NCBA
RWANDA PLC

CHAMPIONING
GROWTH

2020 INTEGRATED

ANNUAL REPORT

AND FINANCIAL STATEMENTS

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NCBA

CONTENT

OUR COMMITMENT

Our commitment to Integrated reporting is that it provides a platform that enables our stakeholders' to better appreciate the interplay and interaction of various factors, both financial and non-financial, which ultimately affect our performance in our pursuit of creating long-term sustainable value. In this regard, the Bank has adopted the International Integrated Reporting Framework as the basis of our reporting structure.

This report aims to make corporate reporting more transparent and meaningful for our stakeholders, and also highlights details of our strategies, opportunities and challenges in realising sustainable value for the future. It contains a summary of our strategies, businesses, products, services and value-creation efforts towards ensuring the continued and sustainable success of our business.

Our report presents the following key areas:

AREA	CONTENT
NCBA and its External Environment	Overview of the Bank's history, and relationships with our stakeholders.
Governance	Leadership and operational oversight structure in harnessing strengths and mitigating risks towards value creation.
Risks and Opportunities	Describes the challenges faced and opportunities available for the achievement of value creation.
Strategy and Resourcing allocation	Highlights the strategic objectives upon which we measure the success of our promise of collaborating to inspire growth.
Performance	Details how the Bank's different business lines performed.
Outlook	Details factors that could affect the Bank's sustainability, whether positively or negatively and the projected future performance.
Basis of preparation and presentation	General reporting guidance as adopted for the presentation of the Bank's financial and non-financial performance.

Our Values

NCBA

RWANDA PLC
TIMELINE

NCBA Bank Rwanda PLC started as a microfinance bank in 2016, and acquired Crane Bank limited in 2017. The following are the key milestones in the NCBA journey.

Phase 1: (2016 -2018)

CBA HOLDINGS
- Dec 2016 – Acquired microfinance license
- Started trading in 2017 with the Mokash MSL product in partnership with MTN
- Investment of Rwf 2.4 billion in capital

CRANE BANK
- June 2014 - Entered Rwanda market opening branch in La Bonne Addresse
- January 2017 – Crane Bank Uganda (Parent company of Crane Bank Rwanda) was acquired by DFCU Bank.

ACQUISITION
- May 2017, CBA Holdings (Microfinance) announced that it was acquiring Crane Bank Rwanda
- DFCU had acquired the parent company in Uganda but did not intend to keep the Rwanda subsidiary
- February 2018 – Regulatory approvals were obtained from CBK, BOU and BNR for the transaction.
- Crane bank assets included two branches, IT equipment, office equipment, motor vehicles.
- CBA set up new head office and branch in Kigali heights building.

Phase 2: (2018 -2020)

CBA RWANDA
- July 2018 – CEO for CBA Rwanda appointed
- July 2018 – BNR issues CBA with banking license.
- November 2018 – Launched first 5-year strategy

CBA RWANDA

Our strategy is long term, and anchors on customer experience to deliver the financial targets we set – growth, profitability, balance sheet strength and market share acquisition

DESIGNED INVESTMENT PHILOSOPHY
- Focusing on customers,
- Focus on sustainable growth rather than short term gains
- Exit branches and new business lines that do not show positive returns within 5 years
- Making bold rather than timid decisions

CUSTOMER SEGMENTATION
- Digital transformation
- Grow retail and SME base
- Maintain tight grip on corporate customers

ASPIRATION

Posture:	Advisory, Friendly & Digital
Talent magnet:	The best place to Grow.
FX leader:	Top 3 – FX provider
Access:	Present in every province.
Market Place:	Go To partner for E-commerce solutions.

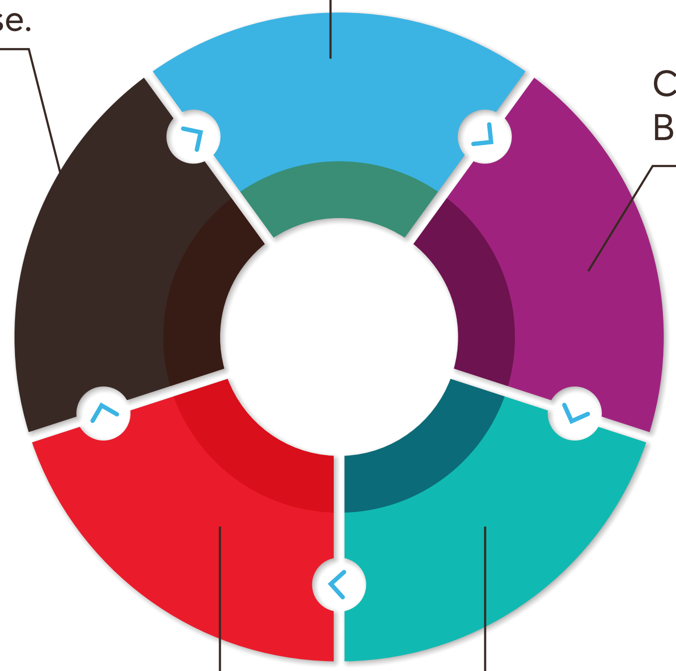
PERFORMANCE
- Gross loans Rwf 114 billion by 2024
- Customer deposits Rwf 146m
- PBT Rwf 3.4 billion
- Market share of 4.7%

STRATEGIC ROADMAP – KEY MILESTONES FOR 2019 AND 2020.

2019: PLAN
- Completion of key projects
- Consolidation and growth
- Marketing and promotion
- Implementation of customer survey outcomes
- Staff training and change management
- Product development

2020: SCORE CARD
- Channels, Card
- Double digit growth in loans, deposits and income lines
- Growth in NFI
- Investment in Central bank EDWH
- Launch of new

NCBA



Diversification of revenue streams- increasing our Non funded income base.

Redefine processes through Automation & Efficiency

Customer Needs Based services

Operational losses Risk Management & Compliance

Drive a High Performing and Productive Team

Amb. Dr. Benjamin M. Rugangazi

Chairman

I am delighted to present the 2020 integrated report for NCBA Bank Rwanda. Our role as a commercial bank is to create opportunities for Rwandan businesses, individuals, and public institutions to access financial services to improve the economic and social environment in the country.

We rolled out our five-year strategic plan in 2018, based on five pillars namely;

1. To become a distinguished brand known for customer experience
2. Scale retail banking
3. Digital transformation
4. Leadership in corporate banking and asset finance
5. Develop a high performance culture

Financial inclusion as defined by the World Bank Group is the provision of useful and affordable access to useful and affordable financial services that meet their needs, transactions, payments, savings, credit and insurance – delivered responsibly and sustainably. In this regard, supported by our partnership with MTN Rwanda, and through our digital product dubbed MOKASH we have since its inception in 2017, on-boarded 2.5m customers, disbursed Rwf 38bn in micro loans to over 450k customers, and accepted deposits of over Rwf 3bn.

Our shareholders have shown immense confidence in our strategy by providing financial support through capital injection. As a result, the bank has been able to achieve significant milestones over the mid-term with a long term forecast which continues to be impressive. The key milestones include growing our customer base to over 2 million, total assets form Rwf 13 million in 2017 to Rwf 59 billion in 2020, net loans and customer deposits closing at Rwf 33 billion and 41 billion respectively.

As you will note in the financial statements which are included in this integrated report, the bank registered a loss of Rwf 1.5 billion in the year 2020 from Rwf 1.7 billion in 2019. The board is committed to a turnaround to profitability in the shortest time possible. I would like to appreciate the support of all the stakeholders including our customers and employees who have shown relentless commitment to ensure that the bank moves forward on a positive trajectory.

I would like to extend my gratitude to my board colleagues for their commitment to serving the bank through their various designated committees and the main board. Our deliberations over the years have been open and candid with the sole objective of overseeing the implementation of the NCBA strategy and taking cognizance

of our environment. As indicated in the corporate governance section of this report, the board attendance in the year 2020 was at 100%.

The Board of directors provides the oversight required for smooth business operation, allowing management to carry out their day to day functions. The board is charged with ensuring that the bank has adequate and relevant policies in place for the short, mid and long-term success of the business.

Our strategy

The strategy and structure of the bank remains one of the core responsibilities of the board. I would therefore like to outline some highlights of our strategy which has been approved by the board. We see the strategy as a three-phased approach to deliver on our promise to inspire greatness. The first phase from 2018 to the first quarter of 2020 was centered on resurgence. The revival stage involved transforming a newly acquired business from a loss-making position to a viable and sustainable going concern. This involved the recruitment of the Chief Executive officer and management team with the capacity, passion and competences to achieve our main objectives.

The second phase tested our resilience from the second quarter of 2020 to the end of that year. The entire economy and the world at large saw a pandemic never witnessed before. Our efforts in this phase were therefore turned on survival from the unexpected turbulence due to COVID 19 pandemic. The pandemic affected some of our customers negatively. The bank was able to work out solutions to cushion the impact by offering facility restructuring and waver of some transactional charges.

I would like to recognize the support from the Government of Rwanda and various stakeholders and partners including the National Bank of Rwanda and Rwanda Bankers Association for being at the forefront of providing suitable solutions to cushion bank customers from the tough economic conditions caused by Covid 19.

The third phase of our strategy which will be kicked off in 2021 is to deploy our operating model of the future. This phase includes growing our retail and SME base, diversification of non-funded income, creating a high-performance employee culture, creating a distinguished brand known for customer experience and deepening our sweet spots in corporate banking and asset finance.

The bank's future outlook remains positive and exciting as demonstrated by the consistent positive financial performance, board commitment and management efforts. In the coming years, the bank plans to expand geographically from three branches in Kigali city to at least 12 branches spread across the country. We plan to leverage off partnerships to enhance our digital banking offerings to increase our customer base and expand financial solutions across our diversified customer base.

Amb.Dr. Benjamin M. Rugangazi

Board Chairman

Lina M. Higiro
Chief Executive Officer

Rwf **35Bn** LOANS & ADVANCES +84% GROWTH

Rwf **41Bn** CUSTOMER DEPOSITS +100% GROWTH

Rwf **11.7Bn** SHAREHOLDERS FUNDS +63% GROWTH

Rwf **59Bn** TOTAL ASSET BASE +65% GROWTH

It is my pleasure to present to you the annual integrated report of NCBA Bank Rwanda. This is our first report and allows us the opportunity to highlight our strategy, performance and compliance matters.

Despite the challenges faced in the year 2020, our financial performance showed significant improvement as the balance sheet grew by 65% from 2019, mainly driven by customer deposits which increased by 100% and loans growing by 80%. These growth numbers came against the backdrop of Covid 19 pandemic which took the world by storm and in the process shaking all business fundamentals. Due to the previously unknown challenge, every business was required to find innovative ways of resetting its objectives to cope, survive and grow. The need for resilience became the top priority.

In response to the pandemic, the bank was able to support affected businesses by offering payment relief windows to delay the repayment cash flows. We also took up refinancing windows offered by the central bank through the Economic Recovery Fund for various sectors. We also participated in funding the Economic recovery fund to the tune of Rwf 50m, and members of venerable sectors in transport and education with the National Bank of Rwanda through the Economic Recovery fund to give low-interest financing and participated in social activities to cushion the society from the adverse effects of Covid 19 by offering financial and material support to affected groups.

Financial performance highlights

We delivered a strong performance in 2020, especially on balance sheet expansion and growth. A few highlights of this performance include:

The bank closed the year in a loss position where loss before tax reduced by 13% from 2019 to close at RWF 1.5 billion in 2020. This was mainly boosted by top-line growth with revenues growing by 41% from RWF 2.7 billion to Rwf 3.8 billion. While costs increased 14%. Our goal is to continue improving on the revenues whilst containing the costs within the set budget.

Provisions for credit loss remained a challenge, increasing by 72% from RWF 450 million to RWF 772 million mainly due to negative changes in macroeconomic variables which were as explained before influenced greatly by the Covid 19 pandemic across the world.

The main success story was on balance sheet with total assets up by 65% from Rwf 35 billion in 2019 to Rwf 59 billion in 2020. Loans grew by 77% from Rwf 19 billion to Rwf 35 billion, while deposits grew by 100% from Rwf 21 billion to Rwf 41 billion in the same period.

The shareholders showed confidence in the business by injecting Rwf 6 billion within the year. Shareholders' funds moved from Rwf 7.2 billion to Rwf 11.7 billion, 63% up from the same period 2019.

Strategic objectives

Our strategic priorities are leveraged on our core strengths such as scaling up retail banking, expanding distribution, deepening our sweet spots in corporate banking and asset finance, digital transformation, distinguished brand known for customer experience and higher performance employee culture.

During the year, the bank launched a bank wide culture transformation initiative. I am delighted to report that we have seen a new culture arise that reflects the values of our brand and is tailored to focus on customer experience. Every day, our team is working together with a sense of urgency to tackle the issues and work toward our common vision.

In 2021, the bank will roll out the NCBA Culture change to transform our people to live "NCBA Way". We are Go-Getters who are Driven, Open, Responsive & Trusted.

Sustainability

NCBA is built on a proud history of investing in the communities that we operate in via partnerships with organisations and events that provide important services and contribute to our local economy.

We plan to partner with our customers for sustainable business models, which will be mutually beneficial to all parties. These will result to direct and indirect jobs for the youth who constitute the majority of our population.

Looking forward

NCBA has an ambitious growth strategy. This strategy will include: expanding our branch network by two in 2021 with a vision of being present in every province in the next four years. Our outreach will be complemented digital partners with a view to reaching out and banking Rwandans from all parts of the country. We recognise that the provision of financial solutions has shifted from the traditional brick and mortar to digital channels.

Conclusion

Our customer-centric strategy will be instrumental going forward in addressing the needs of our customers, shareholders, employees and other stakeholders. We remain focused to delivering the key initiatives in the strategy in order to play our key role in the economic and social development of Rwanda.

NCBA Rwanda did much more than record notable growth despite the odds. We are on course to achieve our mid and long-term objectives which will create better value for our shareholders.

Lina Higiro
Chief Executive Officer

OUR LEADERSHIP

OUR LEADERSHIP

BOARD OF DIRECTORS

Amb. Dr. Benjamin M Rugangazi
Board Chairman

Amb. Dr. Rugangazi Benjamin M. is an entrepreneur with broad leadership skills in government and academia. He is currently the Executive Manager of Nema Company Ltd, a privately owned light manufacturing and Agro-processing company in Rwanda. Dr. Rugangazi started his career in Veterinary Medicine in 1982, before venturing into the investment arena. Between 1995 and 2004, he served as the Chief Executive Officer of Tri-Star investments; a private company with investments in mobile telephony in East Africa, construction and agricultural projects. Thereafter he joined the government of Rwanda as Ambassador to China and six other South Asian countries and later as Rwanda's High Commissioner to Tanzania. He holds a PhD. in Veterinary Science from the University of Nairobi and an Executive Business Management Certificate from UCLA, USA. He has written and co-authored Academic Publications. Dr. Rugangazi is a member of the board of Mayfair Insurance Company Rwanda Limited.

Hon. Abdirahin Haithar Abdi
Director

Hon. Abdi served as the speaker of the East African Legislative Assembly (2007 to 2012), having been a member of the assembly from 2001. He was instrumental in significantly influencing legislative, oversight and representation activities of the assembly charged with fostering regional integration. Hon. Abdi holds a BSc degree in Business Administration (Finance), has been accorded Presidential awards and international appointments in legislative roles for his distinguished service to the Nation of Kenya and the East African Region.

He is a seasoned businessman with multi-sectoral experience gained from the private and public sectors and holds Directorships in various companies.

Amb. Antoine Munyakazi Juru
Director

Amb. Juru is the Executive Chairman of Somerset-Rwanda Ltd, a subsidiary of the Somerset Group based in JHB, South Africa, specialized in energy and smart technologies. Prior to joining the Somerset Group, Amb. Juru was the Managing Director of JF Consulting Ltd. Moreover, he served as Ambassador of Rwanda to Japan and the Asia Pacific Region (Australia, New Zealand, Malaysia, Thailand and the Philippines). He formerly worked with the Government of Rwanda, the World Bank and the African Development Bank as the National Coordinator of the "Competitiveness and Enterprise Development Project" (CEDP) which tremendously contributed to ensuring a productive and competitive environment for the private sector in Rwanda. Additionally, Amb. Juru was appointed as the first Secretary-General of the Chamber of Commerce and Industry of Rwanda in 1994, following the Genocide. Amb. Juru is currently the Chairman of the Audit Committee of the Rwanda Law Reform Commission (RLRC) and of the Rwanda Cinema Center. Furthermore, he is a Member of the Executive Committee (Advisor) of the Rwanda Organization of Professional Consultants (ROPC), Member of the Kigali International Arbitration Center (KIAC) and Associate Member of the Chartered Institute of Arbitrators –London. Amb. Juru holds an MBA in Project Management from Maastricht School of Management (The Netherlands) as well as a Bachelor's Degree in Economics with Majors in Finance and Business from the National University of Congo (DRC).

Ms. Rita M.Kamanzi

Director

Ms. Rita is the Chief Human Resource Officer at AOS Ltd since September 2015. Her main focus is human resource activities within the company. She has previously worked with renowned private and public institutions which include KT Rwanda Network, Rwanda Development Board, Rwanda Information Technology Authority and Kigali Institute of Education. Rita served as Director of e-Government at a time when the Government of Rwanda was implementing different strategic e-Government solutions and her responsibility was to coordinate all these initiatives at a national level. She has since played a vital role in the development of the Rwanda ICT Sector; covering areas of project management, policy formulation, sector strategic planning and execution, as well as M&E. She has served primarily within the public sector of Rwanda in the area of ICT in different capacities and is committed to serving the private sector in the same way, with her accumulated experience and knowledge. She holds a bachelor's degree in Computer Science (Bangalore University) and MSc.IT, option Computer Science & Software Engineering from the University of Rwanda.

Mr. Deogratius Kamurase

Director

Mr. Deogratius Kamurase is the Founder and Managing Director of Business Dynamic Consult Ltd, a Business and Investment Advisory Firm. Prior to Setting up the Firm, Deogratius served as Rwanda Country Manager of One & Only Resorts, with an overall responsibility to manage the implementation, operation and management of all Kerzner managed properties located in Rwanda. He is a resourceful, forward-thinking Business management professional, offering 18 years of professional leadership experience in various business portfolios. He possesses broad knowledge in stakeholder management with a proven track record in project execution including setting goals to ensure complete sustainable solutions for stakeholders. Deo has a proven record in advising, collaborating with strong partnerships across various spectrums of business and as such take clear responsibility in establishing strong competitive environments to ensure best value performance for the benefit of all stakeholders. With leadership and managerial experience gained over time, Deo aspires to continue broadening his skills at leading critical high valued projects, while adhering to implementing and executing cost-effective policies resulting in significant bottom-line performance with Deo holds a bachelor's degree in Business administration (Makerere University) and an MBA in Finance from University of Wales Cardiff. He has also served on boards of a number of companies within telecommunication, Banking, Tourism and Hospitality sectors.

Ms. Julianne K. Kayonga

Director

Ms. Julianne K. Kayonga is Starbucks FSC Regional Manager since 2016. Before joining Starbucks, she worked with ACDI/VOCA Rwanda in improving the country's food security. She consulted on different environmental impact assessments for USAID projects, and prior to that, she worked as Rural Finance Specialist for USAID Rwanda. Julianne holds a Master's degree in Natural Resources Development, from Texas A&M University, a Certificate in Advanced International Affairs, Bush School of Government and Public Service at Texas A&M University, and a Bachelor's degree in Law from the National University of Rwanda.

