NCBA
RWANDA PLC

ON THE PATH TO A GREAT FUTURE

2021 INTEGRATED ANNUAL REPORT AND FINANCIAL STATEMENTS

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Go for it

The path to being the best starts by putting customers first.

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ABOUT US

At NCBA, your success is our success. That's why everything we do is focused around helping you achieve your financial goals. Our aim is to provide you with exceptional financial services that enable you to save, invest and grow your wealth. By offering services that are simple and effective we strive to give you time for more, for things that matter most to you.

PRODUCTS LAUNCHED IN 2021

The bank offers tailored products and services for retail customers with attractive lending and deposit propositions. These include mortgages where customers can apply for the entire loan without the need for their own contribution (Mortgage 105%), asset finance, and personal loans among other loan types.

Customers can also benefit from attractive savings accounts, current accounts, and fixed-term deposits.

Asset Finance

The product was launched in July 2020 but gained momentum in 2021; the loan book was at RWF 3.6 billion RWF, and of that 2.9 billion was disbursed in 2021. The book grew by 73% between the years 2020 and 2021.

Asset Finance also referred to as Hire Purchase Finance or Instalment Sale Finance refers to loans extended to customers to finance investments in specific assets. The bank finances both new and used assets as long as they are comprehensively insured.

Customers can obtain moveable assets such as; commercial and personal vehicles, construction equipment, medical equipment, farming equipment, and Information technology equipment through asset finance. NCBA absorbs the burden of making lump-sum payments toward assets, encouraging its clients to go for it.

Mortgage 105%

With flexible repayment terms, competitive pricing, and up to 105% financing, becoming a homeowner is now an achievable goal. In partnership with the Development Bank of Rwanda, the Bank launched mortgage 105 in September 2021 a product that offers 105% Mortgage loans for affordable housing schemes with repayment periods of 20 years. with this product, the mortgage loan book for 2021 was at 1.3bn, increasing 30% from 2020.

Mortgage for rental investments with this financing solution, a customer can construct or buy and become a landlord with up to 70% financing, with a repayment period of 10 years depending on the project.

Digital Product

MoKash

MY SAVINGS, MY LOANS

MoKash is a mobile-focused banking product provided by MTN Rwanda in partnership with NCBAR. It was launched in 2017 as a critical financial inclusion product for MTN Mobile Money users with the advantage of choosing from a variety of banking products under MoKash to improve the MTN Mobile Money value proposition.

To date, Mokash currently serves 2,866,721 Million customers of which 39% are female and 61% are male. In particular, MoKash provides a savings and loan product that is practical, dependable, and economical for making micro-savings and taking micro-loans.

MoKash was launched in February 2017, the product has been disbursed from inception to the end of 2021 – a total of Rwf 60.1Billion. Disbursed in 2021 only – Rwf 27.6 Billion this is a 95% growth year to year from Rwf 14.2 Billion that was disbursed in 2020.

PEOPLE MANAGEMENT

NCBA Bank Rwanda Plc 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. Talent Management

Our HR strategy aims at attracting, developing, motivating and retaining top talent. In 2021, 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 89% through various initiatives that included career management programs such as succession planning, 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	PARTICIPANTS
AML/CFT Training	All New Staff
DMS Training for NCBA Connect	Branch Staff
Rwanda Academy of Finance 2- Train the Trainer	2 Management staff
Culture Immersion Training	All Bank Staff
CRM Training	Channels, Branches and Business Teams
Performance Management	Senior Management Team
Fraud Awareness Training	All Bank Staff
CASA Campaign Training	All Bank Staff
Mental Health Awareness Session	Senior Management Team
Effective Board Writing Training	Senior Management Team
Crisis Leadership Training	Senior Management Team
Product Training (Mortgage 105%)	All Bank Staff
Job Evaluation Training	Senior Management Team

KEY DATA	
No. of Interns absorbed	4
Staff promoted	12
Staff trained on new Culture	70
Total Turn-Over	2.70%
Average learning hours per employee	33
Annual Wellness Check Attendance	51
New Hires	22

Ratio of Promotions in 2021	**Women**	**Men**
Staff Promotions 12	8	4
Percentage	66%	33%

OUR VALUES

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

WE ARE DRIVEN

WE ARE OPEN

WE ARE RESPONSIVE

WE ARE TRUSTED

PEOPLE MANAGEMENT (Continued)

2. 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.

3. Employee Wellness

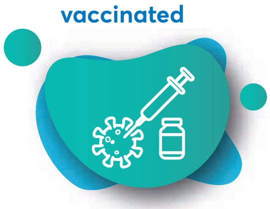
At NCBA Bank Rwanda, we recognize that an attractive Employee Value Proposition should deliver a great employee experience that includes outstanding Wellness Programs. As a result, the Bank has the following employee wellness programs;

Staff **Health Checks**

Regular Staff sensitizations on **Covid-19 prevention measures**

Employee Assistance and **Mental Health** Program

Covid-19 vaccination: **98%** of the employees have been **vaccinated**



Mother's Room

4. 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 provide staff with the opportunity to engage each other and with the Bank's leadership.

- Monthly departmental meetings to align on strategy and goals for each month.

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.

OUR STRATEGY

Our 5 Strategic Priorities

Over the next 5 years we will emerge as a major financial player in Africa by **investing in and prioritising 5 key areas:**

1 Become a Distinguished Brand Known For Customer Experience

2 Scale Retail Banking: Expand Distribution	3 Deepen Leadership in Corporate Banking & Asset Finance	4 Digital Transformation
• Thoughtfully grow our retail footprint to increase customer accessibility and gain relevance	• Build industry expertise in key growth sectors • Diversify and differentiate our Products • Develop strategic partnerships with key enablers	• Digitise the core bank • Reposition & scale Loop • Develop a Fintech to capture new markets & opportunities

5 Develop a High Performance Employee Culture

1. Becoming a distinguished brand known for Customer Experience:

The Bank takes customer experience as a top priority theme, ensuring that our customers receive quality service across all our touch points. Specific Customer experience metrics have been put in place and are tracked as part of employee performance. We value customer feedback which is incorporated in our employee training programs.

2. Scaling Up Retail Banking: Expanding Distribution:

One of the NCBA's strengths is its distribution channels especially the digital platforms which are aimed at offering exceptional customer experience, driving financial inclusion and using innovative techniques to reach our customers. We are focused on having at least one branch in all the provinces by 2024 to expand our countrywide outreach.

The Bank offers tailored products and services for the retail customers with attractive lending and deposit propositions. These include mortgages where customers can apply for the entire loan without the need for own contribution (Mortgage 105%), asset finance and personal loans among other loan types. Customers can also benefit from attractive savings accounts, current accounts and fixed term deposits.

3. Deepening leadership in Corporate Banking and Asset Finance:

NCBA's asset finance offering is one of the leading in the region, with a focus on customer experience, asset package, and turnaround time. The Bank plans to maintain the top spot by continuous improvement on our products and relationships with all stakeholders. We offer to finance for a broad category of assets which include motor vehicles, machinery, and equipment.

4. Digital Transformation:

The main focus of the Bank is to provide customers with convenient channels that facilitate secure and seamless banking services towards this end, we offer internet and mobile banking services to our customers. Our digital bank Mokash in partnership with MTN has over 3 million customers making NCBA the largest bank in Rwanda by customer base.

5. High Performing Employee Culture:

NCBA provides an enabling environment to all its employees, giving clear career development, training, and team building opportunities. The work environment is tailored to improve performance and efficiency while taking care of the human capital.

Employee welfare is at the forefront of the Human Resources management plan. The Bank offers its employees fully paid medical cover, life insurance, regular health checks, enrolment to sports and fitness centers and several other welfare benefits.

Through our digitization strategy we have been able to reach **3 million customers** through our product Mokash in partnership with MTN making us the largest bank by customer numbers, proudly serving over **1 million women**.

AMB. DR. BENJAMIN M. RUGANGAZI
CHAIRMAN

CHAIRMAN'S REPORT

Dear Shareholder,

I am delighted to present the 2021 integrated report for NCBA Bank Rwanda. As a commercial bank, our role is to create opportunities for Rwandan businesses, individuals, and public institutions to access financial services to improve the the economic and social outlook of the country.

CHAIRMAN'S REPORT (CONTINUED)

NCBA Bank Rwanda PLC has posted a profit before tax of Rwf 698m up from a loss of Rwf (21M) in March 2020. Growth in profitability was attributed to an increase in operating income by more than 100% Year on Year from Rwf 89Mn to Rwf 1.2Bn, 95% growth in interest income and a significant decline in the non-performing loan ratio to less than 2%.

I am extremely proud of the financial results that the NCBA Rwanda has delivered and continues to deliver. While there is still much more to do, the results are a reflection that we are delivering on our strategy despite the headwinds introduced by COVID-19.

We now have a strong balance sheet with total assets of Rwf 117Bn and customer deposits of Rwf 87Bn with Gross loans growing by 66% Year on Year to Rwf 60 billion. We remain well capitalized with core capital of Rwf 18Bn and have a robust liquidity of over 40%. This foundation has allowed us to continue serving our customers effectively through-out the pandemic.

A Strategy That Delivers

In this strategic cycle, the Bank has committed to investing in initiatives that build a Distinguished Brand Known for Customer Experience, Scale Retail Banking, deepen its Market Leadership in Corporate Banking & Asset Finance, enable Digital Transformation and Develop a High-Performance Culture.

Through our digitization strategy, we have been able to reach 3 million customers through our product Mokash in partnership with MTN making us the largest bank by customer numbers, proudly serving over 1 million women.

In 2021, the Bank opened 2 new branches in Nyabugogo and Kayonza and we will launch additional 2 branches this year to continue bringing its services closer to our customers.

Outlook

While reflecting on the 2022 outlook, the Bank has successfully adjusted to a new normal in this Covid era. Our business is more resilient than ever before and is on a strong path for growth. I am very excited that our branch expansion and digitization plans are making us more relevant to a wider base of customers and enabling us to serve them better.

In the coming years, the Bank plans to expand geographically from three branches in Kigali to at least 12 branches across the country. We plan to leverage on key partnerships to enhance our digital banking offerings to increase our customer base and expand financial solutions across our diversified customer base.

Conclusion

On behalf of the Board of Directors, I would like to express my sincere gratitude to our esteemed customers for their confidence and trust in NCBA Bank Rwanda. I would also like to extend my gratitude to our shareholders for their support and thank my fellow members of the Board of Directors, the Group's executive management and the entire NCBA Bank Rwanda staff for their dedication and commitment.

Amb. Dr. Benjamin M. Rugangazi

LINA HIGIRO
CHIEF EXECUTIVE OFFICER

We managed to open **two new Branches** in Nyabugogo and Kayonza and grew our Digital customers from **2.3 million** to **3 million**.

CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholder,

It is my pleasure to present to you the annual integrated report of NCBA Bank Rwanda. In 2021, NCBA Rwanda saw a paradigm shift in profitability, breaking even for the first time despite the lingering effects of Covid-19. The year saw our PBT grow from a loss position of Rwf 1.5 billion in 2020, to a profit position of Rwf 232 million in 2021.

CHIEF EXECUTIVE OFFICER'S STATEMENT (CONTINUED)

Financial Performance Highlight

Our strategy delivered a strong performance in 2021. The main success story lay in the balance sheet with total assets up by 68% from Rwf 59 billion in 2020 to Rwf 98 billion in 2021.

Loans grew by 56% from Rwf 33 billion to Rwf 52 billion compared with industry annual growth rate of 12%. Deposits grew by 71% from Rwf 41 billion to Rwf 70 billion with the industry annual growth rate also being 12%. This performance is in line with the 5-year strategic plan and exceeds the industry market growth.

The main growth areas in 2021 were Foreign Exchange, Retail and Asset Finance. Foreign Exchange Income grew by 106% from Rwf 424 million to Rwf 872 million, while Retail Loans grew by 64% from Rwf 4.1 billion to Rwf 6.7 billion. Asset Finance grew by 277% from Rwf 294 Million to Rwf 1.1 billion.

Mokash, our Digital Mobile loans and savings product contributed 26% of our total revenues and has been the fastest route to financial inclusion with 3 million customers, of which 1 million are women. This line of business boasted total disbursements of Rwf 27 billion and retained deposits of Rwf 3.9 billion.

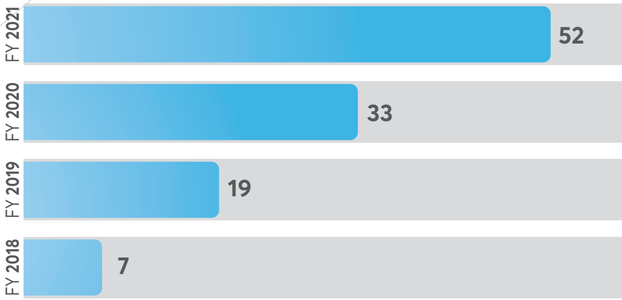
Shareholder confidence was reflected by a strong capital plan, which saw an injection of Rwf 5.1 billion within the year.

