion of assets of banks (79.8 percent), and continue to contribute to the growth of banks' earnings.

Earning assets are mainly comprised of loans (54.2 percent of total assets), Government Securities (18.3 percent of total assets), placements in domestic banks (6.3 percent) and placements in banks abroad (6.0 percent of total assets). The balance sheet of banks is primarily funded by customer deposits that constitute around 71.1 percent of total liabilities of banks, and borrowing from domestic financial institutions that share 21.3 percent of total liabilities of banks, out of which 19.9 percent are bank loans.

Banks' reliance on cross border funding – comprising mainly borrowings – is very low, only 0.7 percent of total banking sector liabilities as of end June 2023. Furthermore, the likelihood of government securities to induce losses to banks due to interest rate hikes is minimal, as most government securities are held to maturity. Therefore, they are less sensitive to changes in interest rates, especially in the current environment of tight monetary conditions aimed at curbing inflation.

Banks demonstrated an increased willingness to lend, resulting in a more favorable pace of lending to the private sector. The total outstanding loans increased by 17.3 percent to FRW 3,716 billion in June 2023 from FRW 3,167 billion in June 2022, compared to the growth of 16.1 percent recorded during the previous year.

This improved growth of outstanding loans is largely linked to the growth of new lending. During the first half of 2023 (2023 H1), new loans approved by banks amounted FRW 823 billion higher than FRW 586 billion that were approved during the first half of 2022 (2022 H1). This represents an increase of 40.4 percent compared to the decline of 7.2 registered in the corresponding period of 2022.

## Soundness of the Banking Sector

The capital position of the banking sector remains robust, to provide banks with a strong buffer against plausible shocks. As of June 2023, the core Capital Adequacy Ratio (CAR) and total CAR ratio were above the minimum required ratios of 12.5 percent and 15 percent, standing at 20.2 percent and 21.1 percent, a slight decline from the ratios of 22.1 percent and 23.1 percent observed in June 2022, respectively. The slight decrease in CAR ratios was primarily attributed to a higher increase in the aggregate credit risk weights in line with increase in credit exposures. Nonetheless, banks still hold a surplus of capital amounting to FRW 271 billion (6.1 percent points of the total capital ratio). This capital surplus ensures that banks can continue to support credit availability to the economy and preserve their capacity to absorb unexpected losses. Looking ahead, banks are expected to remain adequately capitalized. The improvements in profitability of banks along with capital conservation strategies being maintained by most banks will further reinforce the capacity of banks to support intermediation and absorb unexpected losses. The main risk to the capitalization of banks is the potential market risks associated with local currency depreciation, but the depreciation is anticipated to have moderate impact on capital adequacy of banks. The NBR will continue to monitor how market risks unfold and stand ready to make all necessary supervisory interventions to preserve banks' capital buffers.

The banking sector's liquidity buffers have improved, reinforcing resilience to liquidity risk. The effective liquidity risk management is important to ensure that banks have the capacity to fulfil their cash flow obligations at all times, as any shortage of liquidity could lead to system-wide implications. As financial intermediation is the core function of banks, their assets tend to have longer maturities compared to their liabilities. Therefore, banks are required to keep adequate liquid assets to mitigate liquidity risk.

During the period under review, banks continued to hold liquid assets, that exceeded the mandated minimum requirement for liquid assets. The aggregate High Quality Liquid Assets (HQLA) of banks increased by 15.4 percent to FRW 1,587 billion (25.0 percent of total assets) in June 2023 against FRW 1,375 billion (24.5 percent of total assets) in June

2022. This growth is attributed to the expansion of investment in liquid assets, especially government securities, and cash reserves. As a result, the industry wide Liquidity Coverage Ratio (LCR), a short term liquid indicator that measures the ability of banks to withstand a 30-day liquidity stress period, increased to 274.1 percent in June 2023 from 224.7 percent in June 2022, well above the 100 percent minimum regulatory requirement. From long-term perspective, the Net Stable Funding Ratio (NSFR) that measures the proportion of funds available to finance banks' activity over a one-year horizon remained stable around 130 percent compared to the 100 percent benchmark.