Ms. Eugenia Kayitesi

Director

Ms. Eugenia is the Executive Director of the Institute of Policy Analysis and Research (IPAR Rwanda) since February, 2014. She previously worked with the Commercial Bank of Rwanda for a period of 10 years where she held different roles, including but not limited to, Credit Analyst, Credit Manager, Compliance and Board Support Officer, and a Risk Management Manager. She is an Honors Graduate of Social Sciences from Makerere University, and has an MBA from Maastricht School of Management, Netherlands and is currently pursuing a PhD degree in Business Administration (Strategic Management) from Jomo Kenyatta University of Agriculture and Technology. Eugenia also holds professional development certificates in Risk Management in Banking from Stockholm (Sweden) and School of Finance and Banking Kigali Rwanda. She serves as an advisory Board member of African Portal a research repository and an expert analysis hub on African Affairs based in South Africa and sits on the National Independent Review Panel (NIRP) for the Rwanda Public Procurement Authority (RPPA). Eugenia has featured in Regional and International workshops and Conferences both as a participant and a panelist.

Mr. Nelson J.M Mainnah

Director

Mr. Mainnah holds a Bachelor of Commerce (Accounting) degree from the University of Nairobi. He is a member of Kenya Institute of Management and is an alumnus of INSEAD, France, where he obtained qualifications on Risk Management in Banking. He retired from CBA as Group Head of Enterprise Risk in April 2012 after working at the bank for thirty-eight years. Mr. Mainnah has considerable expertise in business management, credit and enterprise risk, and treasury operations. Nelson holds various board positions in the educational sector and offers financial leadership in various charitable organizations. He is currently involved in strategic leadership and risk management through consultancy services.

Lina Higiro
Chief Executive Officer

Lina was appointed Chief Executive Officer in July 2018. She has over 10 years' experience in banking covering SME lending, product and business development, strategic planning, marketing and communications and sales. Previously she was the Chief Operating Officer of AB Bank Rwanda for a period of two years, served five years as the Head of Strategy and Marketing at I&M Bank Rwanda and four years as the Head of SME banking at Fina Bank Rwanda (now GT Bank), where she launched the business unit. Her global experience includes sales, research, and service delivery in various sectors such as real estate, education, NGO's and energy in Canada and South Africa respectively. She holds an MBA, Bachelor of Commerce and a Diploma in Communication.

Marcel Mujyambere
Head of Internal Audit

Marcel was appointed the Head of Internal Audit at NCBA in October 2018. He has experience of more than 10 years in banking and auditing. Prior to his appointment, he worked with Cogebanque, Equity Bank Rwanda, National Bank of Rwanda (BNR) and Rwanda Revenue Authority (RRA) in various capacities in the areas of internal auditing, tax auditing, banking supervision and finance. He is a member of the Institute of Internal Auditors (IIA) of Rwanda. He holds a Bachelors of Commerce in Accounting.

Nicholas N. Musyoka
Head of Finance, Strategy and Administration

Nicholas Musyoka is a chartered accountant and member of the Institute of Certified Public Accountants (Kenya) with over 20 years in banking and financial management. Prior to joining NCBA, he worked for KCB Bank in Kenya and the East Africa region, gaining experience in finance, strategy, credit risk, treasury and branch operations. He is well versed in project management, having successfully led the implementation of ERP and core banking solutions. Nicholas also counts among his skills financial modelling, strategic mindset, designing and implementing business plans and leadership within the financial department, as well as working closely with the executive management team to drive the organizational goals to fruition.

Paulin Kadahizi
Head of Enterprise Risk Management and Compliance

Paulin Kadahizi is the Head of Enterprise Risk Management and Compliance. He is a seasoned banker with over 11 years' experience in the area of risk management, compliance, banking regulation and auditing. He joined NCBA in March 2017 and supported the bank in setting up its governance structures in Rwanda. Prior to this, he served the National Bank of Rwanda for nine years in the Bank Supervision Department. Some of his key contributions to the Central Bank have been the implementation of various reforms such as the implementation of Basel II and III regulations and automation of regulatory reporting processes. He has also led inspections of various commercial banks and participated in drafting and publication of numerous regulations, directives and circulars on the banking sector in Rwanda. Paulin is a holder of an MBA (Accounting and Finance) from Maastricht School of Management, the Netherlands, and a Bachelor of Arts (Economics).

Christian Dingida
Head of Operations

Christian Dingida is a proficient career banker with 20 years of experience. He has wide experience in bank operations management, business development, product development, project management, quality assurance, operational excellence and branch management. Prior to this role, Christian was Head of Operations at Crane Bank Rwanda Ltd from 2014 to 2018, and has held various roles in KCB Rwanda where he was instrumental in the expansion of the business in the country. Prior to joining KCB Rwanda, Christian worked in Global Fund projects under the Rwanda Ministry of Health. Prior to 2007, Christian held various senior roles in BCDI, currently Ecobank Rwanda. He is a holder of MBA – Finance and Accounting from the Mount Kenya University and a degree in management from Kigali Independent University.

Wilson Ngyendo
Head of Global Markets

Wilson is the Head of Treasury at NCBA Rwanda, responsible for the management of the bank's assets and liabilities, liquidity, funding and foreign exchange transactions. He has 10 years of banking experience, mainly in Treasury and branch management. Prior to joining NCBA Rwanda, he worked with the former Crane Bank as Head of Treasury for four years, before joining Ecobank Rwanda as Senior Treasury Sales Manager after serving in Banque Populaire du Rwanda (BPR) SA as a Branch Manager. He holds an MA Economics from University of Mauritius and a Bachelor's degree in Economics (Money and Banking) from the National University of Rwanda.

Eugene Mulindahabi
Head of Credit Risk Management

Eugene is the Head of Credit Risk Management, NCBA Rwanda. He has over 20 years' experience in the banking industry, with rich exposure in credit risk management, business banking, trade finance and branch management. Eugene has occupied various roles in different local banks which translates into a wide knowledge of the business and credit risk environment. He holds a master's degree in project management from Maastricht School of Management and a bachelor's degree in business management.

Daniel Musafiri
Head of Business

Daniel was appointed Head of Business in 2018. He has over 6 years within the banking sector and has broad experience across Corporate Banking and Financial Markets. Prior to the appointment, he was a Senior Relationship Manager in I&M Bank Rwanda where he had also served in Corporate Banking collaborating with Corporates and Institutions team to deliver client solutions across the region. Daniel also worked in the Treasury and Corporate Banking Departments in Guaranty Trust Bank Rwanda.

Olivier Bivegete
Head of Information Technology

Olivier joined NCBA Bank Rwanda Plc in November 2019 as the Head of Information Technology, overseeing all Information Technology activities and projects in the bank. He has more than 10 years of IT experience in financial institutions. Prior to joining NCBA, Olivier worked at AB Bank Rwanda as the Head of IT Operations and at Banque Populaire du Rwanda Ltd as the IT Infrastructure Manager, where he championed critical IT initiatives to improve IT Infrastructure and IT Operations in both institutions. Before that, he worked in Access Bank Rwanda Plc, where he played an instrumental role in Networks and Communications functions of IT. Olivier holds a Bachelor's Degree in Information Technology & Business Administration from the Adventist University of Central Africa and has a continuous track record on professional trainings.

Etienne Dusabeyezu
Head of Legal Services and Company Secretary

Etienne has served as the Head of Legal Services and Company Secretary since January 2016. He has experience of five years in domestic and international business laws, banking laws, legal drafting, security management and legal recovery gained from banks and financial institutions such as Crane Bank Rwanda, KCB Rwanda Ltd and SONARWA, among others. He has over eleven years of experience in legal advisory and legal matters in public institutions at senior managerial positions. He was Coordinator and Legal Advisor in the Supreme Court— Department of Gacaca Courts before shifting to the National Service of Gacaca Courts as Coordinator of courts documentation and Legal Advisor. Etienne has received a certificate of merit from the Government of Rwanda for the sacrifice and patriotism shown in the accomplishment of his duties as one of the senior staff of National Service of Gacaca Courts. He is currently a temporary member of council of the department of Law in the Faculty of Law at Kigali Independent University (ULK) and holds a Master's Degree of Laws from University of the Western Cape, South Africa and Diploma in Legal Practice from the Institute of Legal Practice and Development (ILPD). He has received a certificate in Transnational and International Economic crimes from Humboldt University –Berlin, Germany

OUR BUSINESS

OUR BUSINESS

PERSONAL BANKING

Current Account

A dynamic account available in RWF or major foreign currencies. Enjoy fast and efficient access to your funds anytime with Online and Mobile Banking.

- Card: Visa Gold Debit Card
- Access To: Mobile Banking
- Available In: RWF and Foreign Currency

Other features of this account include:

- Available in RWF and USD, GBP, EUR, KES.
- Eligibility to a Visa Gold Personal Credit Card.
- Set-up, processing and amendment facilities on direct debits and standing orders.
- Personalised service to ease your banking.
- Sweep facilities across current accounts.
- Monthly and interim statements of accounts.
- Access to a chequebook
- Cash deposit at any branch country-wide.

Salary Current Account

Plan, save and manage your money with an account designed to suit your salary needs.

- Monthly Fees: Zero
- Card: Visa Gold Debit Card,
- Access To: Mobile Banking
- Available In: RWF and Foreign Currency

Other features of this account include:

- Available in RWF and USD, GBP, EUR, KES.
- Free incoming funds transfers on all currencies.
- Access to a chequebook.
- Monthly and interim statements of accounts.
- Eligibility to a Visa Gold Personal Credit Card.
- Conveniently access and manage your money with Online and Mobile Banking.

Fixed and short-term deposits

Earn high-yield returns on your money with a short investment term on the Call Deposits or a predetermined period of time with the Fixed Deposit account.

- Negotiable minimum investment amount
- Unlimited maximum investment amount
- Investment period: up to 36 months

Other features of this account include:

- Guaranteed rate of interest.
- Interest payment options are flexible, allowing interest to be paid at intervals tailored to your specific needs.
- Eligibility to a loan of up to 90% of the deposit value.
- Competitive interest rates.
- Renewable investment period allowing you to reinvest at the end of the term.
- Negotiable interest rate interest rate dependent on the period, investment amount and market conditions.

BUSINESS BANKING

Corporate Current Account

Your doorway to the solutions and services tailored to meet your unique and diversified needs as a corporate customer.

- Access To: Online Banking
- Available in: RWF and foreign currency

Other features of this account include:

- Personalised service to ease your banking.
- Regular transfers from other current or savings accounts can be arranged.
- Free monthly statements of accounts and on request.
- Eligibility to overdraft facilities.
- Easy and convenient management of your account through Online Banking.
- Eligibility to a Visa Gold Business Credit Card.

Business Current Account

Our mission is to help you nurture your business while we take care of your banking needs.

- Card: Visa Gold Debit Card
- Access To: Online Banking
- Available in: RWF and foreign currency

Other features of this account include:

- Personalised service to ease your banking.
- Regular transfers from other current or savings accounts can be arranged.
- Free monthly statements of accounts and on request.
- Eligibility to overdraft facilities.
- Easy and convenient management of your account through Online Banking.
- Eligibility to a Visa Gold Business Credit Card.

BUSINESS LOANS

Business Term Loans

This facility helps you develop an ideal lending solution with us, based on your business sales and income figures over a time period. NCBA Bank has created it especially for you as a business or individual in business, to facilitate expansion of diversification of your business and offers a flexible repayment period to suit your borrowing purposes and cash flow.

Features

- Loan amount is determined by business need as well as serviceability of the loan.
- A repayment period of up to 24 months when servicing loan with working capital.
- A payment repayment period of up to 36 months for CAPEX finance.
- A payment repayment period of up to 36 months for business expansion loans.
- A payment repayment period of up to 60 months for investments in new business,
- Payment period on import finance determined by cash conversion cycle.

Overdrafts/Credit Line

A flexible, short term working capital financing facility on your business current account. Funds are available immediately and repayable on demand, giving you extra funds to manage your day to day cash flow and working capital needs.

Features:

- Maximum repayment period of 12 months.
- Flexible loan amount determined by business need and cycle.
- Tenor period is renewable after 1 year and based on repayment performance.
- Repayment is done through credits to your business current account.

Contract Finance

Get flexible, short term trade loans to fund your trade transactions at necessary points of your business journey between concept to delivery. For customers with needs around LPO Financing, Invoice Discounting, Distributor Financing, Reverse Factoring, among others. Enjoy exclusive individual credit limits and flexibility based on existing and projected income streams.

Features:

- Financing is up to 70% of the contract amount.
- Maximum repayment period of up to 12 months depending on the expiry date of the contract.
- Earn an improved credit standing and reputation due to timely payments.
- Flexibly structured to suit your firm's trading cycle.

REAL ESTATE FINANCE

Real Estate Finance

Real Estate Finance Loan

Whether you need financing for complete construction or to finance business needs requiring longer term credit, we offer financing on construction and property purchase in areas approved by the District Master Plan.

Features:

- Financing is up to 70% of the cost of construction.
- Flexible terms and repayment periods tailored specifically to your project.
- Loan amount is determined by business financing need and serviceability.
- Repayment period of up to 60 months on construction loans.
- Repayment period of up to 60 months on property purchase loans.

MORTGAGE LOANS

Residential Mortgage

NCBA is here to help you get your dream home. With flexible repayment terms, competitive pricing and up to 80% financing, becoming a homeowner is now an achievable goal.

Features:

- Loan financing amount of up to 80% for either property purchase or construction loans.
- Mortgage repayment periods of up to 20 years.
- Maximum applicable interest rate of 16% per annum.

Income Generating Mortgage

This is a loan product that will be available to individuals or companies that would like to finance properties for rental purposes. Build or purchase property and become a landlord with up to 70% financing, depending on project.

Features:

- Financing is according to collateral value of property.
- Repayment period of up to 10 years.
- Maximum applicable interest rate of 16% per annum.

Diaspora Mortgage

This product is designed for Rwandese living abroad seeking to finance their homes in Rwanda and built to help you get the best mortgage solutions back at home for residential or commercial purposes.

Features:

- Loan financing amount of up to 70% of the lower of the property Open Market Value or cost.
- Repayment period of up to 20 years.
- Maximum applicable interest rate of 16% per annum.

Unsecured Bid Bonds

For construction jobs or projects with similar processes. Ensure that your contractors comply with bid contracts and fulfill their job through NCBA Bank's unsecured bonds. Our bid bonds will provide the beneficiary with a guarantee or compensation in the event that:

- The bidder withdraws their offer before adjudication (expiry date).
- The bidder refuses to sign the contract after it is awarded.
- The bid bond is not replaced with a performance bond after the contract has been awarded.

Features

- Compensation on amount of RWF 50Mln per Bid Bond and RWF 2 Billion per customer.
- Repayment periods of up to 360 days subject to tender provisions.

ASSET FINANCE

Asset Finance

Asset Finance which is also referred to as Hire Purchase Finance or Instalment sale refers to loans extended to customers to finance investments in specific assets. The Bank will be financing both new and used assets as long as the client is able to get comprehensive insurance for the assets. The minimum amount is RWF 5 million.

Eligible customers:

- Individuals
- Registered businesses
- Government agencies and non-governmental institutions
- Public and private learning institutions

Features:

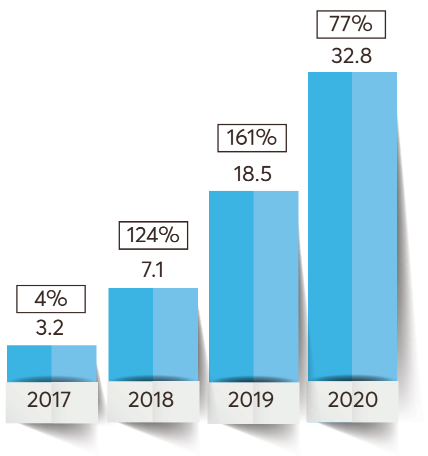
- Assets to be financed include private vehicles, commercial vehicles, trucks, tractors, office equipment, IT equipment, medical equipment, Industrial equipment and Specialized equipment
- Financing is up to 70%; Minimum 50% of the cost of the asset
- Repayment period of up to 60 months

OUR CAPITALS

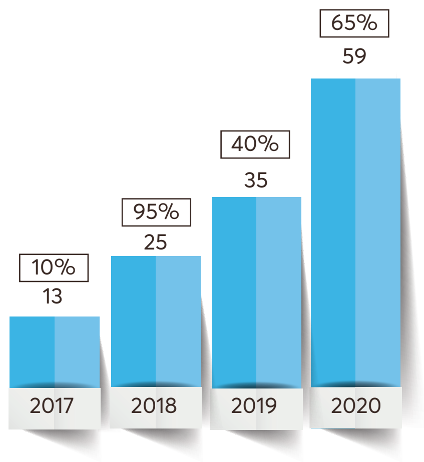
OUR CAPITALS

5.1. Four-year financial performance trend shows positive balance sheet growth

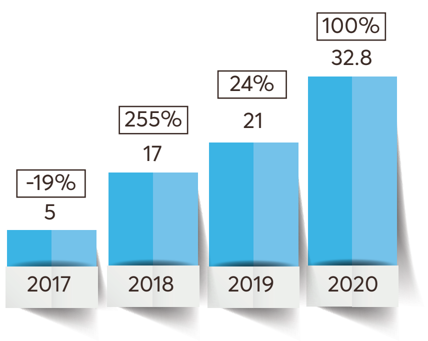
Net loans Rwf Bn and year on year growth



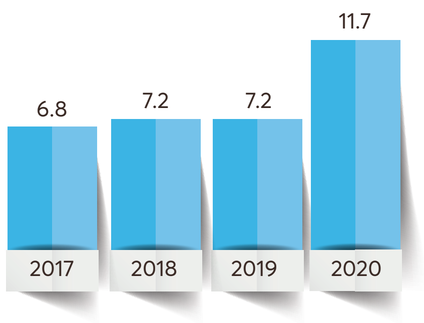
Total assest Rwf Bn and year on year growth



Customer deposits and year on year growth



Total shareholders' equity



People Management

NCBA Bank Rwanda aims to be a leading Employer of choice in Rwanda and our success depends on having a talented, motivated and committed workforce, having the required abilities, attitude and agility. This is why we continue making significant investments in our people.

1.3 Talent Management

Our HR strategy aims at attracting, developing, motivating and retaining top talent. In 2020, our focus was ensuring that we have robust career planning and progression, rewards & recognition and compensation programs that ensured we remain competitive and also retain our top talent.
We achieved a talent retention of 98% through various initiatives that included career management programs such as succession planning, coaching and mentorship, learning & development programs, all aimed at enhancing the skills and technical competencies of employees in line with their various career aspirations.

We have a robust E-learning platform called NCBA Academy that enables staff to learn anytime and anywhere on internet. This flexible approach to learning has enabled NCBA to be a learning organization that embraces talent management as a key priority.

To be able to retain the best talent, we continuously benchmark our reward, benefits and compensation programs to ensure that we remain competitive in the market. We have also linked our compensation and reward programs to performance to enable a high-performance employee culture.

Key Programs	Target
Building a Winning Culture and Brand	All Bank Staff
Culture Immersion Training	All Bank Staff
Leadership Alignment Training	Management Team
AML/CFT Training	All New Staff
Training of Trainers	Trainers – Subject Matter Experts across the bank

1.4 Building a Winning Culture and Brand

We have embarked on a Journey to "Building a Winning Culture" by Co-creating the Values that drives the behavior of all NCBA Rwanda employees to ensure that we achieve our aspiration and Brand Promise of Inspiring Greatness Every day. We have also designed an Employee Value Proposition that inspires staff towards "Doing Greatness every day" in everything.