2020 - 2021
PROFIT BEFORE TAX UP
>100%
from
Rwf 232 Mn
from loss of
Rwf 1.5 Bn

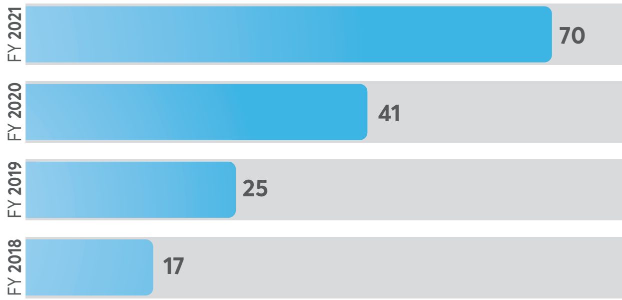
ASSETS UP BY
▲68%
from
Rwf 59Bn
to
Rwf 98Bn

LOANS GREW BY
▲56%
from
Rwf 33Bn
to
Rwf 52Bn

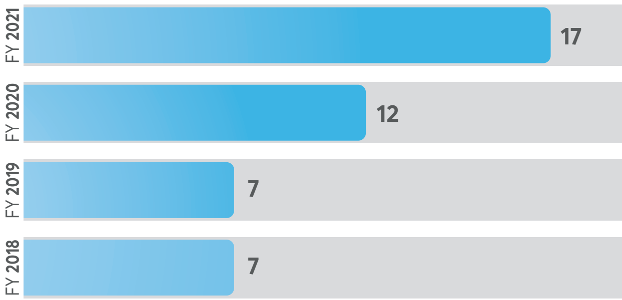
Net Loans (RWF Billion)



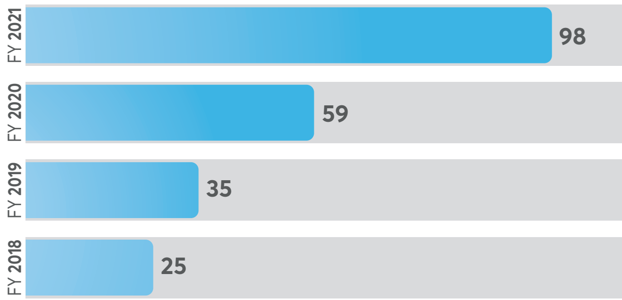
Customer Deposits (RWF Billion)



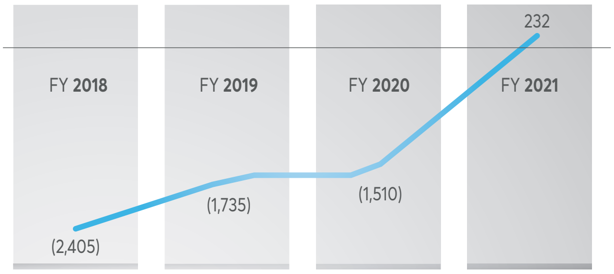
Shareholders Funds (RWF Billion)



Total Assets (RWF Billion)



Profit Before Tax (RWF Billion)



CHIEF EXECUTIVE OFFICER'S STATEMENT (CONTINUED)

Human Capital

We were the first bank to offer free mental health support to our staff through an Employee Assistance Program. In the same period, we launched various gender-linked internal communities to spearhead equality forums.

Testament to our focus on our teams, we scored a staff engagement index of 88% and an overall staff satisfaction score of 91% from the Nielsen Index IQ 2021 assessment.

Looking forward

The outlook for year 2022 is optimistic as the pandemic is contained and business resumes to pre-Covid levels. We therefore forecast a PBT growth from Rwf 232 million to Rwf 2.7 billion, which will be gained through our Corporate and Asset finance expertise, expanding retail and reducing our cost of funds.

Lina Higiro

Chief Executive Officer

BOARD OF DIRECTORS

Amb. Dr. Benjamin M. Rugangazi
Chairman

Mr. Benjamin M. Rugangazi 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 later venturing into the investment arena. Between 1995 and 2004, he served as the Chief Executive Officer of Tri-Star investments, a private company with acquisitions in mobile telephony in East Africa, construction, and agricultural projects. In addition, he joined the government of Rwanda, serving as a diplomat and serving as the 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. Amb. Dr. Rugangazi is a member of the board of Phoenix Rwanda Insurance Company.

Hon. Abdirahin Haithar Abdi
Director

Hon. Abdirahin Haithar 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 influencing legislative, oversight, and representation activities of the assembly charged with fostering regional integration. Hon. Abdi holds a BSc degree in Business Administration (Finance) and has been accorded presidential awards and international appointments in legislative roles for his distinguished service to the nation and region. He is a seasoned businessman with multi-sectoral experience acquired from private and public sectors and holds directorships in various companies.

Ms. Rita M. Kamanzi
Director

Ms. Rita M. Kamanzi is Chief Human Resource Officer at AOS Ltd since September 2015, where her focus is human resource activities within the company. Previously, she worked with renowned private and public institutions such as; KT Rwanda Network, Rwanda Development Board, Rwanda Information Technology Authority and Kigali Institute of Education. Rita served as Director of e-Government 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 serves 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. Nelson J.M. Mainnah
Director

Mr. Nelson J. M. 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 Commercial Bank of Africa 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.

Ms. Julianne K. Kayonga
Director

Ms. Julianne K. Kayonga is the 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 Kayitesi 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 (BCR) 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 a Board member of KIM University in Kigali-Rwanda. She 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. Deogratius Kamurase

Director

Mr. Deogratius Kamurase is the Country Manager for Kerzner (One&Only Resorts) managed properties in Rwanda, 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.

Amb. Antoine Munyakazi Juru

Director

Amb. Antoine Munyakazi 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).

Mr. Gift Shoko
Director

Mr. Gift Shoko is a career banker with over 24 years of experience in the Banking industry, both merchant banking and commercial banking. Prior to his appointment, he was the Executive Director (Business) of NCBA Bank Tanzania Limited (NCBAT), and prior to that, he was the Chief Executive Officer of Commercial Bank of Africa Tanzania (CBAT). He has also worked at Trust Bank Corporation as the Chief Operating Officer where he was in charge of formulation, implementation, and prioritization of the Bank's Strategic Plans with mechanisms for key performance measurements in place to monitor progress. Gift also worked at Trust Holdings Limited (THL) as the Group CEO where he was mandated to reorganize and consolidate the Group operations and re-list on the stock exchange. Within a period of 24 months, he managed to restructure, reorganize and transform the Group into a profitable and listed entity. This made a historic re-listing of the new look THL occurred on 2nd October 2008. In his early days, Gift worked for the Nedbank Group and Commercial Bank of Zimbabwe (CBZ). Gift has vast experience broadly in both commercial and merchant banking focusing mainly in areas of banking operations, credit risk management, corporate banking, and structured finance. Gift is a holder of a Bachelor's Degree in Business Studies and Computer Science, Masters in Business Administration (MBA), and several professional qualifications. Gift is also a certified Executive Coach (Academy of Executive Coaching) and a Genos Certified Emotional Intelligence Coach. He is a member of the Institute of Bankers South Africa, Association of Business Executives, Zimbabwe Institute of Diplomacy Zimbabwe, and Genos Emotional Intelligence.

SENIOR MANAGEMENT

Ms. Lina Higiro

Chief Executive Officer

Ms. Lina was appointed Chief Executive Officer in July 2018. She has over 10 years of experience in banking covering SME lending, product and business development, strategic planning, marketing, 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.

Mr. Marcel Mujyambere

Head of Internal Audit

Mr. 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.

Mr. Nicholas N. Musyoka

Head of Finance, Strategy and Administration

Mr. Nicholas N. 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.

Mr. Paulin Kadahizi

Head of Enterprise Risk Management and Compliance

Paulin Kadahizi is a Risk Management Professional and a Certified Anti-Money Laundering Specialist (CAMS). He is a seasoned banker with over 12 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 Banking Supervision Department. Paulin is a holder of an MBA (Accounting and Finance) from Maastricht School of Management, the Netherlands, a Bachelor of Arts (Economics) and member of ACAMS.

Ms. Roselyn Munyana

Head of Digital Business

Ms. Roselyn joined NCBA Rwanda in the Digital Business Department in December 2018 as a Portfolio Analyst for the mobile savings and loan product (MoKash), managing a team assigned to execute strategies on the MoKash credit risk. She was then appointed Head of Digital Business in May 2021. She has 7 years' experience in the Banking sector across different areas. Prior to joining NCBA Rwanda, Roselyn worked in the Treasury Department in Guaranty Trust Bank Rwanda and in the E-Business Department in Access Bank Rwanda. Roselyn holds a Bachelor's Degree in Electrical Engineering and an MBA in Finance.

Mr. Christian Dingida

Head of Operations

Mr. 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.

Mr. Etienne Dusabeyezu

Head of Legal Services and Company Secretary

Mr. 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 Trans-national and International Economic crimes from Humboldt University –Berlin, Germany. He has also a certificate in Mediation Advocacy from Edwards Medication Academy- USA.

Ms. Diane Mukunde

Head of Retail Banking

Ms. Diane joined NCBA Bank Rwanda Plc in June 2021 as the Head of Retail Banking overseeing scaling up of the retail banking business. She has a broad experience in the banking sector with over 7 years, having served in different managerial positions at Bank of Kigali Rwanda Plc. She started her banking career in operational duties working her way up the managerial ladder to different managerial roles such as corporate and commercial banking, Premier banking and Investor relations. Diane has a sharp banking business acumen for advisory and decision making, with great influence on people which she has developed over her career span. She is a Certified Professional Banker trained in Corporate finance with experience in Retail banking, corporate banking and people management.

Mr. Eugene Mulindahabi

Head of Credit Risk Management

Mr. 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.

Mr. Daniel Musafiri

Head of Business

Mr. 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.

Mr. Olivier Bivegete

Head of Information Technology

Mr. 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. Mr. 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.

A mortgage loan product where the Bank is able to finance up to 105% of the property value for first time home buyers. The amazing benefits include:

1. No Down payment - deposit required.
2. Repayment period of up to 20 years,
3. A pre-approved VISA credit card to assist with all other household requirements.

If you are an aspiring first-time home owner, NCBA's 105% Mortgage is your number ONE option.

Set aside your deposit for that special side hustle, build your business, our 105% mortgage finance makes it all possible.
For more information reach out to us on +250 788149555 or chat with us on ncbagroup.com. Include all the socials. Terms and conditions apply.

CITIZENSHIP

The citizenship strategy, which is aligned to our corporate culture and anchored on the overall company strategy, generally focuses on what we do to support community growth, how we plan to do this and what resources are needed.

To create shared value as a business discipline to drive societal change.

To create shared value by implementing a corporate citizenship strategy, by innovating and by differentiating ourselves

Inspiring Growth. Inspiring Change. Inspiring Greatness.

The strength and sustainability of our business is directly related to our social license to operate. At NCBA, we have a clear understanding that our values are geared at driving our vision and the promise we make to our Customers, Shareholders, Employees and Community at large. We also appreciate that our values are the pillars for our high performance culture.

Our Citizenship strategy is aligned to the Sustainable Development Goals (SDG) & National Growth Strategies

SUSTAINABLE DEVELOPMENT GOALS

CITIZENSHIP (CONTINUED)

ANNUAL ACTIVITIES AND CORPORATE CITIZENSHIP

NCAB strategy includes activities that are geared towards promoting our brand and improving the livelihoods of the societies we work with. During the year 2021, NCBA partnered with MTN Rwanda in a Connectrwanda campaign for which the aim was to enable smartphones ownership in Rwanda.

This initiative took place on 15th November 2021, where NCBA Rwanda gave 506 smart phones to households in Huye district.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

PEOPLE

506

The N°. of smartphones **NCBA RWANDA** gave to households in **HUYE DISTRICT.**

RISK MANAGEMENT REPORT

1. RISK MANAGEMENT FRAMEWORK

Effective risk management and compliance with regulatory requirements is fundamental in achieving the Bank's strategic objectives. NCBA Bank Rwanda has adopted an enterprise-wide risk management framework in its journey of achieving its strategic plan. The NCBA risk management framework covers all systems, structures, policies, processes and people that and helps to identify, measure, evaluate, monitor, report and control or mitigate both internal and external sources of material risk. Both financial and non-financial risks that the Bank is facing are managed through the risk management framework.

The risk management framework is regularly reviewed in light of emerging risks arising from the changing business environment, better practice approaches and regulatory expectations. The ultimate responsibility for the establishment of effective risk management practices and culture lies with the Board, including the setting of the Bank's risk appetite and risk tolerance levels. However, the Board, through the Board Risk Management Committee 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.

This independent unit with right resources- Enterprise Risk Management and Compliance (ERM&C) is mandated 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 STRUCTURE

The responsibility and accountability for risk management resides at all levels within the Bank, from the Board down through the organization to each bank officer. The approach taken regarding control of all financial and operational risks involves identification and assessment of the risks and control of compliance with risk-appetite limits stipulated in the various internal policies and procedures, through three lines of defense model:

The first line of defense consists of the business units, including supporting and operational departments that create or take risks. The management of the business lines bears the initial responsibility for routine risk management, aimed at managing risks while striving to achieve strategic goals and business objectives, within the established risk appetite and in accordance with the internal risk regulations and regulatory directives.

The second line of defense consists of the Enterprise Risk Management and Compliance Department as a control function , which is independent of the business departments. This unit is responsible for conducting an independent risk identification and assessment; It also formulates methodologies for risk-assessment; avails different tools for risk management to first line of defense (e.g policies, procedures, models etc). In addition, the Enterprise Risk Management analyses the exposures from products and activities against the risk appetite and risk capacity limits established by the Board of Directors. They also conduct risk management culture awareness bank wide.

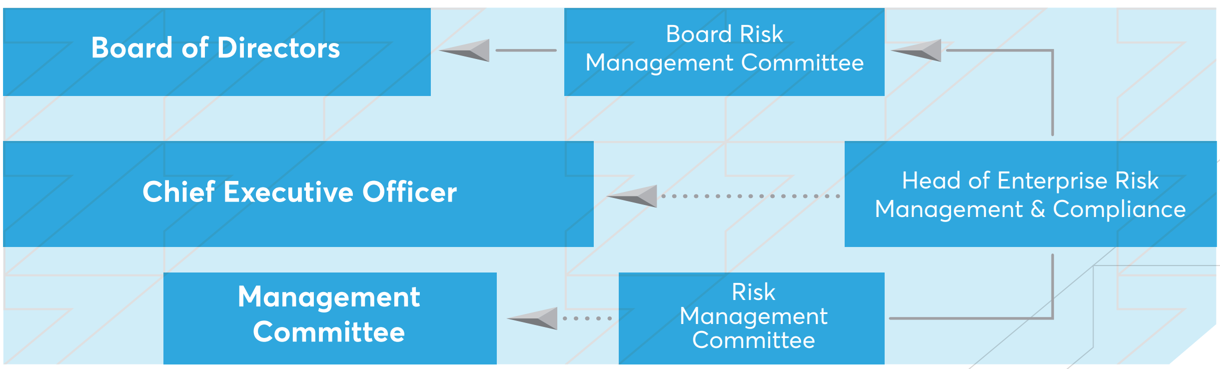
The third line of defense is comprised of Internal Audit Department, which is also independent from the business. This unit is mandated to provide to the Board of Directors assurance that controls in places are enough strong to avoid any business loss or system failure. Its goals include assisting the Bank in achieving its goals through supervision and ensuring that the instructions of the Board of Directors and senior management are implemented and making recommendations for the reduction of risks through improved controls.