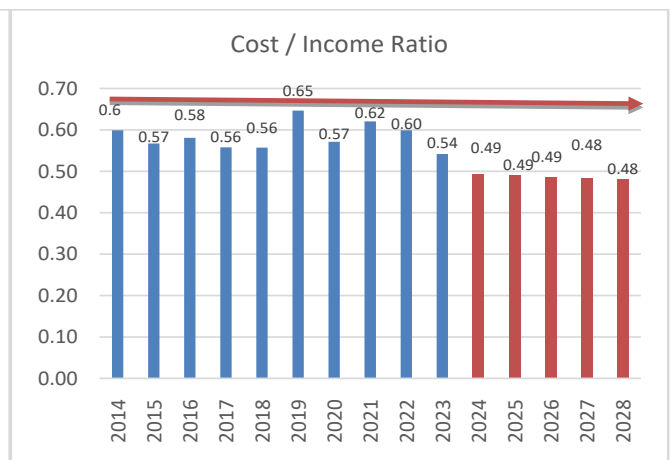
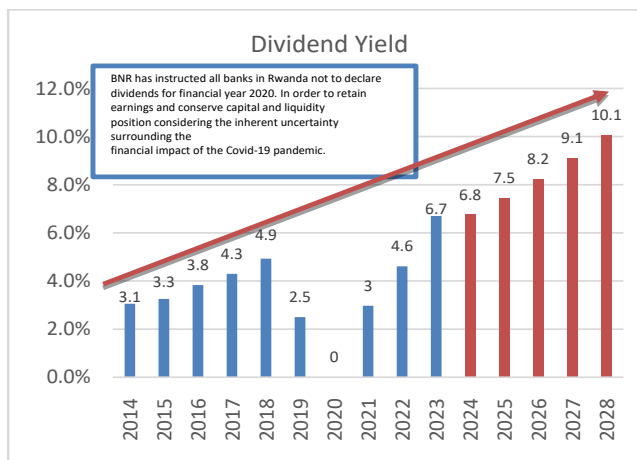
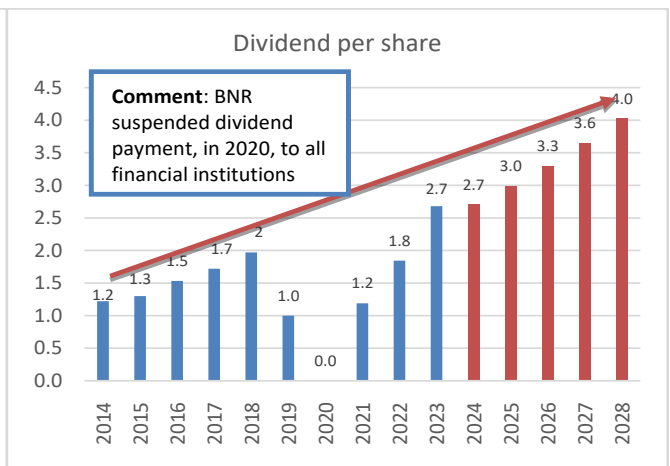
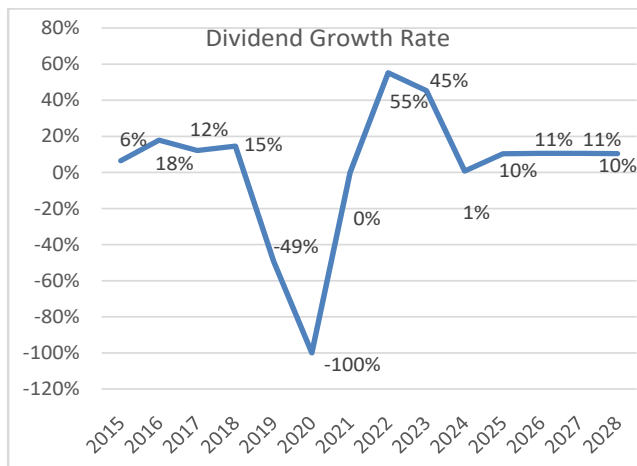
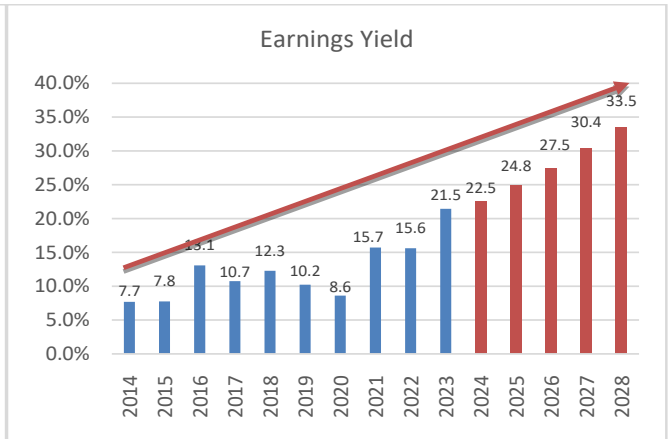
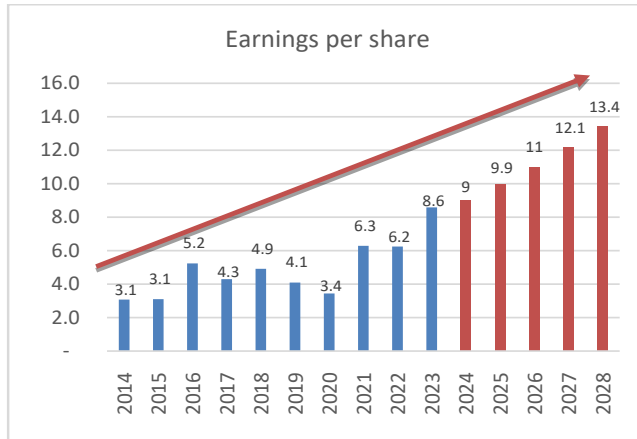
The systemic resilience to liquidity shocks is being enhanced by the balance sheet structure of the banks. Banks have consistently been able to maintain adequate liquidity position, largely attributed to a stable domestic funding base, a high share of liquid assets, and a surplus of customers' deposits compared to loans. The healthy domestic funding position has not only supported lending to private sector, but also and limited banks' reliance on offshore funding, which is currently costly with the increased volatility and risk premium in global financial markets.

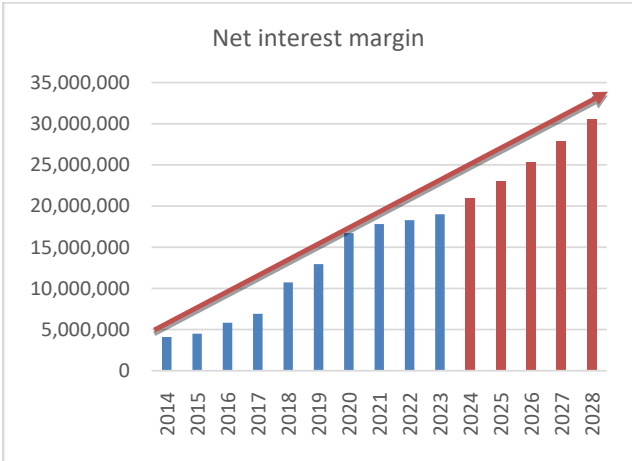
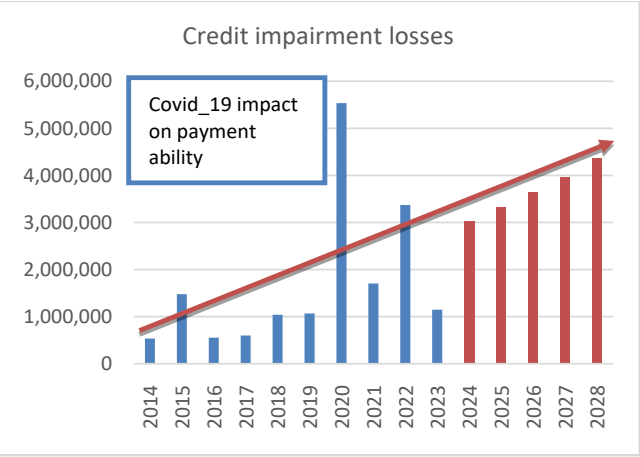
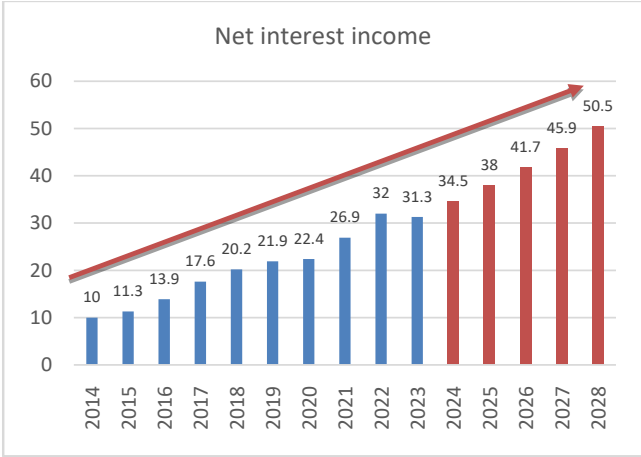
Going forward, liquidity risks are expected to remain minimal. Banks will continue to maintain stable cash flows amid improved asset quality and have liquid assets that they can access and pledge to secure additional liquidity. The NBR will also ensure that banks maintain their contingency funding plans to meet funding mismatches and stressed liquidity situations.