The company values that drive the behaviors of all our staff include the following;

- Driven
- Open
- Responsive
- Trusted

1.5 Employee Wellness

At NCBA Bank Rwanda, we recognize that an attractive Employee Value Proposition should deliver a great employee experience that includes outstanding Wellness Programs. As a result, the bank has the following employee wellness programs;

- Employee Assistance and Mental Health Program
- Staff Health Checks
- Sexual Harassment Awareness Program
- Regular Staff sensitizations on Covid-19 prevention measures
- Covid- 19 vaccination: 75% of the employees have been vaccinated.

1.6 Employee Engagement

NCBA Bank Rwanda continues to provide engagement platforms for staff to ensure they get opportunities to give and get feedback. The following initiatives are paramount in facilitating for both top down and bottom-up communication;

- Quarterly staff Town halls to update staff on progress made by the company and also providing staff with the opportunity to engage each other and with the leadership of the bank.
  Engagement forums with the senior management team to enable free interactions amongst the leadership team.
- HR departmental visits to create an active engagement with all the bank staff, give feedback to staff regarding performance, receive feedback from staff on expectations, what's working and proposed improvements in line with Business Strategy.
- Regular staff updates on changes in the company, performance milestones and business strategy pillars.
- Annual staff party during which we get to celebrate our achievements for the year and set the new tone for the upcoming year.

1.7 Performance Management

HR has ensured that there is a SMART Performance Management Process that is well designed, communicated and understood by staff through regular trainings and performance engagements. This process has been digitized through the SAP system to ensure company efficiency. The performance management process is also linked to the overall Business Strategy and is flexible enough to be broken further to cater for each specific department's strategy.

Key strategic pillars will include:

- Diversification of revenue streams- increasing our Non funded income base.
- Redefine processes through Automation & Efficiency
- Customer Needs Based services
- Operational losses Risk Management & Compliance
- Drive a High Performing and Productive Team

Annual activities and corporate citizenship

NCBA strategy includes activities that are geared towards promoting our brand and improving the livelihoods of the societies we work with. During the year 2020, NCBA partnered with stakeholders such as MTN Rwanda, Huawei to provide financial support for 1500 motor cyclists.

The bank also reduced fees charged on transactions across its various channels and offered relief to some of the credit customers by extending loan repayment terms and in some cases in partnerships reduced the cost of borrowing.

Covid 19 was the major disruptive force in 2020, occupying the thoughts and causing a shift in strategic direction in the corporate work. As it affected the corporates, so did it also affect the communities which we live in. As a bank, we distributed Covid equipment to schools During the Covid-19

Citizenship

Moto Association Contribution

A meeting took place between NCBA, MTN and the Moto Association on 22nd May 2020.

The moto association shared their appreciation and informed us of their plans to publicly thank NCBA, MTN and HUAWEI for their contribution towards the1500 Motorists.

An opportunity for partnerships was also shared whereby NCBA can assist motorists with expired Insurance while using the Moto association as the guarantor.

The Government is providing land in Nyarugenge and Gasabo for the construction of residential properties and also a commercial building MOTORI PLAZA.

Suggestions

As a bank, how can we support staff carrying out Corporate Social Responsibility?

- NCBA Rwanda acknowledged the crisis going on and how it affected our clients. Therefore, measures were put in place to assist our customers.

Credit Risk Management

Definitions of past due and impaired (for accounting purposes); The bank classifies loans into current status and past due. The current status refers to cases where the credit facilities are up to date in repayments.

Past due refers to a payment that has not been made by its cutoff time at the end of its due date. A borrower whose loan is past due will usually face some penalties of 5% pa. Days past due is an objective determinant of risk classification below for loans and advance as guided by the Central Bank (BNR):

The Bank fallows the IFRS 9 principals by determining the impairement. The Impairment of credit losses will be on the basis of Expected and not Incurred on account that every loan or receivable has an expected credit loss associated with it from the moment of its origination or acquisition. The drafters of IFRS 9 wanted an expected credit loss model that will result in more timely recognition of loan losses. The impairement is determined basing on significance of the Credit Risk increase and this allows to allocate stages to different exposures as follow:

- Stage 1: 0 to 29 days (Performing book with low credit risk) – Performing
- Stage 2: 30 to 89 days (Significant increase in credit risk) – Watch
- Also includes qualitative factors as per our Credit Policy guidelines
- Stage 3: From days (Default) – Sub-standard, Doubtful and Loss

Discussion of their credit risk management policy

The Bank Credit Risk Management Policy determines the responsibilities for the board of directors and the staff involved in the credit process. One of the main provisions in the policy is that all staff are accountable for their actions and must ensure compliance with the Bank's code of conduct and avoid conflict of interest. The Policy determines the responsibility for the following players:

- Board of Directors
- Board Credit Committee (BCC)
- Management Credit Committee (MCC)
- Senior Management
- Lending staff

The bank's credit facilities are both on and off-balance sheet. The main on balance sheet credit facilities are term loans and overdrafts. The main lending currency for loans and advances is Rwanda Francs. In some limited cases, the bank can also extend credit in major foreign currencies provided the customer meets the specific requirements.

Off-balance sheet items included bank guarantees, Letters of credit and unutilised committed limits. Off-balance sheet items can either be assets or liabilities which are reported in their gross carrying amounts.
Policies and processes for collateral valuation and management

The bank has collateral maintenance process which outline the operational guidelines for updating of security and compliance documents within the Credit Documentation in the core banking system.
The bank accepts the following main collaterals:

- Bank guarantees or standby letters of credit issued by acceptable (i.e. specifically approved) banks (same or different currency);
- Cash Deposit at the Bank (same or different currency);
- Government of Rwanda Securities;
- Marketable Securities (Shares);
- Developed/undeveloped Residential and commercial properties;
- Agricultural land used for commercial purposes;
- Plant and Machinery

Information about (market or credit) risk concentrations within the mitigation taken.

One of the responsibilities for the Management Credit Committee is to monitor, review and consider all issues that may materially impact the present and future quality of the Bank's credit risk management including: monitoring the key risk indicators in the Bank's lending portfolio including guideline limits and related concentration risk for the Bank's total exposure by industry sector, product type, risk grade, concentration by value of individual credits. Monitoring is done on monthly basis by referring to parameters approved by the Board Credit Committee and any mitigations for any potential adverse trend are determined.

4.0 Risk Management Report

1. Risk Management Framework

In the process of implementing its strategies to create value for its shareholders funds, the bank faces some risks and opportunities with the potential to erode or enhance value.

Hence, NCBA Bank Rwanda PLC (NCBA) has adopted an enterprise-wide risk management framework to protect and enhance enterprise value. An Enterprise-wide Risk Management framework, which is independent and well-integrated aims at continuously increasing certainty that strategic business objectives as well as core foundation objectives like compliance with laws and regulations including reliable financial reporting will be achieved with a tolerable level of risk.

NCBAR manages its business activities and associated risks through a comprehensive risk management framework formulated by the Enterprise Risk Management function and approved by the Board of Directors. In addition, the Bank is committed to sound risk management practices in all of its business activities that conform to the National Bank of Rwanda (BNR) regulations and are in line with best banking practices.

The ultimate responsibility for the establishment of effective risk management practices and culture lies with the Board including setting of the Bank's risk appetite and risk tolerance levels. However, the Board through the Board Risk Management Committee (BRMC) has delegated the day-to-day responsibility for the establishment and monitoring of risk management practices across the Bank to the Enterprise Risk and Compliance Function

An independent unit with right resources- Enterprise Risk Management and Compliance (ERM&C) has been established to identify, measure and proactively manage threats and uncertainties that may come with all such risks with a view to protect against unforeseen losses, ensure earnings stability, reduce the possibility of failure and prevent the Bank from suffering unacceptable loss.

2. Risk Management Reporting

A centralized control structure driven by the Enterprise Risk Management (ERM) Function is adopted for managing all the key risks within the bank. This facilitates a holistic view of risk and improve the reporting and monitoring process. The Enterprise Risk Management and Compliance (ERM) function which is a second line of defense reports directly to the Board of Directors through the Board Risk Management Committee (BRMC) to ensure independence. The Senior Management also receive regular briefing on the Bank's risk profile directly from the ERM function. The ERM function will oversee all activities related to risk management within the Bank.

Enterprise Risk Management and Compliance (ERM&C) assists management to effectively deal with all uncertainties and associated risks and opportunities in the process of enhancing the capacity to build value. ERM&C provides guidance to the Business Units to understand that risks will have to be taken reasonably and effectively managed in the normal course of business.

3. NCBA Bank Rwanda Risk Appetite

- Risk appetite reflects the maximum level of risk that the Bank is prepared to accept as it pursues its business objectives. NCBAR's risk appetite statement adopts a top down approach by providing an overall framework within which NCBA's various units and departments should incur risk in their day-to-day activities.

- In each department within NCBAR, the relevant risk activities such as identification, measurement, management, applicable limits and monitoring are documented in detailed policies, policy guidelines and procedures
- The Board of Directors through the Board Risk Management Committee (BRMC) is responsible for ensuring that the risk appetite inherent in the overall business model (including the business strategy and its execution process) of the Bank.
- BRMC and management will regularly (at least quarterly) review the level of risk undertaken by the Bank and assess this against the target quantitative and qualitative risk metrics defined in the risk appetite.

In reviewing the risk appetite, BRMC and Management takes into consideration any loss events, limit breaches, historical defaults, sector developments, stress test results and business intelligence obtained within the period under consideration.

4. Bank's risk management program

The Bank's risk management program, focus as a minimum on the nine risk generic/inherent banking business risk categories described in the banking regulatory guidelines.

- Credit risk. Credit risk is the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with the Bank or failure otherwise to perform as agreed. The largest source of credit risk is loans but it exits throughout the other activities of the Bank both on and off the balance sheet. Credit risk arises any time Bank funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements.
- Interest rate risk. Interest rate risk is the current or prospective risk to earnings and capital arising from adverse movements in interest rates. This risk relates to the value of the Bank in today's interest rate environment and the sensitivity of that value to changes in interest rates. Re-pricing risk, basis risk, yield curve risk, and options risk are types of interest rate risk to be considered. The goal of interest rate risk management is to maintain the Bank's interest rate risk exposure within self-imposed parameters over a range of possible changes in interest rates.
- Liquidity risk. Liquidity risk is the current or prospective risk to earnings and capital arising from the Bank's inability to meet its obligations when they fall due, without incurring unacceptable losses. It arises when the cushion provided by the liquid assets is not sufficient enough to meet its obligations. The ability to manage unplanned decreases or changes in funding sources affects liquidity risk. Liquidity risk is also affected by the Bank's ability to recognize and address changes in market conditions that affect its ability to liquidate assets quickly, with minimal loss in value.
- Price risk. Price risk is the risk that a Bank may experience loss due to unfavorable movements in market prices. Price risk arises from volatility of positions taken in fundamental economic markets including interest-sensitive debt securities, foreign exchange dealing, equity, and commodity markets. The focus is on changes in market factors that affect the value of traded instruments.
- Foreign exchange risk. Foreign exchange risk is the current or prospective risk to earnings and capital arising from adverse movement of foreign exchange rates, which affects accrual accounts denominated in foreign currency, including loans, deposits, and equity investments. The potential for loss arises from the process of revaluing foreign currency positions in shilling terms.
- Operational and Transaction risk. Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems or people or from external events. It includes the risk that potential inadequate information systems, technology failures, breaches in internal controls, fraud, unforeseen catastrophes or other operational problems may result in unexpected losses. This risk is inherent in all Bank products and services and arises on a daily basis as transactions are processed. All Bank products and all divisions within the Bank are affected by operational / transaction risk. Controlling this risk is a function of strong internal controls, information systems, employee integrity, and operating processes.
- Regulatory Compliance risk. Regulatory risk refers to the risk to earnings or capital arising from violations of or non-conformance with laws, rules, regulations, prescribed practices, or ethical standards issued by the regulators from time to time. Regulatory risk also arises in situations where the laws or rules governing certain Bank products or activities of the Bank's clients may be ambiguous or untested. This risk exposes the Bank to fines, civil money penalties, payment of damages, and the voiding of contracts. It can lead to a diminished reputation, reduced franchise value, limited business opportunities, lessened expansion potential, and lack of contract enforceability.
- Strategic risk. Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of business decisions or lack of responsiveness to industry changes. Strategic risk is a function of the compatibility between the Bank's strategic goals, its business strategies, the resources used to meet strategic goals, and the quality of implementation. Strategic risk incorporates management's analyses of external

factors that affect the strategic direction of the Bank.

- Reputation risk. Reputation risk is the potential that negative publicity or public opinion regarding an institution's business practices, whether true or not, will cause a decline in the customer base, costly litigation or revenue reduction. This risk may result from a financial institution's failure to effectively manage any or all of the other risk types. Reputation risk is inherent in all Bank activities. It can affect the Bank's ability to establish new relationships or services, as well as its ability to continue servicing its existing relationships. An abundance of caution is needed in dealing with Bank customers and the community to preserve the Bank's reputation.

In addition to the above inherent risks, Country risk and Transfer risk will now receive focused attention in view of the regional expansion strategy. Country risk is the risk that economic, social and political conditions and events in a foreign country may adversely affect an institution's financial condition. Transfer risk is the risk that borrowers in a foreign country may not be able to secure foreign exchange to service their external obligations. These risks will receive increased attention an appropriate policy developed.

5. Risk Management Process

NCBAR has implemented the following aspects of the risk management process:

a) Risk Identification process

Identification of risk consists of using management techniques or processes to determine if one or more risks exist in a type of product, service, or competitive strategy. Risks are identified using the Bank risk assessment methodologies which include Incident Management (Internal/External Data Collection Analysis), Risk Control Self-Assessments (RCSAs), Key Risk Indicators (KRIs) and Audit/Forensic findings, Business Process Mapping, Scenario Analysis and Stress testing.

b) Risk Measurement

The existing risk measurements of the Bank are predominantly qualitative in nature. Business area's risk readiness is measured to provide an indication of its readiness in taking on new risks taking into consideration the control environment.

Risks are rated in terms of their inherent risk value and residual risk value on associated business objectives with risk ratings broken into 'High' Medium' or 'Low'. Relevant scorecards are also prepared from the information contained in the different risk profiles. These scorecards provide a means of translating qualitative risk assessment information into graphic summaries of risk profiles.

c) Risk Monitoring

Risk monitoring consists of Board and management directed processes whereby controls and systems are implemented. To implement effective risk monitoring, the Board of Directors and management have established policy standards or benchmarks for risk tolerance.

d) Risk Reporting and Oversight

The Enterprise Risk Management Function reports risk and compliance issues on a risk graduated scale to management through the respective management committees and a summary quarterly report to BRMC.

Certain types of risks occur as a result of unexpected events or incidents (e.g., earthquake, internal theft, or robbery). Although these types of risks are not part of everyday operations, they still require pre-planning and in certain instances, alerts / early warning systems to protect the Bank, its customers and staff.

e) Risk Treatment/Response/Mitigation

After risks have been identified and appropriate matrix and controls have been implemented, management determine the best method of treating a particular risk — whether to retain it or transfer it. Generally the Bank will opt to insure potential losses that are relatively predictable and not severe.

6. Risk Management Tools and Staff Awareness

The following are the key risk management tools that NCBAR has deployed:

- Incident Reporting
- Key Risk Indicators (KRIs)
- Staff Awareness
- Limits
- Policies and Procedure manual
- Risk and Control Self Assessments (RCSAs)

The Bank ensures there is program of continuous awareness training for all staff on both risk management processes of the Bank and regulatory requirements with a view of consistently improving the risk culture.

7. Risk Management and Capital Adequacy

The Bank monitors its capital adequacy level against the minimum regulatory capital requirements on a continuous basis in addition to reviewing its internal capital requirements through the Internal Capital Adequacy Assessment Plan and Internal Liquidity Adequacy Assessment Plan.
In this process, the Bank identifies all its material risks and allocates capital to these risks in line with BNR requirements on ICAAP.

8. Risk Categorisation and assessment approach

NCBA Rwanda is exposed to various risks however, not all these risks may be considered material to the business in terms of the likelihood of occurrence and potential impact on the Bank's financial position.
The assessment of the Bank's risk profile includes the identification and measurement of all material risks that include the following:

- Pillar 1 Risks - Credit Risk, Market Risk, Operational Risk
- Pillar 2 Risks - Concentration Risk, Interest Rate Risk in Banking Book (IRRB), Liquidity Risk, Strategic Risk, Reputational Risk, Compliance Risk, Country Risk and Group Risk

The Bank has adopted the Standardized Approach for Credit Risk capital calculation under Pillar 1. Credit concentration in the portfolio has been analysed for name and sector concentration and on account of the limits and triggers instituted, the Bank is of the view that concentration risk from an asset and liability perspective is well managed and controlled as such does not allocate additional capital for this risk.

The Bank has adopted the Standardized Approach for calculation of the Market Risk capital charge. The capital charge for Market Risk takes into consideration the limited securities market operations of the Bank and exists primarily on account of foreign exchange risk.

With regard to Operational Risk, the Basic Indicator Approach (BIA) has been adopted under Pillar 1. Liquidity Risk is managed by ALCO using the maturity gap assessment and Board approved internal limits. To ascertain the current liquidity position, the Bank has conducted stress tests to gauge the Bank's position under liquidity crunch using different scenarios.

Overall, the Asset and Liabilities Management (ALM) process in the Bank is well managed and monitored using various indicators of liquidity and interest rate risk.

For Reputational and Strategic Risk, the Bank lays significant emphasis on managing its reputation through a coordinated effort by management and use of external public relation agencies to monitor adverse mentions of the Brand on both social and traditional media. The Bank has not faced any adverse publicity since inception and it is expected that this will propel the brand in the market as the Bank implements its projected growth strategy.

The Board of Directors and Senior Management continuously review the strategic direction of the Bank annually and periodically to ensure appropriate measures are implemented timely where necessary. The annual strategic plan of the Bank is approved by the Board of Directors.

The following table summarizes the risk type, internal control tools and capital adequacy approach adopted to assess the level of risk and the potential capital charge impact under ICAAP.

Risk Type	Internal Control Tools	Assessment Approach	Capital Impact
Credit Risk	Risk Policy & Procedures	Standardized Approach	Yes
Market Risk	Risk Policy & Procedures	Standardized Approach	Yes
Operational Risk	Risk Policy & Procedures	Basic Indicator Approach	Yes
Concentration Risk	Risk limits	Internal Model Approach	Yes
Liquidity Risk	Risk policy & Procedures, Contingency Funding Plan	Internal Model Approach	Yes
Interest Rate Risk on the Banking Book (IRRBB)	Risk Policy & Procedures	Repricing Gap Analysis	No
Strategic Risk	Strategic Risk Framework	Scorecard, ROE deviations	No
Reputational Risk	Reputational Risk Framework	Reputation Events, Social Media management	No
Country Risk	Monitoring of Exposures	Country Risk Assessments	No
Compliance Risk	Monitoring of laws, regulations, limits, Policy & Procedures	Detailed check lists and compliance reviews	No
Group Risk	Monitoring of Exposures	Risk Assessments	No

Note: During the period the bank maintained adequate capital buffer to withstand the mentioned risks.

Market Risk

Market Risk refers to the risk of loss arising from adverse fluctuations in exchange rates, interest rates and commodity and equity prices. This includes adverse impact of cross currency spreads. The Bank's strategy is to run liquidity mismatches within the approved risk appetites by attracting affordable and diversified funding and providing lending products in different currencies as tailored to the needs of customers.

