BRAC RWANDA MICROFINANCE COMPANY PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2025

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CORPORATE INFORMATION

DIRECTORS

Mr. Shameran Abed***	Chair	Appointed in August 2021
Mr. Johannes Maria Antonius Eskes****	Independent Director	Appointed in January 2019
Ms. Bridget Dougherty******	Director	Appointed in August 2021
Mr. Kavugizo Shyamba Kevin*	Independent Director	Appointed in June 2024
Ms. Upoma Antara Husain**	Ex-officio & CEO	Appointed in July 2024

*Rwandan **Bangladeshi ***British ****Dutch ******USA

REGISTERED OFFICE

BRAC Rwanda Microfinance Company PLC
P O Box-6500,
KG385 Street, House 360, Kagugu, Gasabo
Kigali City, Rwanda.

PRINCIPAL BANKERS

Equity Bank (Rwanda) Plc
P.O Box 494
Kigali, Rwanda.

INDEPENDENT AUDITOR

PricewaterhouseCoopers Rwanda Limited
5th Floor, Blue Star House, 35 KG 7 Ave, Kacyiru
PO Box 1495
Kigali, Rwanda

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2025, which disclose the state of affairs of BRAC Rwanda Microfinance Company Plc (“the Company”).

1. INCORPORATION

BRAC Rwanda Microfinance Company PLC is domiciled in Rwanda where it is incorporated as a company limited by shares under the law n° 007/2021 of 05/02/2021 governing companies in Rwanda. The address of the registered office is set out on page 1.

2. PRINCIPAL ACTIVITIES

BRAC Rwanda Microfinance Company PLC was registered in September 2018 and its principal activity is to provide a range of financial services responsibly to people at the bottom of the pyramid.

3. RESULTS

	2025 Frw	2024 Frw
Loss before income tax	(1,002,507,928)	(2,311,027,840)
Income tax expense	-	-
Loss after income tax	(1,002,507,928)	(2,311,027,840)
Other comprehensive income	-	-
Total comprehensive loss	(1,002,507,928)	(2,311,027,840)

4. DIVIDENDS

The Directors do not recommend payment of dividends for the year ended 31 December 2025 (31 December 2024: Nil).

5. RESERVES

The reserves of the Company are set out on page 11.

6. DIRECTORS

The Directors who served during the year and to the date of this report are as shown on page 1.

7. AUDITOR

The auditor, Pricewaterhouse Coopers Rwanda Limited have expressed willingness to continue in office as per the law n° No. 007/2021 of 05/02/2021 governing companies in Rwanda.

The Directors have the power to amend and re issue these financial statements

By order of the Board

…………………………… ……………………………

Director March 2026

Shameran Abed

The Company's Directors are responsible for the preparation of financial statements that give a true and fair view of BRAC Rwanda Microfinance Company PLC as set out on pages 9 to 60 which comprise the statement of financial position as at 31 December 2025, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of Material accounting policies and other explanatory information, in accordance with International Financial Reporting Standards (IFRSs) and in a manner required by Law No 007/2021 of 05/02/2021 governing companies in Rwanda.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with Financial Reporting Standards and in the manner required by Law No. 007/2021 of 05/02/2021 governing companies in Rwanda. 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 Company and its operating results.

The Directors have made an assessment of the ability of the Company to continue as a going concern based on the continued investments by shareholders into the Company which has seen the branch network grow to 34 over the last six years. Additional capital received in the year was Frw 1,761,172,500. The Company meet its obligations and continue with its growth plan in 2025 and a breakeven is expected in 2026. The Company has also been able to receive Frw 1,422,478,942 of grants and Frw. 726,537,500 of borrowing which will be utilised in the course of the year. Based on these, the Directors are of the view the that the business will remain a going concern in the years ahead. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statements have been prepared on the going concern basis.

The independent auditors are responsible for expressing an opinion on whether the financial statements give a true and fair view of the company's financial position and performance as at and for the year ended 31 December 2025.

Approval of the financial statements

The financial statements of BRAC Rwanda Microfinance Company PLC, as identified in the first paragraph, were approved and authorized for issue by the Board of Directors on.31... March 2026 and were signed on its behalf by:

....
Chief Executive Officer
Upoma Antara Husain

....
Director
Shameran Abed

....
Director
Johannes Maria Antonius Eskes

Independent auditor's report to the shareholders of BRAC Rwanda Microfinance Company Plc

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of BRAC Rwanda Microfinance Company Plc (the "Bank") as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards and the requirements of Law No. 007/2021 of 05/02/2021 Governing Companies as amended by Law No. 019/2023 of 30/03/2023.

What we have audited

The Bank's financial statements on pages 9 to 65 comprise:

- the statement of financial position as at 31 December 2025,
- the statement of profit or loss and other 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 material accounting policies and other explanatory information.

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

Key audit matters

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

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Independent auditor's report to the shareholders of BRAC Rwanda Microfinance Company Plc (continued)

Key audit matters (continued)

Expected credit losses on loans and advances at amortised cost	***How the key audit matter was addressed in the audit***
Loans and advances to customers comprise a significant portion of the Bank's total assets. The estimation of expected credit losses (ECL) on loans and advances requires management judgement in the assumptions that are applied in the models used to calculate ECL. Changes to the assumptions and estimates used by management could generate significant fluctuations in the Bank's financial results and materially impact the valuation of the portfolio of loans and advances. The policies for estimating ECL are explained in note 3.iii. of the financial statements. The key areas where significant judgement has been exercised and therefore, an increased level of audit focus applied, include: • staging of facilities in line with IFRS 9. In particular, the identification of Significant Increase in Credit Risk ("SICR") and Default requires consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether 12-month or lifetime probabilities of default ("PDs") are used, • the assumptions applied in deriving the PDs, loss given defaults ("LGDs") and exposures at default ("EADs") for the various segments of loans and advances, including any adjustments in relation to management overlays, • the appropriateness of forward-looking information used in the model, and • the relevance of forward-looking information used in the models. Due to the significant impact of management judgments applied in calculating the ECL, we designated this as a key audit matter in our audit.	Our audit procedures focused on the significant areas of judgement and estimations that could result in material misstatements in the financial statements. These procedures included: • Evaluating the Bank's IFRS 9 impairment methodology, against the requirements of IFRS 9, • We tested the staging of facilities by checking how the Bank extracts 'days past due (DPD)' applied in classifying the loan book into the three stages required by IFRS 9. For a sample of loans, we recalculated the DPD applied in the model and compared these to the DPD as per the Bank's IT system and the respective customer files, • Obtained an understanding of the basis used to determine the PDs, LGDs and EADs, and the impact of management overlays, • We obtained an understanding of the basis used to determine the probabilities of default. We tested the completeness and accuracy of the historical data used in derivation of PDs and LGDs, and re-calculated the same on a sample basis, • For LGD, for a sample of loans and advances, we tested the assumptions on the timing of the cash flows based on empirical evidence. In addition, for secured facilities, we agreed the collateral values used in the ECL model to external valuer reports, • We tested, on a sample basis, the reasonableness of EAD for both on and off balance sheet exposures, • For forward-looking assumptions, we corroborated the assumptions using publicly available information, and • We assessed whether the disclosures in the financial statements on the key judgments and assumptions were adequate.

Independent auditor’s report to the shareholder of BRAC Rwanda Microfinance Company Plc (continued)

Other information

The Directors are responsible for the other information. The other information comprises Corporate information, Report of the directors and Statement of directors’ responsibilities but does not include the financial statements and our auditor’s report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the requirements of Law No. 007/2021 of 05/02/2021 Governing Companies as amended by Law No. 019/2023 of 30/03/2023, 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 management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Directors are also 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.

Independent auditor's report to the shareholders of BRAC Rwanda Microfinance Company Plc (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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

- 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.

Independent auditor's report to the shareholders of BRAC Rwanda Microfinance Company Plc (continued)

Report on other legal and regulatory requirements

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

i. In our opinion proper books of account have been kept by the Bank, so far as appears from our examination of those books,

ii. We have communicated to the Bank's Board of Directors, through separate management letters, internal control matters identified in the course of our audit including our recommendations in relation to those matters,

iii. We have no relationships, no interests and debt in the Bank, and

iv. In our opinion according to the best of the information and explanations given to us as shown by the accounting and other documents of the Bank, the financial statements comply with Article 125 of Law No. 007/2021 of 05/02/2021 Governing Companies as amended by Law No. 019/2023 of 30/03/2023.

For PricewaterhouseCoopers Rwanda Limited, Kigali,

Brian Ngunjiri

Brian Ngunjiri
Director

13 April 2026

	Notes	2025 Frw	2024 Frw
Interest income on loans	17	4,112,226,823	2,660,600,567
Interest & other financial expenses	18	(499,689,294)	(868,532,886)
Net interest income		**3,612,537,529**	**1,792,067,681**
Membership and other fees	19	69,424,256	56,129,000
Net foreign exchange income	21	99,432,451	92,883,915
Other income	20	37,664,588	67,353,078
Grant income	22	1,372,574,809	1,431,557,286
		1,579,096,104	**1,647,923,279**
Total operating income		**5,191,633,633**	**3,439,990,960**
Expected credit losses	23	(229,056,922)	(350,120,888)
Operating income after impairment losses		**4,962,576,711**	**3,089,870,072**
Employee benefits	24	(3,033,574,722)	(2,676,385,877)
Other operating expenses	25	(2,528,355,459)	(2,336,816,343)
Depreciation & amortization	26	(403,154,458)	(387,695,692)
Total operating cost		**(5,965,084,639)**	**(5,400,897,912)**
Loss before income tax		**(1,002,507,928)**	**(2,311,027,840)**
Income tax expense	32	-	-
Loss for the year		**(1,002,507,628)**	**(2,311,027,840)**
Other comprehensive income		-	-
Total comprehensive income		**(1,002,507,928)**	**(2,311,027,840)**

The notes on pages 14 to 65 are an integral part of these financial statements.

