NCBA

NCBA BANK RWANDA PLC

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

TABLE OF CONTENTS

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 31 December 2022, 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 75% growth in interest and other credit-related income Frw 17 billion in 2022 up from Frw 9.7 billion in 2021. The growth in Interest expense was 45% during the same period, from Frw 3.3 billion in 2021 to Frw 4.8 billion in 2022. The non-interest revenue was Frw 2.5 billion (Frw 1.7billion in 2021) which is a 47% growth.

There was a 25% growth in expenses including expected credit losses from Frw 7.9billion to Frw 9.9 billion resulting to a Pre-tax profit of Frw 4.9 billion up from Frw 232 million in 2021.

The balance sheet grew by 53%, from Frw 98 billion to close at Frw 150 billion. The growth was boosted by the growth in deposits by Frw 25 billion and Long term borrowing Frw 15.5 billion while the shareholders injected an additional Frw 3.9 billion in fresh equity (Frw 5.1 billion in 2021).

Gross loans closed Frw 90 billion up from Frw 54 billion in 2021, a 67% growth rate.

DIRECTORS

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

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

BOARD OF DIRECTORS

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

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

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

During the year, the board conducted its business through the main board the five committees. The attendance of the respective committees in 2022 is shown below:

1. Board Risk Committee

	Feb-28	May-5	Aug-18	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	P
Gift Shoko	P	P		P

2. Board Audit Committee

	Mar-1	May-4	Aug-17	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	P
Julianne Kayonga	P	P	P	P	P

3. Board Credit Committee

	Feb-28	May-5	Aug-18	Nov-4
Antoine Munyakazi Juru (Chairperson)	P	P	P	P
Eugenia Kayitesi	P	P	P	P
Nelson Mainnah	P	P	P	P
Deogratius Kamurase	P	P	P	P
Gift Shoko	P	P		P

4. Board IT Committee

	Mar-1	May-4	Aug-17	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	P	P		P

5. Board Nomination and Remuneration Committee

	Mar-1	Mar-18	May-4	May-27	Aug-17	Nov-3
Julianne Kayonga (Chairperson)	P	P	P	P	P	P
Rita M. Kamanzi	P	P	P	P	P	P
Eugenia Kayitesi	P	P	P	P	P	P
Deogratius Kamurase	P	P	P	P	P	P
Gift Shoko	P	P	P	P		P

6. Main Board

	Feb-25,26	Mar-2	Mar-22	May-6	Aug-19	Sep-6	Oct-18	Nov-19	Dec-8
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	P	P	P	P	P	P	P	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	P
Gift Shoko		P	P	P	AP	P	P	P	P

Legend

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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 in accordance with Regulation No. 14/2017 of 23/11/2017 on accreditation and other conditions for external auditors for financial institutions and have expressed willingness to continue in office

By order of the board

......29th......March 2023
Date

Etienne Musabeyezu
Company Secretary

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OF ORIGINAL
Date:...29/03/2023...
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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 28th.....March 2023 and signed on its behalf by

Director - Amb. Dr. Benjamin M. RUGANGAZI

Chief Executive Officer 28/03/2023
Lina M. HIGIRO

Director - Deogratius KAMURASE

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INDEPENDENT AUDITORS REPORT
TO THE SHAREHOLDER 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 at 31 December 2022, and the statement of profit or loss, 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 at 31 December 2022, 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.

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INDEPENDENT AUDITORS REPORT
TO THE SHAREHOLDER OF NCBA BANK RWANDA PLC

KEY AUDIT MATTER

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; **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.	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 Banks'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

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INDEPENDENT AUDITORS REPORT
TO THE SHAREHOLDER OF NCBA BANK RWANDA PLC

KEY AUDIT MATTER(Continued)

Expected Credit Losses on loans at amortised cost	**How the matter was addressed in our audit**
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 assessment, 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.	— 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.

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INDEPENDENT AUDITORS REPORT
TO THE SHAREHOLDER OF NCBA BANK RWANDA PLC

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 2022 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.
- 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.