Market Risk exposures arising from the trading book are managed by the Global Market department through the ALM (Asset and Liability Management) process handled by the Asset and Liability Committee (ALCO). Market Risk measurement and oversight is conducted by the Enterprise Risk Function. The relevant market risks are:

- Foreign Exchange Risk (FX Risk)
- Interest Rate Risk (IRR)

The Bank employ the following principles in order to measure, monitor and control market risk exposures:

- Identification of market risks in the trading and investment books
- Measurement and management of market risk
- Breach management
- Risk appetite specification in terms of limits and triggers
- Price validation and profit recognition policy
- Business units' sign off of positions and P & L's at regular intervals.

a) Risk Controls and Mitigation

Under normal conditions, the Bank measures market risks using Value at Risk, Expected loss, Stop Loss Limits, Net Open Positions, ageing limits and duration analysis to monitor, control and measures market risks in its financial instruments.

These approaches are complimented by stress testing and scenario analysis models to measure the risks under stress conditions.

Marking to Market

This is done daily by the Finance department and is independent of the trading function thus ensuring that the FX and Fixed Income positions are held at market values. The resultant gains and losses are appropriately reported in the financial statements as per the IFRS requirements.

Stop loss Limits

These limits serve to limit the quantum of losses suffered when certain market conditions are triggered. They provide for immediate exiting of loss making positions unless otherwise guided by the Head of Treasury and subsequently ratified by ALCO.

Position Limits

These include limits on counterparty exposures, dealer limits and FX Net Open Positions.

Value at Risk

VaR gives the maximum loss that can be incurred in an asset or portfolio holding over a given period at a given confidence level. NCBA adopts a one day VaR at 95% confidence level and uses historical simulation and Montecarlo simulation approaches to estimate Value at Risk for its FX and fixed income portfolio. Since Value at Risk does not indicate the actual loss incurred, Expected Loss and stress testing are used to give an indication of the amount of loss incurred for various market events.

b) Market Risk Management Limits

- Fair Value Through Other Comprehensive Income (FVOCI) Portfolio Limit Structure
- Fair Value Through Profit and Loss (FVPL) Bonds Portfolio Limit Structure
- Amortized Cost (AC) Bonds/Bills Portfolio Limit Structure
- Foreign Exchange Limits and Triggers
- Foreign Exchange Swap Limit
- Foreign Exchange Forward Tenor Limits
- Position Limits
- Stop loss Limits

Interest Rate Risk in the Banking Book (IRRBB)

Interest Rate Risk in Banking Book (IRRBB) refers to the risk of loss in earnings or economic value of the Bank's Banking Book as a consequence of movement in interest rates.

Since the Banking Book is not marked to market similar to the Trading Book, the economic value of such rate sensitive assets and rate sensitive liabilities is generally not ascertained on a regular basis however, it can be a significant source of risk due to changes in market interest rates. The Bank is therefore vulnerable as a result of the re-pricing mismatch between the two sides of the balance sheet.

c) IRRBB Controls and Mitigation

Prudent management of these mismatches is acceptable risk and a source of profitability and shareholder value to the Bank however, excessive escalation of interest rates will diminish Bank earnings by shrinking the Net Interest Income.
NCBAR manages interest rate risk in the banking book by maintaining mismatches within acceptable tolerable limits as defined by ALCO. Mismatches in the cash flows or re-pricing dates expose Bank's Net Interest Income (NII) and Net Interest Margin (NIM) to variations.

The Bank uses the following tools/methodologies to manage the above risk:

- Repricing Gap Analysis, where the interest sensitive assets (RSA) and liabilities (RSL) are categorized under different time buckets and the impact on a determined change in rate movement is assessed in the short term, i.e. up to one year.
- Bank has established limits / stop loss limits for trading portfolios.

In addition, the Bank stresses these RSAs and RSLs by assuming adverse parallel shifts in interest rates by 200, 300 and 400bps and the results of the stress testing are tabled in ALCO monthly and the impact on capital and profitability assessed.

Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and external events. The Bank is well aware of the inherent risks in the environment it operates in and it uses every effort to ensure that events that could potentially lead to significant operational risk exposures are managed, transferred, financed or avoided.

It includes legal risk but not limited to exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements. It does not include strategic and reputational risk.

The operational risk support structure is composed of committees that have representation from all support, business and governance teams. Functional heads are responsible for implementing the operational risk framework in their units. They also own processes within their units and ensure identification, measurement, management, monitoring and reporting of identified risks.
Incidents are centrally reported to ensure all information is in one location for ease of access and to standardise the information collected on incidents. This makes it easy to review and categorize the incidents. During the project phase of a new product, all relevant risks are analysed and mitigations to manage the identified risks are instituted.
The key components governing the Operational Risk management framework are as follows:

Component Description

Operational Risk Policy This policy outlines NCBAR's strategy and objectives for Operational Risk management the approach and processes established by the Bank

New Product Approval

The New Product Approval (NPA) process ensures that products or significant business initiatives are introduced in the Bank successfully in line with CBAR's vision, mission and strategic objectives. The NPA process ensures that all the aspects of the product or business re-engineering e.g. the risks, profitability, return on investment are aptly considered prior to the introduction of the product
Outsourcing Process Establishes the requirements for identifying, justifying, and implementing outsourcing arrangements for any Bank function

Risk & Control Self-Assessment (RCSA) Process It details out the framework and procedures for carrying out the Risk assessments across the Bank in different Business units and processes

Key Risk Indicator (KRI) Procedure It governs the framework for developing, monitoring and reporting of KRIs for various departments to enable in providing indicators for mitigating the Operational risks

Incident Reporting and Loss Data Management It governs the reporting of incidents in that occur in the Bank and categorization of loss data as per Basel II loss event categories

Procedure Manuals

The various procedures to be followed in the Bank for carrying out business activities are detailed out in these documents

a) Operational Risk Controls and Mitigation

NCBAR has a well-defined Risk and Control Self-Assessment (RCSA) process whereby operational risks that are inherent in a Business Unit's strategy, objectives and activities are identified by management and the effectiveness of the controls over those risks evaluated and monitored on a regular basis.
The risks are categorised into the following four causal categories:

- Process – Process failure caused through design, non-existence and lack of integration, lack of ownership or validation.
- People – People failures caused by workplace injury, competency, non – compliance/ negligence, weak organisational culture, dishonesty, override or incapacity issues
- Systems – System failure caused through obsolescence, capacity constraints, stability, system security, scalability, misaligned infrastructure or functionality issues (resulting in e.g. system malfunction, transaction processing errors, unavailability, security breaches etc.)
- External – Failures or inadequacies caused by external parties, damage to physical property or assets or by any other external event. (E.g. third party suppliers, outsourcing, external systems failure, criminal activities, catastrophes, regulatory changes, competitor actions or sovereign/political issues.

Through the RCSA process, remediation actions are identified to address the likelihood / impact to the Bank of the risk occurring. Identified causal factors direct the formulation of appropriate action plans and controls to mitigate risks.
The Bank then uses Basel II Risk event category model to classify events arising from these causal factors into: -

- Internal Fraud
- External Fraud
- Clients, Products and Business Practices
- Physical Assets and Infrastructure
- Execution, Delivery and Process Management
- Employment Practices and Workplace Safety
- Business Disruptions and System Failures.

b) Operational Risk Management Limits

NCBAR maintains the following limits to control operational risk:

Parameter	Threshold
Aggregate Actual and Potential Losses	Less than 1% of Profit Before Tax
Internal Frauds	Nil Internal Frauds
% uptime of Critical systems	99% Uptime
Number of incidents of successful external frauds	< 1 External fraud incidents

c) Operational Risk Limit Breaches and the Remedial Actions

The Bank did not have any operational risk limit breaches for the period under review.

d) Operational Risk Assessment and Quantification

The Bank has adopted the Basic Indicator Approach in managing operational risk and calculating capital charge.

Regulatory Compliance risk
Regulatory risk refers to the risk to earnings or capital arising from violations of or non-conformance with laws, rules, regulations, prescribed practices, or ethical standards issued by the regulators from time to time. Regulatory risk also arises in situations where the laws or rules governing certain Bank products or activities of the Bank's clients may be ambiguous or untested. This risk exposes the Bank to fines, civil money penalties, payment of damages, and the voiding of contracts. It can lead to a diminished reputation, reduced franchise value, limited business opportunities, lessened expansion potential, and lack of contract enforceability.

The bank has zero tolerance to noncompliance with the regulatory requirements. During financial year 2020 the bank has been fully complaint with the capital adequacy ratios (CAR), liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), all prudential lending limits and other corporate governance requirement.

However, the bank failed to lower its Non-Performing Loan ratio below 5% mainly due to one of its large borrowers that defaults towards the end of year.

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 31 December 2020, which disclose the state of affairs of NCBA Bank Rwanda Plc (the "Bank" or the "Company")

Principal Activities

The bank provides an extensive range of banking, financial and related services.

Business Review

The bank net loss was Frw 1.501 billion (2019: Frw. 1.747 billion) which has increased the accumulated losses. The directors who held office during the year and at the date of this report were:

NAME	TITLE	DATE OF APPOINTMENT
Amb. Dr. Benjamin M. Rugangazi	Director - Non Executive/ Chairman	13/06/2017
Ms. Eugenia Kayitesi	Director - Non Executive	13/06/2017
Mr. Jeremy Ngunze•	Director - Non Executive	06/03/2018
Hon. Abdirahin H. Abdi	Director - Non Executive	19/03/2018
Mr. Nelson J.M. Mainnah	Director - Non Executive	19/03/2018
Ms. Julianne K. Kayonga	Director - Non Executive	04/06/2018
Mr. Kamurase Deogratius	Director - Non Executive	31/07/2018
Amb. Mr.Antoine Munyakazi Juru	Director - Non Executive	31/07/2018
Ms. Rita Kamanzi	Director - Non Executive	05/09/2018

**Jeremy I Ngunze voluntarily resigned from the board 31/12/2020*

Board of Directors

The board of directors is composed of the Chairperson of the Board and non-executive directors. The directors have extensive professional and business experience and meet regularly to formulate strategy, review the bank's performance against plans, formulate policies and discharge duties as outlined in the charter.

The Board delegates day to day running of the business to the management but retains the ultimate responsibility for establishing the overall internal controls.

The board has five committees namely Board Risk Committee, Board Audit Committee, Board Credit Committee, Board IT Committee and Board Nomination and Remuneration Committee.

During the year, the board conducted its business through the main board the four committees. The attendance of the respective committees in 2020 is shown below:

1. Board Risk Committee

	MAR-2	MAY-14	AUG-13	OCT-15
Eugenia Kayitesi (Chairperson)	P	P	P	P
Abdirahin H. Abdi	P	P	P	P
Rita M. Kamanzi	P	P	P	P
Antoine Munyakazi Juru	P	P	P	P
Jeremy Ngunze (Approved 6 May 2020)		P	P	P

2. Board Audit Committee

	MAR-2	MAY-14	AUG-13	OCT-15
Deo Kamurase (Chairperson)	P	P	P	P
Abdirahin H. Abdi	P	P	P	P
Nelson Mainnah	P	P	P	P
Antoine Munyakazi Juru	P	P	P	P
Julianne Kayonga	P	P	P	P

3. Board Credit Committee (BCC)

	MAR-2	MAY-14	AUG-13	OCT-15
Antoine Munyakazi Juru (Chairperson)	P	P	P	P
Eugenia Kayitesi	P	P	P	P
Nelson Mainnah	P	P	P	P
Deo Kamurase	P	P	P	P
Jeremy Ngunze (Approved 6 May 2020)		P	P	P

4. Board IT Committee

	MAR-2	MAY-14	AUG-13	OCT-15
Rita M. Kamanzi (Chairperson)	P	P	P	P
Abdirahin H. Abdi	P	P	P	P
Nelson Mainnah	P	P	P	P
Julianne Kayonga	P	P	P	P
Jeremy Ngunze (Approved 6 May 2020)	P	P	P	P

5. Main Board

	JAN-31	MAR-3	MAR-27	APR-9	MAY-15	AUG-14	OCT-16	DEC-1
Benjamin M. Rugangazi (Chair-person)	P	P	P	P	P	P	P	P
Nelson M. Mainnah	P	P	P	P	P	P	P	P
Julianne Kayonga	P	P	P	P	P	P	P	P
Julianne Kayonga	P	P	P	P	P	P	P	P
Rita Kamanzi	P	P	P	P	P	P	P	P
Eugenia Kayitesi	P	P	P	P	P	P	P	P
Antoine Munyakazi Juru	P	P	P	P	P	P	P	P
Jeremy Ngunze (Approved 6 May 2020)	P	P	P	P	P	P	P	P

Attendance to Board and Board Committee 2020 Meetings were 100%

Present: P Absent: P Absent with Apology: P

Events Subsequent to the end of the Reporting Period

There is no material event that has occurred between the end of the reporting period and the date of this report.

Disclosures to Auditors

The directors confirm that with respect to each director at the time of approval of this report:

(a) there was, as far as each director is aware, no relevant audit information of which the company's auditor is unaware; and

(b) each director had taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Terms of Appointment of Auditors

The term of service for the company's auditor, PricewaterhouseCoopers Rwanda Limited will lapse at the conclusion of 2020 financial report audit in accordance with Regulation No. 14/2017 of 23/11/2017 On Accreditation Requirements and Other Conditions for External Auditors of Financial Institutions.

By order of the board

5th March 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Law No.17/2018 of 13/04/2018 governing companies requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Law No.17/2018 of 13/04/2018 governing companies. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its deficit in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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

APPROVAL OF THE FINANCIAL STATEMENTS

The accompanying financial statements on pages 9 – 60 were approved for issue by the Board of Directors on 5th March 2021 and signed on its behalf by:

Amb. Dr. Benjamin Rugangazi
Chairman

Ms. Lina M Higiro
Chief Executive Officer

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDER OF NCBA BANK RWANDA PLC

Report on the audit of the financial statements.

Our opinion

In our opinion, NCBA Bank Rwanda Plc's (the "Bank" or "Company") financial statements give a true and fair view of the financial position of the Bank as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of Law No.17/2018 of 13/04/2018 governing companies.

What we have audited

NCBA Bank Rwanda Plc financial statements set out on pages 9 to 60 comprise:

- the statement of financial position as at 31 December 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes comprising significant 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 IESBA International Code of Ethics for Professional Accountants (including International Independence Standards). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matter

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

Key audit matter	How our audit addressed the Key audit matter
Expected credit losses on loans and advances at amortised cost Loans and advances to customers comprise a significant portion of the Bank's total assets. The estimation of expected credit losses (ECL) on loans and advances requires management judgment in the assumptions that are applied in the models used to calculate ECL. The policies for estimating ECL are explained in note 3 (b) of the financial statements. The key areas where significant judgement has been exercised and therefore, an increased level of audit focus applied, include: · the judgments made to determine the 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 a 12-month or lifetime PD is used. Specific assumptions have been applied by management in determining the staging, PD and LGD for certain segments of the loan book; · the assumptions applied in deriving the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD); · the relevance of forward-looking information used in the models; and Due to the significant impact of management judgments applied in calculating the ECL, we designated this as a key audit matter in our audit.	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: · We reviewed judgments applied in the staging of loans and advances; · We reviewed the Bank's methodology for determining ECL, including enhancements in the year, and evaluated this against the requirements of IFRS 9; · We tested how the Bank extracts 'days past due (DPD)' applied in classifying the loan book into the three stages required by IFRS 9. For a sample of loans, we recalculated the DPD applied in the model and agreed these to the DPD as per the Bank's IT system and the respective customer files; · We 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, 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 used in the ECL calculations, we corroborated the assumptions using publicly available information; We reviewed and assessed whether the disclosures in the financial statements on the key judgements and assumptions were adequate.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, 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 and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 International Financial Reporting Standards and the requirements of Law No.17/2018 of 13/04/2018 governing companies, and for such internal control as the 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 ability of the Bank to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so. Directors are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the 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 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 Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Report on other matters prescribed by the Kenyan Companies Act, 2015

Law No.17/2018 of 13/04/2018 governing companies requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

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

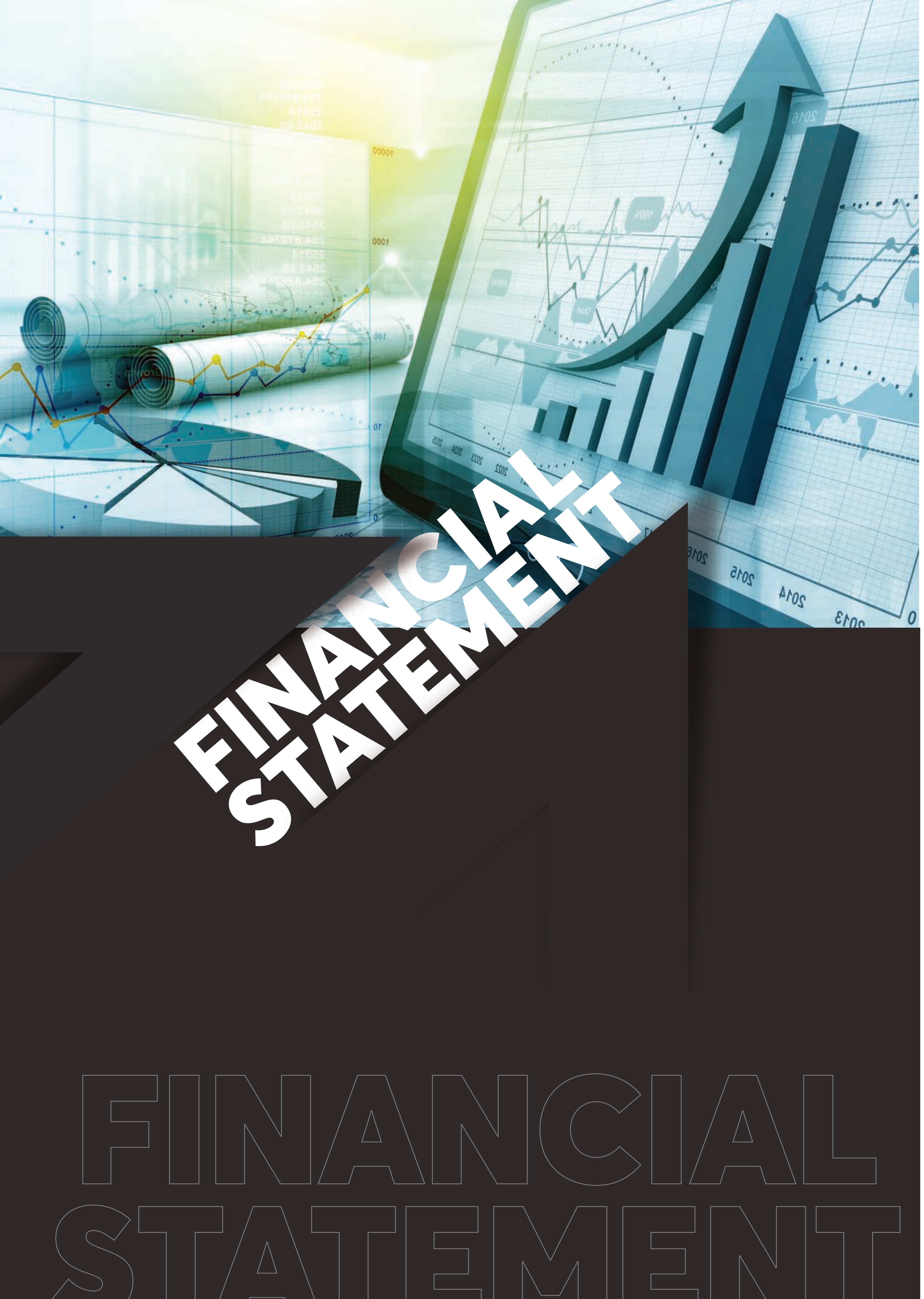
iii. We have communicated to the Bank's Board of Directors, through a separate report, internal control matters identified in the course of our audit including our recommendations in relation to those matters.

iv. We have no relationship, no interests and debt in the Bank; and

v. Whether 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 123 of Law No. 17/2018 of 13/04/2018 Governing Companies.