BRAC RWANDA MICROFINANCE COMPANY PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025

	Note	2025	2024
Assets		**Frw**	**Frw**
Cash and cash equivalents	9	464,163,684	748,989,559
Loans to customers	7	10,645,790,109	7,498,030,879
Other assets	8	159,014,857	200,756,715
Derivatives at fair value through profit or loss	30	496,248,000	433,297,530
Intangible assets	6	127,159,125	92,472,252
Property & equipment	5	335,720,939	234,302,762
Right of use asset	29(a)	189,880,745	335,149,208
Total Assets		**12,417,977,458**	**9,542,998,905**
Equity and Liabilities Equity			
Equity			
Share capital	10	8,500,000,000	8,500,000,000
Other capital contribution	11	7,964,825,500	6,203,653,000
Accumulated losses	12	(12,589,646,345)	(11,587,138,417)
Total Equity		**3,875,178,655**	**3,116,514,583**
Liabilities			
Term loan	16	2,283,634,869	2,212,779,200
Bank Overdraft	18(a)	828,175,040	-
Member savings	13	3,654,045,887	2,882,869,894
Related party payables	28	248,749,721	100,715,846
Other liabilities	14	1,134,047,090	717,713,204
Donor grants	15	200,743,405	150,839,272
Lease liability	29(b)	193,402,791	361,566,906
Total Liabilities		**8,542,798,803**	**6,426,484,322**
Total Liabilities and Equity		**12,417,977,458**	**9,542,998,905**

The notes on pages 14 to 65 are an integral part of these financial statements.

Year ended 31 December 2024	Notes	Share capital	Capital awaiting allocation	Accumulated losses	Total capital Equity
		Frw	Frw	Frw	Frw
At 1 January 2024	12	7,412,070,000	3,998,596,000	(9,276,110,577)	2,134,555,423
Transactions with owners		-	3,292,987,000	-	3,292,987,000
Issue of share capital		1,087,930,000	(1,087,930,000)	-	-
Total comprehensive income					
Loss for the year		-	-	(2,311,027,840)	(2,311,027,840)
As at 31 December 2024		**8,500,000,000**	**6,203,653,000**	**(11,587,138,417)**	**3,116,514,583**

Year ended 31 December 2025	Notes	Share capital	Capital awaiting allocation	Accumulated losses	Total capital Fund
		Frw	Frw	Frw	Frw
At 1 January 2025	12	8,500,000,000	6,203,653,000	(11,587,138,417)	3,116,514,583
Transaction with owners					
Capital awaiting allocation additions		-	1,761,172,500	-	1,761,172,500
Total comprehensive income					
Loss for the year		-	-	(1,002,507,928)	(1,002,507,928)
As at 31 December 2025		**8,500,000,000**	**7,964,825,500**	**(12,551,323,975)**	**3,875,179,155**

	Note	2025 Frw	2024 Frw
Cash flow from operating activities			
Cash generated from operations	27	**(3,204,499,050)**	(4,153,967,905)
Net cash used in activities		**(3,204,499,050)**	**(4,153,967,905)**
Cash flow from investing activities			
Acquisition of property & equipment	5	(218,621,926)	(21,085,387)
Acquisition of intangible asset	6	(119,059,656)	-
ROU (right of use) asset	29(a)	(55,763,964)	18,887,135
Short term deposits		-	500,000,000
Net cash used in investing activities		**(393,445,546)**	**497,801,748**
Term loan receipt		70,855,669	(3,517,883,954)
Proceeds from Share capital	11	1,761,172,000	2,018,241,509
Lease Liability	29(b)	(168,164,114)	(156,003,410)
Other capital contribution/ receipt/(payment)		771,175,993	2,205,057,000
Donor Grants		49,904,133	(58,357,206)
Net cash from financing activities		**2,484,943,680**	**491,053,939**
Net increase in cash and cash equivalents		**(1,113,000,915)**	**(3,165,112,218)**
Cash and cash equivalents at beginning of the year		748,989,559	3,914,101,777
Effect of exchange rates on cash and cash equivalents held		-	-
Cash and cash equivalents at end of the year	**9**	**(364,011,356)**	**748,989,559**

The notes on pages 14 to 66 are an integral part of these financial statements.

1 General Information

BRAC Rwanda Microfinance Company PLC was registered in September 2018 and its principal activity is to provide a range of financial services responsibly to people at the bottom of the pyramid.

2 Basis of Preparation

a) Basis of measurement

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except for fair value through other comprehensive income investments and loan note at fair value through profit or loss which have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Company accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4

b) Comparative information

The comparative information used in this report are audited financial statements of BRAC Rwanda Microfinance Company PLC for the financial year ended 31 December 2025.

C) Changes in accounting policies and disclosures

i) New and amended standards effective 1 January 2025

The key new and amended standards and interpretations that have become effective as at the time of incorporation and for the period preceded has had an effect on the Company's financial statement.

Number	Effective date	Executive summary
Amendment to IAS 21 titled Lack of Exchangeability (issued in August 2023)	1 January 2025	In August 2023, the IASB amended IAS 21 to add requirements to help entities to determine whether a currency is exchangeable into another currency, and the spot exchange rate to use where it is not. Prior to these amendments, IAS 21 set out the exchange rate to use when exchangeability is temporarily lacking, but not what to do when lack of exchangeability is not temporary. These new requirements apply for annual reporting periods beginning on or after 1 January 2025. The amendment also aims to improve information an entity provides related to liabilities subject to these conditions. The amendment had no effect on the financial statements of the Bank.

4 Material accounting policies (continued)

(a) Changes in accounting policies and disclosures (continued)

i) New and amended standards effective 1 January 2025 (continued)

Number	Effective date	Executive summary
Amendments to IFRS 7 and IFRS 9 titled Classification and Measurement of Financial Instruments (issued in May 2024)	1 January 2026	These amendments address diversity in accounting practice by making the requirements more understandable and consistent. The amendments: • clarify the date of recognition and derecognition of some financial assets and liabilities settled through an electronic cash transfer system; • clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; • add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).
Annual improvements to IFRS - Volume 11 (issued in July 2024)	1 January 2026	Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards: • IFRS 1 First-time Adoption of International Financial Reporting Standards; • IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7; • IFRS 9 Financial Instruments; • IFRS 10 Consolidated Financial Statements; and • IAS 7 Statement of Cash Flows.
Amendments to IFRS 19 titled Subsidiaries without Public Accountability (issued in May 2024)	1 January 2027	This amendment allows for certain eligible subsidiaries of parent entities that report under IFRS Accounting Standards to apply reduced disclosure requirements.
Amendments to IFRS 18 titled Presentation and Disclosure in Financial Statements (issued in April 2024)	1 January 2027	IFRS 18 will replace *IAS 1 Presentation of financial statements*, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users.

The directors do not expect that the adoption of the improvements, amendment and new standard listed above to have a material impact on the financial statements of the Bank in future periods.

2 Material accounting policies (continued)

(b) Interest income and Interest expenses

Interest income and expenses for all financial instruments except for those classified as held for trading or those measured or designated as at FVTPL are recognised in ‘Net interest income’ as ‘Interest income’ and ‘Interest expense’ in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

The future cash flows are estimated taking into account all the contractual terms of the instrument. The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition. The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities.

For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs).

The Company earns fees and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

- Fees earned for the provision of services over a period of time are accrued over that period. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognized over the commitment period on a straight-line basis.

- Fees income from providing transaction services. Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

(c) Employee benefits and other operating expenses

Retirement benefit costs

The Company and all its employees contribute to the national social security scheme in Rwanda, which is a defined contribution scheme. A defined contribution plan is a retirement benefit plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Company’s contributions to the defined contribution schemes are charged to the statement of comprehensive income in the year in which they fall due.

Other entitlements

The estimated monetary liability for employees accrued annual leave entitlement at the balance sheet date is recognized as an expense accrual.

2 Material accounting policies (continued)

(d) Other income

This includes miscellaneous income such as amounts charged for tenders and fees on account closing not classified as part of the main revenue items. Other income is recorded in the period it is earned

(e) Financial instruments

Financial assets are assets that are:

- Cash and cash equivalents
- Loans to customers
- Other assets other than prepayments and statutory receivables

Financial liabilities are all liabilities that are:

- Term loans
- Member savings
- Related party payables
- Other liabilities

Recognition of a financial instrument

The company recognises a financial instrument (financial asset, financial liability or equity instrument) when it becomes party to the contractual provisions of the instrument. This includes granting a loan to a customer. It does not include transactions that we have planned but not committed to. Here we have not become party to a contract requiring the future receipt or delivery of financial assets

Initial classification and measurement of financial assets

On initial recognition, financial assets are classified into one of three measurement categories. This drives the subsequent accounting:

- Amortised cost;
- Fair value through other comprehensive income (“FVOCI”); or
- Fair value through profit or loss (“FVTPL”).

Currently all financial assets are carried at amortized costs.

Financial assets are initially measured at fair value. Directly attributable transaction costs are treated as follows:

- Added to the amount of initially recognized, for assets classified at amortized cost and FVOCI
- Immediately recognized in the P&L, for assets classified at FVTPL

2 Material accounting policies (continued)

(e) Financial instruments (continued)

Key judgements considered when classifying financial debt instruments (loans to customers, trade and other receivables),

The business models

To be able to classify financial assets, the company needs to identify the objective of the business model in which the asset is held. This could be:

- Held-to-collect – typically involving the lowest level of sales (in frequency and volume) compared to other business models.

- Both held to collect and for sale – typically involving more sales (in frequency and volume) than the held-to-collect business model.

- Other business models – if the collection of contractual cash flows is incidental to the objective of the model.

The business model is determined at a level that reflects the way you manage groups of financial assets together to achieve a particular business objective. It does not depend on your intentions for an individual instrument. The business model is typically observable through particular activities that you undertake to achieve the objectives of the business model.

Testing the SPPI (Solely Payments of Principal and Interest) criteria determining whether the asset's contractual cash flows are solely principal and interest (the SPPI criterion) will be a matter of significant judgement. The company will consider:

- Contractual provisions that change contractual cash flows – e.g. variable interest rates, prepayment features and term extension features;

- De minimis or non-genuine features – features that will only have a de minimis effect on cash flows, or that are unlikely to occur;

- Non-recourse and limited recourse assets – contractual cash flows described as principal and interest but that do not represent payment of principal and interest on the principal amount outstanding; or

Contractually linked instruments – circumstances in which payment is prioritized to the holders of multiple contractually linked instruments that create concentrations of credit risk.