Over the year leading up to end June 2023, the Non-Performing Loans (NPLs) marginally dropped to FRW 164 billion in June 2023 from FRW 166 billion in June 2022, mainly on account of write offs and banks and recoveries. While credit risk has eased, it still remains the major challenge facing the banking sector.

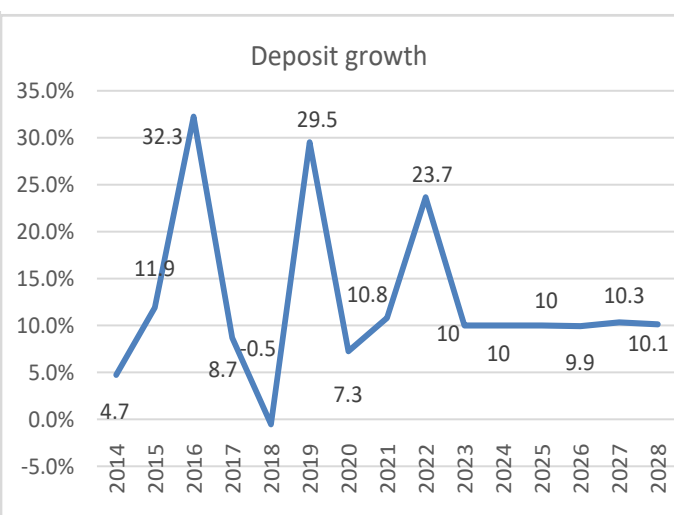
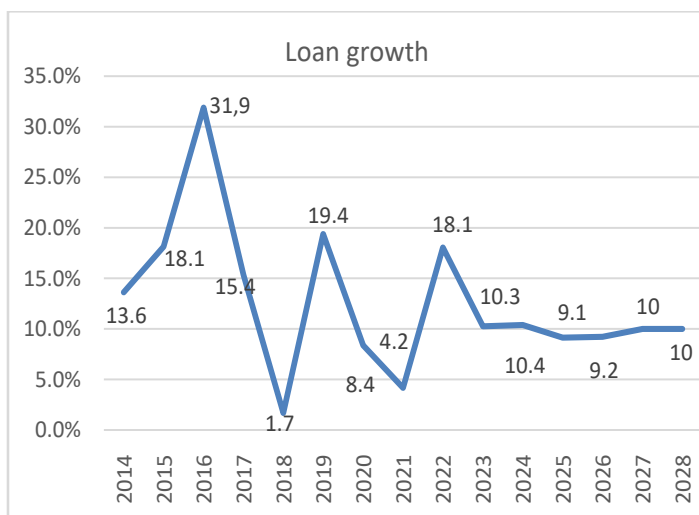
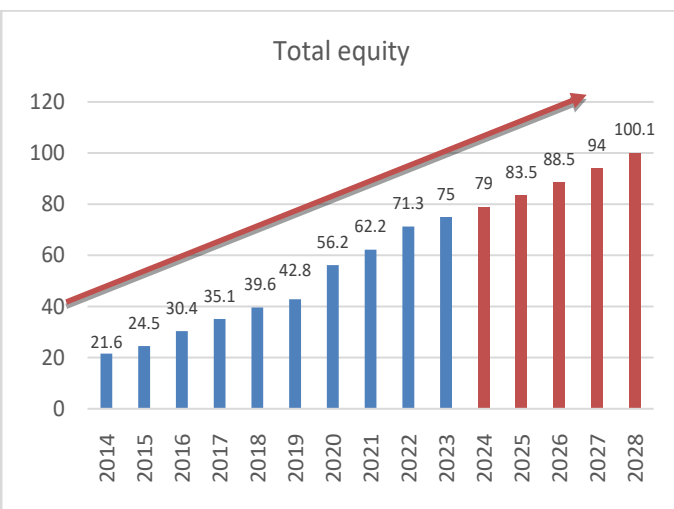
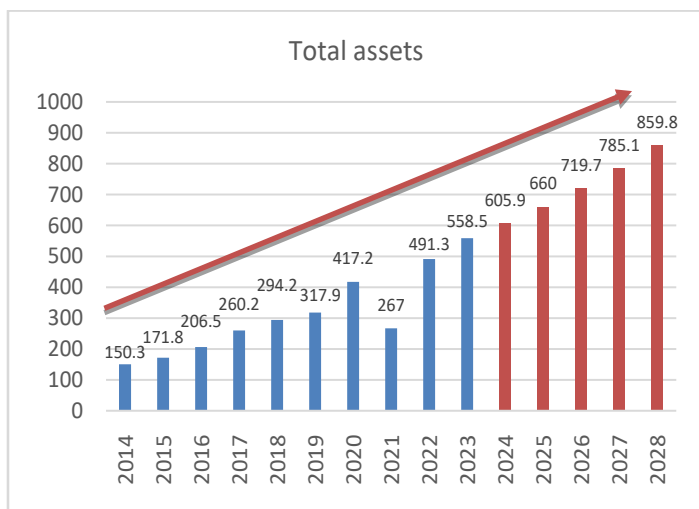
Subsequently, the NPL ratio, measured by the ratio between the gross NPL and gross loans declined to 3.6 percent in June 2023, from 4.3 percent in June 2022. The reduction in the NPL ratio is also explained by the higher growth of outstanding loans during the period under review.