For PricewaterhouseCoopers Rwanda Limited, Kigali.

Moses Nyabanda
Director
5th March 2021



STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

NCBA

	Note	2020 Frw 000	2019 Frw 000
Interest and credit-related income	5	5,145,595	3,551,220
Interest expense	6	(2,280,069)	(1,323,254)
Net interest income		2,865,526	2,227,966
Loan impairment losses	15	(772,034)	(449,999)
Net interest income after loan impairment charges		2,093,492	1,777,967
Fee and commission income	7	510,072	389,064
Foreign exchange income	8	423,821	78,478
Non-funded income		933,893	467,542
Operating income		3,027,385	2,245,509
Operating expenses	9	(4,537,552)	(3,980,831)
Loss before income tax		(1,510,167)	(1,735,322)
Income tax expense	11	9,149	(12,526)
Loss for the year		(1,501,018)	(1,747,848)
Other comprehensive income net of income tax		-	-
Total comprehensive income for the year		(1,501,018)	(1,747,848)

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

STATEMENT OF FINANCIAL POSITION
At 31 December 2020

	Note	2020 Frw 000	2019 Restated Frw 000	2018 Restated Frw 000
ASSETS				
Cash and balances with National Bank of Rwanda	12(a)	3,121,305	4,507,952	2,030,132
Due from banking institutions	14	3,397,818	751,118	4,858,110
Government securities at amortised cost	13(a)	13,922,171	7,253,016	8,442,907
Derivative asset	13(b)	55,773	1,856	-
Customer loans and advances	15	32,795,838	18,539,935	7,113,221
Other assets	16	1,774,323	1,376,178	1,063,096
Intangible assets	18	382,038	134,116	61,837
Property and equipment	17	1,865,762	1,427,367	1,702,213
Right of use asset	19	1,286,617	1,474,647	-
Total assets		58,601,645	35,466,185	25,271,516
LIABILITIES				
Customer deposits	22	41,211,159	20,590,148	16,636,282
Balances due to banks		650,080	4,814,202	-
Due to group companies	26	831,488	608,716	845,713
Lease liability	20	1,264,650	1,518,191	-
Other liabilities	23	2,791,298	571,791	432,055
Deferred income tax	21	190,288	199,437	186,911
Total liabilities		46,938,963	28,302,485	18,100,961
SHAREHOLDERS' EQUITY				
Share capital	24	21,399,604	15,399,604	8,484,691
Capital awaiting allotment		-	-	5,514,913
Retained earnings		(9,736,922)	(8,235,904)	(6,829,049)
Total shareholders' equity		11,662,682	7,163,700	7,170,555
Total liabilities and shareholders' equity		58,601,645	35,466,185	25,271,516

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Note	Share capital Frw 000	Capital awaiting allotment Frw 000	Retained earnings Frw 000	Total Frw 000
Year ended 31 December 2019					
At start of year – As previously reported		8,484,691	5,777,110	(7,167,739)	7,094,062
Restatement – PPE items disallowed from capitalisation	27(a)	-	(262,197)	262,197	-
Restatement – profit from Mokash previously reported in other liabilities	27(b)	-	-	76,493	76,493
At start of the year - restated		**8,484,691**	**5,514,913**	**(6,829,049)**	**7,170,555**
Changes in initial application of IFRS 16		-	-	(115,196)	(115,196)
Restatement – profit from Mokash previously reported in other liabilities	27(b)	-	-	456,189	456,189
Transaction with owners					
Additional capital during the year		1,400,000			1,400,000
Capital allotted during the year		5,514,913	(5,514,913)	-	-
Loss for the year		-	-	(1,747,848)	(1,747,848)
At end of the year - restated		**15,399,604**	**-**	**(8,235,904)**	**7,163,700**
Year ended 31 December 2020					
At start of year – as previously reported		15,661,801	-	(9,030,783)	6,631,018
Restatement – profit from Mokash previously reported in other liabilities	27(b)	-	-	532,682	532,682
Restatement – PPE items disallowed from capitalisation	27(a)	(262,197)	-	262,197	-
At start of the year - restated		**15,399,604**		**(8,235,904)**	**7,163,700**
Transaction with owners					
Additional capital during the year		6,000,000		-	6,000,000
Loss for the year				(1,501,018)	(1,501,018)
At end of the year		21,399,604	-	(9,736,922)	11,662,682

The notes on pages 13 to 60 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Note	2020 Frw 000	2019 Frw 000
Cash Flows From Operating Activities			
Interest receipts	5	5,145,595	3,551,220
Interest payments		(2,135,717)	(1,163,721)
Net fee, commission and other receipts		933,893	467,542
Bad and doubtful debts recoveries		225,384	-
Payments to employees and suppliers		(3,872,651)	(3,340,267)
Cash flows generated from/ (used in) operating activities before changes in operating assets and liabilities		296,504	(485,226)
Changes in operating assets and liabilities			
Customer loans and advances		(15,398,261)	(11,787,135)
Other assets		(398,145)	(314,938)
Customer deposits		16,456,889	8,768,068
Other liabilities		2,310,530	595,925
Net due from group companies		222,772	(236,997)
Net cash flow from operating activities		3,490,289	(3,460,303)
Cash flows from investing activities			
Government securities – amortised cost		(6,669,155)	1,189,891
Purchase of property and equipment	17	(742,284)	(52,749)
Purchase of intangible assets	18	(306,171)	(77,781)
Net cash (used in)/generated from investing activities		(7,717,610)	1,059,361
Cash flows from financing activities		6,000,000	1,400,000
Additional capital		(512,626)	(628,230)
Net cash flows from financing activities		5,487,374	771,770
Increase/(decrease) in cash and cash equivalents			
Increase/(decrease) in cash and cash equivalents during the year		1,260,053	(1,629,172)
Cash and cash equivalents at start of year		5,259,070	6,888,242
Cash and cash equivalents at end of year	12 (b)	6,519,123	5,259,070

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. General Information

NCBA Bank Rwanda Plc is incorporated Law N°17/2018 of 13/04/2018 Governing Companies.
The Bank has its registered office at:

Kigali Heights,
Plot No. 772,
P. O. Box 6774, Kigali, Rwanda.

2. Summary of accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

i) Basis of measurement

The financial statements are prepared in accordance with the International Financial Reporting Standards and Regulation No. 28/2019 on Publication by Banks of Financial Statements and Other Disclosures. The financial statements are presented in Rwandan francs (Frw) rounded to the nearest thousand.

(ii) Use of estimates

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Summary of accounting policies (Continued)

a. Basis of preparation (Continued)

(iii) Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Company

The following standard have been adopted by the Company for the first time for the year beginning 1 January 2020:

Number	Effective date	Executive summary
Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material	Annual periods beginning on or after 1 January 2020 (Published October 2018)	These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs: • use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; • clarify the explanation of the definition of material; and • incorporate some of the guidance in IAS 1 about immaterial information. The amended definition is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Summary of accounting policies (Continued)

a. Basis of preparation (Continued)

The following standard have been adopted by the Company for the first time for the year beginning 1 January 2020:

Number	Effective date	Executive summary
Amendment to IFRS 3, 'Business combinations' Definition of a business.	Annual periods on or after 1 January 2020 (Published October 2018)	This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.
Amendments to IFRS 9, 'Financial Instruments', IAS 39, 'Financial Instruments: Recognition and Measurement' and IFRS 7, 'Financial Instruments: Disclosure' – Interest rate benchmark reform (Phase 1)	Annual periods beginning on or after 1 January 2020 (early adoption is permitted) (Published September 2019)	These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Summary of accounting policies (Continued)

a. Basis of preparation (Continued)

Number	Effective date	Executive summary
IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment	Annual periods beginning on or after 1 June 2020 (early adoption is permitted) (Published June 2020)	The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. Lessees can elect to account for qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment.
Amendments to IAS 16 'Property, Plant and Equipment' on Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.
Annual improvements cycle 2018 -2020	Annual periods beginning on or after 1 January 2022 (Published May 2020)	These amendments include minor changes to: • IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Summary of accounting policies (Continued)

a. Basis of preparation (Continued)

Number	Effective date	Executive summary
Annual improvements cycle 2018 -2020	Annual periods beginning on or after 1 January 2022 (Published May 2020)	These amendments include minor changes to: • IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. • IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives. • IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value.
Amendment to IFRS 3, 'Business combinations'	Annual periods beginning on or after 1 January 2022 (Published May 2020)	• The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. • In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. • The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

2. Summary of accounting policies (Continued)

a. Basis of preparation (Continued)

Number	Effective date	Executive summary
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' – interest rate benchmark (IBOR) reform (Phase 2)	Annual periods beginning on or after 1 January 2021 (Published August 2020)	The Phase 2 amendments address issues that arise from the implementation of the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2022 (Published January 2020)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).

2. Summary of accounting policies (Continued)

a. Basis of preparation (Continued)

(iii) Changes in accounting policies and disclosures (Continued)

b. Interest income and expense recognition

Interest income and expense for all interest-bearing financial instruments, are recognised within interest income or interest expense in profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.
The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability.

The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or group of similar assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.

c. Fee and commission income

Fees and commissions are generally recognised on an accrual basis when service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. In the event that the income is not deferred, the bank will demonstrate the basis of such treatment.

d. Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the Rwanda Francs, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions during the year that are denominated in foreign currencies are converted into the Functional Currency at the rates of exchange prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation, at year-end exchange rates, monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

e. Financial assets and liabilities

The bank's accounting treatment for Financial Instruments - financial assets and financial liabilities - is in accordance with IFRS 9. The adoption of IFRS 9 on 1 January 2018 resulted in changes in our accounting policies for recognition, classification and measurement of:

i) Financial assets
ii) Financial liabilities
iii) Determination of fair value
iv) De-recognition
v) Classification of financial instruments
vi) Impairment of financial assets
vii) Disclosures

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Summary of accounting policies (Continued)

e. Financial assets and liabilities (Continued)

(iii) Changes in accounting policies and disclosures (Continued)

The Bank classifies and presents its financial instruments in the financial statements as defined in IFRS 9 on the basis of:

- *The business model adopted (portfolio perspective)*
- *Contractual cash flow characteristics ("CCC" Criterion)*

i. Financial assets

Management determines the appropriate classification of its financial assets at initial recognition. The Bank recognises a financial asset in its statement of financial position when it becomes party to the contractual provisions of the instrument.

The bank's financial assets fall into the category; financial assets measured at amortised cost

The bank calculates interest using the effective interest rate ("EIR") method and recognise this in the profit or loss. In instances, where the bank is unable to use the "EIR", it will sufficiently demonstrate the use of an alternative method such as the "discount rate"

Impairment of financial assets shall be forward-looking on the basis of Expected Credit Loss ("ECL") Model.

ii. Financial liabilities

The bank's holding in financial liabilities represents mainly deposits from banks and customers and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

iii. Determination of fair value (measurements)

At initial recognition, the bank measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent to initial recognition, the Bank's financial assets are measured at:

- *amortised cost ("AC")*

Except for the Bank's financial assets that are designated at initial recognition as at fair value through profit or loss, the bank's financial asset is classified on the basis of both;

- *the Bank's business model for managing the financial assets and*
- *the contractual cash flow characteristics of the financial asset*

iv. De-recognition

Financial assets

Modifications leading to derecognition

Where the renegotiation or modification of the contractual cash flows of a financial asset lead to the derecognition of the existing financial asset in accordance with IFRS 9 the modified asset is considered a 'new' financial asset for the purposes of IFRS 9.

Accordingly, the date of the modification should be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. This typically means measuring the loss allowance at an amount equal to 12-month expected credit losses until the criteria for the recognition of lifetime expected credit losses is met. However, in some unusual circumstances following

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Summary of accounting policies (Continued)

iv. De-recognition (Continued)

Financial assets (Continued)

Modifications leading to derecognition (Continued)

a modification that results in derecognition of the original financial asset, there may be evidence that the modified financial asset is credit-impaired at initial recognition, and thus, the financial asset should be recognised as an originated credit-impaired financial asset. This might occur, for example, in a situation in which there was a substantial modification of a distressed asset that resulted in the derecognition of the original financial asset. In such a case, it may be possible for the modification to result in a new financial asset which is credit- impaired at initial recognition.

Financial Liabilities

If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset is not derecognised, the Bank assesses whether there has been a significant increase in the credit risk of the financial instrument by comparing:

i. the risk of a default occurring at the reporting date (based on the modified contractual terms); and
ii. the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

When assessing whether there have been significant increases in credit risk since initial recognition the Bank should uses all reasonable and supportable information that is available without undue cost or effort. This includes historical and forward-looking information and an assessment of the credit risk over the expected life of the financial asset, which includes information about the circumstances that led to the modification.

If the contractual cash flows on a financial asset have been renegotiated or otherwise modified, but the financial asset is not derecognized, that financial asset is not automatically considered to have lower credit risk. Evidence that the criteria for the recognition of lifetime expected credit losses are no longer met may include a history of up to date and timely payment performance against the modified contractual terms. Typically, a customer would need to demonstrate consistently good payment behaviour over a period of time before the credit risk is considered to have decreased. For example, a history of missed or incomplete payments would not typically be erased by simply making one payment on time following a modification of the contractual terms.

When the Bank transfers a financial asset but neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset, and retains control of that asset, the Bank continues to recognise the asset to the extent of its continuing involvement. A corresponding liability is also recognized in accordance with and measured so that the net carrying amount of the asset and the liability is:

The amortised cost of the rights and obligations retained, if the asset is measured at amortized cost; or The fair value of the rights and obligations retained (if the asset is measured at fair value).

v. Disclosures

The disclosure requirements of IFRS 7- Financial Instruments: Disclosures, after consequential amendments arising from IFRS 9, are applicable.

For purposes of reporting, the bank will disclose impairment movements based on

On- Balance Sheet Assets and

Off – Balance Sheet Assets

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Summary of accounting policies (Continued)

vi. Impairment of financial assets

The Bank's impairment approach, is based on expected credit losses and the bank uses the general approach in determining the impairment of financial assets. Therefore, it is not necessary for a loss event to have occurred before credit losses are recognised; instead, a loss allowance is always recognized for expected credit losses and is re-measured at each reporting date for changes in those expected credit losses. The only exception is for purchased or credit-impaired ("POCI") financial assets where a different impairment approach applies.

Determining whether an expected credit loss should be based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk ("SICR") of the financial asset since initial recognition.

The Bank recognises loss allowances for Expected Credit Losses ("ECL") on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Lease receivables;
- Loan and advances to customers
- Other Loans and receivables
- financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognised on equity investments.

The bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition

Loss allowances for lease and other receivables are always measured at an amount equal to lifetime ECL.

The Bank considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. In the case of the bank, debt instruments of AAA, AA, A and BBB grade qualify as low credit risk.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Summary of accounting policies (Continued)

vi. Impairment of financial assets (Continued)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with i) changes in market conditions, ii) expected cash flows and iii) 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. The bank measures credit risk using Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD").

f. Borrowings

Borrowings are recognised initially at fair value, generally being their issue proceeds, net of directly attributable transaction costs incurred. Borrowings are subsequently measured at amortised cost and interest is recognised using the effective interest method.

Borrowing costs that relate to qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale and which are not measured at fair value, are capitalised. All other borrowing costs are recognised in profit or loss. Borrowing costs consist of interest and other costs that an entity incurred in connection with the borrowing of funds

g. Offsetting financial instruments

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

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

h. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

i. Property and equipment

Property and equipment are initially recorded at cost, and subsequently stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of these assets.

Costs incurred in the process of acquiring or constructing an item of property and equipment are recognised as capital work in progress. Once acquisition or construction is complete and the item is ready for use, the carrying amount is transferred to the relevant property and equipment category. Depreciation commences when the item of property or equipment is put into use.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Summary of accounting policies (Continued)

i. Property and equipment (Continued)

Depreciation is calculated on a straight-line basis at annual rates estimated to write off the cost of each asset to its residual value over its expected useful life as follows:

Buildings and improvements on leasehold land	- lesser of 40 years and the unexpired period of lease
Equipment, furniture and fittings	- 3 to 8 years
Motor vehicles	- 4 years
Software	- 3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Property and equipment are reviewed for impairment on an annual basis. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is immediately written down to its recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains or losses on disposal of property and equipment are determined by comparing proceeds with carrying amount and are taken into account in determining operating profit.

j. Intangible assets

Intangible assets comprise acquired computer software license costs, which are recognised on the basis of expenditure incurred to acquire and bring the specific software to use. These costs are amortised over estimated useful lives of three to ten years.

Costs that are directly associated with the production of identifiable and unique software products controlled by the bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over an estimated useful life of three to eight years. Costs associated with the maintenance of computer software are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

k. Provisions and contingent liabilities

Provisions for legal claims are recognised when the bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised but information about them is disclosed unless the possibility of any outflow of economic benefits in settlement is remote.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Summary of accounting policies (Continued)

l. Income tax expense

Income tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

i) Current income tax

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the reporting date. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii) Deferred income tax

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

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

m. Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are classified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

n. Share capital

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

o. Letters of credit, acceptances and guarantees

Letters of credit, acceptances and guarantees are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Summary of accounting policies (Continued)

p. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases. Effective January 2019, the bank will be accounting for leases in accordance with IFRS 16.

q. Comparatives

Where necessary, comparative figures have been restated to conform to changes in presentation in the current year.

3. Financial risk management objectives and policies

The bank's activities expose it to a variety of financial risks, including credit risk and the risks of changes in debt and equity market prices, foreign currency exchange rates, liquidity risk and interest rates. The bank's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance. Risk management is carried out under policies approved by the board of directors. The board provides written principles for overall risk management as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and the investment of surplus funds.

a. Risk management framework

By their nature, the bank's activities are principally related to the use of financial instruments, including derivatives. The bank accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high-quality assets. The bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The bank seeks to raise its interest margins by obtaining above-average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-balance sheet loans and advances; the Bank also enters into guarantees and other commitments such as letters of credit and performance, and other bonds. The Bank also trades in financial instruments where it takes positions in traded and over-the-counter instruments to take advantage of short-term market movements in bond prices and currency and interest rates. The board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

Foreign exchange and interest rate exposures associated with derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

(b) Credit risk

The bank takes on exposure to credit risk, which is the risk that a counterparty may be unable to pay amounts in full, when due. The bank structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in respect of any borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a continuous basis and subject to annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved by the board of directors.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management objectives and policies (Continued)

(b) Credit risk (Continued)

The exposure to any one borrower including banks is further restricted by sub-limits covering on and off balance sheet exposures and daily delivery risk limits in relation to trading items such as foreign exchange forward contracts. Actual exposures against set limits are monitored on a daily basis.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Impairment provisions are made for losses that have been incurred at the reporting date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration of the bank's portfolio, could result in losses that are different from those provided for at the reporting date. Directors therefore carefully manage the exposure to credit risk.

(i) Credit related commitments

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

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

The amount that best represents the bank's maximum exposure to credit risk is the carrying value of its financial position. Loans and advances to customers are secured by collateral in the form of charges over land and buildings and/or plant and machinery or corporate guarantees and other collaterals accepted by the laws of the land. However, there are loans and advances to major corporations and individuals that are unsecured. In these cases, the bank undertakes stringent credit risk assessments before any disbursements are made.

The directors are confident in its ability to continue to control exposure of credit risk to the bank resulting from both its loan and advances portfolio and debt securities based on the following:

- The Company exercise stringent controls over the granting of new loans and receivables.
- 93% (2019: 96%) of the loans and advances portfolio are neither past due nor impaired.
- 100% (2019:100%) of the debt securities are government securities.