Directly attributable transaction costs

Transaction costs are included in the initial measurement of financial assets, except for those measured at FVTPL.
Transaction costs include only those costs that are directly attributable to the acquisition or origination of the financial asset. They are incremental costs that would not have been incurred if the instrument had not been acquired, originated or issued. These include, for example, fees and commission paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, transfer taxes and duties, credit assessment fees and registration charges and similar costs.

2 Material accounting policies (continued)

(e) Financial instruments (continued)

Subsequent measurement – Amortized cost

Amortized cost is calculated using the effective interest rate (EIR) method. This allocates interest income at a constant rate over the period to which it relates, regardless of when it is paid.

The following items are recognized in the income statement:
- Interest income using the effective interest method
- Expected credit losses and reversals
- Foreign exchange gains and losses

When the financial asset is derecognized, any gain or loss is recognized in the income statement.

Effective interest rate

The effective interest rate is calculated on initial recognition of a financial asset. It is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset. On initial recognition this will usually be equal to the fair value of the instrument, adjusted for transaction costs.

The estimate of expected cash flows considers all contractual terms (e.g. prepayment, call and similar options) but does not consider expected credit losses.

To calculate the interest charge for the relevant period, the effective interest rate is applied to the gross carrying amount of the asset at the previous reporting date.

Most financial liabilities are classified in the amortized cost measurement category. Financial liabilities may be classified as fair value through profit and loss (“FVTPL”) in some rare scenarios.

All financial liabilities are initially measured at fair value. Directly attributable transaction costs are deducted from the amount initially recognized. An exception exists for financial liabilities at FVTPL, which are measured at fair value with transaction costs immediately recognized in the income statement.

2 Material accounting policies (continued)

(e) Financial instruments (continued)

Subsequent to initial measurement:

Financial liabilities at FVTPL are measured at fair value with changes included in the income statement, except for changes in own-credit risk presented in OCI for liabilities designated under the fair value option.

Other financial liabilities are generally measured at amortised cost following the guidance in section. However, financial liabilities represent your contractual obligation to pay and so will never include a loss allowance.

Modification of financial assets and liabilities

If a debt instrument is restructured or refinanced and the terms have been substantially modified, the transaction must be accounted for as an extinguishment of the old debt instrument, with a gain or loss recognised in the P&L. The new debt instrument is recognised at fair value.

Impairment of financial assets

Most financial assets are subject to impairment testing under the expected loss model. It is not necessary for a loss event to occur before an impairment loss is recognised. Any impairment loss allowance is recognised in the income statement.

Expected credit losses

IFRS 9 Financial Instruments requires the Company to recognise expected credit losses (“ECL”) on loans to customers which involves significant judgement and estimates.

The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Company’s implementation of IFRS 9 are:

— Model estimations – inherently judgemental modelling is used to estimate ECL which involves determining probabilities of default (“PD”), loss given default (“LGD”), and exposures at default (“EAD”). The PD model used for loans and advances is the key driver of the Company’s ECL results and are therefore the most significant judgemental aspect of the ECL modelling approach.

Expected credit loss is a probability-weighted estimate of credit losses over the expected life of a financial asset using all reasonable and supportable information available about past events and current conditions supplemented by forecasts of future economic conditions. The macro-economic overlay involves a point-in-time assessment of the impact of expected macro-economic developments on the credit losses.

2 Material accounting policies (continued)

(e) Financial instruments (continued)

Expected credit losses (continued)

Defaulted loans are labelled stage 3 exposures. The non-defaulted loans are either stage 1 or stage 2, depending on whether credit risk significantly increased since inception. Such deterioration would bring the loan from stage 1, for which 12 Month ECL provision are required, to stage 2, for which lifetime ECL needs to be calculated. The introduction of ECL provisioning results in the need to develop specific ECL methodologies and to adopt policies dealing with amongst others stage transfers and the incorporation of macro-economic overlays.

The standard includes various practical expedients that can be used in specific situations, and reliefs adopters from using the general impairment requirements. Examples are investments with low credit risk (e.g. investment grade securities), for which different stage transfer monitoring applies, and a simplified approach for trade receivables and lease receivables.

IFRS 9 allows for a simplified approach to be applied to trade receivables, contract assets and lease receivables; the accounting policy choice can be made independently for each asset type. Under the simplified approach, the loss allowance is always equal to the lifetime expected credit losses.

The company has elected to use the practical expedients when measuring ECLs under the simplified approach by using a provision matrix for trade receivables. In doing so, the company has:

- Considered whether it is appropriate to segment trade receivables; and/or
- Use historical loss experience on its trade receivables and adjust historical loss rates to reflect information about current conditions, and reasonable and supportable forecasts of future economic conditions.

The simplified approach has been elected as appropriate due to the fact that all loans to customers have a loan term of 12 months and 6 months.

Forward looking information (FLI)

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

The company has concluded that three (3) scenarios appropriately capture the non-linearities. The three scenarios that were applied as at 31 December 2025 are:

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

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

2 Material accounting policies (continued)

(f) Impairment of non-financial assets

For all assets, 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 Company 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 to determine the asset's recoverable amount since the last impairment loss was recognized.

(g) Property and equipment

Property and equipment are stated at cost or valuation, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and for qualifying assets, borrowing costs.

The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Residual value, useful life and depreciation methods are reviewed at least annually at the reporting date. Changes in the residual value and expected useful life are accounted for by changing the depreciation charge for the year, and treated as changes in accounting estimates. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

On revaluation, surplus is credited to the property, plant and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of comprehensive income, in which case the increase is recognized in the statement of comprehensive income. A revaluation deficit is recognized in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognized in the property, plant and equipment revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made.

Where parts of an item of property, plant and equipment have significantly different useful lives, they are accounted for as separate items of property, plant and equipment. Although individual components are accounted for separately, the financial statements continue to disclose a single asset.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

Depreciation is calculated at annual rates estimated to write off carrying values of the assets over their expected useful lives to their estimated residual values.

The annual depreciation rates in use are

2 Material accounting policies (continued)

(h) Property and equipment (continued)

	Rate
Equipment & Machineries	20%
Computer and equipment	33.33%
Furniture and fixtures	10%
Vehicles	20%

(i) Intangible assets

The company'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 company.

Intangible assets acquired separately are measured at cost on initial recognition. 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 amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortized over the useful life. The amortization period and the amortization 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 amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss. Amortization is calculated using the straight-line method to write down the cost of intangible assets over their estimated useful lives of 4 years.

(j) Income tax expense

Income tax expense is the aggregate amount charged/ (credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognized in the profit and loss account except when it relates to items recognized in other comprehensive income, in which case it is also recognized in other comprehensive income, or to items recognized directly in equity, in which case it is also recognized directly in equity

Current income tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

2 Material accounting policies (continued)

(j) Income tax expense (continued)

Deferred income tax (continued)

Deferred tax is determined for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the asset is recovered or the liability is settled.

Current income tax

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities. However, for investment property that is measured using the fair value model, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.

Deferred tax liabilities are recognized for all taxable temporary differences except those arising on the initial recognition of an asset or liability, other than through a business combination, that at the time of the transaction affects neither the accounting nor taxable profit nor loss.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Recognized and unrecognized deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognized amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities. However, for investment property that is measured using the fair value model, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.

Deferred tax liabilities are recognized for all taxable temporary differences except those arising on the initial recognition of an asset or liability, other than through a business combination, that at the time of the transaction affects neither the accounting nor taxable profit nor loss.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized. Recognized and unrecognized deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognized amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

2 Material accounting policies (continued)

(k) Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance cost. 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.

Right-of-use assets are measured at cost comprising the following; the amount of the initial measurement of lease liability plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.
Lease payments are allocated between principal and finance cost. 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.

Right-of-use assets are measured at cost comprising the following; the amount of the initial measurement of lease liability plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received.

2 Material accounting policies (continued)

(k) Leases (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

When the Company is the lessor, the lease must be classified as either a finance lease or an operating lease. A finance lease is a lease which confers substantially all the risks and rewards of the leased assets on the lessee.

An operating lease is a lease where substantially all of the risks and rewards of the leased asset remain with the lessor.

When the lease is deemed a finance lease, the leased asset is not held on the balance sheet; instead a finance lease receivable is recognised representing the minimum lease payments receivable under the terms of the lease, discounted at the rate of interest implicit in the lease. When the lease is deemed an operating lease, the lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate

(l) Foreign Currency translation

(a) Functional and presentation currency

Items included in the financials are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Rwanda Francs (Frw), which is the company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated using daily average exchange rates as declared by the National Bank of Rwanda. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

All foreign exchange gains and losses are presented in the statement of comprehensive income account within 'other income.

(c) Functional and presentation currency

Items included in the financials are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Rwanda Francs (Frw), which is the company's functional and presentation currency.

2 Material accounting policies (continued)

(d) Functional and presentation currency

Items included in the financials are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Rwanda Francs (Frw), which is the company's functional and presentation currency.

(e)Transactions and balances

Foreign currency transactions are translated using daily average exchange rates as declared by the National Bank of Rwanda. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

All foreign exchange gains and losses are presented in the statement of comprehensive income account within 'other income'.

(m) Fair value measurement

Fair value is the price that would be received to sell an asset or paid or transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available thereby allowing for situations in which there is little if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability.

As Inputs are not available for loans of BRAC, level 3 hierarchy of fair value is used to measure value for loan at fair value

(n) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

2 Material accounting policies (continued)

(o) Share capital, accumulated losses, and capital awaiting allocation

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

Accumulated losses reserve or retained earnings reserve is a reserve for the company's losses/profit carried over.

Capital awaiting allocation is additional cash injected by BRAC International Holdings B. V that is yet to be allocated to share capital. Share money deposit is recognised when the funds have been received.

(p) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risks and uncertainties surrounding the obligation.

(q) Grants

Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset. When the grant relates to an expense item it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

(u) Comparatives

The accounting policies are consistent with those reported in the previous year except for the adoption of the standards and amendments effective for the current period as set out note 3 to the financial statements.

(v) Member savings

The initial relationship between customers and the company is that customers are admitted as members, and all members are required to make savings. These savings consist of a mandatory part which is determined by the member's group and is collected at the group's weekly meeting. This is the minimum weekly deposit which is meant to encourage a culture of saving, and members are free to deposit higher amounts at the same group meeting into the same savings account, and that additional portion is voluntary savings.

Mandatory and voluntary savings can be withdrawn at any time. However, if the client has taken a loan, they must leave the minimum percentage amount as required per the loan cycle and loan amount.)