RISK GOVERNANCE PROCESS

	INTERNAL AUDIT	ASSURANCE PROVIDER
3rd line of defense	Provide assurance that controls in place are adequate and appropriate	
	Provide oversight on risk management process by second line of defense	
2nd line of defense	Enterprise Risk Management and Compliance	Standards setters (Risk overseers)
	Establish policies and procedures	
	Conduct an independent risk identification and assessment	
	Risk Culture awareness	
1st line of defense	Business, Operational and support functions	Business Owners (Risk Takers & Owners)
	Managing risks while striving to achieve strategic goals and business objectives, within the established risk appetite	
	Comply with risk management process	

3. RISK MANAGEMENT REPORTING

A centralized control structure driven by the Enterprise Risk Management and Compliance (ERM & C) 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 ERM&C is an independent function reporting directly to the Board of Directors through the Board Risk Management Committee (BRMC). The Senior Management also receive regular briefing on the Bank's risk profile directly from the ERM &C function. The ERM &C function oversees all activities related to risk management within the Bank. 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.



4. 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. NCBA'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 NCBA, 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 regularly (at least quarterly) reviews the level of risk undertaken by the Bank and assesses 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.

5. RISK MANAGEMENT PROCESS

NCBAR implements 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, system or competitive strategy. Risks are identified using different methods and some of the risk assessment methodologies are 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 quantitative and 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 & Compliance 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, pandemic, 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 are monitored 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. BANK'S RISK MANAGEMENT PROGRAM

1. Credit Risk

- Credit Risk refers to the current or prospective risk to earnings and capital arising from a customer's failure to meet the terms of any contract with the Bank or to otherwise fail 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.

- NCBAR has a Board approved Credit Risk Management Policy that incorporates the credit risk management framework. The Bank manages and measures credit risk through a variety of processes and tools, the key ones are as follows:

CREDIT RISK MANAGEMENT		
RISK APPETITE	RISK IDENTIFICATION, MEASUREMENT AND ASSESSMENT	MITIGATION / CONTROLS
• Overall limits for business lines • Single exposure limits • Economic sector exposure limit • Product limit	• Portfolio analysis • Credit rating assessments for corporate, SME and Retail clients • Periodic credit risk reviews	• Collateral Management • Documentation controls • Guarantor where appropriate • Facilities structure

7. BANK'S RISK MANAGEMENT PROGRAM (continued)

2. 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 the Bank is currently facing are :

- Foreign Exchange Risk (FX Risk)
- Interest Rate Risk in the Banking Book (IRRBB)
- 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

3. 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.

Operational Risk Controls and Mitigation

NCBA 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.

4. Liquidity risk

a) Definition

Liquidity risk is defined as the risk to an institution's earnings or capital arising from its inability to meet its obligations as and when they fall due without incurring significant costs or losses. Liquidity stress can lead to financial distress or even insolvency. The primary aspect of Liquidity Risk is the risk that the Bank is unable to meet its financial obligations as they fall due. These obligations include the repayment of deposits on demand or at their contractual maturity, the repayment of borrowings and loan capital as they mature, the payment of operating expenses and taxation, the payment of dividends to shareholders and the ability to fund new and existing loan commitments.

NCBA Rwanda applies the following liquidity management principles:

(i) Short - Medium Term Liquidity Mismatch Management

The mismatch approach measures the Bank's liquidity by assessing the mismatch between its inflow and outflow of funds within different time bands on a maturity ladder. Maturity mismatches are prepared on both a contractual maturity and a behavioural adjusted basis.

(ii) Net Stable Funding Ratio (NSFR)

The Net Stable Funding Ratio promotes resilience over a longer term by ensuring the Bank funds its assets with more stable sources of funding on an ongoing basis. NSFR is a proportion of available amount of stable funding to required amount of stable funding and the Bank is required to maintain an NSFR ratio of more than 100%. The ratio is monitored on a weekly basis and reported to ALCO monthly.

(iii) Liquidity Contingency Planning (LCP)

NCBAR has a contingency funding plan designed to mitigate the risks identified during the liquidity stress testing. The contingency funding plan includes early warning indicators which span both Bank specific and systemic crises and indicators must be monitored based on assigned frequencies and agreed tolerance levels. Indicators are in turn tied to escalation procedures.

5. Strategic Risk

a) Definition

Strategic risk is defined as the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions or lack of responsiveness to industry changes. It is a risk that could significantly impact on the achievement of the institution's vision and strategic objectives as documented in the strategic plan.

NCBAR makes use of a scorecard to assess its strategic risk based on certain measurable indicators. The scorecard defines individual risk factors which are measured against a mix of qualitative and quantitative parameters. Risk weights are assigned to each category of risk factors to arrive at the overall strategic risk score.

b) Strategic Risk Controls and Mitigation

(i) Strategic Planning

The Bank uses an integrated strategic planning and performance measurement system, the 'balanced scorecard' that:

- Communicates with clarity bank's vision, mission and strategy to all its stakeholders
- Aligns day to day work to the vision and mission
- Provides a framework for prioritisation of programs and projects
- Uses strategic performance measures and targets to evaluate and measure progress

(ii) Strategic Budgets

The strategic budgets convert the qualitative strategic plans into financial forecasts. Business growth figures are validated against macroeconomic fundamentals such as GDP growth rates, inflation, strategic initiatives and their impact on the budgets. They also ensure key regulatory ratios such as Return on Risk Weighted Allocated Capital (RoRIWAC), Liquidity ratio, Core Capital to Deposit ratios are in compliance with the regulations.

7. BANK'S RISK MANAGEMENT PROGRAM (continued)

6. *Reputational Risk*

Reputation risk is the potential that negative publicity regarding the Bank's business practices, whether true or not, will cause general harm on customer base, lead to costly litigation, or revenue reductions, often as a result of poor earnings, regulatory censure, significant fraud or litigation.

The Bank is keen on upholding Board/Management integrity, staff competence, professional corporate culture, sound risk management, the control environment, financial soundness, business viability, ethical business practices, customer satisfaction, consumer protection, legal / regulatory compliance and proper crisis management which may positively or negatively impact the Bank's reputation

To protect the Bank against loss of business or legal action as a result of an activity, action or stance taken by NCBA or its officials which will impair its image in the community and the long term trust placed in the organization by its stakeholders,

Reputational Risk Controls and Mitigation

The Bank has no appetite for Reputational Risk as such has no appetite for adverse media coverage and uses every effort to ensure that events that could potentially lead to such coverage are avoided.

NCBAR has implemented a Reputational Risk Management framework to ensure continuous Reputational Risk identification, assessment, treatment and control. The framework has three components as detailed below:

- **Corporate Governance** – Having a clear, working and effective Governance Structure and practices, which include setting personal "tone-at-the-top" by the Bank's Board and Senior Management.
- **Reputational Risk management** – The Bank has devised an influential process to identify, assess, monitor, report Reputational Risk for Board and Senior Management control.
- **Management of Reputation events** – A swift and working proactive organization and response structure to respond to events and drivers posing a direct threat to the brand's reputation.

7. *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 put in place a compliance policy to assist in defining the applicable standards, principles and guidelines in this process. NCBAR has zero tolerance for non-compliance and requires all staff to comply fully to all laws, regulations, rules, policies and procedures. The various management organs are responsible for the implementation of the compliance risk management process.

a) Compliance Risk Assessment

The Bank's attitude on Compliance Risk Management is based on the following six principles:

- The Bank's reputation, social responsibilities and commitment to customers means that it must exhibit the highest standards of integrity.
- Complying with regulatory standards is critical to success.
- The Bank will achieve its strategic objectives by embedding compliance in daily business activities.
- Compliance is the responsibility of all staff of NCBAR.

8. *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.

Risk Categorisation and Assessment Approach

PILLAR 1 RISKS	PILLAR 2 RISKS
Credit Risk Market Risk Operational Risk	Concentration Risk Interest Rate Risk in Banking Book (IRRB) Liquidity Risk Strategic Risk Reputational Risk Compliance Risk Country Risk and Group Risk

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.

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

7. BANK'S RISK MANAGEMENT PROGRAM (continued)

9. Stress Testing Framework

Stress Testing is a risk management technique performed by NCBA Rwanda to evaluate the potential effect on its financial conditions of a specific event and/or adverse movement in a set of financial variables. The Bank performs rigorous and forward-looking stress tests that identify plausible severe loss events or adverse changes in market conditions and assess their impact on the Bank's capital adequacy.

The Bank uses results of the stress tests to institute remedial actions when capital adequacy and or profitability is adversely impacted. The following are the other uses of stress testing results in NCBAR:

- Establishing the overall risk appetite for the Bank;
- Setting the Bank's risk tolerance levels;
- Facilitating the development of risk mitigation and contingency plans across a range of stressed conditions; and
- Capital allocation to absorb potential losses if worst-case scenarios materialize.

10. Information and Cyber Security

Cyber risk is the risk of damage, including disruption, disturbance, shut down of operations, theft of information assets, collection of intelligence, or damage to reputation or the confidence of the public as a result of a cyber event.

The sophistication and severity of cyber-attacks on the global financial sector have grown in recent years. NCBA Rwanda recognize that today's bank robbers, however, are based anywhere in the world, depleting bank accounts from a computer, using online tactics like malware, ransomware, and stolen credentials to access the funds. As more people rely on online or mobile financial transactions and use cashless payment options, NCBA Bank Rwanda recognize that strong cybersecurity is necessary to protect customer assets by protecting the Bank's networks, software, devices and data from attacks. Cyber threats also pose a significant risk for the Bank in the delivery of best-in-class services to its customers, while ensuring regulatory and compliance requirements are met. The Bank has put in place the Information and Cyber Security Policy which establish a framework through which cyber risks are effectively managed, through identification, protection, detection, response and recovery against cyber threats.

NCBA Rwanda also observes other best practices for information and cyber security, such as principles of ISO 27001 on requirements for the implementation of information security controls, and on ISO 27002, which "provides guidelines for organizational information security standards and management practices, including the selection, implementation and management of controls taking into consideration the organization's information security risk environment(s)." The Bank also complies with the requirements of the Payment Card Industry Data Security Standards (PCI-DSS).

11. Business Continuity Management

NCBA Bank recognises that in today's world, financial institutions are exposed to numerous disruptive events that may halt the smooth service delivery; many businesses fail as the result of an unexpected crisis. Hence, managing risk and planning for business continuity in case of a disruption remain part of its daily business management

In order to ensure timely and appropriate resumption of critical processes, regardless of the scope or scale of the disruption, NCBA Rwanda has put in place a Business Continuity Policy providing the policy standards and guidelines for Business Continuity Planning (BCP) and Disaster Recovery Plan (DRP). BCP and DRP are applicable for a wide range of critical business processes and, therefore the Bank has recognised the need for a bank-wide coordinated action to ensure consistent compliance with the policy standards.

Each critical business unit and business process owners to maintain a current business impact analysis and business continuity plans to ensure adequate resources and structures are in place

With a view to ensure that all stakeholders' interests are protected from incidents likely to cause operational disruptions, the Bank has developed and maintained a BCM infrastructure. These facilities and the related management response logistics in the BCP are regularly tested and updated to ensure that they always remain adequate to facilitate a cost-effective containment of potential business disruptions in order to continue business operations at an acceptable pre-defined level, quick recovery of operations after any disruption and above all, the preservation of human life

12. The Money Laundering (ML) and Terrorism Financing (TF) risks

The Bank recognises that Money Laundering (ML) and Terrorism Financing (TF) risks are real and that measures to mitigate against these risks are vital to the achievement of its strategic objectives. Money laundering and terrorism financing are recognized as criminal activities globally. NCBA has a zero risk appetite to money laundering and terrorism financing and will not support or tolerate money laundering, its predicate offences or terrorism financing.

The Bank, through its AML & CFT policy, has implemented a robust AML and CFT compliance program aligned to international best-practice which applies to all its operations.

The Bank has put in place robust IT systems, processes and procedures to prevent persons engaged in money laundering, terror financing, fraud, tax offences, or other financial crimes, from exploiting the Bank's operations and infrastructure.

NCBA Staff are regularly trained on money laundering (ML) and terrorism financing (TF) risks and how they can identify, assess and manage that risks when they are executing their daily operations.

13. The challenges and impact of the COVID-19 pandemic

The global health crisis of COVID-19 presented a myriad of challenges to business globally. The Covid-19 has impacted adversely the Bank's operations as well. NCBA Rwanda noted a number of risks which were introduced or elevated on account of the pandemic and the measures were taken to minimise its spread and adverse impact.

Ensuring staff welfare and continuity of operations - The Bank has committed to safeguarding the welfare of its employees pertaining to the COVID 19 pandemic through:

- Provision of staff transport to and from work. This ensures that staff are provided with secure transport facilities well equipped with sanitizers and face masks. The Bank also facilitates for regular testing of all staff and provides support for all affected staff.
- The Bank has facilitated its staff in regards to remote working arrangements to ensure compliance with the Ministry of Health guidelines and other measures required for social distancing
- Front line staff facing customers on daily basis have been supported through various mechanism such as providing them with protective equipment, hygienic consumables, and clear guidelines to safeguard their wellness to help them remain productive without exposing their health to the pandemic;
- The Bank has also put in place contingency plans by splitting the head office team into two, operating from different locations. This was particularly important when the pandemic was at its peak.

For its customers: the prudent actions initiated by the regulator enabled the Bank to extend support to its customers during the crisis in the form of loan moratoriums and other measures during this unprecedented crisis. Distressed customers have been supported by various mechanism on case by case basis enabling them to remain operational in that challenging time

NCBA Rwanda did not change its long-term strategy. The Bank elected to push out the implementation of some of it strategic initiatives into 2021. In addition, the Bank accelerated its digital initiatives and increased the share of its investments towards digital services.The severity of the Covid-19 pandemic eased towards the end of 2021 as countries adopted containment measures. The focus across the globe was on vaccination, and currently all the bank's staff are fully vaccinated.