3. Financial risk management objectives and policies (Continued)

(b) Credit risk (Continued)

Loans and advances (Continued)

Loans and advances

The bank aligns the classification criteria for assets that are past due or impaired in line with regulatory guidelines. In the determination of the classification of accounts, performance is the primary consideration. The classification of an account reflects a judgment about risks of default and loss associated with the credit facility. The classification process establishes a consistent approach to problem recognition, problem labeling, remedial action and the initiation of credit write-offs.

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 bank.
- 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.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.
- 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).

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recorgnition

STAGE 1	STAGE 2	STAGE 3
(Initial recorgnition)	(Significant increase in credit risk since initial recorgnition)	(Credit-impaired assets)
12-months expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

"ECL" is defined as the amount on a probability-weighted basis as the difference between the cash flows

3. Financial risk management objectives and policies (Continued)

(b) Credit risk (Continued)

that are due to the bank in accordance with the contractual terms of a financial instrument and the cash flows that the bank expects to receive.

ECL is formula driven, i.e. ECL= PD x LGD x EAD*EIR

Significant Increase in credit risk (SICR)

The bank decision on whether expected credit losses are based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk since initial recognition. An assessment of whether credit risk has increased significantly is made at each reporting date. When making the assessment, the bank uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. Where it was determined that COVID-19 would have a material impact on the clients' business the client was deemed to have an increase in credit risk and was moved to a higher credit risk stage. The current performance and operations of the business under COVID-19 conditions and its current ability to make payments was also considered in determining whether there has been an increase in credit risk. This forms the basis of stage 1, 2 and 3 classification and subsequent migration.

The Company applies qualitative and quantitative criteria for stage classification and for its forward and backward migration.

Quantitative Criteria

The quantitative criteria is based on relative and not absolute changes in credit quality as stated in the table above driven by ratings and days past due.

The bank considers that financial instruments for which default patterns are not concentrated at a specific point during the expected life of the financial instrument, changes in the risk of a default occurring over the next 12 months may be a reasonable approximation of the changes in the lifetime risk of a default occurring and could be used to determine whether credit risk has increased significantly since initial recognition.

The appropriateness of using changes in the risk of a default occurring over the next 12 months to determine whether lifetime expected credit losses should be recognized depends on the specific facts and circumstances. Risk of default occurring over the next 12 months is not suitable basis for determining whether credit risk has increased on a financial instrument with a maturity of more than 12 months when:

1. the financial instruments only have significant payment obligations beyond the next 12 months;
2. changes in relevant macroeconomic or other credit-related factors occur that are not adequately reflected in the risk of a default occurring in the next 12 months; or
3. changes in credit-related factors only have an impact on the credit risk of the financial instrument (or have a more pronounced effect) beyond 12 months

The bank's quantitative credit grading, as compared to BNR's prudential guidelines, into five prudential guidelines categories as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management objectives and policies (Continued)

(b) Credit risk (Continued)

Quantitative Criteria (Continued)

IFRS 9 credit staging / grading	Regulator Guidelines	Days past due
Stage 1	Normal	Up to date and in line with contractual agreements or within 30 days' arrears
Stage 2	Watch	31 to 90 days overdue
Stage 3	Substandard	91 to 180 days overdue
	Doubtful	181 – 365 days overdue
	Loss	Over 365 overdue

In addition to the above, the bank considers other qualitative factors in determining the classification above and may accelerate the classification of credit facilities where deemed appropriate. They include but not limited to the following:

1. Significant changes in the terms of the same instrument if it were issued at the reporting date that indicate a change in credit risk since initial recognition, e.g.: increase in credit spread; more stringent covenants; increased amounts of collateral or guarantees; or higher income coverage.
2. Significant changes in external market indicators of credit risk for the same financial instrument (or similar instrument of the borrower), e.g.; credit spread; credit default swap prices; length of time or the extent to which the fair value of a financial asset has been less than its amortized cost; other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments; or external credit rating (actual or expected).
3. Changes in the bank's credit management approach in relation to the financial instrument (e.g. based on emerging indicators of changes in the credit risk of the financial instrument, the bank's credit risk management practice is expected to become more active or focused on managing the instrument, including the instrument becoming more closely monitored or controlled, or the bank specifically intervening with the borrower).
4. Actual or expected adverse changes in business, financial or economic conditions significantly affecting borrower's ability to meet its debt obligations (e.g. increase in interest rates or unemployment rates); operating results of the borrower e.g. declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business or organizational structure (such as the discontinuance of a segment of the business) that results in a significant change in the borrower's ability to meet its debt obligations; or regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations (e.g. a decline in the demand for the borrower's sales product because of a shift in technology).
5. Significant changes in the value of collateral or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to pay or otherwise effect the probability of default (e.g. if the value of collateral declines because house prices decline, borrowers in some jurisdictions have a greater incentive to default on their mortgages); or quality of a guarantee provided by a shareholder (or an individual's parents) if the shareholder (or parents) have an incentive and financial ability to prevent default by capital or cash infusion.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management objectives and policies (Continued)

(b) Credit risk (Continued)

Quantitative Criteria (Continued)

6. Expected changes in the loan documentation (e.g. breach of contract leading to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees).
7. Significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the group (e.g. increase in delayed contractual payments or number of credit card borrowers expected to approach or exceed their credit limit or who are expected to be paying the minimum monthly amount)

Loans and advances less than 30 days past due date are not considered impaired, unless other information is available to indicate the contrary. The breakdown of loans and advances is summarised below:

Amortised cost	**Stage 1 12 month ECL Frw' 000**	**2020 Stage 2 Lifetime ECL Frw' 000**	**Stage 3 Lifetime ECL Frw' 000**	**Total Frw' 000**	**2019 Frw' 000**
Individually and collectively impaired					
Grade 3: Substandard	-	-	128,900	128,900	175,526
Grade 4: Doubtful	-	-	6,519	6,519	2,852
Grade 5: Loss	**-**	**-**	**2,312,939**	**2,312,939**	**11,799**
Gross amount			2,448,358	2,448,358	190,177
Provision for impairment losses			(971,398)	(971,398)	(172,783)
Carrying amount			1,476,960	1,476,960	17,394
Collectively impaired					
Grade 1: Normal	31,224,599	-	-	31,224,599	15,433,110
Grade 2: Watch	-	601,088	-	601,088	3,614,217
Gross amount	31,224,599	601,088	-	31,825,687	19,047,327

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management objectives and policies (Continued)

(b) Credit risk (Continued)

Quantitative Criteria (Continued)

Provision for impairment losses	(476,216)	(30,592)		(506,809)	(524,786)
Carrying amount	30,748,382	570,496	-	31,608,346	18,522,541
Total carrying amount	30,748,382	570,496	1,476,960	32,795,838	18,539,935

Portfolio management is an integral part of the credit risk management process that enables the Bank and Company to limit concentrations, reduce volatility, increase liquidity and achieve optimum earnings. The responsibility for portfolio management lies primarily with business units, with oversight and review by credit risk management while the Board Credit Committee is responsible for credit approvals. The Bank's portfolio management plan entails:

- The setting up of portfolio targets and concentrations.
- Establishing target market risk acceptance criteria and key success factors. These are subject to regular review to ensure their continued appropriateness.
- Monitoring the portfolio risk profile, risk-adjusted returns, risk concentrations, economic market and competitive data.
- Identifying and analysing trends and concentrations that could affect the risk and performance of the portfolio.
- Stress testing of the portfolio for the purpose of measuring potential losses.

Other financial assets

The other financial assets mainly relate to government securities and balances held with Central Banks and other financial institutions that are highly rated and therefore considered low risk. None of these were past due or impaired

(i) Gross maximum exposure

The following table breaks down gross maximum credit exposure at carrying amounts (without taking into account any collateral held or other credit support).

	2020 Shs '000	2019 Shs '000
Balances with central banks	2,179,813	2,888,470
Due from banking institutions	3,397,818	751,118
Items in the course of collection	13,922,171	7,253,016
Government securities	34,274,045	19,237,504
Investment securities	55,773	1,856
Derivatives	720,332	435,813
Customer loans and advances		
Other receivables (financial)		
	54,549,952	**30,567,777**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management objectives and policies (Continued)

Other financial assets (Continued)

(i) Gross maximum exposure (Continued)

Credit risk exposures relating to off-balance seet items are as follows:		
Letters of credit	4,473,641	4,366,530
Acceptances	348,140	126,712
Guarantees	4,821,781	4,493,242
	59,371,733	**35,061,019**
Total credit risk exposure	**551,249,996**	**512,483,230**

(ii) Concentrations of risk

To avoid excessive concentration in any one of several industrial sectors and, by extension, the overall safety of the Company, the lending portfolio is monitored and managed at all times. Equally, care is taken to avoid over-exposure to any one borrower. There are restrictions to the maximum exposure permitted with respect to any one name based on capital and these restrictions which are strictly adhered to, are laid down by regulation. Any changes made to the portfolio management plan are subject to the approval of the Board of Directors. The economic sector risk concentrations within the customer loans and advances portfolios at the end of the year were as follows:

Group	**2020** **%**	**2019** **%**
Building & construction	14	16
Hotel & restaurant	2	3
Manufacturing	24	13
Other activities	3	2
Private	14	20
Real estate	9	14
Transport	0	0
Trade & commerce	34	31
Building, construction and real estate	100	100
Other	2	10
	100	**100**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management objectives and policies (Continued)

Other financial assets (Continued)

(i) Gross maximum exposure (Continued)

(iii) Collateral management

The Bank uses a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The acceptability of collateral for credit risk mitigation is guided by the Bank's procedures and policies. The main types of collateral taken are:

Type of lending	Common collateral type
Mortgage lending	First ranking legal charge over the property financed.
Commercial loans	Debentures over the Company's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and Company guarantees.
Personal loans	First ranking legal charge over property, Checkoffs and cash backed
Asset finance	Secured by motor vehicles and chattel registrations
Other loans and advances	Debentures over the Company's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and Company guarantees.

Valuation of collateral

The bank has a panel of valuers who undertake valuation of property and other assets to be used as Collateral. The valuers in the panel are qualified professional valuers with adequate experience in the field of property and machinery valuation. Valuation of collateral are performed between 3 to 5 year intervals.

Financial effect of collateral

As at 31 December 2020, 92% (2019: 96%) of the impaired loans (net of suspended interest) were covered by collateral

c) Market risk

i) Currency risk

The bank takes deposits and lends in currencies other than the local currency and are therefore exposed to effects of fluctuations in the prevailing foreign currency exchange rates on their financial position and cash flows. The board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are both monitored daily.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management objectives and policies (Continued)

c) Market risk (Continued)

i) Currency risk (Continued)

The currency position and exposure is managed within the exposure guidelines relating to core capital stipulated by regulation. The bank's significant currency positions were:

	RWF	USD	GBP	EUR	Other	Total
Year ended 31 December 2020	FRW 000	FRW 000	FRW 000	FRW 000	FRW 000	FRW 000
Cash in hand	363,452	361,510	16,045	200,483	2	941,492
Balance with National Bank of Rwanda	1,760,363	171,407	-	248,043	-	2,179,813
Deposits and balances due from other banking institutions	178,182	3,121,209	77,431	15,509	5,487	3,397,818
Government securities	13,922,171	-	-	-	-	13,922,171
Loans and advances to customers	30,059,261	2,736,577	-	-	-	32,795,838
Derivative asset	-	55,773	-	-	-	55,773
Other assets	1,733,714	40,609	-	-	-	1,774,323
	48,017,143	**6,487,085**	**93,476**	**464,035**	**5,489**	**55,067,228**
	34,471,291	6,313,247	31,188	395,433	-	41,211,159
Deposits from Customers	2,098,516	564,123	59,577	68,506	576	2,791,298
Other liabilities	650,080	-	-	-	-	650,080
Borrowings	831,488	-	-	-	-	831,488
Balances due to group companies	1,264,650	-	-	-	-	1,264,650
Lease liability	39,316,025	6,877,370	90,765	463,939	576	46,748,675
Total liabilities						

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management objectives and policies (Continued)

c) Market risk (Continued)

i) Currency risk (Continued)

Net on-balance sheet position	8,701,118	(390,285)	2,711	96	4,913	8,318,553

Year ended 31 December 2019	**FRW 000**	**FRW 000**	**FRW 000**	**FRW 000**	**FRW 000**	**FRW 000**
Cash in hand	755,539	588,958	66,882	208,101	2	**1,619,482**
Balance with National Bank of Rwanda	2,648,127	240,343	-	-	-	**2,888,470**
Deposits and balances due from other banking institutions	12,149	699,836	27,208	9,247	2,678	**751,118**
Government securities	7,253,016	-	-	-	-	**7,253,016**
Loans and advances to customers	17,030,175	1,509,760	-	-	-	**18,539,935**
Derivative asset	1,856					**1,856**
Other assets	1,337,229	38,520	12	417	-	**1,376,178**
	29,038,091	**3,077,417**	**94,102**	**217,765**	**2,680**	**32,430,055**
Deposits from Customers	17,599,130	2,690,719	106,062	194,237	-	**20,590,148**
Accruals , provisions and other liabilities	841,046	195,337	5,169	58,659	4,262	**1,104,473**
Borrowings	3,500,988	1,313,214	-	-	-	**4,814,202**
Balances due to group companies	608,716	-	-	-	-	**608,716**
Lease liability	1,518,191	-	-	-	-	**1,518,191**
	24,068,071	**4,199,270**	**111,231**	**252,896**	**4,262**	**28,635,730**
Net position	4,970,020	(1,121,853)	(17,129)	(35,131)	(1,582)	**3,794,325**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management objectives and policies (Continued)

c) Market risk (Continued)

ii) Interest rate risk

Year ended 31 December 2020	**Up to 1 Month Frw 000**	**1-3 Months Frw 000**	**3 - 12 Months Frw 000**	**1-5 Years Frw 000**	**Over 5 years Frw 000**	**Non-interest bearing Frw 000**	**Total Frw 000**
Cash in hand	-	-	-	-	-	941,492	941,492
Balance with National Bank of Rwanda	-	-	-	-	-	2,179,813	2,179,813
Deposits and balances due from other banking institutions	-	-	-	-	-	3,397,818	3,397,818
Government securities	185,440	1,016,950	5,188,860	2,720,421	4,810,500	-	13,922,171
Loans and advances to customers	4,730,368	5,287,150	3,186,299	11,626,218	7,965,803	-	32,795,838
Derivative asset	-	55,773	-	-	-	-	55,773
Other assets	-	-	-	-	-	1,774,323	1,774,323
	4,915,808	6,359,873	8,375,159	14,346,639	12,776,303	8,293,446	55,067,228
Deposits from Customers	3,087,167	896,622	6,271,656	132,750	-	30,822,964	41,211,159
Accruals, provisions and other liabilities	-	-	-	-	-	2,791,298	2,791,298
Borrowings	650,080	-	-	-	-	-	650,080
Balances due to group companies	-	-	-	-	-	831,488	831,488
Lease liability	-	-	-	-	-	1,264,650	1,264,650
	3,737,247	896,622	6,271,656	132,750	-	35,710,400	46,748,675
	1,178,561	5,463,251	2,103,503	14,213,889	12,776,303	(27,416,954)	8,318,553

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management objectives and policies (Continued)

c) Market risk (Continued)

ii) Interest rate risk (Continued)

Year ended 31 December 2019	Up to 1 Month Frw 000	1-3 Months Frw 000	3 - 12 Months Frw 000	1-5 Years Frw 000	Over 5 years Frw 000	Non-interest bearing Frw 000	Total Frw 000
	-	-	-	-	-	1,619,482	1,619,482
Cash in hand	-	-	-	-	-	2,888,470	2,888,470
Balance with National Bank of Rwanda	-	-	-	-	-	751,118	751,118
Deposits and balances due from other banking institutions	1,762,240	1,080,184	1,893,345	685,848	1,831,399		7,253,016
Government securities	55,750	2,315,101	4,537,608	6,052,339	5,579,137		18,539,935
Loans and advances to customers						1,856	1,856
	-	-	-	-	-	1,376,178	1,376,178
Other assets	1,817,990	3,395,285	6,430,953	6,738,187	7,410,536	6,637,104	32,430,055
		106,746		-			
			9,085,690		-	11,272,855	20,590,148
Deposits from Customers	124,857	114,765	-	-	-	949,883	1,104,473
Accruals, provisions and other liabilities	39,825	-	-	-	-	-	4,814,202
Borrowings	4,814,202	-	-	-	-	608,716	608,716
Balances due to group companies	-	-	-	-	-	1,518,191	1,518,191
Lease liability	-	221,511	9,085,690	-	-	14,349,645	28,822,641
	4,978,884	3,173,774	(2,654,737)	6,738,187	7,410,536	(7,712,541)	3,794,325
	(3,160,894)						

NOTES TO THE FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2020

3. Financial risk management objectives and policies (Continued)

c) Market risk (Continued)

ii) Interest rate risk (Continued)

The tables below summarize the effective interest rate by major currencies for monetary financial assets and liabilities.

Bank	Local Currency	USD
At 31 December 2020 – (%)		
Assets		
Government securities	9.9	-
Due from banking institutions	5.4	3.2
Customer loans and advances	15.4	7.6
Liabilities		
Customer deposits	6	0.2
Due to banking institutions	5.4	-
At 31 December 2019 (%)		
Assets		
Government securities	7.8	-
Due from banking institutions	5.3	3.6
Investment securities	-	-
Customer loans and advances	16.0	-
Liabilities		
Customer deposits	6.3	0.2
Due to banking institutions	5.4	-

iii) Price risk

The Company did not hold any financial instruments subject to price risk during the year

d) Liquidity risk

The bank is exposed to daily calls on its available cash resources arising from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The maturity of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Company. The Assets and Liabilities Committee reviews the maturity profile of liabilities on a weekly basis and ensures that sufficient liquidity is maintained to meet maturing deposit obligations. The banks also fully complies with regulatory minimum cash and liquidity ratio requirements. The following tables analyses assets and liabilities of the bank into relevant maturity groupings based on the remaining period to contractual maturity date as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. **Financial risk management objectives and policies (Continued)**

c) Market risk (Continued)

iii) Price risk (Continued)

At 31 December 2019	Up to 1 Month Frw 000	1-3 Months Frw 000	3 - 12 Months Frw 000	1-5 Years Frw 000	Over 5 years Frw 000	Total Frw 000
Assets						
Cash in hand	1,619,482	-	-	-	-	1,619,482
Balance with National Bank of Rwanda	2,888,470	-	-	-	-	2,888,470
Deposits and balances due from other banking institutions	751,118	-	-	-	-	751,118
Government securities	1,762,240	1,280,715	1,932,910	756,147	3,338,088	9,070,100
Loans and advances to customers	55,750	2,315,101	4,537,608	8,957,462	10,042,447	25,908,368
Other assets	481,662	550,471	345,901	1,561,483	1,474,647	4,414,164
Total assets	**7,558,722**	**4,146,287**	**6,816,419**	**11,275,092**	**14,855,182**	**44,651,702**
Deposits from customers	2,943,071	3,714,060	3,714,060	14,768,998	-	21,426,129
Accruals, provisions and other liabilities	491,971	44,718	44,718	-	16,911	571,791
Borrowings	4,835,465	-	-	-	-	4,835,465
Balances due to group companies	-	608,716	608,716	-	-	608,716
Total Liabilities	8,270,507	4,367,494	4,367,494	14,768,998	6,911	27,442,101
Net On-balance sheet liquidity gap	(711,785)	**(221,207)**	**(221,207)**	**(7,952,579)**	**11,258,181**	**17,209,60**
Guarantees	4,366,530	-	-	-	-	4,366,530
Letters of credit	126,712	-	-	-	-	126,712
Irrevocable unutilised facilities	623,244	-	-	-	-	**623,244**
Total off balance sheet notional position	5,116,486	-	-	-	-	**5,116,486**
Total on and off-balance sheet net liquiditygap	**4,404,701**	(221,207)	(7,952,579)	11,258,181	14,836,991	22,326,087

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. **Financial risk management objectives and policies (Continued)**

c) Market risk (Continued)

iii) Price risk (Continued)

At 31 December 2020	Up to 1 Month Frw 000	1-3 Months Frw 000	3 - 12 Months Frw 000	1-5 Years Frw 000	Over 5 years Frw 000	Total Frw 000
Assets	941,492	-	-	-	-	941,492
Cash	2,179,813	-	-	-	-	2,179,813
Balances with Central Bank	3,397,818	-	-	-	-	3,397,818
Due from banking institutions	185,440	1,016,950	5,188,860	2,720,421	4,810,500	13,922,171
Government securities	4,730,368	5,287,150	3,186,299	11,626,218	7,965,803	32,795,838
Loans and advances to customers	-	55,773	-	-	-	55,773
Swap Derivative asset	-	-	-	-	1,286,617	1,286,617
Lease commitments	339,661	1,434,662				1,774,323
Other assets	11,774,592	7,794,535	8,375,159	14,346,639	14,062,920	56,353,845
Liabilities						
Customer deposits	33,910,131	1,948,200	6,632,429	140,386	-	42,631,146
Balances due to group companies	831,488	-	-	-	-	831,488
Other liabilities	705,575	2,086,770	-	-	-	2,792,345
Total liabilities	35,447,194	**4,034,970**	**6,632,429**	**140,386**	-	**46,254,979**
Net on- balance sheet liquidity gap	(23,672,602)	**3,759,565**	**1,742,730**	**14,206,253**	**14,062,920**	**10,098,866**
Guarantees	4,473,641	-	-	-	-	**4,473,641**
Irrevocable un-utilized facilities	31,380	-	-	-	-	31,380
Total off balance sheet notional position	4,505,021	-	-	-	-	4,505,021
Total on and off-balance sheet net liquidity gap	(19,167,581)	**3,759,565**	**1,742,730**	**14,206,253**	**14,062,920**	**14,603,887**

3. Financial risk management objectives and policies (Continued)

The matching and controlled mismatching of the maturities of assets and liabilities and interest rates thereon is fundamental to the management of the Company. It is unusual for banks to ever be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability but can also increase the risk of losses.

e) Market risk sensitivity analysis

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control risk exposures within acceptable limits, while optimising return. Overall responsibility for the management of market risk rests with the Assets and Liabilities Committee. The Bank's Treasury and Risk divisions are responsible for the development of detailed risk management policies.