Member savings are recorded when the funds are received from customers.

2 Material accounting policies (continued)

(v) Foreign currency translation

Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss

g) Derivative financial instruments

Derivatives, which comprise solely forward foreign exchange contracts, are initially recognised at fair value on the date the derivative contract is entered into and are subsequently measured at fair value. The fair value is determined using forward exchange market rates at the balance sheet date or appropriate pricing models. The derivatives do not qualify for hedge accounting. Changes in the fair value of derivatives are recognised immediately in the Statement of comprehensive income.

3 Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance, but the company does not hedge any risks.
The company is faced by liquidity, interest rate, credit and foreign currency risks in regards to its principal non-derivative financial instruments. The directors review and agree to the policies of managing these risks. The company does not engage in speculation in the markets and neither does it trade in derivative financial instruments. The company's main financial instruments are;

- Cash and cash equivalents
- Restricted deposits
- Trade and other receivables
- Trade and other payables
- Amounts due to and from related parties

The main risk arising from the company's' financial instruments are liquidity, foreign currency and credit risk

3 Financial risk management objectives and policies (continued)

i) Liquidity risk

Liquidity risk is the risk that BRAC Rwanda Microfinance Company Plc will encounter difficulty in meeting obligations from its financial liabilities. BRAC Rwanda Microfinance Company Plc’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 BRAC Rwanda Microfinance Company Plc reputation.

BRAC Rwanda Microfinance Company Plc’s management maintains a portfolio of short-term liquid assets, largely made up of Cash at Bank, to ensure that sufficient liquidity is maintained within BRAC Rwanda Microfinance Company Plc as a whole. The liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

The key measure used by BRAC Rwanda Microfinance Company Plc for managing liquidity risk is the ratio of net liquid assets to deposits from customers. Details of the reported Company ratio of net liquid assets to deposits from customers at the reporting date and during the reporting year were as follows:

Liquidity risk is the risk that BRAC Rwanda Microfinance Company Plc will encounter difficulty in meeting obligations from its financial liabilities. BRAC Rwanda Microfinance Company Plc’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 BRAC Rwanda Microfinance Company Plc reputation.

BRAC Rwanda Microfinance Company Plc’s management maintains a portfolio of short-term liquid assets, largely made up of Cash at Bank, to ensure that sufficient liquidity is maintained within BRAC Rwanda Microfinance Company Plc as a whole. The liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

The key measure used by BRAC Rwanda Microfinance Company Plc for managing liquidity risk is the ratio of net liquid assets to deposits from customers. Details of the reported Company ratio of net liquid assets to deposits from customers at the reporting date and during the reporting year were as follows:

	31 December 2025	31 December 2024
At close of the year	64%	101%
Average for the year	160%	307%
Maximum for the year	378%	591%
Minimum for the year	64%	101%
Minimum statutory requirement	30%	30%

3 Financial risk management objectives and policies (continued)

i) Liquidity risk (continued)

The table below summarizes BRAC Rwanda Microfinance Company Plc's liquidity risk as at 31 December 2025, categorized into relevant maturity rankings based on undiscounted cash flows.

Liquidity risk management	**On demand**	**less than 3 months**	**3-12 months**	**1-5 years**	**Total**
Year ended 31 December 2025		**Frw**	**Frw**	**Frw**	**Frw**
Loans to customers	-	14,188,408,047	219,664,594	24,970,490	14,433,043,131
Other assets	-	357,821,433	197,337,228	-	555,158,661
Cash and cash equivalents	464,163,684	-	-	-	464,163,684
	464,163,684	**14,546,229,028**	**417,001,822**	**24,970,490**	**15,452,365,476**
Other liabilities	-	223,317,028	910,730,062	-	1,134,047,090
0Related party payables	-	24,820,692	223,929,029	-	248,749,721
Member savings	2,171,024,364	1,483,021,523	-	-	3,654,045,887
Term loan		-	995,341,071	1,288,293,798	2,283,634,869
Bank overdraft	-	-	828,175,040	-	828,175,040
Lease liability	-	-	193,402,791	-	193,402,791
Total	**2,171,024,364**	**1,731,159,243**	**3,151,577,993**	**1,288,293,798**	**8,342,055,398**
Excess liquidity/(gap)	**(1,706,860,680)**	**8,771,798,360**	**(2,910,227,004)**	**(1,227,797,424)**	**2,926,913,252**

The table below summarizes BRAC Rwanda Microfinance Company Plc's liquidity risk as at 31 December 2025, categorized into relevant maturity rankings based on undiscounted cash flows.

3 Financial risk management objectives and policies (continued)

i) Liquidity risk (continued)

Liquidity risk management	**On demand**	**Less than 3 months**	**3-12 months**	**1-5 years**	**Total**
Year ended December 2024		**Frw**	**Frw**	**Frw**	**Frw**
Loans to customers	-	4,884,004,038	2,594,831,023	19,195,818	7,498,030,879
Other assets	-	2,594,575	198,162,140	-	200,756,715
Cash and cash equivalents	748,989,559	-	-	-	748,989,559
Total	**748,989,559**	**4,886,598,613**	**2,792,993,163**	**19,195,818**	**8,447,777,153**
Other liabilities	-	280,999,262	413,775,880	22,938,062	717,713,204
Related party payables	-	57,160,213	43,555,633	-	100,715,846
Member savings	2,882,869,894	-	-	-	2,882,869,894
Term loan		-	-	2,212,779,200	2,212,779,200
Lease liability	-		91,822,187	269,744,719	361,566,906
Total	**2,882,869,894**	**338,159,475**	**549,153,700**	**2,505,461,981**	**6,275,645,050**
Excess liquidity/(gap)	**(2,133,880,335)**	**4,548,439,138**	**2,243,839,463**	**(2,486,266,163)**	**2,172,132,103**

ii) Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk

The company 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.

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of the changes in the market interest rates. The company's' exposure to the risk of changes in market interest rates is minimal since it has no debt obligations with floating interest rates.

3 Financial risk management objectives and policies (continued)

ii) Market risk (continued)

Interest risk sensitivity gap analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's loss before tax.

Sensitivity analysis:	Effect on loss before tax Frw	Effect on loss before tax USD
31 December 2025 (+/-) 5%	(21,473,736)	(15,005)
31 December 2024 (+/-) 5%	(46,220,557)	(34,943)

Interest risk sensitivity gap analysis

A summary of the company's interest rate sensitivity gap is as follows:

31-Dec-25	Less than 1 Month	1-3 Months	3 – 12 Months	1 – 5 Years	Total
	Frw	Frw	Frw	Frw	Frw
Assets					
Loans to customers	10,225,161,930	233,122,525	162,668,141	24,837,513	10,645,790,109
Total Financial Assets	**10,225,161,930**	**233,122,525**	**162,668,141**	**24,837,513**	**10,645,790,109**
Liabilities					
Member savings	3,567,377,721	35,871,130	43,626,820	7,170,216	3,654,045,887
Total Financial Liabilities	**3,567,377,721**	**35,871,130**	**43,626,820**	**7,170,216**	**3,654,045,887**
Total interest repricing gap	**6,657,784,209**	**197,251,395**	**119,041,321**	**17,667,297**	**6,991,744,222**

31-Dec-24 Assets	Less than 1 Month	1-3 Months	3 – 12 Months	1 – 5 Years	Total
	Frw	Frw	Frw	Frw	Frw
Assets					
Loans to customers	1,781,025,642	3,102,978,396	2,594,831,023	19,195,818	7,498,030,879
Total Financial Assets	**1,781,025,642**	**3,102,978,396**	**2,594,831,023**	**19,195,818**	**7,498,030,879**
Liabilities					
Member savings	54,829,754	237,096,629	638,385,126	1,952,558,385	2,882,869,894
Total Financial Liabilities	**54,829,754**	**237,096,629**	**638,385,126**	**1,952,558,385**	**2,882,869,894**
Total interest repricing gap	**1,726,195,888**	**2,865,881,767**	**1,956,445,897**	**(1,933,362,567)**	**4,615,160,985**

3 Financial risk management objectives and policies (continued)

ii) Market risk (continued)

Foreign currency risk 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 summarize the foreign currency exposure position as at 31 December.

As at 31 December 2025	**USD**	**Total**
Assets		
Balances with banks	217,234	217,234
Other Receivables	246,251	246,251
Total Assets	**463,485**	**463,485**
Liabilities		
Term loan	1,567,200	1,567,200
Related party payables	171,188	171,188
Donor grants	138,151	138,151
Other liabilities	10,396	10,396
Total Liabilities	**1,886,935**	**1,886,935**
Net financial position	**(1,423,450)**	**(1,423,450)**

Foreign currency risk exposure 31-Dec-25	**Effect on profit before tax**	**Effect on profit before tax**
	Frw	**USD**
Changes in USD +/- 5%	103,419,707	71,173

As at 31 December 2024	**USD**	**Total**
Assets	170,362	170,362
Balances with banks	313,306	313,306
Total Assets		
	483,668	**483,668**
Liabilities		
Term loan	1,600,000	1,600,000
Related party payables	70,951	70,951
Donor grants	109,068	109,068
Other liabilities	16,750	16,750
Total Liabilities	**1,796,769**	**1,796,769**
Net financial position	**(1,313,101)**	**(1,313,101)**

3 Financial risk management objectives and policies (continued)

ii) Market risk (continued)

Foreign currency risk exposure (continued)

Foreign currency risk exposure 31-Dec-24	**Effect on profit before tax**	**Effect on profit before tax**
	Frw	USD
Changes in USD +/- 5%	90,800,110	65,655

Price risk

The company does not hold any instruments exposed to price risk.

iii) Credit risk

The company takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the company by failing to pay amounts in full when due. Credit risk is the most important risk for the company's business: management therefore carefully manages the exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments, however as at 31 December 2025 the company did not have any off balance sheet exposure. Credit risk management and control is monitored by management, which reports regularly to the Board of Directors.

iii) Credit risk

(a) Loans and advances

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

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

3 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

Probability of default

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

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

In assessing whether the credit risk on a financial asset has increased significantly, the Company compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the Company considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort.

The Company internal ratings scale

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

Exposure at default

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

Loss given default

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

A. Maximum exposure to credit risk before collateral held or other credit enhancements

The financial instruments that present the maximum exposure to credit risk without taking account of any collateral held or other credit enhancements are disclosed below.