14. Environmental, Social and Governance (ESG) Risk

NCBA Rwanda believes that effective management of environmental, social and governance risks and potential impacts is not only sound business practice but, when correctly implemented, can also reduce waste, improve profitability and generate goodwill and positive benefits in the communities where the Bank operates.

NCBA Rwanda recognizes that as a financial institution, it is most significant environmental risk may arise indirectly from the environmental impact of third parties such as its customers, investments and business partners. Although NCBA cannot prescribe environmental management policies to its clients, it encourages sound

7. BANK'S RISK MANAGEMENT PROGRAM (continued)

environmental management by its customers and other stakeholders.

The Bank strives to ensure, through its environmental and social appraisal and supervision process that the investments and lending it undertakes are environmentally and socially sustainable and are designed to minimize pollution and maximize resource efficiency

The Bank assesses potential environmental, social and governance risks and impacts of all proposed investments for compliance with Rwanda laws, regulations and internal policies. The Environmental and Social risk management risk framework is stipulated in the Bank's Environmental and Social Risk policy which conforms to different international standards.

NCBA Rwanda recognizes that the lending decisions it takes and its relationship with customers impacts both the environment and the community. Before lending, the Bank ensures that :

- Lending proposals include a consideration of environmental and social issues where appropriate;
- All financing proposals take into account locally acceptable environmental and social standards, local laws and regulations in Rwanda;
- The risks associated with both environmental and social issues related to the Bank's business will be properly recognised, evaluated and mitigated or transferred as appropriate.

Within the Bank, the following ESG risk are monitored closely:

a) Labour - The Bank has adopted HR policies that conform to local labour laws, regulations and international labour practices in areas of occupational health and safety, labour rights, accessibility for persons with disability, discrimination and gender bias and will actively review its customers and business partners, to encourage compliance.

b) Resource Management - NCBA recognises that resources are limited and commits to apply resource management strategies in its activities and operations to increase productivity, minimise wastage and ensure efficient utilisation of resources.

C) Waste Minimization - NCBA reviews its operations and business activities to facilitate conscious behaviour towards waste minimization and disposal and encourage activities that reduce, reuse or recycle waste.

d) Financial Inclusion - NCBA invests in new technologies that take cognisance of emerging trends, which present new opportunities and offer financial inclusion opportunities.

e) Greenhouse Gas Emissions Reduction - NCBA reviews its operations and business activities and identify opportunities to reduce harmful GHG emissions in its operations, those of its customers and business partners and support solutions created to help reduce or eliminate harmful GHG emissions, improve efficiency, minimizing transportation, increasing the use of clean fuels etc.

f) Ecosystem Conservation – NCBA promote wildlife and habitat conservation through cooperative efforts with communities, scientific and academic communities and organizations committed to preserving the biodiversity and ecosystem of the countries where it operates.

g) Employee Awareness and Engagement

- The Bank identifies and formulates mechanisms for involving employees in the realization of the Bank's environmental strategy through awareness-raising campaigns to ensure that environmental and social considerations are practiced by employees at all levels and throughout the entire organization.
- All employees are actively engaged in setting up, implementing and championing the Bank's environmental management strategies through the establishment of green teams, green ambassadors, green coordinators, volunteers etc.

NCBA supports employees participating in community volunteer programs, which have environmental and social objectives and outcomes.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REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31 December 2021, 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 and is licensed by the National Bank of Rwanda.

BUSINESS REVIEW

The Bank's performance highlights for the year are as follows;

The Bank realized 83 % growth in interest and credit-related income and fee and commission income from Frw 6 billion in 2020 to Frw 11 billion in 2021. This boosted the net profit to Frw 501 million (2020: net loss of Frw 1.5 billion).

The balance sheet grew by 66%, from Frw 59 billion to close at Frw 98 billion. The growth was boosted by the growth in deposits by Frw 29 billion and capital injection of Frw 5.1 billion during the year.

Gross loans closed Frw 54 billion up from Frw 35 billion in 2020, a 54% growth rate.

DIRECTORS

The directors who held office during the year and at the date of this report were:

DIRECTOR	DESIGNATION
Amb.Dr. Benjamin M. Rugangazi	Director-Non- Executive/ Chairman
Mr. Nelson J.M. Mainnah	Director- Non-executive
Ms. Julianne K. Kayonga	Director- Non-executive
Hon. Abdirahin Haithar Abdi	Director- Non-executive
Ms. Eugenia Kayitesi	Director- Non-executive
Mr. Deogratius Kamurase	Director- Non-executive
Amb. Mr. Antoine Munyakazi Juru	Director- Non-executive
Ms. Rita Kamanzi	Director- Non-executive
Mr. Gift Shoko	Director- Non-executive Appointed August 2021

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.

REPORT OF THE DIRECTORS (CONTINUED)

During the year, the board conducted its business through the main board the five committees. The attendance of the respective committees in 2021 is shown below:

1. Board Risk Committee

	Mar-3	May-4	Aug-5	Nov-4
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	AP
Gift Shoko (Approved 31 August 2021)				P

2. Board Audit Committee

	Mar-2	May-3	Aug-4	Aug-26	Nov-3
Deogratius Kamurase (Chairperson)	P	P	P	P	P
Abdirahin H. Abdi	P	P	P	P	P
Nelson Mainnah	P	P	P	P	P
Antoine Munyakazi Juru	P	P	P	P	AP
Julianne Kayonga	P	P	P	P	P

3. Board Credit Committee

	Mar-3	May-4	Aug-5	Nov-4
Antoine Munyakazi Juru (Chairperson)	P	P	P	AP
Eugenia Kayitesi	P	P	P	P
Nelson Mainnah	P	P	P	P
Deogratius Kamurase	P	P	P	P
Gift Shoko (Approved 31 August 2021)				P

4. Board IT Committee

	Mar-3	May-3	Aug-4	Nov-3
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
Gift Shoko (Approved 31 August 2021)				P

5. Board Nomination and Remuneration Committee

	Mar-3	May-3	Aug-4	Nov-3
Julianne Kayonga (Chairperson)	P	P	P	P
Rita Kamanzi	P	P	P	P
Eugenia Kayitesi	P	P	P	P
Deogratius Kamurase	P	P	P	P
Gift Shoko (Approved 31 August 2021)				P

6. Main Board

	Jan-29	Mar-5	Mar-24	Apr-23	May-5	Jun-11	Aug-6	Sep-28	Nov-5
Benjamin M. Rugangazi (Chairman of the Board)	P	P	P	P	P	P	P	P	P
Nelson M. Mainnah	P	P	P	P	P	P	P	P	P
Abdirahin H. Abdi	P	P	P	P	P	P	P	P	P
Julianne Kayonga	P	P	P	P	P	P	P	P	P
Deogratius Kamurase									P
Rita Kamanzi	P	P	P	P	P	P	P	P	P
Eugenia Kayitesi	P	P	P	P	P	P	P	P	P
Antoine Munyakazi Juru	P	P	P	P	P	P	P	P	AP
Gift Shoko (Approved 31 August 2021)								P	P

LEGEND

P Present **A** Absent **AP** Absent with Apology

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:

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

ii) each 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

Ernst & Young Rwanda Limited were appointed as Auditors in 2021 in accordance with Regulation No. 14/2017 of 23/11/2017 on accreditation and other conditions for external auditors for financial institutions.

By order of the board

31 March 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Law No.007/2021 of 05/02/2021 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.007/2021 of 05/02/2021 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:

i) Designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;

ii) Selecting suitable accounting policies and applying them consistently; and

iii) Making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the Bank's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Bank's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approval of the financial statements

The accompanying financial statements were approved for issue by the Board of Directors on 31 March 2022 and signed on its behalf by

Director

Chief Executive Officer

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INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF NCBA BANK RWANDA PLC

Report on the Audit of the Financial Statements

OPINION

We have audited the financial statements of NCBA Bank Rwanda Plc (the "Bank" or " Company) which comprise the statement of financial position as of 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2021, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Law No. 007/2021 of 05/02/2021 governing companies.

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 are independent of NCBA Bank Rwanda Plc in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Rwanda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures, designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF NCBA BANK RWANDA PLC (Continued)

Expected Credit Losses on loans at amortised cost	How the matter was addressed in our audit
We identified the audit of expected credit losses (ECL) as a key audit matter considering the following: Bank's loan and advances to customers are material to the financial statements; The high degree of estimation uncertainty, significant judgements and assumptions applied in estimating ECL on loans and advances to customers, IFRS 9 requires the Bank to recognise expected credit losses ("ECL") on financial instruments, which involves significant judgement and estimates; Covid-19 pandemic has created significant economic volatility and uncertainty, requiring increased subjective management judgement in developing its economic forecasts and the estimation of ECL on loans and advances to customers. **The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Bank's implementation of IFRS 9 are:** **Economic scenarios** – IFRS 9 requires the Bank to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. **Significant increase in credit risk ("SICR") and default rate** – management determines the categorization (staging) of individual loans and advances using both qualitative and quantitative criteria to determine significant increase in credit risk ("SICR") and default rate. This is a key area of judgement since it determines whether a 12 month or lifetime PD is used. **Model Assumptions** – inherently judgemental modelling is used to estimate ECL, which involves determining probabilities of default ("PD"), loss given default ("LGD"), and exposures at default ("EAD"). The PD models used in the personal, business and corporate portfolios are the key drivers of the Bank's ECL results and are therefore the most significant judgemental aspect of the Bank's ECL modelling approach. **Qualitative adjustments** – management adjustments to the model driven ECL results are raised by management to address known impairment model limitations or emerging trends. The effect of these matters is that, as part of our risk ssessment, we determined that the impairment of loans and advances to customers to be a key audit matter due to the high degree of estimation uncertainty and significant management judgement involved in determination of ECL.	Our audit focused on the significant areas of judgements and estimations that could result in material misstatements in the financial statements. These procedures in this area included, among others: • We evaluated the appropriateness of the Bank's methodology for determining ECL and evaluated the methodology against IFRS 9; • Performing end to end process walkthroughs to identify the key systems, applications and controls used in the ECL processes; • We determined how the Bank extracts 'days past due (DPD)' used in staging of the loans and advances into three stages as per IFRS 9 requirements; • We evaluated judgements applied by the Bank in staging of loans and advances; • Assessing key variables used in determining probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD) • To ensure that all deteriorated loans are discussed in the appropriate committees and at the board level • For LGD, we tested the timing of cash flow based on empirical evidence, we also agreed values used in LGD to external valuer reports. • We tested the completeness and accuracy of the historical data used in deriving PDs, LGDs and EAD and recalculated outcomes on a sample basis. • We tested on a sample basis, the reasonableness of EAD for both on and off balance sheet exposures; • On a sample basis, testing the key inputs and assumptions impacting ECL calculations to assess the reasonableness of economic forecasts, weights, and PD assumptions applied including key aspects of the Bank's SICR determinations and assessing model predictions against actual results; and • Assessing whether the disclosures appropriately disclose and address the uncertainty which exists when determining the expected credit losses and the key judgements and assumptions made were sufficiently clear.

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF NCBA BANK RWANDA PLC (Continued)

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "NCBA Bank Rwanda plc Financial Statements for the Year ended 31 December 2021 which includes the Directors' Report as required by No Law No. 007/2021 of 05/02/2021 governing companies. The other information 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 an audit opinion or any form of assurance conclusion thereon.

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

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

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines 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, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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.

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INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF NCBA BANK RWANDA PLC (Continued)

- 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Law No. 007/2021 of 05/02/2021 governing Companies,

We confirm that:

i) We have no relationship, interests and debts in the company;

ii) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

iii) In our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books;

iv) We have communicated to you through the management letter, internal control weaknesses identified in the course of our audit including our recommendations with regard to those matters.

STEPHEN K SANG

For Ernst & Young Rwanda Limited

31 March 2022

STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2021

	Notes	2021 Frw 000	2020 Frw 000
Interest and credit-related income	5	9,738,766	5,145,595
Interest expense	6	(3,345,018)	(2,280,069)
Net interest income		**6,393,748**	**2,865,526**
Fee and commission income	8	876,126	511,578
Fee and commission expenses		(7,630)	(1,506)
Net fees and commissions		**868,496**	**510,072**
Foreign exchange income	9	872,395	423,821
Net Operating income		**8,134,639**	**3,799,419**
Operating expenses	10	(5,474,174)	(4,537,552)
Credit losses expense	7	(2,428,676)	(772,034)
Total Operating expenses		**(7,902,850)**	**(5,309,586)**
Profit / (loss) before income tax		231,789	(1,510,167)
Income tax	12	269,700	9,149
Profit/(Loss) for the year		**501,489**	**(1,501,018)**

STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2021

	Notes	2021 Frw 000	2020 Frw 000
ASSETS			
Cash and balances with National Bank of Rwanda	13	7,398,030	3,121,305
Due from banking institutions	14	6,348,295	3,397,818
Derivative asset	15	-	55,773
Government securities at amortised cost	16	23,907,905	13,922,171
Customer loans and advances	17	52,124,448	32,795,838
Other assets	18	3,870,455	1,774,323
Deferred tax asset	26	79,412	-
Right of use asset	21	1,206,438	1,286,617
Property and equipment	19	2,914,144	1,865,762
Intangible assets	20	318,443	382,038
Total assets		**98,167,570**	**58,601,645**
LIABILITIES			
Customer deposits	22	70,488,008	41,211,159
Balances due to banks	23	7,252,422	650,080
Due to group companies	24	852,798	831,488
Other liabilities	25	1,254,249	2,791,298
Lease liability	27	1,055,922	1,264,650
Deferred income tax	26	-	190,288
Total liabilities		80,903,399	46,938,963
SHAREHOLDERS' EQUITY			
Share capital	28	26,499,604	21,399,604
Accumulated losses		(9,235,433)	(9,736,922)
Total shareholders' equity		**17,264,171**	**11,662,682**
Total liabilities and shareholders' equity		**98,167,570**	**58,601,645**

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2021

	Note	Share capital	Accumulated Losses	Total
		Frw 000	Frw 000	Frw 000
Year ended 31 December 2021				
At start of the year		21,399,604	(9,736,922)	11,662,682
Profit for the year		-	501,489	501,489
Total Comprehensive income		21,399,604	(9,235,433)	12,164,171
Transaction with owners				
Additional capital during the year		5,100,000	-	5,100,000
At end of year		**26,499,604**	**(9,235,433)**	**17,264,171**
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*		-	532,682	532,682
Restatement – PPE items disallowed from capitalisation*		(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**

* Restatement relating to reclassification of profit from Mokash previously reported in other liabilities together with restatement of PPE items disallowed from capitalisation were dealt with in the year ended 31 December 2020 and have no effect on financial position for year ended 31 December 2021.