# Financial Statement Analysis: Income Statements and Key Profitability Ratios and Charts

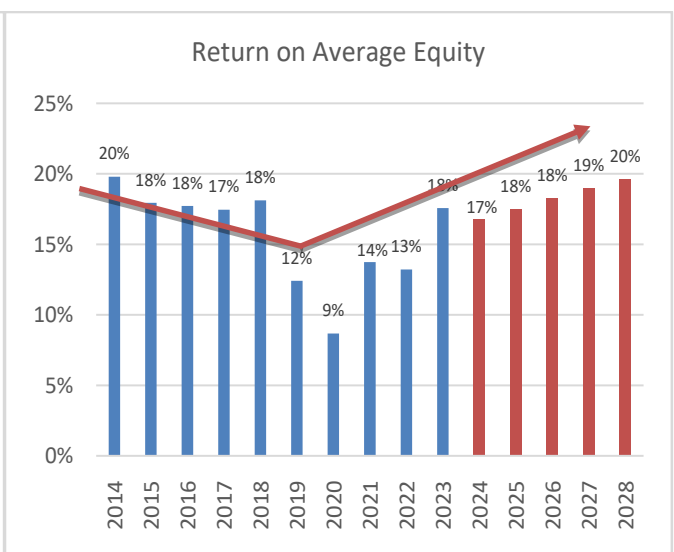
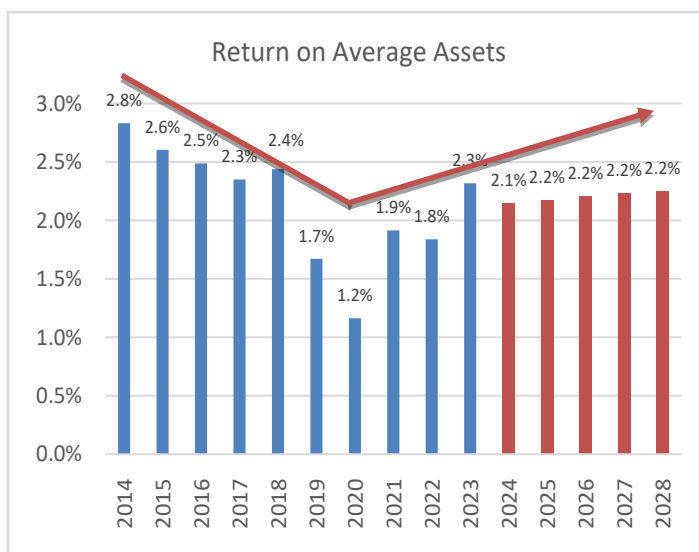




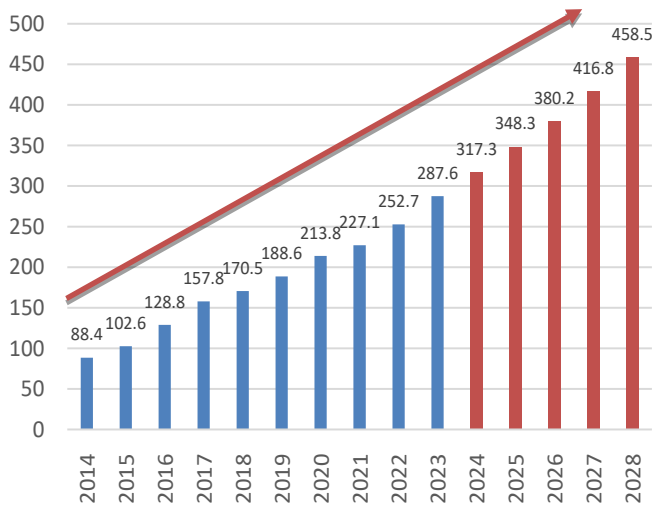
# Financial Statement Analysis: Statement of Financial Positions and Key Efficiency Ratios and Charts



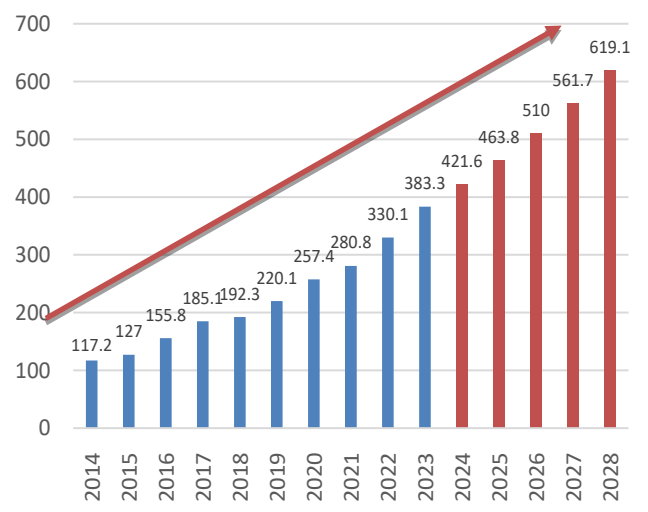
The Bank acquired within the year a 5 year subordinated loan with IFC at an interest rate of Libor +6.5%. The purpose of the loan is to provide the Bank with a subordinated loan which qualifies as Tier 2 capital therefore enabling the Bank to increase its lending to clients.