3 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

	31-Dec 2025 Frw	31-Dec 2024 Frw
Loans to customers Gross (Note 9)	10,645,790,109	7,498,030,879
Cash at Bank	461,923,935	748,324,969
Other assets	159,014,857	200,756,714
Total	**11,266,728,901**	**8,447,112,562**

B. Credit quality analysis

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

Explanation of the terms ‘Stage 1’, ‘Stage 2’ and ‘Stage 3’ is included under Note 2 (h) of the financial statements.

Maximum exposure to credit risk – financial instruments subject to ECL impairment

31 December 2025	**Stage 1 Frw**	**Stage 2 Frw**	**Stage 3 Frw**	**Total Frw**
Loans to customers (Gross)	10,765,395,286	93,296,450	247,108,518	11,105,800,254
Impairment Loss	(252,848,183)	(14,244,418)	(192,917,542)	(460,010,143)
Carrying Amount	**10,512,547,103**	**79,052,032**	**54,190,976**	**10,645,790,111**

31 December 2024	**Stage 1 Frw**	**Stage 2 Frw**	**Stage 3 Frw**	**Total Frw**
Loans to customers (Gross)	7,519,508,390	73,331,388	390,482,193	7,983,321,971
Impairment Loss	(165,413,208)	(29,338,939)	(290,538,945)	(485,291,092)
Carrying Amount	**7,354,095,182**	**43,992,449**	**99,943,248**	**7,498,030,879**

3 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

C. Credit risk management

Other than the change in credit risk rating for certain exposures, there were no other material changes to the policies and practices for the management of credit risk in 2022. We continued to apply the requirements of IFRS 9 'Financial Instruments' within Credit Risk.

We have established Bank-wide credit risk management and related IFRS 9 processes. We continue to assess actively the impact of economic developments in key markets on specific customers, customer segments or portfolios. As credit conditions change, we take mitigating action, including the revision of risk appetites or limits, adjustment of interest rates and tenors, as appropriate. In addition, we continue to evaluate the terms under which we provide credit facilities within the context of individual customer requirements, the quality of the relationship, market practices and our local regulatory requirements.

Credit risk grading

Microfinances, SEP and Agri- Business uses the National Bank of Rwanda (BNR) credit risk gradings to reflect its assessment of the probability of default of retail counterparties. The facilities are rated as either performing, watch, substandard, doubtful or loss, based on the number of days overdue. The classification criteria are as follows:

Performing

These are credit facilities which are up to date in payments. Where there are no fixed payments, these are facilities that are operating within their approval limits and are unexpired.

Watch

These are credit facilities where principal or interest is due and unpaid for 30 days to 89 days, or for facilities with no fixed payments, the approval limit has been exceeded by 30 days to 89 days, or the credit line has expired for more than 30 days to 89 days.

Substandard

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.

Doubtful

These are loan balances that are more than 180 days but less than 365 days overdue. They are also thc 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 Company exposure.

3 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

C. Credit risk management

Credit risk grading (continued)

Loss

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 ov the period it has been classified as such.
The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. Once a facility is classified as substandard, the probability of default reaches 100%.

The table below shows the link between the regulator risk classifications and the IFRS 9 stage allocation for assets for the Company;

National Bank of Rwanda Guidelines	Days past due	Stage allocation
Normal	0-29	1
Watch	30-89	2
Sub-standard	90-179	3
Doubtful	180-364	3
Loss	Over 364 or considered uncollectible	3

D. Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired. Please refer to note 5.3.1 for a description of how the Company determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 4.e for a description of how the Company defines credit-impaired and default.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 4.e includes an explanation of how the Company has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

3 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

D. Expected credit loss measurement

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

D.1 Significant increase in credit risk

The Company in determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition considered reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Company historical experience, expert credit assessment and forward-looking information.oThe Company in determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition considered reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Company historical experience, expert credit assessment and forward-looking information.

The Company identifies a significant increase in credit risk where

- Exposures have a regulatory risk rating of “WATCH”
- An exposure is greater than 30 days this is in line with the IFRS 9 30 DPD rebuttable presumption;
- an exposure has been restructured in the past due to credit risk related factors or which was NPL and is now regular (subject to the regulatory cooling off period);or
- by comparing an exposure:
    - ➢ credit risk quality at the date of reporting; with
    - ➢ the credit risk quality on initial recognition of the exposure.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

The Company in determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition considered reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Company historical experience, expert credit assessment and forward-looking information.

3 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

D. Expected credit loss measurement (continued)

D.1 Significant increase in credit risk (continued)

The Company in determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition considered reasonable and supportable information that

The Company identifies a significant increase in credit risk where

- exposures have a regulatory risk rating of 'WATCH';
- an exposure is greater than 30 days past due – this is in line with the IFRS 9 30 DPD rebuttable presumption;
- an exposure has been restructured in the past due to credit risk related factors or which was NPL and is now regular (subject to the regulatory cooling off period); or
- by comparing an exposure:
- credit risk quality at the date of reporting; with
- the credit risk quality on initial recognition of the exposure.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

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

The assessment of SICR incorporates forward-looking information and is performed on a regular basis at a portfolio level for all financial instruments held by the Company. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

Backstop

A backstop is applied, and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

The Company has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2025.

Backstop

A backstop is applied, and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

The Company has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2025.

D.1 Definition of default and credit-impaired assets

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when it meets one or more of the following criteria:

Quantitative criteria
The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria
The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

3 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

D. Expected credit loss measurement (continued)

D.2 Definition of default and credit-impaired assets

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Company expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

Measuring ECL — Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PDs have been developed using empirical data from the start of operation of BRAC Rwanda

- EAD is equal to the outstanding exposure at the reporting date

- Loss Given Default (LGD) represents the Company expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan

- The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month

3 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

D. Expected credit loss measurement (continued)

D.3 Measuring ECL — Explanation of inputs, assumptions and estimation techniques (continued)

This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio. This is supported by historical analysis.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type.

The assumptions underlying the ECL calculation — such as how the maturity profile of the PDs and how collateral values change etc.

D.4 Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario").

The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Company credit team also provide other possible scenarios along with scenario weightings. The three scenarios and their attributes are reassessed at each reporting date. At 31 December 2022, the Company concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Company measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

3 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

D.4 Forward-looking information incorporated in the ECL models (continued)

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2025 and 31 December 2024 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

	Base scenario		**Upside**		**Downside**	
Macroeconomic factors	**Next 12 months**	**Remaining forecast period**	**Next 12 months**	**Remaining forecast period**	**Next 12 months**	**Remaining forecast Period**
Domestic GDP	6.00%	6.00%	7.3%	7.3%	4.8%	4.8%
Interest rates	6.50%	6.50%	9%	9%	4.50%	4.50%
Inflation	6.80%	6.80%	7%	7%	6%	6%

The weightings assigned to each economic scenario at 31 December were as follows:

	Base	Upside	Downside
	%	%	%
As at 31 December 2025			
Scenario probability weighting	91%	3%	3%
As at 31 December 2024			
Scenario probability weighting	91%	3%	6%

The weights of Base and Upside have decreased/increased slightly reflecting the small change in dispersion in the scenarios. The impact on ECL is immaterial.

D.5 Sensitivity analysis

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

(i) Collateral haircuts, and
(ii) Period to recovery of collateral

Set out below are the changes to the ECL as at 31 December 2025 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Company economic variable assumptions.

Time to realisation: As the type of loan security deposited by the customer is cash, in these arrangements the director have assumed time to realisation of cash collateral immediately after the loan write off.

Collateral haircuts: The directors have assumed collateral haircuts for cash collateral are negligible due to high degree of certainty on the value, credit quality and liquidity of the security.

3 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

D.6 Credit exposure

Maximum exposure to credit risk — Financial instruments subject to impairment

The following tables contain an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Company maximum exposure to credit risk on these assets.

	Loans and advances 2025				**2024**
	ECL staging				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total Frw**	
Normal	10,765,395,286	-	-	10,765,395,286	7,519,508,390
Watch	-	93,296,450	-	93,296,450	73,331,388
Default	-	-	247,108,518	247,108,518	390,482,193
Gross carrying amount	**10,765,395286**	**93,296,450**	**247,108,518**	**11,105,800,254**	**7,983,321,971**
Expected credit loss	(252,848,183)	(14,244,418)	(192,917,542)	(460,010,143)	(485,291,092)
Carrying amount	**10,512,547,103**	**79,052,032**	**54,190,976**	**10,645,790,111**	**7,498,030,879**

	Cash at Bank 2025				**2024**
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stag 3 Lifetime ECL	Total	
A	461,923,935	-	-	461,923,935	748,324,969
A-	-	-	-	-	-
A+	-	-	-	-	-
AA	-	-	-	-	-
B	-	-	-	-	-
B+	-	-	-	-	-
BB-	-	-	-	-	-
Expected credit loss	-	-	-	-	-
Carrying amount	**461,923,935**	**-**	**-**	**461,923,935**	**748,324,969**

3 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

D.6 Credit exposure (continued)

Below is a transitional table between stages between 1 January 2025 to 31 December 2025:

	31 December 2025			
	Stage 1 Frw 000	Stage 2 Frw 000	Stage 3 Frw 000	Total FRw 000
Gross loans as at 1 January 2025	**7,519,543,254**	**73,331,388**	**390,447,329**	**7,983,321,971**
Transfers from stage 1 to stage 2 and 3	(188,145,050)	28,831,800	159,313,250	-
Transfers from stage 2 to stage 1 and 3	9,093,600	(30,172,371)	21,078,771	-
Transfers from stage 3 to stage 1 and 2	7,361,899	0	(7,361,899)	-
New loans issued	10,682,219,082	81,204,762	86,948,961	10,850,372,805
Subsequent change in loans	(7,257,803,399)	(55,512,179)	(138,887,127)	(7,452,202,705)
Net movement in gross loans	10,772,269,386	97,683,400	511,539,285	11,381,492,071
Financial asset derecognised	(6,874,100)	(4,386,950)	(264,430,769)	(275,691,819)
Gross loans as at 31 December 2025	**10,765,395,286**	**93,296,450**	**247,108,516**	**11,105,800,252**