The bank is exposed to risks associated with the effects of fluctuations in prevailing levels of market interest. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. At 31 December 2020, the effect of a 100 basis points change in net interest margin would have resulted in an increase or decrease of Frw 105 million (2019 – Frw 81.5 million) on the profit after income tax expense

The Bank operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the Sterling pound, the Euro, the Kenya shilling, the Uganda shilling and the Tanzania shilling. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operations. Foreign exchange risk arising from future commercial transactions and recognised assets and liabilities are managed through use of forward contracts. Currency exposure arising from the net assets of foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

At 31 December 2020, had the Rwanda franc weakened or strengthened against the US dollar by 5% with all other variables held constant the profit after income tax expense would have been Frw 8.1 million (2019 - Frw 5.1 million) higher or lower mainly as a result of dollar denominated loans and advances and placements with other banks.

At 31 December 2020 had the Rwanda franc weakened or strengthened against the Sterling pound, by 5% with all other variables held constant, profit after income tax expense would have been Frw 1.2 million (2019 Frw 1.5 million) higher or lower mainly as a result of Sterling pound denominated loans placements with other banks.

The bank did not have significant transactions in the other currencies in the year 2020.

f) Capital management

The bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are to comply with the capital requirements set by the regulators and safeguard the bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders as well as maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored regularly by the directors, employing techniques based on guidelines developed by the Basel Committee, as implemented by the regulatory authorities for supervisory purposes. Returns on capital adequacy are filed with the regulators on a regular

3. Financial risk management objectives and policies (Continued)

f) Capital management (Continued)

basis.

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control risk exposures within acceptable limits, while optimising return. Overall responsibility for the management of market risk rests with the Assets and Liabilities Committee. The Bank's Treasury and Risk divisions are responsible for the development of detailed risk management policies.

The bank is exposed to risks associated with the effects of fluctuations in prevailing levels of market interest. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. At 31 December 2020, the effect of a 100 basis points change in net interest margin would have resulted in an increase or decrease of Frw 105 million (2019 – Frw 81.5 million) on the profit after income tax expense

The Bank operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the Sterling pound, the Euro, the Kenya shilling, the Uganda shilling and the Tanzania shilling. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operations. Foreign exchange risk arising from future commercial transactions and recognised assets and liabilities are managed through use of forward contracts. Currency exposure arising from the net assets of foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

At 31 December 2020, had the Rwanda franc weakened or strengthened against the US dollar by 5% with all other variables held constant the profit after income tax expense would have been Frw 8.1 million (2019 - Frw 5.1 million) higher or lower mainly as a result of dollar denominated loans and advances and placements with other banks.

At 31 December 2020 had the Rwanda franc weakened or strengthened against the Sterling pound, by 5% with all other variables held constant, profit after income tax expense would have been Frw 1.2 million (2019 Frw 1.5 million) higher or lower mainly as a result of Sterling pound denominated loans placements with other banks.

The bank did not have significant transactions in the other currencies in the year 2020.

f) Capital management

The bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are to comply with the capital requirements set by the regulators and safeguard the bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders as well as maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored regularly by the directors, employing techniques based on guidelines developed by the Basel Committee, as implemented by the regulatory authorities for supervisory purposes. Returns on capital adequacy are filed with the regulators on a regular basis.

The level of capital is reviewed on an annual basis and is determined principally by the level of business growth realised during the period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management objectives and policies (Continued)

In Rwanda, the Central Bank requires each banking institution to:

a) hold a minimum level of regulatory capital of Frw 20 billion by the yar 2022;
b) maintain a ratio of core capital to the risk-weighted assets at a minimum of 12.5%;
c) maintain a ratio of total capital to risk-weighted assets at a minimum of 15%.

During the year under review, NCBA Bank Rwanda Plc maintained capital adequacy ratios at levels above the stipulated minimum regulatory benchmarks. In line with Basel and local regulatory guidelines, total capital is divided into two tiers as follows:

- Tier 1 capital (core capital): comprises share capital, share premium and retained earnings.
- Tier 2 capital (supplementary capital): comprises 25% (subject to regulatory approval) of property revaluation reserves, statutory credit risk reserve, subordinated debt not exceeding 50% of tier I capital and hybrid capital instruments. Qualifying tier II capital is limited to 100% of tier I capital.
- statutory credit risk reserve qualifying as tier II capital cannot exceed 1.25% of risk weighted assets total value.

Risk weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of (and reflecting an estimate of the credit risk associated with) each asset and counterparty. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses. The table below summarises the composition of regulatory capital and capital adequacy ratios of NCBA bank as at 31 December 2020.

	2020 Frw 000	2019 Frw 000
Tier I capital	11,299,964	6,377,427
Adjustment	282,400	301,979
Total capital	11,582,364	6,679,406
Risk-weighted assets		
Credit risk weighted assets	37,468,490	21,959,154
Market risk weighted assets equivalent	3,069,975	101,242
Operational risk equivalent assets	2,588,493	2,097,927
Total risk-weighted assets	**43,126,958**	**24,158,323**

	2020	2019
Tier I	26.2%	26.4%
Total capital	26.9%	26.4%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management objectives and policies (Continued)

f) Capital management (Continued)

The decrease in total and core capital can be attributed to the Net of capital injected through new investment and losses for the year.

Fair value estimation

The valuation hierarchy, and types of instruments classified into each level within that hierarchy, is set out below:

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Financial risk management objectives and policies (Continued)

f) Capital management (Continued)

Fair value estimation (Continue)

FRW '000	Carrying amount	Fair value	Quoted prices in active market Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
31 December 2020					
Government securities at amortised cost	13,922,171	17,402,714	-	17,402,714	-
Loans and advances	32,795,838	40,939,444	-	40,939,444	-
Cash and balances with BNR	3,121,305	3,121,305	3,121,305	-	-
Due from other banks	3,397,818	3,397,818	3,397,818	-	-
Derivative asset	55,773	55,773		55,773	-
31 December 2019					
Government securities at amortised cost	7,253,016	9,070,100	-	9,070,100	-
Loans and advances	18,539,935	20,865,551	-	20,865,551	-
Cash and balances with BNR	4,507,952	4,507,952	4,507,952	-	-
Due from other banks	751,118	751,118	751,118	-	-
Derivative asset	1,856		1,856	-	-

4. Critical accounting estimates and judgements in applying accounting policies

The bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are continually evaluated and are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

i) Critical accounting estimates

(a) Impairment losses on loans and receivables

The bank reviews its loan and receivables portfolio to assess impairment on a continuous basis. In determining whether an impairment loss should be recorded in the profit and loss account, the bank makes judgement as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans and advances before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the bank.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Critical accounting estimates and judgements in applying accounting policies (Continued)

i) Critical accounting estimates (Continued)

(a) Impairment losses on loans and receivables (Continued)

The directors use estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Were the net present value of estimated cash flows differ by +/-1%, the impairment loss is estimated to be Frw 66 million higher or lower (2019: 25 million).

(b) Lease term

In determining the lease term, management has applied 10 years in regard to the head office and the branch at Kigali Heights, this driven by management's view on the significant investment made on these premises as well as that there are currently no plans for relocation. For Kigali Height, La bonne and down town branches management have applied a period of 10, 2 and 6 years respectively without extension period as these were legacy branches for which options are still being evaluated, the period is hence aligned to the current lease period. Had a period of 10 years been applied to all branches then right of use asset and lease liability would have increased to Rwf 2.0 billion and 2.2 billion respectively.

For the other assets such as data backup centre a period of 3 years has been applied

ii) Significant judgement

(a) Income taxes

The Bank is subject to taxation laws of Rwanda. Significant estimates are required in determining the provision for income taxes. There may be transactions and calculations, during the normal course of business, whose ultimate tax impact determination has an element of uncertainty. In determining the interpretation and/or application of the various tax rules, disputes may arise with the relevant tax authorities, of which the outcome may not be favourable to the bank. In such cases, the Bank relies on internal management expertise and where relevant, seeks expert advice to determine whether the unfavourable outcome is probable or possible.

Where objective estimates of the potential tax liabilities that may crystallise from such tax disputes are determinable, the Bank recognises provision in line with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets principles. In such cases, if the final tax determination is different from the amounts that were initially recorded, the difference will impact the current income tax and deferred income tax provisions in the period in which such determination is made.

Where payment is determined to be possible but not probable, the tax exposure is disclosed as a contingent liability.

5. Interest and credit related income

	2020 Frw 000	2019 Frw 000
Customer loans and advances – main banking business	3,028,237	1,960,516
Government securities at amortised cost	1,121,721	650,832
Customer loans and advances – Mobile loans	995,637	939,872
	5,145,595	3,551,220

6. Interest expense

	2020 Frw 000	2019 Frw 000
Customer deposits	2,019,229	1,074,705
Due to banking institutions	116,488	89,016
Finance cost (IFRS 16 – lease liability) – Note 20	144,352	159,533
	2,280,069	**1,323,254**

7. Fees and commission income

Service and transaction fees	210,885	92,102
Other	299,187	296,962
	510,072	**389,064**

8. Foreign exchange income

Realised gains	419,966	130,947
Unrealized gains (losses)	3,855	(52,469)
	423,821	**78,478**

9. Expenses by nature

	2020 Frw 000	2019 Frw 000
Employee benefits (Note 10)	1,451,247	1,044,804
Depreciation of property and equipment (Note 17)	303,888	327,595
Depreciation of right of use asset	302,764	307,469
Rental charges – staff houses with leases of less than a year	14,086	11,125
License fees for banking systems	255,060	392,565
Marketing and publicity	192,540	59,044
Telephone and internet costs	327,864	290,589
Amortization of intangible assets (Note 18)	58,249	5,501
ATM expenses	38,126	22,485
Audit fees	34,526	32,673
Depositor guarantee fund	9,239	6,538
Directors fees	155,373	121,323
Fuels, lubricants and motor vehicle expenses	37,992	39,677
Insurance	51,677	40,282
Legal and consultancy fees	92,126	17,417
Others	327,428	379,998
Postage, photocopy and printing	53,437	38,883
Professional fees	364,742	171,535
Repairs and maintenance	216,024	257,794
Security and cash in transit	68,136	67,349
Subscription to banking and dealing platforms	33,807	89,645
Tax on imported services	64,831	97,509
Travel and accommodation expenses	66,034	119,203
Utility and electricity expenses	18,356	39,828
	4,537,552	3,980,831

10. Employee benefits

Salaries and allowances	1,274,755	860,234
Contribution to National pension scheme	58,881	72,862
Training	8,734	26,301
Medical	66,795	50,180
	42,082	35,227
	1,451,247	**1,044,804**

11. Income tax expense

	2020 Frw 000	2019 Frw 000
Current income tax expense	-	-
Deferred income tax (note 19)	(9,149)	12,526
	(9,149)	12,526

11. Income tax expense (Continued)

The income tax based on the bank's loss before income tax differs from the theoretical amount that would arise using the statutory income tax rate applicable as follows:

	2020 Frw 000	2019 Frw 000
loss before income tax	(1,510,167)	(1,735,322)
Tax calculated at the statutory income tax rate of 30% (2019 - 30%)	(453,050)	(520,597)
Expenses not deductible for tax purposes	120,208	124,024
Income not assessable for tax purposes		-
Deferred tax not recognized	323,693	409,099
Income subject to tax at reduced rate		
	(9,149)	12,526

12. a) Cash

	2020 Frw 000	2019 Frw 000
Cash in hand	941,492	1,619,482
Balances with National Bank of Rwanda	2,179,813	2,888,470
	3,121,305	4,507,952

12. b) Analysis of cash and cash equivalents

	2020 Frw 000	2019 Frw 000
Cash in hand	941,492	1,619,482
Due from the National Bank	2,179,813	2,888,470
Deposits due from other banking institutions	3,397,818	751,118
	6,519,123	5,259,070

*Interbank placements/Repos relate to short term investments with other banks with a period of less than 90 days from the date of acquisition in line with IAS 7, paragraph 7.

13. a) Government securities

	2020 Frw 000	2019 Frw 000
Treasury bills – amortised cost	5,989,652	4,395,942
Fixed rate Treasury bonds – amortised cost	7,932,519	2,857,074
	13,922,171	7,253,016
Comprising:		
Treasury bills and bonds maturing within 91 days from date of acquisition	1,202,390	1,831,255
Treasury bills and bonds maturing after 91 days but within 364 days from date of acquisition	5,188,860	2,366,484
Treasury bills and bonds maturing after 364 days from date of acquisition	7,530,921	3,055,277
	13,922,171	7,253,016

	2020 Frw 000	2019 Frw 000
Derivative financial instrument (currency swap)	55,773	1,856

The derivative financial instrument relates to a currency swap deal entered between the Bank and Central Bank measured at fair value through profit or loss.

13. b) Government securities

2020	Amount in Currency	Fair Value Frw 000
NPV of asset (USD) – using discount rate of 2.27% (Libor rate)	600	589,808
NPV of Liability (FRW) – using discount rate of 7.5% (BNR 1-year yield curve)	(541,914)	(534,035)
Derivative asset - Net		55,773

2019	Amount in Currency	Fair Value Frw 000
NPV of asset (USD) – using discount rate of 2.27% (Libor rate)	1,200	1,135,468
NPV of Liability (FRW) – using discount rate of 7.5% (BNR 1-year yield curve)	(1,193,756)	(1,133,614)
Derivative asset - Net		**1,856**

14. Due from banking institutions

	2020 Frw 000	2019 Frw 000
Current accounts, overnight and call deposits	3,397,818	751,118
	3,397,818	751,118

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Loans and Advences to customers

a) Analysis of loan advances to customers by category:

	2020 Frw 000	2019 Frw 000
Term loans	31,459,106	16,259,391
Overdrafts	2,814,939	2,978,113
	34,274,045	19,237,504
Gross loans and advances		
Less: Expected credit loss		
- Stage 3	(971,398)	(625,952)
- Stage 1 and 2	(506,809)	(71,617)
	(1,478,207)	(697,569)
	32,795,838	18,539,935

Movements in provisions for impairment of loans and advances are as follows:

	2020 Frw 000	2019 Frw 000	Total Frw'000
Year ended 31 December 2020	524,524	173,045	697,569
At 1 January	430,496	566,922	997,418
Charge for the year		(216,780)	(216,780)
Loans written off during the year as uncollectible			
	955,020	523,187	1,478,207
At 31 December 2020			
Year ended 31 December 2019			
At 1 January	(80,541)	504,027	423,486
Charge for the year	605,065	(17,558)	587,507
Loans written off during the year as uncollectible		(313,424)	(313,424)
At 31 December 2019	524,524	173,045	697,569

b) Impairment charges on loan and advances during the year

	2020 Frw 000	2019 Frw 000
Provision for loan impairment	997,418	587,507
Amounts recovered during the year	(225,384)	(137,508)
	772,034	449,999

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Loans and Advences to customers (Continued)

All the balances due from banking institutions had maturities of less than 91 days from date of placement.

The table below shows the movement in gross customer loans and advances

Loans and advances to customers at amortised cost	Stage 1 12-month ECL Frw 000	Stage 2 12-month ECL Frw 000	Stage 3 12-month ECL Frw 000	Total Frw 000
Gross carrying amount as at 31 December 2019	15,433,110	3,614,217	190,177	19,237,504
New issued loans and advances				-
– Transfer to stage 1 from stage 2	1,877,172	(1,877,172)	-	-
– Transfer to stage 2 from stage 1	(464,532)	464,532	-	-
– Transfer to stage 3 from stage 1	-	-	-	-
– Transfer to stage 3 from stage 2	-	(2,656,271)	2,656,271	-
New financial assets originated or purchased	14,378,849	1,055,782	138,187	15,572,818
Write off			(536,277)	(536,277)
Gross carrying amount as at 31 December 2020	31,224,599	601,088	2,448,358	34,274,045
			(536,277)	(536,277)
	31,224,599	**601,088**	**2,448,358**	**34,274,045**

Loss allowance – Loans and advances to customers at amortised cost				
Loss allowance as at 31 December 2019	60,281	442,915	173,045	676,241
– Transfer to stage 1 from stage 2	32,772	(32,772)	-	-
– Transfer to stage 2 from stage 1	(259)	259	-	-
– Transfer to stage 3 from stage 2		(448,212)	448,212	-
Net new impairment created (Released)	378,175	68,402	566,922	1,013,499
Write off	-	-	(216,780)	(216,780)
Loss allowance as at 31-Dec-2020	470,969	30,592	971,398	1,472,960

The table below shows the movement in off balance sheets

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Loans and Advances to customers (Continued)

Off balance sheets to customers	Stage 1 12-month ECL Frw 000	Stage 2 12-month ECL Frw 000	Stage 3 12-month ECL Frw 000	TOTAL Frw 000
Gross carrying amount as at 31 December 2019	4,483,879	9,363		4,493,242
New issued loans and advances				
– Transfer to stage 1 from stage 2				
– Transfer to stage 2 from stage 1				
– Transfer to stage 3 from stage 1				
– Transfer to stage 3 from stage 2				
New financial assets originated or purchased	328,095	444		328,539
Write off				
Gross carrying amount as at 31 December 2020	4,811,974	9,807		4,821,781
Loss allowance – Loans and advances to				
customers at amortised cost				
Loss allowance as at 31 December 2019	21,328			21,328
– Transfer to stage 1 from stage 2				
– Transfer to stage 2 from stage 1				
– Transfer to stage 3 from stage 2				
Net new impairment created (Released)	(16,081)			(16,081)
Write off				
Loss allowance as at 31-Dec-2020	5,247			5,247

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Loans and Advances to customers (Continued)

To best estimate the impact of COVID-19 on the ECL provision the following considerations have been applied:

1. Staging adjustment:

A detailed analysis has been performed over each client and what the potential impact of COVID-19 would be on the client's business. In performing this analysis the industry in which the client operates as well as their potential to recover after the lockdown period was evaluated.