Average Loan and Advances

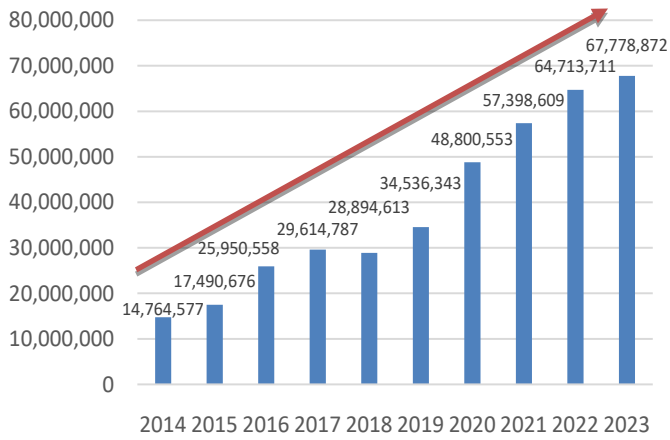


Average Deposits from Clients

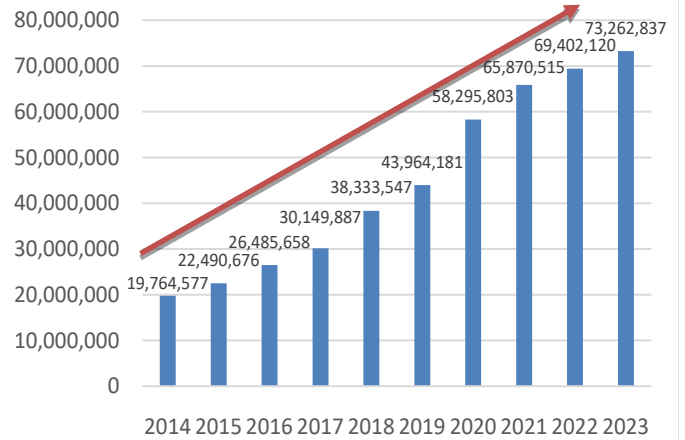


# Prudential Ratios

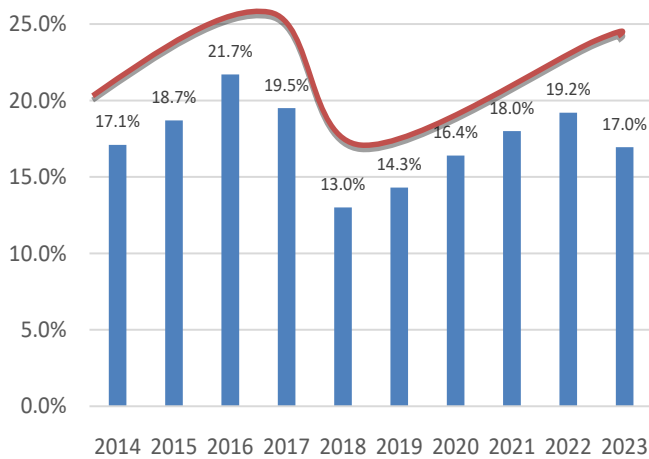
### Core capital (Tier 1)



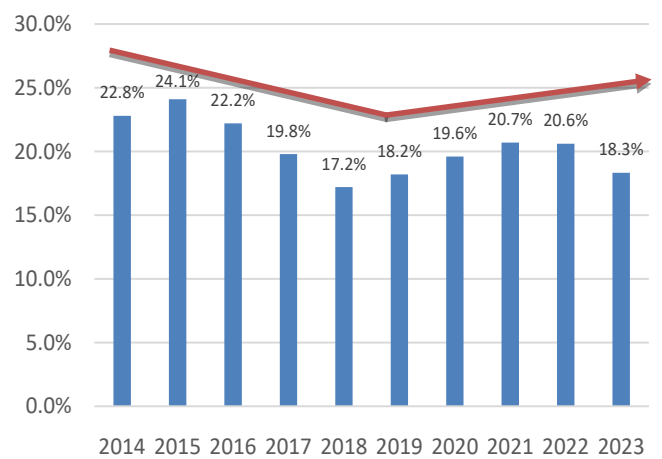
### Total capital



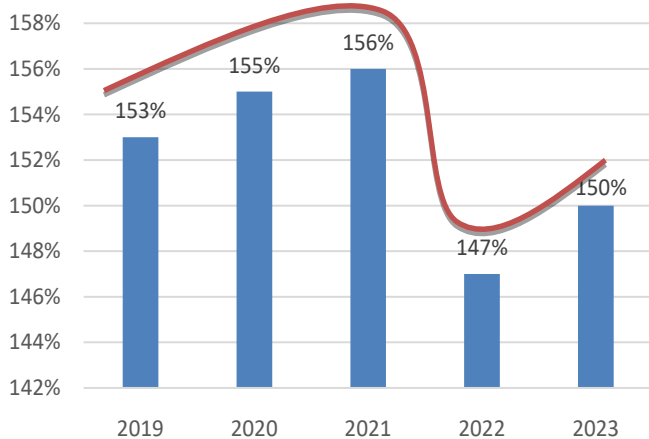
### Core Capital / Risk Weighted Assets



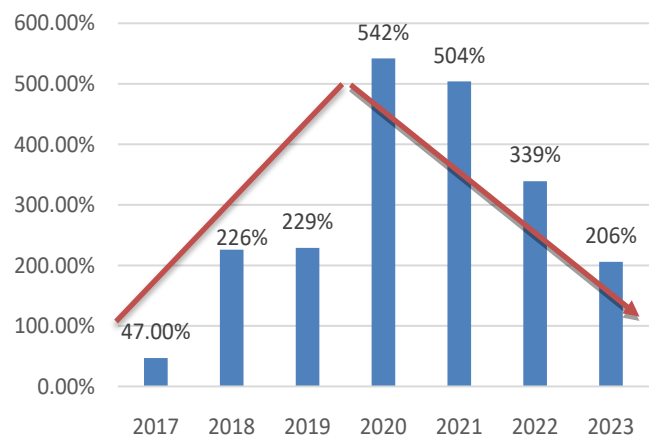
### Total Capital / Risk Weighted Assets