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INDEPENDENT AUDITORS REPORT
TO THE SHAREHOLDER OF NCBA BANK RWANDA PLC

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

- 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

29 MARCH 2023

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NCBA BANK RWANDA PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 Frw 000	2021 Frw 000
Interest income calculated using effective interest rate	5	17,059,475	9,738,766
Interest expense calculated using effective interest rate	6(a)	(4,619,856)	(3,209,147)
Other interest and similar expense	6(b)	(196,232)	(135,871)
Net interest income		12,243,387	6,393,748
Fee and commission income	8(a)	902,930	876,126
Fee and commission expenses	8(b)	(90,891)	(7,630)
Net fee and commission income		812,039	868,496
Foreign exchange income	9	1,725,188	872,395
Net Operating income		14,780,614	8,134,639
Operating expenses	10(a)	(4,200,006)	(2,618,127)
Personnel Costs	10(b)	(3,047,434)	(2,082,136)
Depreciation and amortisation	10(c)	(1,098,904)	(773,911)
Credit losses expense	7	(1,583,598)	(2,428,676)
Total Operating expenses		(9,929,942)	(7,902,850)
Profit before income tax		**4,850,672**	**231,789**
Income tax	11	(1,355,828)	269,700
Profit for the year		**3,494,844**	**501,489**
Other Comprehensive Income		-	-
Total Comprehensive income for the year		**3,494,844**	**501,489**

NCBA BANK RWANDA PLC
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 Frw 000	2021 Frw 000
ASSETS			
Cash and balances with National Bank of Rwanda	12	11,945,775	7,398,030
Due from banking institutions	13	13,336,111	6,348,295
Government securities at amortised cost	14	26,740,647	23,907,905
Customer loans and advances	15	86,790,615	52,124,448
Other assets	16	5,132,289	3,870,455
Deferred tax assets	24(a)	669,308	79,412
Right of use asset	19	1,950,825	1,206,438
Property and equipment	17	2,351,500	2,914,144
Intangible assets	18	1,232,390	318,443
Total assets		150,149,460	98,167,570
LIABILITIES			
Customer deposits	20	95,792,632	70,488,008
Balances due to banks	21	6,550,728	7,252,422
Due to group companies	22	968,594	852,798
Other liabilities	23	3,304,894	1,254,249
Current tax liabilities	24(b)	1,672,528	-
Borrowed funds	26	15,503,863	-
Lease liability	25	1,697,206	1,055,922
Total liabilities		125,490,445	80,903,399
SHAREHOLDERS' EQUITY			
Share capital	27	30,399,604	26,499,604
Accumulated losses		(5,740,589)	(9,235,433)
Total shareholders' equity		24,659,015	17,264,171
Total liabilities and shareholders' equity		150,149,460	98,167,570

NCBA BANK RWANDA PLC
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Share capital	Accumulated Losses	Total
		Frw 000	Frw 000	Frw 000
Year ended 31 December 2022				
At start of the year	27	26,499,604	(9,235,433)	17,264,171
Profit for the year		-	3,494,844	3,494,844
Total Comprehensive income		26,499,604	(5,740,589)	20,759,015
Transaction with owners				
Additional capital during the year	27	3,900,000	-	3,900,000
At end of year		30,399,604	(5,740,589)	24,659,015
Year ended 31 December 2021				
At start of the year	27	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	27	5,100,000	-	5,100,000
At end of year		26,499,604	(9,235,433)	17,264,171
Year ended 31 December 2021				

NCBA BANK RWANDA PLC
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022	2021
		Frw 000	Frw 000
Profit before tax		4,850,672	231,789
Amortisation of software	18	218,061	111,258
Depreciation of right of use asset	19	435,660	323,364
Net exchange from foreign exchange translation		(15,819)	(135,818)
Depreciation charge of property and equipment	17	445,183	339,290
Interest on lease liability	25	196,232	135,871
Finance costs on borrowings	26	292,397	-
Credit loss provision	7	1,656,316	2,514,062
Cash flows before changes in assets and liabilities		**8,078,703**	**3,519,816**
Changes in operating assets and liabilities			
(Increase) /Decrease in balances held with commercial banks		(701,694)	6,602,342
Increase in loans and advances		(36,532,589)	(21,731,126)
Increase in other assets		(1,042546)	(2,096,132)
Decrease in derivative assets		-	(55,773)
Increase in customer deposits		25,304,624	29,276,849
Increase/(Decrease) in other liabilities		2,050,645	(1,537,049)
Increase in balances due to group companies		115,796	21,310
Income tax paid		(273,196)	-
Cash (used in)/generated from operations after changes in operating assets and liabilities		**(3,000,257)**	**14,000,237**
Cash flows from investing activities			
Purchase of government securities	14	(42,152,751)	(18,939,016)
Proceed from matured government securities	14	39,320,009	8,953,282
Purchase of software	18	(50,821)	(47,663)
Purchase of property and equipment	17	(972,909)	(1,387,672)
Net cash used in investing activities		**(3,856,472)**	**(11,421,069)**
Cash flows from financing activities			
Additional capital	27	3,900,000	5,100,000
Proceeds from Borrowings	26	15,500,000	-
Interest paid on borrowings	26	(288,534)	-
Lease Capital payments	25	(538,763)	(451,913)
Lease Interest payments	25	(196,232)	(135,871)
Net cash flows from financing activities		**18,376,471**	**4,512,216**
Increase in cash and cash equivalents			
Effects of exchange rate fluctuations on cash and cash equivalents held		15,819	135,818
Increase in cash and cash equivalents during the year		11,519,742	7,091,384
Cash and cash equivalents at start of year		13,746,325	6,519,123
Cash and cash equivalents at end of year	13(b)	**25,281,886**	**13,746,325**
Additional information on operational cashflows from interest income and interest expense			
Interest received		16,795,931	8,368,244
Interest paid		(4,903,395)	(2,788,084)