STATEMENT OF CASHFLOW

for the year ended 31 December 2021

	Notes	2021	2020
Cash flows from operating activities		**Frw 000**	**Frw 000**
Profit/ (Loss) before tax		231,789	(1,510,167)
Amortisation of software		111,258	58,249
Depreciation of right of use asset		323,364	302,764
Net gains/(losses) from foreign exchange translation		(135,818)	-
Depreciation charge of property and equipment		339,290	303,888
Interest on lease liability		135,871	144,352
Credit loss provision		**2,514,062**	**997,418**
Cash flows generated from operating activities before changes in operating assets and liabilities		**3,519,816**	**296,504**
Changes in operating assets and liabilities			
Decrease / (increase) in balances held with commercial banks		6,602,342	(4,164,122)
Decrease / (increase) in loans and advances		(21,731,126)	(15,398,261)
Decrease / (increase) in other assets		(2,096,132)	(398,145)
(Increase) / decrease in derivative assets		(55,773)	-
Increase in customer deposits		29,276,849	20,621,011
(Decrease) / increase in other liabilities		(1,537,049)	2,310,530
Increase in balances due to group companies		21,310	222,772
Cash flows from operating activities			
Cash generated from operations after changes in operating assets and liabilities		**14,000,237**	**3,490,289**
		14,000,237	**3,490,289**
Cash flows from investing activities			
Purchase of government securities		(18,939,016)	(16,719,538)
Proceed from matured government securities		8,953,282	10,050,383
Purchase of software	20	(47,663)	(306,171)
Purchase of property and equipment	19	(1,387,672)	(742,284)
Net cash used in investing activities		**(11,421,069)**	**(7,717,610)**

STATEMENT OF CASHFLOW (CONTINUED)

for the year ended 31 December 2021

		2021 Frw 000	2020 Frw 000
Cash flows from financing activities			
Additional capital		5,100,000	6,000,000
Lease Capital payments		(451,913)	(368,274)
Lease Interest payments		(135,871)	(144,352)
Net cash flows from financing activities		**4,512,216**	**5,487,374**
Increase in cash and cash equivalents			
Effects of exchange rate fluctuations on cash and cash equivalents held		135,818	-
Increase in cash and cash equivalents during the year		7,091,384	1,260,053
Cash and cash equivalents at start of year		6,519,123	5,259,070
Cash and cash equivalents at end of year	14(b)	13,746,325	6,519,123
Additional information on operational cashflows from interest income and interest expense			
Interest received		8,368,244	4,142,157
Interest paid		(2,788,084)	(1,784,379)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

1. CORPORATE INFORMATION

NCBA Bank Rwanda Plc is incorporated Under Law No.007/2021 of 05/02/2021 governing companies. The Bank is a financial institution licensed to provide corporate and retail banking services to corporate, small and medium size enterprises and retail customers in various parts of Rwanda. The Bank is a limited liability bank incorporated and domiciled in Rwanda. The Bank has its registered office at Kigali Heights, Plot No. 772, P. O. Box 6774, Kigali, Rwanda. NCBA Group is the ultimate parent registered and domiciled in Kenya.

2. 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.

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged, and when relating to portfolio fair value hedges are recognised on a separate line of the statement of financial position. The financial statements are presented in Rwandan Francs (Frw), which is the Bank's functional and presentation currency, and all values are rounded to the nearest thousand (Frw'000) except where otherwise indicated.

The Bank has prepared its consolidated financial statement on the basis that it will continue to operate as a going concern.

2.2 Statement of Compliance

The financial statements are prepared in accordance with the International Financial Reporting Standards and Regulation No. 28/2019 of 09/09/2019 on Publication by Banks of Financial Statements and Other Disclosures. The financial statements are presented in Rwandan francs (Frw) rounded to the nearest thousand.

2.3 Presentation of financial statements

The Bank presents its statement of financial position in order of liquidity based on the Bank's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in the notes

2.4 Changes in accounting policies and disclosures

New and amended standards and interpretations

The Bank has applied for the first time, certain standards and amendments, which are effective for annual periods beginning or after 1 January 2021. The Bank has not adopted any other standard, interpretation or amendment that has been issued but not effective. The Bank adopted the requirements of 'Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16' (IBOR reform Phase 2), although these new standards and amendments applied for the first time in 2021, they did not have a material impact on the annual financial statements of the Bank. The nature and the impact of each new standard or amendment is described below:

Amendments effective and adopted in the current year

2.4.1 Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

Effective for annual periods beginning on or after 1 January 2021

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR).

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

IBOR reform Phase 2 provides temporary reliefs that allow the Bank's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Bank to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. For the retrospective assessment of hedge effectiveness, the Bank may elect on a hedge by hedge basis to reset the cumulative fair value change to zero.

The Bank may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is separately identifiable, e.g., it is an established benchmark that is widely used in the market to price loans and derivatives.

For new RFRs that are not yet an established benchmark, relief is provided from this requirement provided the Bank reasonably expects the RFR to become separately identifiable within 24 months. For hedges of groups of items, the Bank is required to transfer to subgroups those instruments that reference RFRs. Any hedging relationships that prior to application of IBOR reform Phase 2, have been discontinued solely due to IBOR reform and meet the qualifying criteria for hedge accounting when IBOR reform Phase 2 is applied, must be reinstated upon initial application.

Commentary
The Bank has not provided disclosures in respect of new and amended standards and interpretations that are effective from 1 January 2021, as none of those issued had an impact on the Bank's financial statements, other than IBOR reform Phase 2 which was early adopted in 2020.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases.

2.4.2 New and amended standards and interpretations

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.

Amendments effective and adopted in the current year

The amendment applies to annual reporting periods beginning on or after 1 April 2021.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16 (Continued)
However, the Bank has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Standards and amendments issued but not yet effective

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

The amendments are not expected to have a material impact on the Bank.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

2.4 Changes in accounting policies and disclosures

New and amended standards and interpretations

Standards and amendments issued but not yet effective

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendments are not expected to have a material impact on the Bank

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Bank will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments are not expected to have a material impact on the Bank.

2.4 Changes in accounting policies and disclosures

New and amended standards and interpretations

AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB, issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier

adoption permitted. The Bank will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

2.4 Changes in accounting policies and disclosures

New and amended standards and interpretations

Standards and amendments issued but not yet effective

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board.

2.4 Changes in accounting policies and disclosures

New and amended standards and interpretations

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
Effective for annual periods beginning on or after 1 January 2023

IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.
The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies

Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures
Replacement of the term 'significant' with 'material' In the absence of a definition of the term 'significant' in IFRS, the Board decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in IFRS and is widely understood by the users of financial statements, according to the Board.

In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them.

Transition
Earlier application of the amendments to IAS 1 is permitted as long as this fact is disclosed.

Impact
The amendments may impact the accounting policy disclosures of entities. Determining whether accounting policies are material or not requires use of judgement. Therefore, entities are encouraged to revisit their accounting policy information disclosures to ensure consistency with the amended standard.

Entities should carefully consider whether 'standardised information, or information that only duplicates or summarises the requirements of the IFRSs' is material information and, if not, whether it should be removed from the accounting policy disclosures to enhance the usefulness of the financial statements.

2.5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(α) Recognition of interest income

(i) The effective interest rate

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

The IBOR reform Phase 2 amendments allow as a practical expedient for changes to the basis for determining contractual cash flows to be treated as changes to a floating rate of interest, provided certain conditions are met. The conditions include that the change is necessary as a direct consequence of IBOR reform and that the transition takes place on an economically equivalent basis.

(ii) **Interest and similar income/expense**

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information.

In its Interest income/expense calculated using the effective interest method, the Bank only includes interest on those financial instruments set out on note 5.

The Bank calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

When a financial asset becomes credit-impaired is therefore regarded as 'Stage 3', the Bank calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the financial asset. The credit adjusted EIR is the interest rate that, at initial recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI financial asset.

(iii) **Fees and commission income**

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

(b) Fees income earned from services that are provided over a certain period of time

- **Fees earned for the provision of services over a period of time are accrued over that period.**

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

- **Fees income from providing transaction services**

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

- **Fees and commission expenses**

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(c) Foreign currency translation

The financial statements are presented in Rwandan Franc (Frw) which is also the functional currency of the entity.

Transactions in foreign currencies are initially recorded at the rates of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange at the reporting date. All translation gains and losses arising on non-trading activities are taken to 'other operating income/expenses' in profit or loss.

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

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

(d) 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 of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(e) Financial Instruments- Initial recognition

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank:

(f) Financial Instruments- Initial recognition

The Bank measures Due from banks, Loans and advances to customers and other financial investments at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

As a second step of its classification process the Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPI test

The SPPI test

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Initial measurement of financial instruments

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)

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Bank reclassifies debt investments when and only when its business model for managing those assets changes.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial assets

The Bank 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 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"

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.

Subsequent to initial recognition, the Bank's financial assets are measured at amortised cost ("AC")

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at Amortised cost and FVPL.

The Bank classifies and measures its derivative and trading portfolio at FVPL. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

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")

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.

(f) Financial Instruments- Derecognition

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - the Bank has transferred substantially all the risks and rewards of the asset, or
  - The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

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 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

Modifications that do not result in modification

When the contractual cash flows of a financial instrument are modified and does not result in derecognition, differences between the recalculated gross carrying amount and the carrying amount before modification is recognised in profit or loss as modification gain or loss, at the date of modification.

Write off and recoveries

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets' in the statement of profit or loss. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

(ii) Financial Liabilities

- A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.
- Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss

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.

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**

Impairment of financial assets

The Bank recognises loss allowances for Expected Credit Losses ("ECL") on the following financial instruments:

- Financial assets that are debt instruments;
- Customer loans and advances
- Other Loans and receivables
- financial guarantee contracts issued
- Loan commitments issued; and
- Loans to other banks

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.

(f) Financial Instruments

Impairment of financial assets

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer
- a breach of contract such as a default or past-due event
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties

Purchased or originated credit-impaired (POCI) financial assets

POCI financial assets are treated differently because the asset is credit- impaired at initial recognition. For these assets, the Bank recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. A favorable change for such assets creates an impairment gain.

The Bank recognises loss allowances for Expected Credit Losses ("ECL") on the following financial instruments:

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 other rece*ivables 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 (gross domestic product, interest rates, inflation, CPIs) are expected to deteriorate over the next year, which can lead to an increased number of defaults, and the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated, and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. the expected credit loss ('ECL') associated with its debt instrument assets carried at amortised cost 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 Bank considers three scenarios/outcomes as worst case, base case and best case. Each of these is associated with different PDs, EADs and LGDs.

Impairment of financial assets

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

(f) 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.

(g) 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. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, unrestricted balance in current accounts with National Bank of Rwanda, and amounts due from banks and government securities on demand or with an original maturity of three months or less, net of amounts due to banks and other financial institutions.

(h) Property and equipment

Property and equipment are initially recorded at cost, and subsequently stated at historical cost less accumulated depreciation and accumulated impairment. 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.

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

The asset's 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 when there is an indication of impairment. 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.

(i) Intangible assets

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

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.

Software amortization rate -3 to 10 years are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired for the purpose of impairment testing, the recoverable amount is determined on an individual asset basis

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

(j) 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 the settlement is remote.

(k) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are those expected to be settled wholly before twelve months after the end of annual reporting period during which employee services are rendered, but do not include termination benefits like wages and salaries.

(ii) Retirement benefit obligations

The Bank and all its employees also contribute to the Rwanda Social Security Board, which is a defined contribution scheme. The Bank's contributions to the defined contribution schemes are charged to profit or loss in the year to which they relate.

(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. Refer to notes 12 & 26 for disclosure of carrying amounts.

(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 the 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.

(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.

To determine the ECL for off balance sheet assets, a credit conversion factor is applied to the undrawn amount to obtain the exposure. The Basel Committee's credit conversion factor was adopted for the off-balance sheet of the Banks.

(p) Leases

As per IFRS 16, on the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Bank recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Bank is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Bank's incremental borrowing rate is used. For leases that contain non-lease components, the company allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured by increasing the carrying amount to reflect interest on lease liability; reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any remeasurement or lease modifications, or revised fixed lease payments.

All right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liabilities. Depreciation is calculated using the straight-line method to write-down the cost of each asset to its residual value over its estimated useful life. If the ownership of the underlying asset is expected to pass to the Bank at the end of the lease term, the estimated useful life would not exceed the lease term. For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset if of low value, the total lease payments are recognized in profit or loss on a straight-line basis over the lease period

(q) Comparatives

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

2.6 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk management framework

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.

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.

(a) 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.

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 risk as customer loans and advances.

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 customer loans and advances.

Commitments to extend credit represent un-utilised portions of authorised credit in the form of customer 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.
- 89% (2020 100%) of the loans and advances portfolio are neither past due nor impaired.
- 100% (2020:100%) of the debt securities are government securities.

Government debt securities are financial instruments issued by sovereign government and include both longterm bonds and short-term bills with fixed or floating rate interest payments, these securities are highly liquid and traded in active markets.

Customer 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, remedial action and the initiation of credit write-offs.