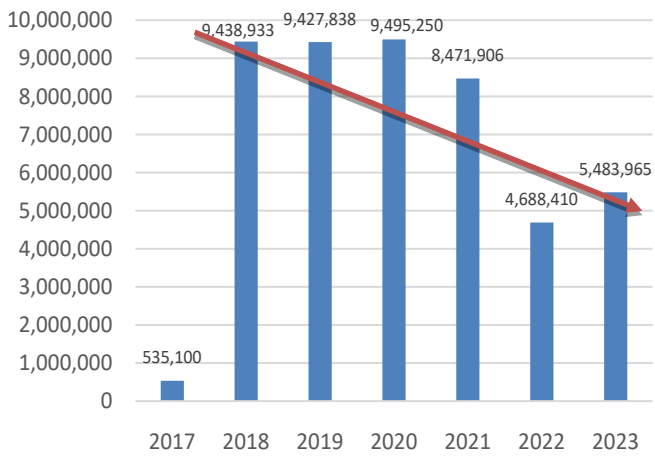
### Net Stable Funding ratio



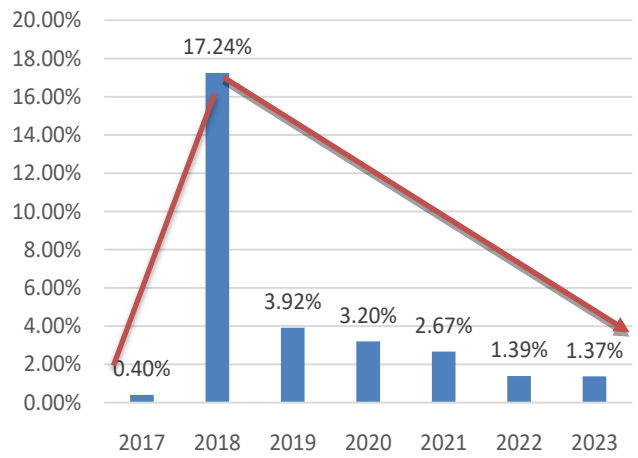
### Liquidity coverage ratio



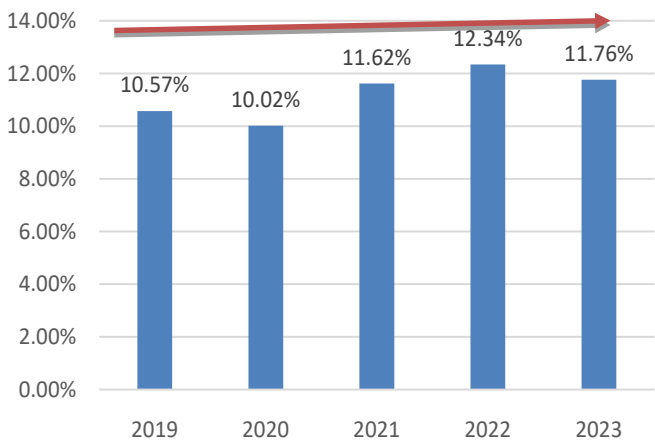
Supplementary Capital (Tier 2)



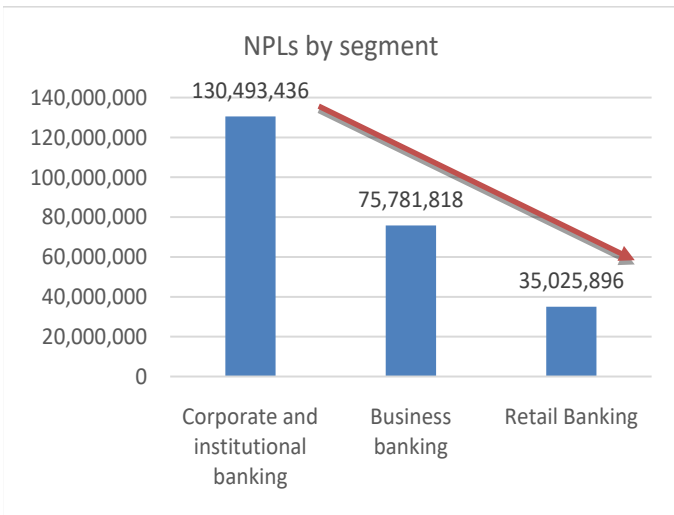
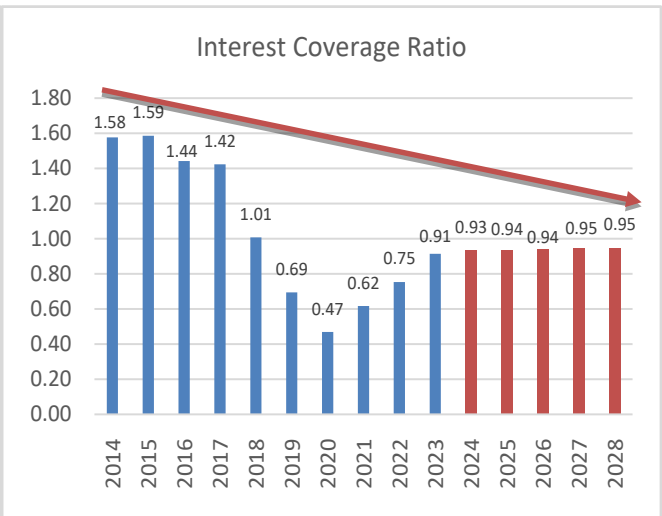
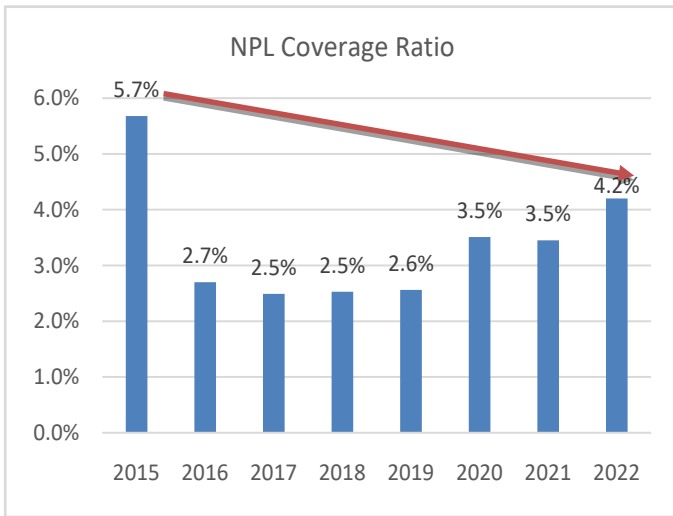
Tier 2 Ratio



Leverage Ratio



# Credit Risk Profile



# VALUATION MODEL

There are several models that can be used for valuing a Bank's shares. However, the valuation of a Bank and other financial institution is not similar to other valuation models used for manufacturing or other companies operating in similar sectors. Banks are usually highly leveraged due to their unique business model of Deposit Taking.