	31 December 2024			
	Stage 1 Frw 000	Stage 2 Frw 000	Stage 3 Frw 000	Total FRw 000
Gross loans as at 1 January 2024	**4,421,950,237**	**70,494,618**	**291,970,026**	**4,784,414,881**
Transfers from stage 1 to stage 2 and 3	(111,259,853)	216,800	111,043,053	-
Transfers from stage 2 to stage 1 and 3	12,900	(52,905,950)	52,893,050	-
Transfers from stage 3 to stage 1 and 2	636,100	-	(636,100)	-
New loans issued	7,513,070,250	73,114,588	87,402,251	7,673,587,089
Subsequent change in loans	(4,303,354,301)	(17,487,668)	(11,263,059)	(4,332,105,028)
Net movement in gross loans	7,521,055,333	73,432,388	531,409,221	8,125,896,942
Financial asset derecognised	(1,546,943)	(101,000)	(140,927,028)	(142,574,971)
Gross loans as at 31 December 2024	**7,519,508,390**	**73,331,388**	**390,482,193**	**7,983,321,971**

3 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

D.6 Credit exposure (continued)

	31 December 2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January	165,413,208	29,338,939	290,538,945	485,291,092
Movements with P&L impact				
	(6,094,176)	1,628,784	4,465,393	-
Transfers from stage 1 to stage 2 and 3	10,897,260	(14,407,085)	3,509,824	-
Transfers from stage 2 to stage 1 and 3	5,531,932	-	(5,531,932)	-
Transfers from stage 3 to stage 1 and 2	250,664,021	13,933,055	68,668,957	333,266,033
ECL on new exposure raised	(173,423,277)	(16,107,283)	85,321,449	(104,209,111)
Subsequent changes in ECL				
Net movement to profit or loss	**252,988,968**	**14,386,410**	**446,972,636**	**714,348,014**
Other movements with no P&L impact	(140,443)	(141,993)	(254,055,435)	(254,337,871)
Financial asset derecognised				
	252,848,525	**14,244,418**	**192,917,200**	**460,010,143**

	31 December 2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	Frw 000	**Frw 000**	**Frw 000**	**Frw 000**
Loss allowance as at 1 January 2024	**62,163,725**	**11,528,334**	**182,233,237**	**255,925,296**
Movements				
Transfers from stage 1 to stage 2 and 3	(81,380,443)	676	81,379,767	-
Transfers from stage 2 to stage 1 and 3	-	(39,740,921)	39,740,921	-
Transfers from stage 3 to stage 1 and 2	13,324	-	(13,324)	-
ECL on new exposure raised	165,289,425	29,338,263	61,623,469	256,251,157
Subsequent changes in ECL	22,230,797	28,276,984	43,361,950	93,869,731
Net movement to profit or loss	**168,316,828**	**29,403,336**	**408,326,020**	**606,046,184**
Other movements with no P&L impact				
Financial asset derecognised	(2,903,620)	(64,397)	(117,787,075)	(120,755,092)
Loss allowance as at 31 December 2024	**165,413,208**	**29,338,939**	**290,538,945**	**485,291,092**

3 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

D.7 Collateral

The table below summarises carrying amounts of collateral held against loans to customers

As at 31-Dec 2025	Stage 1	Stage 2	Stage 3	Carrying Amount	Fair value of collateral	Net exposure	ECL
	Frw	Frw	Frw	Frw	Frw	Frw	Frw
Loans to customers	10,765,395,286	79,052,032	54,190,976	10,645,790,11 1	1,483,021,523	9,162,768,588	460,010,143
Grand total	**10,765,395,286**	**79,052,032**	**54,190,976**	**10,645,790,11 1**	**1,483,021,523**	**9,162,768,588**	**460,010,143**

As at 31-Dec 2024	Stage 1	Stage 2	Stage 3	Carrying Amount	Fair value of collateral	Net exposure	ECL
	Frw	Frw	Frw	Frw	Frw	Frw	Frw
Loans to customers	7,354,095,182	43,992,449	99,943,248	7,498,030,879	1,118,224,809	6,379,806,070	485,291,092
Grand total	**7,354,095,182**	**43,992,449**	**99,943,248**	**7,498,030,879**	**1,118,224,809**	**6,379,806,070**	**485,291,092**

D.8 Write-off policy

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Company recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Company may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2025 was Frw 255,421,271 (2024: FRw 120,755,092). The Company still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

D.9 Modification of financial assets

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

Such restructuring activities may include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.
The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Company monitors the subsequent performance of modified assets. The Company may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

3 Financial risk management objectives and policies (continued)

iii) Credit risk (continued)

D.10 Concentration of credit risk

Concentrations of credit risk arise when a number of counterparties or exposures have comparable economic characteristics, or such counterparties are engaged in similar activities or operate in the same geographical areas or industry sectors so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political or other conditions. We use a number of controls and measures to minimise undue concentration of exposure in our two client segments. These include portfolio and counterparty limits, approval and review controls.

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

	31 December 2025		31 December 2024	
	FRw'000	**% age**	**FRw'000**	**% age**
Group loans	8,144,109,906	73.33%	6,118,527,678	76.64%
Small Enterprise loans	2,229,486,467	20.07%	1,352,714,583	16.95%
Agri Business loans	732,203,879	6.60%	512,079,710	6.41%
Gross loans	**11,105,800,252**	100%	**7,983,321,971**	100%

iv) Foreign exchange risk

Foreign exchange exposures in transactional currencies other than the local currency are monitored via periodic cash flow and budget forecasts and are kept to an acceptable level. The company's transactional exposures give rise to foreign currency gains and losses that are recognized in profit or loss

	31 December 2025		31 December 2024	
	FRw'000	**USD**	**FRw'000**	**USD**
Assets in foreign currencies	673,478,466	463,485	668,905,961	483,668
Liabilities in foreign currencies	2,741,858,075	1,886,935	2,484,908,169	1,796,769
Net foreign currency exposure at the end of the year	**(2,068,379,609)**	**(1,423,450)**	**(1,816,002,208)**	**(1,313,101)**

The following table demonstrates the sensitivity to a reasonably possible change in the below mentioned exchange rates of major transaction currencies, with all other variables held constant, of BRAC Rwanda Microfinance Company Plc profit before tax (due to changes in the fair value of monetary assets and liabilities).

Currency	**Increase/decrease in exchange rate**	**31 December 2025**	**31 December 2024**
		FRw'000	**FRw'000**
USD	+5%	103,418,980	90,800,110
	-5%	(103,418,980)	(90,800,110)

3 Financial risk management objectives and policies (continued)

v) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's' processes, personnel, technology, and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The company's' objective is to manage operational risk so as to prevent damage to its reputation and avoid control procedures that restrict initiative and creativity. The directors have the responsibility of developing and implementing controls to address operational risks. This is supported by the company standards for the management of operational risks in;

- Compliance and legal requirements
- Training and professional development
- Ethical and business standards
- Development of contingency plans
- Compliance with legal and regulatory requirements
- Developing requirements for the periodic assessment of operational risk faced and the adequacy of controls and procedures to address the risks identified.

vi) Capital Management

The company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The capital structure of the company consists of cash and cash equivalents and equity attributable to equity holders, comprising issued capital and retained earnings.

4 Fair value measurement of financial instruments

Loans and advances to customers
Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Fair value hierarchy
The company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

4 Fair value measurement of financial instruments (continued)

All financial assets are held at amortised cost and none at fair value. Therefore, amortised cost approximates fair value.

31-Dec-25

	Level 1 FRW	Level 2 FRW	Level 3 FRW	Total FRW
Loans to customers	-	10,645,790,109	-	10,645,790,109
Derivatives at fair value through profit or loss	-	496,248,000	-	496,248,000
Other assets	-	159,014,857	-	159,014,857
Cash and cash equivalents	-	464,163,684	-	464,163,684
Total	**-**	**11,765,217,149**	**-**	**11,765,217,149**
Other liabilities	-	1,970,436,169	-	1,970,436,169
Donor grant	-	200,743,405	-	200,743,405
Term loan	-	2,279,399,938	-	2,279,399,938
Lease liability	-	150,839,272	-	150,839,272
Total	**-**	**4,639,937,570**	**-**	**4,639,937,570**

31-Dec-24

	Level 1 FRW	Level 2 FRW	Level 3 FRW	Total FRW
Loans to customers	-	7,498,030,879	-	7,498,030,879
Derivatives at fair value through profit or loss	-	433,297,530	-	433,297,530
Other assets	-	200,756,715	-	200,756,715
Cash and cash equivalents	-	748,989,559	-	748,989,559
Total	**-**	**8,881,074,683**	**-**	**8,881,074,683**
Other liabilities	-	717,713,204	-	717,713,204
Donor grant	-	361,566,906	-	361,566,906
Term loan	-	2,212,779,200	-	2,212,779,200
Lease liability	-	361,566,906	-	361,566,906
Total	**-**	**3,442,898,582**	**-**	**3,442,898,582**

5 Property and equipment

Year ended 31 December 2025	Furniture & Fixtures	Computer & Peripherals	Equipment & Machineries	Vehicles	Total
Cost	**Frw**	**Frw**	**Frw**	**Frw**	**Frw**
As at 1 January 2025	132,162,550	386,709,609	91,092,000	169,934,051	779,898,210
Additions	2,040,000	206,291,926	10,290,000	-	218,621,926
Cost as at 31 December 2025	**134,202,550**	**593,001,535**	**101,382,000**	**169,934,051**	**998,520,136**
Depreciation					
As at 1 January 2025	49,380,982	335,007,287	51,538,273	109,668,906	545,595,448
Charge for the year	13,345,997	65,492,568	16,725,483	22,185,200	117,749,248
Disposal Adjustment	-	(119,999)	(425,500)	-	(545,499)
Accumulated depreciation	**62,726,979**	**400,379,856**	**67,838,256**	**131,854,106**	**662,799,197**
NBV as at 31 December 2025	**71,475,571**	**192,621,679**	**33,543,744**	**38,079,945**	**335,720,939**

Year ended 31 December 2024	Furniture & Fixtures	Computer & Peripherals	Equipment & Machineries	Vehicles	Total
Cost	**Frw**	**Frw**	**Frw**	**Frw**	**Frw**
As at 1 January 2024	130,362,550	385,755,722	98,500,500	169,934,051	784,552,823
Additions	2,245,000	7,943,887	10,896,500	-	21,085,387
Disposal	(445,000)	(6,990,000)	(18,305,000)	-	(25,740,000)
Cost as at 31 December 2024	**132,162,550**	**386,709,609**	**91,092,000**	**169,934,051**	**779,898,210**
Depreciation					
As at 1 January 2024	36,206,490	242,247,280	47,178,201	83,339,106	408,971,077
Charge for the year	13,349,902	99,518,425	16,932,396	26,329,800	156,130,523
Disposal Adjustment	(175,410)	(6,758,418)	(12,572,324)	-	(19,506,152)
As at 31 December 2024	**49,380,982**	**335,007,287**	**51,538,273**	**109,668,906**	**545,595,448**
As at 31 December 2024	**82,781,568**	**51,702,322**	**39,553,727**	**60,265,145**	**234,302,762**

6 Intangible assets	2025	2024
Cost	**Frw**	**Frw**
As at 1 January	294,582,793	294,582,793
Additions	119,059,656	-
As at 31 December	**413,642,449**	**294,582,793**
Amortization		
As at 1 January	202,110,541	139,681,341
Charge for the year	84,372,783	62,429,200
As at 31 December	**286,483,324**	**202,110,541**
Carrying amounts		
As at 31 December	**127,159,125**	**92,472,252**

Intangible asset is sbiCloud software, T24 software,Payroll software, and a tab based Digital Field Application.