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

STAGE 1	STAGE 2	STAGE 3
(Initial)	(Significant increase in credit risk since initial)	(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 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. <u>ECL= PD x LGD x EAD*EIR</u>

* PD is defined as probability of default
* LGD is defined as Loss given default
* EAD is defined as Exposure at default
* EIR is defined as Effective interest rates applicable

The Calculation of ECL

The Bank calculates ECL based on a three probability-weighted scenarios to measure the expected cash

shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD.

When estimating the ECL, the Bank considers three scenarios being a base case, a best case, and a worst case. Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

The Bank defines default as when the borrower is unlikely to pay credit obligations in full, without recourse such as realizing security, the borrower is 90 days past due on any material credit obligation to the Bank,

or when it has become probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to repay credit obligations.

Loans and debt securities are written off partially or in full when there is no reasonable expectation of recovering a financial asset in its entirety or portion thereof. This assessment is carried out on individual basis. Recoveries of amounts previously written off are recognised when cash is received and are included in the " impairment losses on financial instruments."

Significant Increase in credit risk (SICR)

The Bank's 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 were 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. 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:

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

Qualitative Criteria

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.

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) Customer 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:

31 December 2021 Customer Loans and advances at amortised cost	Stage 1 12-month ECL Frw'000	Stage 2 Lifetime ECL Frw'000	Stage 3 Lifetime ECL Frw'000	Total Frw'000
Gross carrying amount as at 1 January 2021	31,586,350	601,088	2,448,358	34,635,796
Transfer to stage 1	1,714,821	(1,572,657)	(142,164)	-
Transfer to stage 2	(448,898)	448,898		-
Transfer to stage 3	-	-	-	-
New financial assets originated or purchased and other changes	16,286,356	2,056,010	1,457,451	22,331,663
Write-offs	-	-	(3,416,556)	(3,416,556)
Gross carrying amounts as at 31 December 2021	**49,138,629**	**3,780,857**	**631,417**	**53,550,903**
Gross carrying amount as at 1 January 2020	15,433,110	3,614,217	190,177	19,237,504
Transfer to stage 1	1,877,172	(1,877,172)	-	-
Transfer to stage 2	(464,532)	464,532	-	-
Transfer to stage 3	-	(2,656,271)	2,656,271	-
New financial assets originated or purchased and other changes	14,740,600	1,055,782	138,187	15,934,569
Write-offs	-	-	(536,277)	(536,277)
Gross carrying amounts as at 31 December 2020	**31,586,350**	**601,088**	**2,448,358**	**34,635,796**

The table below shows movement in provisions for impairment for loans and advances

31 December 2021	Stage 1	Stage 2	Stage 3	
Loss allowance on loans and advances to customers at amortised cost	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	Frw'000	Frw'000	Frw'000	Frw'000
At start of year	476,216	17,201	984,790	1,478,207
Transfer to stage 1	17,293	(16,686)	(607)	-
Transfer to stage 2	(8,768)	8,768		-
Transfer to stage 3	-	-	-	-
Net new impairments created	773,740	100,380	1,639,942	2,514,062
Total charge to profit or loss	782,265	92,462	1,639,335	2,514,062
Write-offs			(2,565,814)	(2,565,814)
Loss allowance as at 31 December 2021	1,258,481	109,663	58,311	1,426,455

31 December 2020	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Credit Loss allowance on customer loans and advances at amortised cost	Frw'000	Frw'000	Frw'000	Frw'000
At start of year	81,609	442,915	173,045	697,569
Transfer to stage 1	32,772	(32,772)	-	-
Transfer to stage 2	(259)	259	-	-
Transfer to stage 3	-	-	-	-
Net new impairments created	362,094	68,402	566,922	997,418
Total charge to profit or loss	394,607	478,804	739,967	997,418
Write-offs	-	-	(216,780)	(216,780)
Credit Loss allowance as at 31 December 2020	**476,216**	**478,804**	**523,187**	**1,478,207**

The expected credit loss allowance in the current year reduced in comparison to increase in the customer loans and advances. This movement is explained by write off of Frw 2.5 billion made in the year for the loans that was determined to be uncollectible.

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 analyzing 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 therefore, considered low risk. None of these were past due or impaired. No ECL impairment has been recognised on other financial assets.

(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).

	2021	2020
	Frw 000	Frw 000
Balances with central bank of Rwanda	6,387,360	2,179,813
Due from banking institutions	6,348,295	3,397,818
Government securities	23,907,905	13,922,171
Customer loans and advances (Gross)	53,550,903	34,274,045
Derivative asset	-	55,773
Total on balance sheet	**90,194,463**	**54,549,952**
Credit risk exposures relating to off-balance sheet items are as follows:		
Guarantees	4,081,134	4,473,641
Financing commitments given	1,282,005	2,726,207
Letters of Credit	-	348,140
Total off-balance sheet	5,363,139	7,547,988
Total credit risk exposure	**95,557,602**	**62,097,940**

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:

	2021 %	2020 %
Building & construction	15.7	14
Hotel & restaurant	0.9	2
Manufacturing	22.2	24
Other activities	4.1	3
Private	19.7	14
Real estate	0.7	9
Transport	1.2	0
Trade & commerce	25.9	34
Telecommunication	9.6	-
	100	**100**

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 2021, 89% (2020: 92%) of the impaired loans (net of suspended interest) were covered by collateral

2.6 Financial risk management objectives and policies (continued)

b) Market risk (continued)

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:

	2021	2020
Building & construction	15.7	14
Hotel & restaurant	0.9	2
Manufacturing	22.2	24
Other activities	4.1	3
Real estate	0.7	9
Transport	1.2	0
Trade & commerce	25.9	34
Telecommunication	9.6	-
	100	**100**

(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.

2.6 Financial risk management objectives and policies (continued)

b) Market risk (continued)

ii) Concentrations of risk (continued)

Valuation of collateral

The Bank has a panel of valuers who undertake the 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 2021, 89% (2020: 92%) of the impaired loans (net of suspended interest) were covered by collateral

i) Currency risk

The Bank takes deposits and lends in currencies other than the local currency and is 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. The currency position and exposure are managed within the exposure guidelines relating to core capital stipulated by regulation. The Bank's significant currency positions were:

Valuation of collateral

The Bank has a panel of valuers who undertake the 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2021

2.6 Financial risk management objectives and policies (continued)

b) Market risk (continued)

i) Currency risk

	FRW	USD	GBP	EUR	Other	Total
Year ended 31 December 2021	**Frw '000**	**Frw '000**	**Frw '000**	**Frw '000**	**Frw '000**	**Frw '000**
Cash in hand	325,814	507,738	1,127	175,953	38	**1,010,670**
Balance with National Bank of Rwanda	4,617,112	1,700,879	-	69,369	-	**6,387,360**
Deposits and balances due from other banking institutions	178,520	5,849,750	59,622	235,001	25,402	**6,348,295**
Government securities	19,781,151	4,126,754	-	-	-	**23,907,905**
Customer Loans and advances	50,399,581	1,724,867	-	-	-	**52,124,448**
Derivative asset	-	-	-	-	-	**-**
Other assets	3,870,455	-	-	-	-	**3,870,455**
	79,172,633	**13,909,988**	**60,749**	**480,323**	**25,440**	**93,649,133**
Deposits from Customers	57,282,490	12,768,128	27,932	409,458	-	**70,488,008**
Balances due to group companies	852,798	-	-	-	-	**852,798**
Lease liability	1,055,922	-	-	-	-	**1,055,922**
	59,191,210	**12,768,128**	**27,932**	**409,458**	**-**	**72,396,728**
Net position	**19,981,423**	**1,141,860**	**32,817**	**70,865**	**25,440**	**21,252,405**

FRW The reporting currency does not carry any exchange rate exposure

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2021

2.6 Financial risk management objectives and policies (continued)

b) Market risk (continued)

i) Currency risk (continued)

	FRW	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**
Deposits from Customers	34,471,291	6,313,247	31,188	395,433	-	**41,211,159**
Other liabilities	2,098,516	564,123	59,577	68,506	576	**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**
	39,316,025	**6,877,370**	**90,765**	**463,939**	**576**	**46,748,675**
Net position	**8,701,118**	**(390,285)**	**2,711**	**96**	**4,913**	**8,318,553**

2.6 Financial risk management objectives and policies (continued)

c) Market risk (continued)

ii) Interest rate 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:

IBOR reform

Following the decision by global regulators to phase out IBORs and replace them with the reference rates, the Bank manages the transition for any of its contracts that could be affected. IBOR reform exposes the Bank to various risks, which the project is managing and monitoring closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform
- Financial risk to the Bank and its clients that markets are disrupted due to IBOR reform giving rise to financial losses
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable
- Operational risk arising from changes to the Bank's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available
- Interest rate is the risk that the future cash flows of financial instruments will fluctuate because of changes in the market interest rates. Interest margin may decrease as a result of such changes but may increase losses in the event that unexpected movement arises.

The Bank closely monitors interest rate movements and seeks to limit its exposure by managing the interest rate and maturity structure of assets and liabilities carried on the statement of financial position. Assets and Liabilities Committee monitors compliance with the set interest rate gaps. The Bank has a robust assets and liabilities committee which reviews daily cash management, monitors daily liquidity limits of loan to deposit ratio and interbank borrowing. The Bank also performs stress testing of liquid assets to ensure severe liquidity gaps are adequately managed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 December 2021

2.6 Financial risk management objectives and policies (continued)

d) Credit risk (continued)

ii) Interest rate risk

The table below shows structure of assets and liabilities that the Bank holds as at 31 December 2021

Year ended 31 December 2021	Up to 1 month FRW '000	1 to 3 months FRW '000	3 to 12 months FRW '000	1 to 5 years FRW '000	Over 5 years FRW '000	Non - interest bearing FRW '000	Total FRW '000
2021							
Cash in hand	-	-	-	-	-	1,010,670	**1,010,670**
Balance with National Bank of Rwanda	-	-	-	-	-	6,387,360	**6,387,360**
Deposits and balances due from other banking institutions						6,348,295	**6,348,295**
Government securities	-	2,560,339	12,646,848	291,714	8,409,004	-	**23,907,905**
Customer Loans and advances	5,088,764	2,953,289	2,153,291	17,306,267	19,574,270	5,048,567	**52,124,448**
Other assets	680,861	-	-	-	-	3,189,594	**3,870,455**
	5,769,625	5,513,628	14,800,139	17,597,981	27,983,274	21,984,486	**93,649,133**
Deposits from Customers	7,198,586	2,073,407	12,900,513	-	-	48,315,502	**70,488,008**
Accruals, provisions and other liabilities	-	-	-	-	-	1,254,249	**1,254,249**
Balances due to group companies	-	-	-	-	-	852,798	**852,798**
Lease liability	-	-	-	-	-	1,055,922	**1,055,922**
	7,198,586	2,073,407	12,900,513	-	-	51,478,471	**73,650,977**
	(1,428,961)	3,440,221	1,899,626	17,597,981	27,983,274	(29,493,985)	**19,998,156**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2021

2.6 Financial risk management objectives and policies (continued)
e) Market risk (continued)
iii) Interest rate risk

Year ended 31 December 2020	Up to 1 month FRW '000	1 to 3 months FRW '000	3 to 12 months FRW '000	1 to 5 years FRW '000	Over 5 years FRW '000	Non - interest bearing FRW '000	Total FRW '000
2020							
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**
Customer Loans and advances	4,730,368	5,287,150	3,186,299	11,626,218	7,965,803	-	**32,795,838**
Derivative assets	-	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**
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**

2.6 Financial risk management objectives and policies (continued)

c) Market risk (continued)

ii) Interest risk (continued)

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

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. 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:

Bank At 31 December 2021 – (%)	local Currency	**USD**
Assets		
Government securities	10.6	2.00
Due from banking institutions	6.51	2.04
Customer loans and advances	15.4	8.25
Liabilities		
Customer deposits	6.1	0.6
Balances due to banks	5.6	
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
Balances due to banks	5.4	-

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 Bank 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)

for the year ended 31 December 2021

2.6 Financial risk management objectives and policies (continued)

d) Liquidity risk (continued)

At 31 December 2021	Up to 1 month Frw '000	1 to 3 months Frw '000	3 to 12 months Frw '000	1 to 5 years Frw '000	Over 5 years Frw '000	Total Frw '000
Assets						
Cash in hand	1,010,670	-	-	-	-	**1,010,670**
Central banks balances	6,387,360	-	-	-	-	**6,387,360**
Government securities	-	2,620,985	12,724,843	6,493,933	14,665,997	**36,505,758**
Due from banking institutions	6,348,295	-	-	-	-	**6,348,295**
Customer Loans and advances	7,779,432	3,553,028	1,560,890	17,127,312	34,648,316	**64,668,979**
Due from group companies	-	-	-	-	-	**-**
Other financial assets	3,557,565	-	-	-	-	**3,557,565**
Total financial assets	**25,083,322**	**6,174,013**	**14,285,733**	**23,621,245**	**49,314,313**	**118,478,627**
Liabilities	-	-	-	-	-	**1,254,249**
Customer deposits	55,723,687	3,069,163	12,996,444	-	-	**71,789,294**
Due to banking institutions	3,160,255	-	4,422,142	-	-	**7,582,397**
Due to group companies	852,798	-	-	-	-	**852,798**
Other financial liabilities	2,500,459	-	-	-	-	**2,500,459**
Total financial liabilities	**62,237,199**	**3,069,163**	**17,418,586**	**-**	**-**	**82,724,948**
Net on-balance sheet liquidity gap	**(37,153,877)**	**3,104,850**	**(3,132,853)**	**23,621,245**	**49,314,313**	**35,753,679**
Un-recognised financial instruments						
Guarantees	4,081,134					**4,081,134**
Irrevocable un-utilised facilities	1,282,005	-	-	-	-	**1,282,005**
Total off-balance sheet notional position	**5,363,139**	**-**	**-**	**-**	**-**	**5,363,139**
Total on and off-balance sheet net liquidity gap	**(31,790,738)**	**3,104,850**	**(3,132,853)**	**23,621,245**	**49,314,313**	**41,116,818**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended 31 December 2021

2.6 Financial risk management objectives and policies (continued)
d) Liquidity risk (continued)

At 31 December 2020	Up to 1 month Frw '000	1 to 3 months Frw '000	3 to 12 months Frw '000	1 to 5 years Frw '000	Over 5 years Frw '000	Total Frw '000
Assets						
Cash	941,492	-	-	-	-	**941,492**
Balances with Central Bank	2,179,813	-	-	-	-	**2,179,813**
Due from 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**
Customer loans and advances	4,730,368	5,287,150	3,186,299	11,626,218	7,965,803	**32,795,838**
Swap Derivative asset	-	55,773	-	-	-	**55,773**
Lease commitments	-	-	-	-	1,286,617	**1,286,617**
Other assets	339,661	1,434,662				**1,774,323**
	11,774,592	7,794,535	8,375,159	14,346,639	14,062,920	**56,353,845**
Liabilities	-	-	-	-	-	**1,254,249**
Customer deposits	33,910,131	1,948,200	6,632,429	140,386	-	**42,631,146**
Due to banking institutions	650,080					**650,080**
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**	**-**	**46,905,059**
Net on- balance sheet liquidity gap	**(24,322,682)**	**3,759,565**	**1,742,730**	**14,206,253**	**14,062,920**	**9,448,786**
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	**(19,817,661)**	**-**	**-**	**-**	**-**	**5,363,139**

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.