We have summarized some of the valuation techniques below for comparison purposes. We recommend using the Cash Flow to Equity Model, which is more appropriate to a Bank given its high leverage balance sheet.

- » **Gordon / Dividend Growth Model** This method results in an intrinsic stock price of Rwf 41 per share
- » **The Discounted Cash Flow Model (FCF)** This method results in an intrinsic stock price of Rwf 85.10 per share
- » **The Dividend Discount Model (DDM)** This method results in an intrinsic stock price of Rwf 23.15 per share
- » **Cash Flow to Equity Model** This method results in an intrinsic stock price of Rwf 59.65 per share

In addition to the above Valuation Model, the following details have been provided for comparison purposes

- » Book Value Per Share as at 31-12-2023 (e) Rwf 49.53
- » Price to Book Value as at 31-12-2023 0.81 Times / Multiples
- » Price / Earnings Ratio 31-12-2023 4.66 Times / Multiples

## Relative Valuation

Based on the above calculations, we have averaged the different Valuation Models with unequal weighting given that not all models are applicable to a Financial Institution. This exercise was done to compare the average value with the Cash Flow to Equity Model.

	Valuation Model		Weight	Average Value Rwf
1	Book Value Per Share (2023)	49.53	0.05	2.48
2	Dividend Growth Model	40.48	0.1	4.05
3	Dividend Discount Model	23.15	0.1	2.32
4	Cash Flow to Equity Model	59.65	0.5	29.83
5	Multiple (Relative) Approaches	-	0	-
6	Discounted CaSH Flow Model	85.10	0.25	21.27
	Value			<b>59.94</b>

Details of the above valuation calculations and explanations are available on request.

# ASSUMPTIONS

In arriving at the above values, we have made the following financial assumptions (this is not an exhaustive list). Note that changes in our assumptions can significantly modify the above intrinsic values. Other assumptions (political and social) are include in risk factors.

1. Weighted Cost of Capital (WACC) is 15%
2. Earnings Growth is 10 % for the next five years and beyond
3. No significant unanticipated costs in the next five years and beyond
4. The Bank will continue in its growth path in the future
5. We have not accounted for any exceptional items that might arise at the end of the financial year 2023
6. We expect inflation of 10% per annum for the next five years
7. The Bank will increase its existing market share with the introduction of new products
8. The Rwf will not record significant depreciation against international currencies – expected depreciation of 5-7 %
9. The Ukraine War will not add significant challenge to the company's existing ones, especially in terms of cost of imported materials
10. The Bank will continue with its existing Dividend Policy of 25-30 % distribution for the next five years

For more information on the Bank's financial performance, please refer to its website: [imgroup.com/rw/](http://imgroup.com/rw/)

## Conclusion

Based on our analysis of the Company's past performance, our assumptions and forecasts, we recommend a Buy for Institutional Investors with a Long Term Horizon.

Investors should however make their own analysis before any commitment. We stand to assist for further information.

# APPENDIX 2:

## FIVE YEAR FINANCIAL FORECASTS

	FORECASTS					
	2024	2025	2026	2027	2028	2029
	FRw'002	FRw'003	FRw'004	FRw'005	FRw'006	FRw'007
Interest revenue calculated using the effective interest	55,364,549	60,901,004	66,991,104	73,690,214	81,059,236	89,165,159
Interest expense calculated using the effective interest method	20,901,777	22,991,954	25,291,150	-27,820,265	30,602,291	33,662,520
<b>Net interest income</b>	<b>34,462,772</b>	<b>37,909,050</b>	<b>41,699,954</b>	<b>45,869,950</b>	<b>50,456,945</b>	<b>55,502,639</b>
Fee and commission income	5,998,300	6,598,130	7,257,943	7,983,737	8,782,111	9,660,322
Fee and commission expense	-2,786,709	-3,065,380	-3,371,918	-3,709,110	-4,080,021	-4,488,023
<b>Net Fee and Commission Income</b>	<b>3,211,591</b>	<b>3,532,750</b>	<b>3,886,025</b>	<b>4,274,627</b>	<b>4,702,090</b>	<b>5,172,299</b>
Foreign exchange related income						
<b>Net Trading Income</b>	<b>5,674,263</b>	<b>6,241,689</b>	<b>6,865,858</b>	<b>7,552,444</b>	<b>8,307,689</b>	<b>9,138,457</b>
<b>Other operating income</b>	<b>988,463</b>	<b>988,463</b>	<b>988,463</b>	<b>988,463</b>	<b>988,463</b>	<b>988,463</b>
<b>Operating income before impairment losses and claims</b>	<b>44,337,089</b>	<b>48,671,952</b>	<b>53,440,300</b>	<b>58,685,484</b>	<b>64,455,186</b>	<b>70,801,859</b>
Credit impairment losses	-3,016,650	-3,330,305	-3,634,919	-3,969,947	-4,366,941	-4,803,635
Premium ceded to reinsurance						
Insurance benefits and claims paid						
Account maintenance fees						
<b>Net operating income</b>	<b>41,320,439</b>	<b>45,341,646</b>	<b>49,805,382</b>	<b>54,715,538</b>	<b>60,088,245</b>	<b>65,998,223</b>
Employee benefits expense	-8,685,937	-9,554,531	10,509,984	-11,560,982	12,717,080	13,988,788
Depreciation and amortization	-3,650,252	-3,832,764	-4,024,402	-4,225,622	-4,436,904	-4,658,749
Administration and general expenses	-9,494,605	10,444,065	11,488,472	-12,637,319	13,901,051	15,291,156
<b>Total operating expenses</b>	<b>21,830,793</b>	<b>23,831,360</b>	<b>26,022,858</b>	<b>-28,423,924</b>	<b>31,055,035</b>	<b>33,938,693</b>
<b>Operating profit</b>	<b>19,489,645</b>	<b>21,510,286</b>	<b>23,782,524</b>	<b>26,291,614</b>	<b>29,033,210</b>	<b>32,059,530</b>
Interest on lease liabilities						
Finance costs						
<b>Profit before income tax</b>	<b>19,489,645</b>	<b>21,510,286</b>	<b>23,782,524</b>	<b>26,291,614</b>	<b>29,033,210</b>	<b>32,059,530</b>
Income tax expense	-5,846,894	-6,453,086	-7,134,757	-7,887,484	-8,709,963	-9,617,859
<b>Profit for the year</b>	<b>13,642,752</b>	<b>15,057,200</b>	<b>16,647,767</b>	<b>18,404,130</b>	<b>20,323,247</b>	<b>22,441,671</b>
<b>Comprehensive income</b>						
<b>Other comprehensive income</b>						
- Revaluation surplus						
<b>Total comprehensive income for the year</b>	<b>13,642,752</b>	<b>15,057,200</b>	<b>16,647,767</b>	<b>18,404,130</b>	<b>20,323,247</b>	<b>22,441,671</b>
<b>Attributable to:</b>						
Equity holders of the parent						
Number of shares issued	1,515,000	1,515,000	1,515,000	1,515,000	1,515,000	1,515,000
Dividend payable	4,092,826	4,517,160	4,994,330	5,521,239	6,096,974	6,732,501
Basic and diluted earnings per share in FRw	9.01	9.94	10.99	12.15	13.41	14.81
Dividend payments	2.70	2.98	3.30	3.64	4.02	4.44
Dividend Payout Ratio						
Dividend Growth Rate	0.8%	10.4%	10.6%	10.6%	10.4%	10.4%
Market Price per share	40	40	40	40	40	40
Earnings Yield	22.51%	24.85%	27.47%	30.37%	33.54%	37.03%
Dividend Yield	6.75%	7.45%	8.24%	9.11%	10.06%	11.11%
Book value per share	52.15	55.13	58.43	62.07	66.09	70.53
Price / Book Value						