7 Loans and advances	2025	2024
	Frw	**Frw**
Group loans (Microfinance)	8,144,745,059	5,987,325,055
Small Enterprises Program (SEP)	2,249,315,232	1,315,442,826
Agri-Business	682,101,061	498,819,360
Add: Interest receivable	285,060,171	251,799,904
Less: Loan write off MF	(201,602,753)	(52,323,571)
Less: Loan write off SEP	(48,326,757)	(10,262,393)
Less: Loan write off Agri-Business	(5,491,761)	(7,479,210)
Less: Impairment loss on loans	(460,010,143)	(485,291,092)
As at 31 December	**10,645,790,109**	**7,498,030,879**

The movement on the loan accounts is analysed as shown below;

Opening balance	7,731,522,067	4,632,718,913
Add: Loans disbursement MF	20,649,960,000	14,525,460,000
Add: Loans disbursement SEP	3,073,580,000	1,830,900,000
Add: Loans disbursement AGRI Business	1,514,860,000	1,034,050,000
Less: Loan realization MF	(18,440,216,425)	(12,205,685,567)
Less: Loan realization SEP	(2,219,445,301)	(1,191,907,860)
Less: Loan realization Agri Finance	(1,324,099,089)	(823,948,245)
Less: Loan write off MF	(201,602,753)	(52,323,571)
Less: Loan write off SEP	(48,326,757)	(10,262,393)
Less: Loan write off Agri-Business	(5,491,761)	(7,479,210)
Principal outstanding	**10,820,740,083**	**7,731,522,067**
Add: Interest receivable	305,330,717	302,489,822
Less: Interest receivable - write-off	(20,270,548)	(50,689,918)
Less: Impairment loss on loans	(460,010,143)	(485,291,092)
	10,645,790,109	**7,498,030,879**

7 Loans and advances (continued)

The movement on the impairment is shown below:

	2025 Frw	2024 Frw
At 1 January	485,291,092	255,925,296
Add: Charge for the year	229,056,922	350,120,888
Less: Loan write off MF	(187,126,380)	(52,323,571)
Less: Loan write off SEP	(42,409,082)	(10,262,393)
Less: Loan write off Agri-Business	(4,531,861)	(7,479,210)
Less: Interest receivable write-off MF	(13,392,973)	(40,391,601)
Less: Interest receivable write-off SEP	(5,917,675)	(9,151,427)
Less: Interest receivable write-off AF	(959,900)	(1,146,890)
	460,010,143	**485,291,092**

8 Other assets

	2025 Frw	2024 Frw
Prepaid medical insurance/advance	158,952,999	191,204,194
Advance to staff-salary, Travel advance & Others	61,858	6,961,495
Receivable from Stichting BRAC International	-	2,591,026
	159,014,857	**200,756,715**

9 Cash and cash equivalents

	2025 Frw	2024 Frw
Cash in hand	2,239,749	664,590
Cash at bank	461,923,935	748,324,969
	464,163,684	**748,989,559**

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

Cash and bank balances (as above)	464,163,684	748,989,559
Bank overdraft	(828,175,040)	-
Cash and cash equivalents	**(364,011,356)**	**748,989,559**

10 Share capital

	2025 Frw	2024 Frw
Balance brought forward	8,500,000,000	7,412,070,000
Capitalisation in the year	-	1,087,930,000
850,000 ordinary shares of Rwf 10,000 each	**8,500,000,000**	**8,500,000,000**

11 Other capital contribution

	2025 Frw	2024 Frw
At 1 January	6,203,653,000	3,998,596,000
Addition	1,761,172,000	3,292,987,000
Converted in share capital	-	(1,087,930,000)
	7,964,825,500	**6,203,653,000**

12 Accumulated losses	2025 Frw	2024 Frw
Brought forward losses	(11,587,138,417)	(9,276,110,577)
Loss for the year	(1,102,612,623)	(2,311,027,840)
	(12,689,751,040)	**(11,587,138,417)**

13 Member savings	2025 Frw	2024 Frw
Compulsory savings/loan security	1,483,021,523	1,118,224,809
Voluntary savings	2,171,024,364	1,764,645,085
	3,654,045,887	**2,882,869,894**

14 Other liabilities	2025 Frw	2024 Frw
Accrual for salary	356,818	245,391
Other liabilities	897,451,065	544,000,450
Statutory deductions	178,704,028	121,661,692
Withholding tax payable	10,637,802	2,073,690
Accrual for Social Security Benefit/Self Insurance	33,618,380	24,893,321
Audit fee accrual	13,278,997	24,838,660
	1,134,047,090	**717,713,204**

15 . Donor grants	2025 Frw	2024 Frw
Whole Foods Market Foundation		
Opening balance	-	-
Grant from whole planet foundation	148,118,400	531,448,400
Utilized grant in the year	(148,118,400)	(383,330,000)
Subtotal	**-**	**148,118,400**
BRAC Rwanda NGO		
Opening balance	-	22,728,972
Grant from BRAC Rwanda NGO (UNFPA)	-	17,067,031
Utilized grant in the year	-	(39,796,003)
Subtotal	**-**	**-**
Mastercard foundation		
Opening balance	2,720,872	186,467,505
Grant from Mastercard foundation	1,422,478,942	807,646,992
Utilized grant in the year	(1,398,102,735	(1,008,431,283)
Deferred grant- investment in fixed and intangible asset	173,646,326	-
Translation adjustment	-	17,037,658
Subtotal	**200,743,405**	**2,720,872**
	200,743,405	**150,839,272**

15 Donor grants (continued)

The Whole Foods Market Foundation agreement of 22 November 2019 was for a grant of USD800,000 over 3 years to fund working capital for general microfinance products in all branches throughout the country. The funds were disbursed as USD300,000 in year 1 (2020); followed by USD200,000 in year 2 (2021), and finally USD300,000 in year 3 (2022). The money is to be utilized in providing loans to customers. The company is required to submit progress reports 25 days after each quarter end stating the progress of the project and its successes. The company is also required to submit annual financial reports at the end of its financial year.

The Whole Foods Market Foundation agreement of 13 September 2022 was for a grant of US 560,000 over 3 years to fund working capital for Agricultural loan products in 17 branches throughout the country. The funds were disbursed as USD160,000 in year 1 (2022); followed by USD200,000 in year 2 (2024. The money was utilized in providing loans to customers.
The company is required to submit online progress reports 25 days after each quarter end stating the progress of the project and its successes. The company is also required to submit annual financial reports at the end of its financial year.

The Stichting BRAC International agreement of 13 June 2022,18 April 2024 and 6 May 2025 was for a grant of Mastercard foundation USD756,616, USD1,107,382 and USD 754,086. Grant was received in 2022 USD756,616,2024 USD457,828 and USD 995,863 in 2025 to provide support to young women in Rwanda.The company is also required to submit quarterly financial reports 20 calendar days after the end of the calendar quarter.

16 Term Loan	2025 Frw	2024 Frw
Long term loan	2,279,385,407	2,212,779,200
Accrued interest	14,531	-
	2,283,634,869	**2,212,779,200**

BRAC Rwanda Microfinance Company Plc secured a term loan amounting to USD 1.6 million from BRAC International Finance BV (BIFB.V) in April 2024 for a period of 40 months from the date of disbursement with grace period of 4 months on the principal facility and paying interest accruing during the grace period on a quarterly basis. The loan is quoted at the rate of 7.60% fixed US Dollar rate with no expected increase until maturity. The loan was obtained for facilitating micro-finance lending.

BRAC Rwanda Microfinance Company Plc secured a term loan amounting to USD 1 million from Global Partnerships Impact-First Fund 10, LLC, in June 2025 for a period of 40 months from the date of disbursement with grace period of 6 months on the principal facility and paying interest accruing during the grace period on a quarterly basis. The loan is quoted at the rate of 7.00% fixed US Dollar rate with no expected increase until maturity. The loan was obtained for facilitating micro-finance lending.

USD (Fixed) vs. RWF (Fixed) cross currency swap Transaction: Fixing definition for future payments – again, the standard ISDA definition for USDRWF would be Where "USD/RWF CB avg." means the USD/RWF arithmetic mean of Buying and Selling exchange rates of RWF against USD, as displayed on the website of the Central Bank of Rwanda and is expressed as the amount of Rwandan Franc per one United States Dollar, on that Valuation Date. Reference currency is RWF and Settlement currency is USD.