1. CORPORATE INFORMATION

NCBA Bank Rwanda Plc is incorporated Under the 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 2022. 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:

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.

2.4 Changes in accounting policies and disclosures

New and amended standards and interpretations

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

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.

These amendments had no impact on the financial statements of the bank as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

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.

These amendments had no impact on the financial statements of the bank as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

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 bank will apply these amendments to contracts for which it has not yet fulfilled all its obligations and determined that amendment had no material impact on the bank.

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 had no impact on the financial statements of the bank

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.
These amendments had no impact on the financial statements of the bank as there were no modifications of the bank's financial instruments during the period.

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 bank is reviewing relevant accounting policy information disclosures to ensure consistency with the amended standard.

2.5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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. 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 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) 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:

- 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.

The bank disaggregates the commission into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.
When selecting the type of category (or categories) to use to disaggregate revenue, an entity must consider how information about the entity's revenue has been presented for other purposes, including all of the following:

a. Disclosures presented outside the financial statements (for example, in earnings releases, annual reports or investor presentations)
b. Information regularly reviewed by the chief operating decision maker for evaluating the financial performance of operating segments
c. Other information that is similar to the types of information identified in I(a) and (b) and that is used by the entity or users of the entity's financial statements to evaluate the entity's financial performance or make resource allocation decisions.

Examples of categories that might be appropriate include, but are not limited to, all of the following:

- Geographical region (for example, country or region)
- Market or type of customer (for example, government and non-government customers)
- Type of contract (for example, fixed-price and time-and-materials contracts)
- Contract duration (for example, short-term and long-term contracts)
- Timing of transfer of goods or services (for example, revenue from goods or services transferred to customers at a point in time and revenue from goods or services transferred over time).

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).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments- *Derecognition*

Write off and recoveries (continued)

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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 receivables are always measured at an amount equal to lifetime ECL.

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

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

The Bank assesses on a forward-looking basis (gross domestic product, interest rates, inflation, CPIs) are expected to deteriorate over the next year which can lead to an increased number of defaults, 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.
- 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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Property and equipment are reviewed for impairment on an annual basis 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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
Intangible assets 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 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Income tax expense

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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

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.

2.6 Financial risk management objectives and policies (Continued)

b) Credit risk (continued)

Customer Loans and advances (continued)

Expected credit loss measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

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

Change in credit quality since initial recognition

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

"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. ECL= PD x LGD x EAD*EIR

* 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.

2.6 Financial risk management objectives and policies

Risk management framework

(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% (2021: 100%) of the loans and advances portfolio are neither past due nor impaired.
- 100% (2021:100%) of the debt securities are government securities.

Government debt securities are financial instruments issued by sovereign government and include both long term 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 labeling, remedial action and the initiation of credit write-offs.

2.6 Financial risk management objectives and policies (Continued)

c) Credit risk (continued)

Customer Loans and advances (continued)

Expected credit loss measurement (continued)

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

2.6 Financial risk management objectives and policies (Continued)

d) Credit risk (continued)

Significant Increase in credit risk (SICR) (continued)

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

2.6 Financial risk management objectives and policies (continued)

d) Credit risk (continued)

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).