Total Income	44,337,089	48,671,952	53,440,300	58,685,484	64,455,186	70,801,859
Cost / Income Ratio	0.49	0.49	0.49	0.48	0.48	0.48
Effective Tax Rate						
Average Loan Interest Income	27,682,275	30,450,502	33,495,552	36,845,107	40,529,618	44,582,580
Average Loan Interest Rate	8.72%	8.74%	8.81%	8.84%	8.84%	8.84%
Average Deposit Interest Expenses	10,450,888	11,495,977	12,645,575	13,910,132	15,301,145	16,831,260
Average Deposit Interest Rate	2.48%	2.48%	2.48%	2.48%	2.47%	2.47%
Price Earnings Ratio	4.44	4.02	3.64	3.29	2.98	2.70
Total cost of risk	36,243,275	39,889,105	43,914,379	-48,345,068	53,213,305	58,571,535
Interest Coverage Ratio	0.93	0.94	0.94	0.95	0.95	0.95

# APPENDIX 3: QUICK RATIOS

	31-Dec 2022	31-Dec 2021	31-Dec 2020	31-Dec 2019	31-Dec 2018
<b>Profitability</b>					
Return on Average Assets	1.94%	2.07%	1.40%	2.01%	2.69%
Return on Average Equity, %	13.95%	15.72%	10.57%	14.92%	20.00%
Net Interest Margin, %	67%	64%	61%	66%	73%
Loan Yield, %	20.93%	19.60%	19.60%	19.29%	17.57%
Interest Expense/Interest Income,%	36.31%	39.87%	42.71%	37.18%	34.67%
Cost of Funds, %	4.43%	4.64%	5.24%	4.89%	4.48%
<b>Efficiency</b>					
Cost/Income Ratio	60.41%	62.06%	57.12%	64.66%	55.73%
Costs/Average Assets, %	5.35%	4.70%	4.85%	6.01%	5.39%
Personnel Costs/Total Recurring Operating Costs	40.09%	47.91%	50.15%	54.36%	53.97%
Personnel Costs/Average Total Assets, Annualized	2.15%	2.25%	2.43%	3.27%	2.91%
Personnel Costs/Total Operating Income	26.31%	31.33%	34.83%	36.52%	31.29%
Net Income/Total Operating Income	36.33%	44.18%	28.85%	33.37%	49.99%
Total Operating Income/Average Assets %	8.15%	7.18%	6.98%	8.95%	9.29%
<b>Liquidity</b>					
Net Loans/Total Assets,%	47.16%	47.64%	49.19%	54.07%	57.46%
Liquid Assets / Total Assets	14.48%	22.60%	16.68%	18.65%	15.53%
Liquid Assets / Total Deposits	24.10%	39.60%	28.00%	30.91%	23.69%
Liquid Assets / Total Liabilities	16.94%	26.07%	19.18%	21.55%	17.94%
Total Deposits / Total Assets	60.09%	57.07%	59.55%	60.33%	65.56%
Total Deposits / Total Liabilities	70.29%	65.84%	68.49%	69.72%	75.74%
Interbank Borrowings / Total Deposits	18.42%	28.15%	15.82%	14.91%	11.33%
Gross Loans/Total Assets	49.11%	49.99%	50.95%	55.44%	58.98%
Gross Loans / Total Deposits	81.73%	87.59%	85.56%	91.89%	89.97%
Interest Earning Assets/Total Assets	86%	83%	83%	78%	83%
Investment Properties Assets / Total Assets	3%	3%	0%	0%	0%
Leverage (Total Liabilities/Equity), Times					
<b>Asset Quality</b>					
NPLs /Total Loans, %	5.47%	4.25%	4.53%	3%	3%
NPL Coverage Ratio	4.20%	3.45%	3.51%	2.56%	2.53%
Cost of Risk, Annualized	1.40%	0.70%	2.80%	0.30%	2.10%
<b>Capital Adequacy</b>					
Core Capital / Risk Weighted Assets	19.25%	18.08%	16.45%	14.35%	13%
Total Qualifying Capital / Risk Weighted Assets	20.65%	20.75%	19.65%	18.27%	17.24%
Off Balance Sheet Exposure / Total Qualifying Capital	106.95%	83.92%	85.56%	61.60%	90.97%

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