2.6 Financial risk management objectives and policies (continued)

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 2021, the effect of a 100 basis points change in net interest margin would have resulted in an increase or decrease of Frw 102 million (2020 – Frw 105 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.

The 31 December 2021, 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 (2020 - Frw 5.1 million) higher or lower mainly as a result of dollar denominated customer loans and advances and placements with other banks.

The 31 December 2021 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 (2020 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 2021.

Capital management

The Bank's objectives when managing capital, 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.

In Rwanda, the regulator requires each banking institution to:

a) hold a minimum level of regulatory capital of Frw 20 billion by the year 2022;

2.6 Financial risk management objectives and policies (continued)

e) Market risk sensitivity analysis (continued)

b) maintain a ratio of core capital to the risk-weighted assets at a minimum of 12.5%;
maintain a ratio of total capital to risk-weighted assets at a minimum of 15%.

c) 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.
Tier 2 capital (supplementary capital): comprises 25% (subject to regulatory approval) of, statutory credit risk reserve. 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.

d) 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 and retained earnings.
- Tier 2 capital (supplementary capital): comprises 25% statutory credit risk reserve; 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.

2.6 Capital Management (continued)

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. 31 December 2021, the effect of a 100 basis points change in net interest margin would have resulted in an increase or decrease of Frw 102 million (2020 – Frw 105 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.

31 December 2021, 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 (2020 - Frw 5.1 million) higher or lower mainly as a result of dollar denominated customer loans and advances and placements with other banks.

31 December 2021 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 (2020 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 2021.

Capital management

The Bank's objectives when managing capital, 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.

In Rwanda, the regulator requires each banking institution to:

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

2.6 Financial risk management objectives and policies (continued)

e) Market risk sensitivity analysis (continued)

Capital management (continued)

The table below summarises the composition of regulatory capital and capital adequacy ratios of NCBA bank as at 31 December 2021.

(e) Basel ratios

	2021 Frw'000	2020 Frw'000
Tier I capital	16,645,410	11,309,296
Adjustment	794,599	540,570
Total capital	**17,440,009**	**11,849,866**
Risk-weighted assets		
Credit risk weighted assets	58,151,530	37,587,128
Market risk weighted assets equivalent	333,539	3,069,975
Operational risk equivalent assets	**5,082,809**	**2,588,493**
Total risk-weighted assets	63,567,878	43,245,596
	2021	**2020**
Basel ratios		
Tier I	26.2%	26.2%
Total capital	27.4%	27.4%

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

Determination of fair value
In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

Level 1 financial instruments – Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Bank has access to at the measurement date.
The Bank considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.
Level 2 financial instruments – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank will classify the instruments as Level 3.
Level 3 financial instruments – Those that include one or more unobservable input that is significant to the measurement as whole.

3. Capital Management (continued)

e) Market risk sensitivity analysis (continued)

The fair value of financial instruments is generally measured on an individual basis. However, in cases where the Bank manages a group of financial assets and liabilities on the basis of its net market or credit risk exposure, the fair value of the group of financial instruments is measured on a net basis, however the underlying financial assets and liabilities are presented separately in the financial statements, unless they satisfy the IFRS offsetting criteria.

31 December 2021	Frw '000	Carrying amount	Fair value	Quoted prices in active market Level 1	Significant observable inputs Level 2	Non - interest bearing Frw '000
Government securities at amortised cost		23,907,905	23,907,905	-	23,907,905	-
Customer Loans and advances		52,124,448	52,124,448	-	-	52,124,448
Customer deposits		70,488,008	-	-	70,488,008	-
Due to other banks		7,252,422	-	-	7,252,422	-
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
Due from other banks		3,397,818	3,397,818	-	3,397,818	-
Derivative asset		55,773	55,773	-	55,773	-

4. Critical accounting estimates and judgements in applying accounting policies

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

(a) Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

(b) Impairment losses on financial assets at amortised cost

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values

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

when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

The Bank's internal credit grading model, which assigns PDs to the individual grades

The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit losses basis and the qualitative assessment

The segmentation of financial assets when their expected credit losses is assessed on a collective basis

Development of expected credit losses models, including the various formulas and the choice of inputs

Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs

Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

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 46 million higher or lower (2020: Frw 66 million)

Refer to note 17 for disclosure of carrying amounts.

(c) 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 Frw 2.0 billion and 2.2 billion respectively

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

Refer to note 21 for disclosure of carrying amount

(d) Assessment of useful lives and residual values of non-financial assets such as property and equipment and intangible asset

The estimation of the residual values and useful lives involves significant judgement. The residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each reporting date. Changes in the expected useful life, residual values or methods of depreciation are accounted for as changes in accounting estimates.

Refer to note 20 for disclosure of carrying amount

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

(e) Impairment of non- financial assets

An impairment review of property, plant and equipment is carried out when there is an indication that these may be impaired by comparing the carrying amount thereof to its recoverable amount.

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment which include changes in technology and change of law or decisions from the parent company. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss in respect of cash-

generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis. There is no indication of impairment of assets.

(f) Determination of fair value

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 2 financial instruments – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank will classify the instruments as Level 3.

Level 3 financial instruments – Those that include one or more unobservable input that is significant to the measurement as whole. The fair value of financial instruments is generally measured on an individual basis. However, in cases where the Bank manages a group of financial assets and liabilities on the basis of its net market or credit risk exposure, the fair value of the group of financial instruments is measured on a net basis, however the underlying financial assets and liabilities are presented separately in the financial statements, unless they satisfy the IFRS offsetting criteria.

(i) 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 favorable 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 crystallize 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

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

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. Refer to note 12 and 26 for disclosure of carrying amounts.

5. Interest and credit related income

	2021 Frw'000	2020 Frw'000
Customer loans and advances – main banking business	5,785,352	3,028,237
Government securities at amortised cost	1,733,767	1,121,721
Customer loans and advances – Mobile loans	**2,219,647**	**995,637**
	9,738,766	**5,145,595**

Significant changes in the gross carrying amounts of loans and advances to customers that contributed to movements in loss allowances were new loans advanced in the year, as well as write off of impaired loans.

The table below shows the movement in gross loans and advances between the various credit quality stages in the year.

6. Interest expense

	2021 Frw'000	2020 Frw'000
Customer deposits	2,830,618	2,019,229
Balances due to banks	378,529	116,488
Finance cost (IFRS 16 – lease liability) – Note 27	**135,871**	**144,352**
	3,345,018	**2,280,069**

7. Credit losses expense

	2021 Frw'000	2020 Frw'000
Stage 1	782,265	394,607
Stage 2	92,462	(425,714)
Stage 3	**1,639,335**	**1,028,525**
Total impairment charges	**2,514,062**	**997,418**
Bad debts recoveries	(85,386)	(225,384)
Total credit loss expenses	**2,428,676**	**772,034**

8. (a) Fees and commission income

	2021 Frw'000	2020 Frw'000
Service and transaction fees	758,723	210,885
Fees and commission on bills, letters of credit and guarantees	109,773	1,121,721
	868,496	**510,072**

(b) Fees and commission income

	2021 Frw'000	2020 Frw'000
Service and transaction fees	7,630	1,506
	7,630	1,506

9. Foreign exchange income

	2021 Frw'000	2020 Frw'000
Realised gains	846,650	419,966
Unrealized gains	25,745	3,855
	872,395	**423,821**

10. (a) Expenses

	2021 Frw'000	2020 Frw'000
Employee expenses note 10 b	2,082,136	1,451,247
Depreciation and amortisation note 12	773,911	664,901
Professional and consultancy fees	160,921	**369,679**
Connectivity and network charges	392,185	327,864
License fees for banking systems	456,533	255,060
Marketing and publicity	168,574	192,540
Group cost recovery	136,892	**181,609**
Other operating expenses	125,725	161,410
Directors fees	279,382	155,373
Staff transport	137,555	140,058
Legal and consultancy fees	183,901	**92,126**
Security and cash in transit	51,589	68,136
Travel and accommodation expenses	29,865	66,037
Bank Charges	101,574	63,724
	872,395	**423,821**

10. (a) Expenses (continued)

	2021 Frw'000	2020 Frw'000
Postage, photocopy and printing	53,811	53,437
Insurance	51,039	51,677
ATM expenses	23,718	**38,126**
Fuels, lubricants and motor vehicle expenses	44,775	37,992
Utility and electricity expenses	43,117	34,412
Subscription to banking and dealing platforms	35,907	33,807
Audit fees	42,243	**29,589**
Donations	4,300	23,284
Repairs and maintenance	42,118	18,356
Cleaning	22,205	17,869
Depositor guarantee fund	22,817	**9,239**
Membership-subscriptions	7,381	-
	5,474,174	**4,537,553**

Other expenses relates to supervision fees, business and strategy support expenses, EDWH associated costs.

10. (b) Employee benefits expenses

	2021 Frw'000	2020 Frw'000
Salaries and wages	1,708,238	1,274,755
Pension	90,178	66,795
Medical expenses	97,529	58,881
Other staff costs	170,113	42,082
Trainings	16,078	8,734
	2,082,136	**1,451,247**

11. Depreciation and Amortization

	2021 Frw'000	2020 Frw'000
Depreciation of fixed assets	339,290	303,888
Depreciation of right of use assets	323,363	302,764
Software amortization	111,258	58,249
	773,911	664,901

12. Income tax expense

	2021 Frw'000	2020 Frw'000
Deferred income tax (note 26)	269,700	9,149
	269,700	**9,149**

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:

	2021 Frw'000	2020 Frw'000
Profit/(loss) before income tax	231,789	(1,510,167)
Tax calculated at the statutory income tax rate of 30% (2020- 30%)	69,537	(453,050)
Expenses not deductible for tax purposes	32,879	120,208
Prior year adjustment-Over provision	23,659	-
Deferred tax not recognized	(395,775)	323,693
	269,700	9,149

13. Cash and bank balances with National Bank of Rwanda

	2021 Frw'000	2020 Frw'000
Cash in hand	1,010,670	941,492
Balances with BNR	6,387,360	2,179,813
Total	7,398,030	3,121,305
Mandatory cash reserve deposits	2,164,883	1,648,446

14. a) Due from banking institutions

	2021 Frw'000	2020 Frw'000
Current accounts, overnight and call deposits	6,348,295	3,397,818
	6,348,295	3,397,818

14. b) Analysis of cash and cash equivalents

	2021 Frw'000	2020 Frw'000
Cash in hand	1,010,670	941,492
Balances with BNR	6,387,360	2,179,813
Due from other banking institutions	6,348,295	3,397,818
Total	**13,746,325**	**6,519,123**

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

15. Derivative financial instrument

	2021 Frw'000	2020 Frw'000
Derivative financial instrument (currency swap)	-	55,773
Derivative financial instrument (currency swap)	-	**55,773**

2020	**Amount in Currency** Frw'000	**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**

The derivative instrument was a 2 year contract currency swap transaction with National Bank of Rwanda which matured in March 2021.

16. Government securities

	2021 Frw'000	2020 Frw'000
Treasury bills – amortised cost	8,746,924	5,989,652
Fixed rate Treasury bonds – amortised cost	11,034,227	7,932,519
Other securities -amortised cost	4,126,754	-
	23,907,905	**13,922,171**
Comprising:		
Treasury bills and bonds maturing within 91 days from date of acquisition	2,049,393	1,202,390
Treasury bills and bonds maturing after 91 days but within 364 days from date of acquisition	12,190,743	5,188,860
Treasury bills and bonds maturing after 364 days from date of acquisition	9,667,769	7,530,921
	23,907,905	**13,922,171**

17. a) Loans and advances to customers

	2021 Frw'000	2020 Frw'000
Term loans	46,723,324	31,459,106
Overdrafts	6,747,880	2,814,939
Credit card balances	79,699	49,160
Gross loans and advances	53,550,903	34,274,045
	269,700	**9,149**
Less: Expected credit loss		
- Stage 3	(58,311)	(523,187)
- Stage 2	(109,663)	(478,804)
- Stage 1	(1,258,481)	(476,216)
Total ECL	(1,426,455)	(1,478,207)
Net customer Loans and advances	**52,124,448**	**32,795,838**

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

	Stage 1 Frw '000	Stage 2 Frw '000	Stage 3 Frw '000	Total Frw '000
Year ended 31 December 2021				
At 1 January	476,216	17,201	984,790	1,478,207
Charge for the year	782,265	92,462	1,639,335	2,514,062
Loans written off during the year as uncollectible	-	-	(2,565,814)	(2,565,814)
				-
At 31 December 2021	1,258,481	109,663	58,311	1,426,455

The movement in impairment of gross loans was impacted by write off of non-performing loan therefore significant increase in gross loans is not correlating to changes in expected credit losses; the impact is shown in the credit losses expenses in the statement of profit and loss.