2.6 Financial risk management objectives and policies (continued)

b) Credit risk (continued)

7. Customer Loans and advances

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 2022	Stage 1	Stage 2	Stage 3	
Customer Loans and advances at amortised cost	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	Frw'000	Frw'000	Frw'000	Frw'000
Gross carrying amount as at 1 January 2022	49,138,629	3,780,857	631,417	53,550,903
Transfer to stage 1	383,633	(366,604)	(17,029)	-
Transfer to stage 2	(2,722,942)	2,743,947	(21,005)	-
Transfer to stage 3	(4,375)	(916,008)	920,383	-
New financial assets originated or purchased and other changes	32,032,406	3,414,763	827,312	36,274,481
Write-offs	-	-	(314,177)	(314,177)
Gross carrying amounts as at 31 December 2022	78,827,351	8,656,955	2,026,901	89,511,207

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

2.6 Financial risk management objectives and policies (continued)

c) Credit risk (continued)

Customer Loans and advances (continued)

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

31 December 2022	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	1,258,481	109,663	58,311	1,426,455
Transfer to stage 1	8,265	(8,265)	-	-
Transfer to stage 2	(122,949)	124,519	(1,570)	-
Transfer to stage 3	-	(64,859)	64,859	-
Net new impairments created	887,405	121,631	599,280	1,608,316
Total charge to profit or loss	772,721	173,026	662,569	1,608,316
Write-offs	-	-	(314,179)	(314,179)
Loss allowance as at 31 December 2022	2,031,202	282,689	406,701	2,720,592

31 December 2021	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Credit Loss allowance on loans and advances to customers at amortized cost	Frw'000	Frw'000	Frw'000	Frw'000
At start of year	399,611	17,201	1,061,395	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)
Credit Loss allowance as at 31December 2021	1,181,876	109,663	134,916	1,426,455

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2.6 Financial risk management objectives and policies (continued)

b) Credit risk (continued)

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 and 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).

Gross maximum exposure	2022 Frw 000	2021 Frw 000
Balances with central bank of Rwanda	9,916,217	6,387,360
Due from banking institutions	13,336,111	6,348,295
Government securities	26,740,647	23,907,905
Customer loans and advances (Gross)	89,511,207	53,550,903
Other financial assets	5,405,485	3,870,455
Total on balance sheet	144,909,667	94,064,918
Credit risk exposures relating to off-balance sheet items are as follows:		
Guarantees	7,377,687	4,081,134
Financing commitments given	4,242,017	1,282,005
Letters of Credit	3,470,313	-
Total off-balance sheet	15,090,017	5,363,139
Total credit risk exposure	159,999,684	99,428,057

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2.6 Financial risk management objectives and policies (continued)

b) Credit 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:

	2022	2021
	%	%
Manufacturing	24.8	23.0
Private individuals	14.7	24.0
Government bodies and parastatals	20.5	14.6
Transport and communications	7.7	11.0
Wholesale, retail trade and hotels	24.0	25.0
Building, construction and real estate	6.8	2.4
Others	1.5	-
	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.

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. Collateral is valued in accordance with the bank's risk mitigation policy, which prescribes the frequency of valuation for different collateral types. Collaterals are monitored regularly ,and valuation of collateral are performed between 3 to 5 years intervals. New collaterals presented are valued by the professional valuers before are signed up.

Financial effect of collateral

As at 31 December 2022, 89% (2021: 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

i) Currency risk

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

Year ended 31 December 2022	Frw	USD	GBP	EUR	Other	Total
	Frw 000	Frw 000	Frw 000	Frw 000	Frw 000	Frw 000
Cash in hand	547,399	1,243,823	16,731	221,539	66	2,029,558
Balance with National Bank of Rwanda	4,064,512	5,809,003	42,702	-	-	9,916,217
Deposits and balances due from other banking institutions	629,316	12,450,775	19,412	226,108	10,500	13,336,111
Government securities	24,591,297	2,149,350	-	-	-	26,740,647
Customer Loans and advances	78,565,958	8,224,657	-	-	-	86,790,615
Derivative asset	-	-	-	-	-	-
	11,028,400	-	-	-	-	11,028,400
Other assets						
	119,426,882	29,877,608	78,845	447,647	10,566	149,841,548
Deposits from Customers	65,158,248	30,115,495	15,427	503,038	424	95,792,632
Balances due to group companies	963,828	4,462	-	-	304	968,594
Lease liability	1,697,206	-	-	-	-	1,697,206
Due to banking institutions	6,550,728	-	-	-	-	6,550,728
Other Liabilities	5,521,189	-	-	-	-	5,521,189
Borrowings	15,503,863	-	-	-	-	15,503,863
	95,395,062	30,119,957	15,427	503,038	728	126,034,412
Net position	24,501,874	(242,349)	63,418	(55,391)	9,838	23,807,336