Where it was determined that COVID-19 would have a material impact on the clients business the client was deemed to have an increase in credit risk and was moved to a higher credit risk stage. The current performance and operations of the business under COVID-19 conditions and its current ability to make payments was also considered in determining whether there has been an increase in credit risk.

2. PD adjustment:

The bank runs a model with multiple set of macro-economic variables and runs correlation statistics to identify the top three variables which have the biggest possible effect on PD adjustment. The correlation test during the COVID period has shown the following variables as the most likely to impact the PD. The simulation for their respective impact is shown below:

a) Inflation: Consumer price inflation
b) Fiscal: Total revenue
c) Exchange rate

3. LGD adjustment:

The bank has adjusted the realisation period of collateral from 2 years to 3 years. This resulted to an additional expected credit loss of Frw 264 million

Forward-looking information incorporated in the ECL model

The Company obtained macroeconomic forecasts from external sources in order to incorporate forward looking information ("FLI") in the ECL model. The main macro-economic factors utilised were inflation, fiscal revenue and exchange rate forecasts in order to estimate the forward-looking impact on the IFRS9 ECL provision

Original Balances	Stage 1	Stage 2	Stage 3	Total	Impact	Cumulative Impact
Total ECL before COVID impact	479,142	(316,646)	1,051,905	1,214,401	-	-
Staging COVID Impact	479,142	(313,375)	1,051,905	1,217,672	3,271	3,271
LGD COVID Impact	509,636	(287,048)	1,255,619	1,478,207	263,806	267,077
PD COVID	509,636	(287,048)	1,255,619	1,478,207	-	267,077

16. Other assets

	2020 Frw 000	2019 Frw 000
Deposits and prepayments	1,053,991	940,365
Items in the course of collection	127,934	88,556
Excess of market value of staff loans	207,971	325,616
Other receivables	384,427	21,641
	1,774,323	1,376,178

17. Property and equipment

December 2020	Leasehold improvements Frw'000'	Computer and IT equipment Frw'000'	ATM equipment Frw'000'	Motor vehicles Frw'000'	Furniture, fittings & equipment Frw'000'	Capital Work In Process I Frw'000'	Total Frw'000'
1 January 2020							
Cost							
At 1 January 2020	962,329	1,232,070	150,243	38,103	697,100	-	3,079,845
Additions	-	44,274	62,023	93,906	-	542,082	742,284
Write offs	-	(115,794)	(146,403)	-	-	-	(262,197)
Disposal	-	-	-	(7,278)	-	-	(7,278)
As at 31-December-2020	962,329	1,160,549	65,864	124,730	697,100	542,082	3,552,653
Depreciation							
At 1 January 2020	112,245	986,282	148,585	38,103	367,263	-	1,652,478
Charge for the period	48,116	109,684	1,651	13,695	130,742	-	303,888
Disposal	-	-	-	(7,278)	-	-	(7,278)
Write offs	-	(115,794)	(146,403)	-	-	-	(262,197)
As at 31-December-2020	160,361	980,171	3,834	44,520	498,005	-	1,686,891
Net book value	801,968	180,378	62,030	80,210	199,095	542,082	1,865,762
Cost							
At 1 January 2019	962,329	1,226,478	150,243	38,103	649,943	-	3,027,096
Additions	-	5,592	-	-	47,157	-	52,749
As at 31 December 2019	962,329	1,232,070	150,243	38,103	697,100	-	3,079,845
Depreciation							
At 1 January 2019	66,185	805,081	102,292	38,103	313,222		1,324,883
Charge for the year	46,060	181,201	46,293	-	54,041		327,595
As at 31 December 2019	112,245	986,282	148,585	38,103	367,263	-	1,652,478
Net book value	850,084	232,421	1,658	-	343,204	-	1,427,367

18. Intangible assets

	2020 Frw 000	2019 Frw 000
Cost		
At 1 January	1,050,377	972,596
Relocation	11,737	-
Additions	306,171	77,781
	1,368,285	1,050,377
As at 31-December		
Amortisation		
At 1 January	(916,261)	(910,760)
Relocation	(11,738)	
Charge for the year	(58,249)	(5,501)
At 31 December	(986,248)	(916,261)
Net book value	382,037	134,116

Intangible assets comprise capitalised computer software costs which are amortised over estimated useful lives of three to ten years. Remaining useful lives of these intangible assets vary but do not exceed ten years.

19. Right of use assets

	2020 Frw 000	2019 Frw 000
Cost		
At 1 January	1,782,116	1,782,116
Additions	114,733	-
	1,896,849	1,782,116
Accumulated depreciation		
At 1 January	(307,469)	-
Amortization for the year	(302,763)	(307,469)
	(610,232)	(307,469)
Closing balance	1,286,617	1,474,647

The Company leases office and branch premises. Rental contracts are typically made for fixed periods between 2 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. Lease liability

	2020 Frw 000	2019 Frw 000
At 1 January	1,518,191	1,897,314
Additions during the year	114,733	-
Interest expense (included in finance cost)	144,352	133,911
	1,777,276	2,031,225
Deposit held by lessor	-	(37,124)
Cash settlements	(512,626)	(475,910)
Total repayments	(512,626)	(513,034)
Closing balance	1,264,650	1,518,191

21. Deferred income tax

	2020 Frw 000	2019 Frw 000
At start of year	199,437	186,911
Charge/(credit) for the year	(9,149)	12,526
At end of year	190,288	199,437

Deferred income tax assets and liabilities, deferred income tax credit in profit or loss and deferred income tax charge in shareholders' equity are attributable to the following items:

Year ended 31 December 2019	At start of year Frw 000	Credited / (debited) to profit or loss Frw 000	Credited to revaluation reserve Frw 000	At end of year Frw 000
Deferred income tax assets				
Property and equipment	(186,909)	(12,528)	-	(199,437)
Provisions for staff leave and unidentified impairment losses	35,682	88,817	-	124,499
Accumulated tax losses	625,363	320,284	-	945,647
	474,136	396,573	-	870,709
Deferred tax not recognised	(661,047)	(409,099)	-	(1,070,146)
Net deferred income tax asset / (liability)	**(186,911)**	**(12,526)**	**-**	**(199,437)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Deferred income tax (Continued)

Year ended 31 December 2020	At start of year Frw 000	Credited / (debited) to profit or loss Frw 000	Credited to revaluation reserve Frw 000	At end of year Frw 000
Deferred income tax assets				
Property and equipment	(199,437)	9,149	-	(190,288)
Provisions for staff leave and unidentified impairment losses	124,499	(74,415)	-	50,084
Accumulated tax losses	945,647	398,108	-	1,343,755
	870,709	332,842	-	1,203,551
Deferred tax not recognised	(1,070,146)	(323,693)	-	(1,393,839)
Net deferred income tax asset / (liability)	**(199,437)**	**9,149**	**-**	**(190,288)**

22. Customer deposits

	2020 Frw 000	2019 Frw 000
Current accounts	15,809,962	4,630,471
Call deposits	-	-
Time deposits	8,678,110	9,172,719
Savings accounts	16,723,087	6,786,958
	41,211,159	20,590,148

Maturity analysis of deposits from customers
The maturity analysis is based on the remaining periods to contractual maturity from year end.

Repayable on demand	32,533,049	11,363,254
Maturing within 12 months	8,678,110	9,226,894
	41,211,159	20,590,148

All the balances due to banking institutions had maturities of less than 91 days from date of placement.

23. Other Liabilities

	2020 Frw 000	2019 Frw 000 Restated	2018 Frw 000 Restated
Clearing items	1,076,665	29,930	125,660
Taxes withheld not due	75,909	46,268	98,263
Margins	635,429	270,558	105,414
Provisions and other items	1,003,295	225,035	102,718
	2,791,298	571,791	432,055

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. Share Capital

	December Number of shares (thousands)	December Value Frw 000	January Number of shares (thousands)	January Value Frw 000
At 31 December and 1 January 2019	1,539	15,399,604	848	8,484,691
Issued and fully paid				
At 31 December and 1 January 2020	2,140	21,399,604	1,566	15,661,801

The number of authorized shares is 2,140,180 They fully paid

25. Off-balance sheet financial instruments, contingent liabilities, commitments

In common with other banks, the bank conducts business involving acceptances, guarantees, performance bonds and indemnities. These facilities are obligations on behalf of customers, in the normal course of business, matched and with recourse. In addition, there are other off-balance sheet financial instruments including foreign exchange forward contracts for the purchase and sale of foreign currencies, the nominal amounts of which are not reflected in the balance sheet.

	2020 Frw 000	2019 Frw 000
Contingent liabilities		
Guarantees	4,473,641	4,366,530
Letters of credit	348,140	126,712
	4,821,781	**4,493,242**

Nature of off-balance sheet financial instruments and contingent liabilities

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

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented and reimbursement by the customer is normally immediate.

Guarantees are generally written by the Bank to support performance by a customer to a third party. The Bank would only be required to meet these obligations in the event of default by a customer.

Nature of commitments

Commitments to lend are agreements to lend to a customer in future, subject to certain conditions, and are normally for a fixed period. The bank may withdraw from its contractual obligation for the un-drawn portion of agreed overdraft limits by giving reasonable notice to a customer.

Foreign exchange forward contracts are agreements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed price.

26. Related parties

The ultimate Parent company is NCBA Group Plc. which is incorporated in Kenya. Parties are considered related if one party has the ability to control the other party or exercise significant influence over that party's financial or operational decisions. In the normal course of business, current accounts are operated, and placements made between the Group companies at interest rates in line with the market. The relevant balances at the end of the year and income / expense thereon are shown below:

26. Related parties (Continued)

	2020 Frw 000	2019 Frw 000
Related party deposits	172,086	81,202

The above deposits are from directors, companies on whose boards the directors serve and from companies with common shareholders as the bank.

Key management compensation

	2020 Frw 000	2019 Frw 000
Salaries and other short term employment benefits	584,084	549,003
Post-employment benefits	66,795	72,862
	650,879	549,003

Key management personnel are described as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any director.

Directors renumeration

	2020 Frw 000	2019 Frw 000
Fees for services as directors	155,373	121,323

Balances due to group companies

	2020 Frw 000	2019 Frw 000
NCBA Group Plc	831,488	608,716

The intercompany balances relate to amount advanced by NCBA Group Plc to the Mobile Savings and loan business for float management. Most of these balances are held as float with the mobile network.

Syndicated loans

Name of customers	2020 Frw 000	2019 Frw 000
Bugesera Airport Company Ltd	4,471,095	3,000,000
Mark Cables Fze Rwanda Ltd	3,790,219	1,486,345
	8,261,314	4,486,345

Syndicated loans are jointly provided to the borrowers by the bank and the parent on the same loan terms.

27 Prior year adjustments

a) PPE items disallowed from capitalisatio

Following regulatory guidance on the inadmissibility to share capital of fixed assets previously granted by the shareholder in 2017 and 2018 of Frw 262,197,000. Directors have now elected to account for these donations as below restating the financial statements:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 Prior year adjustments (Continued)

a) PPE items disallowed from capitalisation (Continued)

During the period under review, property, plant and equipment whose cost was Fra 262,197,000 made up of 4 ATMs (Frw 146,403,000) and server equipment (Frw 115,794,000) which had been brought into the bank by the shareholders as capital in kind have been written off from the share capital account to comply with a guidance from the regulator. The assets were fully depreciated and therefore adjusted through retained earnings

	Frw 000
Capital awaiting allotment	5,777,110
As previously reported	(262,197)
PPE items disallowed from capitalisation	5,514,913

	Frw 000
Revenue reserve	(7,167,739)
As previously reported	262,197
PPE items disallowed from capitalisation	(6,905,542)

b) Retained earnings from Mokash

In prior years, retained earnings from Mokash line of business was erroneously netted off with other liabilities during consolidation of the Bank's accounts. This has been corrected retrospectively where Mokash retained earnings has been reclassified from other liabilities to the Bank's retained earnings.

	Frw 000
Year ended 31 December 2019	
Other liabilities	
As previously reported	1,104,473
profit from Mokash previously reported in other liabilities	(532,682)
As restated	571,791
Retained earnings	
As previously reported	(9,030,783)
PPE items disallowed from capitalization – Note 27 (a)	262,197
profit from Mokash previously reported in other liabilities	532,682
As restated	(8,235,904)
Year ended 31 December 2018	
Other liabilities	
As previously reported	508,548
profit from Mokash previously reported in other liabilities	(76,493)
As restated	432,055
Retained earnings	
As previously reported	(7,167,739)
PPE items disallowed from capitalization - Note 27 (a)	262,197
profit from Mokash previously reported in other liabilities	76,493
As restated	(6,829,049)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 Prior year adjustments (Continued)

a) PPE items disallowed from capitalisation (Continued)

	2019 As previously reported	Prior year adjustments Frw 000	As restated Frw 000	2018 As previously reported	Prior year adjustments	Restated Frw 000
ASSETS						
Cash and balances with National Bank of Rwanda	4,507,952	-	4,507,952	2,030,132	-	2,030,132
Due from banking institutions	751,118	-	751,118	4,858,110	-	4,858,110
Government securities at amortised cost	7,253,016	-	7,253,016	8,442,907	-	8,442,907
Derivative asset	1,856	-	1,856	-	-	-
Customer loans and advances	18,539,935	-	18,539,935	7,113,221	-	7,113,221
Other assets	1,376,178	-	1,376,178	1,063,096	-	1,063,096
Intangible assets	134,116	-	134,116	61,837	-	61,837
Property and equipment	1,427,367	-	1,427,367	1,702,213	-	1,702,213
Right of use asset	1,474,647	-	1,474,647	-	-	-
Total assets	35,466,185	-	35,466,185	25,271,516	-	25,271,516
LIABILITIES						
Customer deposits	20,590,148		20,590,148	16,636,282	-	16,636,282
Balances due to banks	4,814,202		4,814,202	-	-	-
Due to group companies	608,716		608,716	845,713	-	845,713
Lease liability	1,518,191		1,518,191	-	-	-
Other liabilities	1,104,473	(532,682)	571,791	508,548	(76,493)	432,055
Deferred income tax	199,437		199,437	186,911	-	186,911
Total liabilities	28,835,167	(532,682)	28,302,485	18,177,454	(76,493)	18,100,961
SHAREHOLDERS' EQUITY						
Share capital	15,661,801	(262,197)	15,399,604	8,484,691		8,484,691
Capital awaiting allotment	-	-	-	5,777,110	(262,197)	5,514,913
Revenue reserve	(9,030,783)	794,879	(8,235,904)	(7,167,739)	338,690	(6,829,049)
Total shareholders' equity	6,631,018	532,682	7,163,700	7,094,062	76,493	7,170,555
Total liabilities and shareholders' equity	35,466,185	-	35,466,185	25,271,516	-	25,271,516

OTHER DISCLOSURES

III. Statement of Other Disclosures

	Audited 31-Dec-20 Frw'000'	Audited 31-Dec-19 Frw'000'
i. Capital Strength		
(1) Capital Strength		
a. Core Capital (Tier1)	11,309,296	6,306,961
b. Supplementary Capital (Tier 2)	-	-
c. Total Capital	11,849,866	6,628,395
d. Total risk weighted assets	43,245,596	25,714,683
e. Core capital/Total risk weighted assets ratio	26.2%	24.5%
f. Tier 1 ratio	26.2%	25.8%
g. Total capital/total risk weighted assets ratio	27.4%	25.8%
h. Tier 2 Ratio	-	-
i. Leverage ratio	17.0%	16.8%
ii. Credit Risk		
(1) Total gross credit risk exposures	**31-Dec-20**	**31-Dec-19**
a. On-balance sheet exposure	34,635,765	19,237,503
b.Guarantees, commitments given (off balance sheet)	4,473,641	4,443,933
c. Financing commitments given (Off balance sheet)	2,726,207	1,157,544
d. Letter of credits	348,140	117,842
e. Total gross credit risk exposures	**42,183,753**	**24,956,822**
f. Credit Risk Weighted Assets	37,587,928	23,494,482
g. Credit Risk Weighted Assets/RWA	87%	91%
(2) Average gross credit Exposure (Average between December 2019 and Dec 2020)		
a. Loans	19,266,710	12,826,578
b .Commitments	1,941,876	-
c. Guarantees	4,458,787	4,166,583
d. Letters of credit	232,991	-
e. Debt securities	-	1856
f. OTC derivatives	28,815	1,856
(3) Regional Exposure		
a. East Province	95,176	148,012
b. Kigali City	31,240,824	16,848,542
c. North Province	-	201,587
d. South Province	1,858,582	3,281
e. Mobile Loans	1,439,459	1,338,513
f. Total on balance sheet credit exposure	34,634,042	18,539,934

OTHER DISCLOSURES (Continued)

(4) Sector Distribution of Exposures		
a. Infrastructure and construction	7,433,739	5,859,158
b. Manufacturing	7,881,475	2,556,609
c. Services and commerce	11,099,685	4,432,228
d. Others	8,220,866	5,691,940
e. Total on-balance sheet exposures	**34,635,765**	**18,539,935**
(5) Off Balance sheet Items		
a. Guarantees, commitments given (off balance sheet)	**4,473,641**	**4,443,933**
b. Financing commitments given (Off balance sheet)	2,726,207	1,157,544
c. Letters of credit	348,140	117,842
	7,547,988	5,719,319
(6) Non-performing loan indicators		
a. Non-performing loans	2,448,358	241,922
b. NPL Ratio	7.07%	1.26%
(7) Related parties		
a. Loans to directors, shareholders and subsidiaries	-	-
b. Loans to employees	992,955	993,597
(8) Restructured loans		
a. No. of borrowers	29	3
b. Amount outstanding	12,123,160	2,272,964
c. Provision thereon (regulatory):	104,039	68,188
d. Restructured loans as % of gross loans	35%	11.82%
iii. Liquidity Risk		
(1) Liquidity ratio		
Liquid assets available	20,441,294	12,512,086
Total deposit liabilities	41,211,159	25,404,350
Liquidity coverage ratio	122%	216%
(2) Net Stable Funding ratio		
Available stable funding	25,163,086	12,018,962
Required stable funding	7,062,278	3,375,244
NSFR	356%	356%

iv. Operational Risk

Number and type of frauds and their corresponding amount
Type: None | Number: None | Amount: Nil

v. Market Risk

a. Interest Risk	-	-
b. Foreign Exchange Risk	3,069,975	101,242
c. Equity Position	-	-
d. Market Risk/ RWA	1035.39%	0.39%

vi. Country Risk

a. Credit exposure Abroad	-	-
b. Other Assets Abroad	3,248,240	1,079,469
c. Liabilities due abroad	-	-

vii. Management and board composition

a. Number of Board members	8	8
b. Number of independent directors	6	6
c. Number of non-independent directors	2	2
d. Number of female directors	3	3
e. Number of male directors	5	5
f. Number of senior managers	11	10
g. Number of female senior managers	1	2
h. Number of male senior managers	10	8

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