16 Term Loan (continued)

	2025 Frw	2024 Frw
Cash and cash equivalents	(464,163,684)	(748,989,559)
Long term loan	2,283,634,869	2,212,779,200
Lease liability	193,402,792	361,566,906
Bank Overdraft (16.a)	828,175,040	0
	2,841,049,017	**1,825,356,547**

	2025 Rwf
At start of year	2,212,779,200
Additions during the year	1,444,488,000
Interest expense	307,631,355
Interest repayments	(301,255,626)
Principal repayments	(1,497,773,325
FC Translation adjustment	117,765,265
Total borrowings	**2,283,634,869**

Net debt reconciliation	Term loan	Lease liability	Cash and equivalents	Total
Net debt as at 1 January 2024	5,730,663,154	517,570,316	(3,914,101,777)	2,334,131,693
Cash flows	(3,517,883,954)	(156,003,410)	3,165,112,218	(508,775,146)
Net debt as at 31 December 2024	2,212,779,200	361,566,906	(748,989,559)	1,825,356,547
Cash flows	70,855,669	(168,164,114)	284,825,875	187,517,430
Bank Overdraft			828,175,040	
Net debt as at 31 December 2025	2,283,634,869	193,402,792	364,011,356	2,012,873,977

16(a) Bank Overdrafts	**2025**	**2024**
	Frw	**Frw**
Equity Bank Rwanda Plc	828,175,040	-

BRAC Rwanda Microfinance Company Plc secured a bank overdraft facility amounting to RWF 1.5 billion from Equity Bank Rwanda Plc in October 2025 for a period of 12 months for a period of one year. The overdraft is quoted at the rate of 17.00% fixed rate with no expected increase until maturity. The overdraft was obtained for facilitating micro-finance lending.

17 Income on loan interest	**2025**	**2024**
	Frw	**Frw**
Group loans (Microfinance)	2,960,400,300	1,963,778,020
Small Enterprises Program (SEP)	587,843,800	352,448,100
Loan appraisal fee	315,226,176	173,888,600
Agri-business	248,756,547	170,485,847
	4,112,226,823	**2,660,600,567**

18 Interest & other financial expense	**2025**	**2024**
	Frw	**Frw**
Interest on member savings	133,885,300	105,342,600
Mgt. Fees Expense to BIFBV	19,000,490	49,553,247
Other financial expenses	85,881,238	311,308,935
Interest on term loan	216,907,447	343,483,905
Interest on lease liability	44,014,819	58,844,199
	499,689,294	**868,532,886**

19 Membership and other fees

	2025 Frw	2024 Frw
Membership fee	31,672,053	32,908,000
Loan application fee	15,183,203	9,037,000
Sales of passbook	22,569,000	14,184,000
	69,424,256	**56,129,000**

20 Other income

	2025 Frw	2024 Frw
	37,664,588	44,377,006
Other income	-	22,976,072
Bank Interest		
	37,664,588	**67,353,078**

21 Net foreign exchange income

	2025 Frw	2024 Frw
Unrealised foreign exchange loss	(158,248,294)	(212,272,077)
Fair value of SWAP	208,664,484	194,425,572
Realized exchange gain	49,016,261	110,730,420
	(99,432,451)	**92,883,915**

22 Grant income

	2025 Frw	2024 Frw
Portion of utilized grant - BRAC NGO	-	39,796,003
Portion of utilized grant -Whole Planet Foundation	148,118,400	383,330,000
Portion of utilized grant -Mastercard Foundation	1,224,456,409	1,008,431,283
	1,372,574,809	**1,431,557,286**

23 Expected credit loss

	2025 Frw	2024 Frw
Loan loss provision expense	229,056,922	350,120,888
	229,056,922	**350,120,888**

31 December 2025	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	Frw	Frw	Frw	Frw
Loss allowance	5,379,889	34,972,205	178,785,741	229,056,922
31 December 2024				
Loss allowance	123,556,995	27,398,308	199,165,585	350,120,888

24 Employee benefits

	2025 Frw	2024 Frw
Salaries	2,604,695,926	2,327,493,248
Leave salaries	14,307,971	58,355,545
Social security benefit expense	227,551,331	132,206,181
Staff bonus	187,019,494	158,330,903
	3,033,574,722	**2,676,385,877**

25 Other operating expenses

	2025 Frw	2024 Frw
Utilities	32,131,606	32,309,758
Travel and transportation	357,738,699	233,355,879
International travels AIM	35,086,504	14,198,775
Air tickets & VISA cost	44,772,287	56,814,746
Accommodation (hotel fare)	7,416,168	19,516,228
Staff Per diem	2,798,588	7,954,783
Wi-Fi, mobile SIM & bill	113,065,689	102,200,082
Maintenance and general expenses	184,649,951	142,999,157
Meals	169,118,150	162,409,122
Bank charges	16,925,336	14,478,198
Medical expenses	260,633,832	276,524,527
Business license & registration	7,280,000	13,323,860
Rent	5,400,000	-
Need Assessment cost/Survey cost	-	50,000
Vehicle maintenance & fuel	20,089,927	22,893,119
Software development & purchase	32,921,809	13,587,382
Digital Field Assistant-AIM	457,965,123	372,186,062
Financial literacy Trn-UNFPA	-	39,796,003
Financial literacy Trn-AIM	326,858,513	264,486,789
Linkage to financ services-AIM	13,862,860	2,245,000
Staff Trng, trpt, incntv-AIM	-	1,393,200
Client orientation-AIM	-	6,625,599
IT change-AIM	-	16,264,566
Centralization and streamlining of IT systems-AIM	-	172,019,060
Impact Survey 60 decibels-AIM	45,031,779	39,584,038
Member death benefit	4,320,000	2,970,000
HO logistics expenses	234,765,962	151,969,198
Local staff training cost	11,172,169	24,109,443
Stationary expenses	105,395,110	77,966,835
Data analytics and BI-AIM	-	7,924,241
Visibility & communication expense	-	4,487,567
Professional & consultancy fees	11,832,963	14,876,745
Audit fees	27,122,434	25,296,382
	2,528,355,459	**2,336,816,343**

26 Depreciation & amortization	2025 Frw	2024 Frw
Depreciation expense	117,749,248	156,130,523
Amortization expense	84,372,783	62,429,200
Depreciation of ROU asset	201,032,427	169,135,969
	403,154,458	**387,695,692**

27. Cash generated from operations	2025 Frw	2024 Frw
Profit/(Loss) for the year	(1,002,507,928)	(2,315,180,877)
Adjustment for:		
Depreciation & amortization	403,154,458	387,695,692
Loan loss provision	229,056,922	354,273,925
Disposal	537,801	6,233,848
Cash flow before changes in working capital	**(369,758,747)**	**(1,566,977,412)**
Changes in working capital:		
Decrease/(increase) in other assets	(21,208,612)	450,768,525
Decrease/(increase) in interest receivable	(33,260,267)	(100,103,936)
Increase/(decrease) of related party payables	148,033,875	90,855,596
Increase/(decrease) of current liabilities	416,333,886	191,047,569
Net cash generated from operations	**140,140135**	**(934,409,659)**
Decrease/(Increase) in loan disbursed	(3,344,639,185)	(3,219,558,246)
Net Cash from Operating Activities	**(3,204,499,050)**	**(4,153,967,905)**

28. Related party transaction

BRAC is 99.9% owned by BRAC international B.V a company incorporated in The Hague, The Netherlands. The ultimate controlling party is BRAC international. There are other companies that are related to the company through common shareholdings or common directorships.

Related party balances and the transactions carried out with related parties are set out below:

The movement for the balances above is as shown below:

28. Related party transaction (continued)

a) Key management personnel compensation	2025 Frw	2024 Frw
Salaries and wages	3,637,575,677	290,634,667
As at 31 December	**3,637,575,677**	**290,634,667**

b) Directors' emoluments	2025 Frw	2024 Frw
As non-executive	2,615,544	2,402,989
As at 31 December	**2,615,544**	**2,402,989**

c) Transactions with related party	2025 Frw	2024 Frw
Management Fees	234,765,962	151,969,198
Interest on term loan	284,222,914	343,483,905
Mgt Fees Expense to BIFBV	19,000,490	49,553,247
	537,989,366	**545,006,350**

d) Related party payable	2025 Frw	2024 Frw
BRAC International Holdings B.V.	223,929,029	96,367,917
BRAC International Holdings B.V. Kenya	-	-
Payable to BRAC Bangladesh	13,520,741	4,347,929
Payable to BRAC Maendeleo Tanzania Limited	1,006,981	-
Payable to biTS	5,597,245	-
Payable to Stichting BRAC International	4,695,725	-
As at 31 December	**248,749,721**	**100,715,846**

29	Right of Use Asset and Lease liability	2025 Frw	2024 Frw
a)	Opening balance-Right of use of assets	335,149,208	523,172,312
	Additions	-	-
	Modifications	55,763,964	(18,887,136)
	For the period -Net Movement	-	-
	Accumulated Depreciation of ROU assets	(201,032,427)	(169,135,968)
		189,880,745	**335,149,208**

		2025	2024
29	**Right of Use Asset and Lease liability**	**2025**	**2024**
b)	Opening balance-Lease liability	361,566,906	517,570,316
	Interest on lease liability	44,014,819	58,844,199
	Modifications	33,667,739	-5,798
	Cash payment	-245,846,673	-214,841,811
		193,402,792	**361,566,906**
	Depreciation charge of right-of-use assets	778,863,723	517,570,316
	Interest expense	44,014,819	58,844,199

30 Derivatives

The Company uses the following derivative instruments for non-hedging purposes which comprise solely of currency swaps.

Currency swaps held are commitments to exchange one set of cash flows for another and result in an economic exchange of currencies. The Company's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfil their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Company assesses counterparties using the same techniques as for lending activities.

The derivative instruments held become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which the instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The derivatives held by the Company are classified as financial assets at fair value through the profit or loss. The fair values of derivative financial instruments held are set out below:

	2025 Frw	2024 Frw
Currency swaps assets	2,085,234,140	2,212,779,200
Currency swaps liabilities	(1,588,986,140)	(1,779,481,670)
	496,248,000	**433,297,530**

31. CAPITAL COMMITMENTS

There were no capital commitments as at year end. (2024; None).

32. TAX

As per Law N° 006/2021 of 05/02/2021 on investment promotion and facilitation, the company is exempt from taxes for five years from the date of registration of 28 September 2018. As such the income tax expense Nil (2024 Nil) and no deferred taxes have been computed.

33. CONTINGENT LIABILITIES

The company had no contingent liabilities as at 31 December 2025 (2024: Nil).

34. ULTIMATE PARENT COMPANY

The ultimate parent company is BRAC international B.V a company incorporated in The Hague, The Netherlands.

35. EVENTS AFTER THE REPORTING PERIOD4

There are no events after the reporting date that require disclosure in or adjustments to the financial statements as at the date of this report. (2025: NONE).