	Stage 1 Frw '000	Stage 2 Frw '000	Stage 3 Frw '000	Total Frw '000
Year ended 31 December 2020				
At 1 January	81,609	442,915	173,045	697,569
Charge for the year	394,607	35,889	566,922	997,418
Loans written off during the year as uncollectible	-	-	(216,780)	(216,780)
At 31 December 2020	476,216	478,804	523,187	1,478,207

18. Other assets

	2021 Frw'000	2020 Frw'000
Deposits, prepayments and other deferred charges	913,287	512,361
Mobile banking account	2,644,278	1,053,991
Other receivables	312,890	207,971
Total	**3,870,455**	**1,774,323**

Other receivables relate to withholding taxes recoverable and prepaid insurance and other expenses paid in advance.

19. Property and equipment

	Improve-ments on leased properties Frw'000	Equip-ment, fur-niture and fittings Frw'000	Motor vehicles Frw'000	Capital Work in progress Frw'000	Total Frw'000
At 1 January 2021					
Cost	962,329	1,909,389	132,009	542,082	3,545,809
Additions		161,644		1,226,028	1,387,672
Cost	**962,329**	**2,071,033**	**132,009**	**1,768,110**	**4,933,481**
Year ended 31 Dec 2021					
Depreciation as at 1 Jan 2021	(160,361)	(1,467,888)	(51,798)	-	(1,680,047)
Charge for the year	(48,108)	(267,706)	(23,476)	-	(339,290)
As at 31 December 2021	(208,469)	(1,735,594)	(75,274)	-	(2,019,337)
Net Book Value					
As at 1 January 2021	801,968	441,501	80,211	542,082	1,865,762
As at 31 December 2021	**753,860**	**335,439**	**56,735**	**1,768,110**	**2,914,144**

19. Property and equipment (continued)

	Improvements on leased properties	Equipment, furniture and fittings	Motor vehicles	Capital Work in progress	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
At 1 January 2020					
Cost	962,329	2,079,413	38,103	-	3,079,845
Additions	-	106,295	93,906	542,082	742,283
Write off	**-**	**(262,197)**	**-**	**-**	**(262,197)**
Disposal	-	-	(7,295)	-	(7,295)
Year ended 31 Dec 2020	**850,084**	**1,909,836**	**124,730**	**542,082**	**3,552,636**
Depreciation as at 1 Jan 2020	112,245	1,502,130	38,103	-	1,652,478
Charge for the year	48,116	242,077	13,695	-	303,888
Disposals	-	-	(7,278)	-	(7,278)
Write off	-	(262,197)	-	-	(262,197)
As at 31 December 2020	160,361	1,482,010	44,520	-	1,686,891
Net book value as at 31 December 2020	**801,968**	**441,501**	**80,211**	**542,082**	**1,865,762**

20. Intangible assets

	2021 Frw'000	2020 Frw'000
Cost		
At 1 January	1,368,285	1,050,377
Relocation	-	11,737
Additions	47,663	306,171
As at 31-December	**1,415,948**	**1,368,285**
Amortisation		
At 1 January	**(986,248)**	**(916,261)**
Relocation	-	**(11,738)**
Charge for the year	**(111,258)**	**(58,249)**
Accumulated amortisation	**(1,097,505)**	**(986,248)**
Net book value	**318,443**	**382,037**

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.

21. Right of use assets

Cost	2021 Frw'000	2020 Frw'000
At 1 January	1,896,849	1,782,116
Additions	243,185	114,733
	2,140,034	1,896,849
Accumulated depreciation		
At 1 January	(610,232)	(307,469)
Depreciation for the year	(323,364)	(302,763)
	(933,596)	(610,232)
Closing balance	**1,206,438**	**1,286,617**

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.

22. Customer deposits

	2021 Frw'000	2020 Frw'000
Current accounts	31,317,899	15,809,962
Time deposits	17,718,639	8,678,110
Savings accounts	21,451,470	16,723,087
	70,488,008	**41,211,159**

Maturity analysis of deposits from customers

The maturity analysis is based on the remaining periods to contractual maturity from year end.

	2021 Frw'000	2020 Frw'000
Repayable on demand	55,723,687	33,910,131
Maturing within 12 months	16,065,607	8,580,629
Maturing in more than 12 months	-	140,386
	71,789,294	**42,631,146**

23. Balances due to other banks

	2021 Frw'000	2020 Frw'000
Current accounts	7,252,422	650,080
	7,252,522	**650,080**

24. Due to group

	2021 Frw'000	2020 Frw'000
Due to NCBA Group PLC	852,798	831,488
	852,798	**831,488**

NCBA Group PLC is the ultimate parent of NCBA Rwanda PLC. The intercompany balance relates to amount advanced by NCBA Group PLC to NCBA Rwanda PLC.

25. Other Liabilities

	2021 Frw'000	2020 Frw'000
Clearing items	343,056	1,076,663
Taxes withheld not due	87,928	75,909
Margins	-	635,430
Accrued general expenses	823,265	1,003,295
	1,254,249	**2,791,298**

Margin accounts related to cash collateral for guarantees and letters of credit issued to customers, prior year contracts matured and new cash collaterals are part of customer deposits; Margin account matured in 2021.

26. Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2020 - 30%). The movements in the deferred income tax account were as follows:

	2021 Frw'000	2020 Frw'000
At start of year	(190,288)	(199,437)
Charge/(credit) for the year	269,700	9,149
At end of year	**79,412**	**(190,288)**

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:

26. Deferred income tax (continued)

Year ended 31 December 2021	At start of year FRW'000	(Debited) Credited to profit or loss FRW'000	At end of year FRW'000
Deferred income tax assets			
Property and equipment	(190,288)	11,035	(179,253)
Provision for impairment losses	-	262,236	262,236
IFRS 16	-	(45,154)	(45,154)
Accumulated tax losses	-	41,583	41,583
Net deferred income tax asset / (liability)	**(190,288)**	**269,700**	**79,412**

The Bank has recognised deferred tax asset for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The Bank has made a projection that it will able to generate sufficient taxable profit to allow it to utilize tax losses carried forward.

Year ended 31 December 2020	At start of year Frw 000	Credited / (debited) to profit or loss Frw 000	At end of year Frw 000
Deferred income tax assets			
Property and equipment	(199,437)	9,149	(190,288)
Provisions for impairment losses and other provisions	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)**

27. Lease liability

	2021 Frw'000	2020 Frw'000
At 1 January	1,264,650	1,518,191
Additions during the year	243,185	114,733
Interest expense (included in finance cost)	135,871	144,352
	1,643,706	1,777,276
Cash settlements	(587,784)	(512,626)
Total repayments	(587,784)	(512,626)
Closing balance	**1,055,922**	**1,264,650**

28. 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 2021	2650	21,399,604	2,140	21,399,604
Shareholders capital injection	510	5,100,000		
At 31 December and 1 January 2021	2650	26,499,604	2,140	21,399,604
At 31 December and 1 January 2020	2,140	21,399,604	1,566	15,661,801

The number of authorized fully paid shares is 2,649,960

The shareholder made capital injection of Frw 5.1 billion during the period

29. 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.

Contingent liabilities	2021 Frw 000	2020 Frw 000
Guarantees	4,081,134	4,473,641
Letters of credit		348,140
Financing commitment given	1,282,005	2,726,207
	5,363,139	7,547,988

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.

30. 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:

	2021 Frw 000	2020 Frw 000
Related party deposits	**37,779**	**172,086**

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

	2021 Frw 000	2020 Frw 000
Short term employment benefits	684,296	584,084
Post-employment benefits	54,744	66,795
	739,040	650,879

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

Directors remuneration	2021 Frw 000	2020 Frw 000
Fees for services as directors	279,382	155,373

Balances due to group companies

	2021 Frw 000	2020 Frw 000
NCBA Group Plc	852,798	831,488

The intercompany balances include amount advanced by the group to the Mobile Savings, loan business for float management and Information technology services shared across the group. The float balances are held with the mobile network. The balances between the Bank and the group are intercompany loans or payables and carry no interest.

Loans and advances to directors

	2021 Frw 000	2020 Frw 000
As at 1 Jan 2021	68,653	-
Advanced during the year	126,947	68,653
Repaid during the year	(9,881)	
As at 31 December 2021	185, 719	68,653

Interest on loans to directors

	2021 Frw 000	2020 Frw 000
Interest income	18,763	2,645

Syndicated loans

	2021 Frw 000	2020 Frw 000
Loans syndicated with group	15,222,114	8,261,314

Syndicated Loans disclosed is a portion of loan syndication between the Bank and the group to finance large finance projects in Rwanda. Syndicated loans are jointly provided to the borrowers by the Bank and the group on the same terms and conditions. The Bank acts as the leading bank therefore interest rates, loan charges and other credit terms are negotiated between the Bank and the customer. The risk exposure is spread between the Bank and the group proportionately. The Bank collects all payments from the customers and pays the group its portion. The Bank does not have any other relationship with the customers other than business relationship.

31. Covid 19 Impact

The time of issuing these financial statements, the COVID-19 pandemic continues to pose adverse impact on economies, households, businesses, and financial institutions around the world. However, the directors based on existing knowledge expect no adverse effects on the Bank's performance and operations.

To mitigate the Bank against the adverse impact of COVID-19, management undertook a number of measures aimed at achieving financial stability and ensuring business continuity. The measures include but are not limited to; relief measures for customers including loan restructuring and moratoriums, a review of the Bank cash flows forecasts and matching this to funding alternatives, implementation of an adaptive working model for employee welfare and delivery.

The directors are of the view that the Bank will be a going concern for the foreseeable future as a result of measures implemented by management from time to time and commitment to the Bank by the shareholder.

The COVID-19 pandemic affects the assumptions and estimation uncertainty associated with the measurement of assets and liabilities. The Bank continues to monitor potential impact of COVID-19 on our customers and makes relevant adjustments on assets and liabilities.

32. Events after the reporting period

There are no events after the reporting date that require adjustment or disclosure to these financial statements.

		Audited 31-Dec-21 Frw'000'	Audited 31-Dec-20 Frw'000
i)	**Capital Strength**		
a	Core Capital (Tier1)	16,645,410	11,309,296
b.	Supplementary Capital (Tier 2)	794,599	540,570
c.	Total Capital	17,440,009	11,849,866
d.	Total risk weighted assets	63,567,878	43,245,596
e.	Core capital/Total risk weighted assets ratio	26.2%	26.2%
f.	Tier 1 ratio	26.2%	26.2%
g.	Total capital/total risk weighted assets ratio	27.4%	27.4%
e.	Tier 2 Ratio	-	-
i.	Leverage ratio	17.5%	17.0%
ii.	**Credit Risk**		
(1)	**Total gross credit risk exposures**		
a.	On-balance sheet exposure	53,580,771	34,635,765
b.	Guarantees, commitments given (off balance sheet)	4,081,134	4,473,641
c.	Financing commitments given (Off balance sheet)	1,282,005	2,726,207
d.	Letter of credits	-	348,140
e.	Total gross credit risk exposures	58,943,909	42,183,753
f.	Credit Risk Weighted Assets	58,151,530	37,587,928
g.	Credit Risk Weighted Assets/RWA	91%	87%
(2)	**Average gross credit Exposure (Average between December 2020 and December 2021)**		
a.	Loans	47,869,729	19,266,710
b.	Financial Commitments	2,004,106	1,941,876
c.	Guarantees	4,277,387	4,458,787
d.	Letters of credit	174,070	232,991
e.	Debt securities	-	-
f.	OTC derivatives	-	28,815

		Audited 31-Dec-21 Frw'000'	Audited 31-Dec-20 Frw'000
(3)	**Regional Exposure**		
	East Province	202,720	95,176
	Kigali City	47,725,422	31,240,824
	North Province	28,153	-
	South Province	1,861,744	1,858,582
	Western Province	110,309	-
	Mobile and Credit Cards Loans	3,652,423	1,439,459
	Total on balance sheet credit exposure	53,580,771	34,634,042
(4)	**Sector Distribution of Exposures**		
a.	Infrastructure and construction	8,755,444	7,433,739
b.	Manufacturing	11,830,176	7,881,475
c.	Services and commerce	13,256,705	11,099,685
d.	Transport and Telecommunication	5,956,379	-
e.	Others	13,782,067	8,220,866
	Total on-balance sheet exposures	**53,580,771**	**34,635,765**
(5)	**Off Balance sheet Items**		
a.	Guarantees, commitments given (off balance sheet)	4,081,134	4,473,641
b.	Financing commitments given (Off balance sheet)	1,282,005	2,726,207
c.	Letters of credit	-	348,140
		5,363,139	**7,547,988**
(6)	**Non-performing loan indicators**		
a.	Non-performing loans	631,417	2,448,358
b.	NPL Ratio	1.18%	7.07%
(7)	**Related parties**		
a.	Loans to directors, shareholders and subsidiaries	185,718	68,653
b.	Loans to employees	1,194,582	992,955
(8)	**Restructured loans**		
a.	No. of borrowers	62	77
b.	Amount outstanding	8,437,614	12,123,160
c.	Provision thereon (regulatory):	110,376	104,039
d.	Restructured loans as % of gross loans	15.7%	35.0%
iii	**Liquidity Risk**		
1	Liquidity ratio		
	Liquid assets available	37,654,230	20,441,294
	Total deposit liabilities	70,488,008	41,211,159
	Liquidity coverage ratio	187%	122%

		Audited 31-Dec-21 Frw'000'	Audited 31-Dec-20 Frw'000
2	Net Stable Funding ratio		
	Available stable funding	26,534,006	25,163,086
	Required stable funding	7,516,189	7,062,278
	NSFR	353.0%	356.3%
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	333,539	3,069,975
c.	Equity Position	-	-
d.	Market Risk/ RWA	0.52%	7.10%
vi	**Country Risk**		
a.	Credit exposure Abroad	-	-
b.	Other Assets Abroad	6,104,161	3,248,240
c.	Liabilities due abroad	-	-
iv	**Management and board composition**		
a.	Number of Board members	9	9
b.	Number of independent directors	6	7
c.	Number of non-independent directors	3	2
d.	Number of female directors	3	3
e.	Number of male directors	6	6
f.	Number of senior managers	11	11
g.	Number of female senior managers	2	1
h.	Number of male senior managers	9	10

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