Frw The reporting currency does not carry any exchange rate exposure

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2.6 Financial risk management objectives and policies (continued)

c) Market risk (continued)

i) Currency risk (continued)

Year ended 31 December 2021	Frw	USD	GBP	EUR	Other	Total
	Frw 000	Frw 000	Frw 000	Frw 000	Frw 000	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

2.6 Financial risk management objectives and policies (continued)

c) Market risk (continued)

ii) Interest rate risk

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.

2.6 Financial risk management objectives and policies (continued)

d) Market risk (continued)

ii) Interest rate risk

The table below shows structure of assets and liabilities that the bank holds as at 31 December 2022

Year **ended 31 December 2022**

	Up to 1 Month	1-3 Months	3 - 12 Months	1-5 Years	Over 5 years	Non-interest bearing	Total
	Frw 000	Frw 000	Frw 000	Frw 000	Frw 000	Frw 000	Frw 000
Cash in hand						2,029,558	2,029,558
Balance with National Bank of Rwanda						9,916,217	9,916,217
Deposits and balances due from other banking institutions	6,629,900	-	-	-	-	6,706,211	13,336,111
Government securities	-	2,723,970	13,953,520	364,235	9,698,922	-	26,740,647
Other assets	-	-	-	-	-	9,541,329	9,541,329
Customer loans and advances	958,842	750,503	15,110,976	32,837,191	37,133,103	-	86,790,615
Other assets	-	-	-	-	-	11,336,312	11,019,612
Total assets	7,588,742	3,474,473	29,064,496	33,201,426	46,832,025	29,988,298	150,149,460
Deposits from Customers	3,020,322	1,211,418	8,065,097	3,312	-	83,492,483	95,792,632
Due to banking institutions	6,550,728	-	-	-	-	-	6,550,728
Accruals, provisions and other liabilities	-	-	-	-	-	6,674,628	5,051,135
Balances due to group companies	-	-	-	-	-	968,594	968,594
Lease liability	-	-	-	-	-	1,697,206	1,697,206
Borrowings	-	-	-	503,863	15,000,000	-	15,503,863
Total liabilities	9,571,050	1,211,418	8,065,097	507,175	15,000,000	91,135,705	125,490,445
Interest sensitivity gap	(1,982,308)	2,263,055	20,999,399	32,694,251	31,832,025	(61,147,407)	24,659,015

2.6 Financial risk management objectives and policies (continued)

e) Market risk (continued)

iii) Interest rate risk

Year ended 31 December 2021

	Up to 1 Month Frw 000	1-3 Months Frw 000	3 - 12 Months Frw 000	1-5 Years Frw 000	Over 5 years Frw 000	Non-interest bearing Frw 000	Total Frw 000
Cash in hand						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	-	-	-	-	-	8,388,892	8,388,892
Total assets	5,672,001	5,617,645	14,236,327	19,366,719	31,139,660	22,135,217	98,167,570
Deposits from Customers	7,198,586	2,073,407	12,900,513			48,315,502	70,488,008
Due to banking institutions	3,101,079		4,094,576			56,767	7,252,422
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
	10,299,665	2,073,407	16,995,089	-	-	51,535,238	80,903,399
Total liabilities							
Interest sensitivity gap	(4,627,664)	3,544,238	(2,758,762)	19,366,719	31,139,660	(29,400,021)	17,264,171

2.6 Financial risk management objectives and policies (continued)

c) Market risk (continued)

ii) Interest rate risk (continued)

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

	Local Currency	USD
Assets		
Government securities	10.1	2.0
Due from banking institutions	6.0	2.8
Customer loans and advances	17.0	8.5
Liabilities		
Customer deposits	6.1	0.1
Balances due to banks	6.0	2.8
Borrowings	3.6	-
At 31 December 2021 (%)		
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	-

d) Liquidity risk

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

The maturity of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Company. The Assets and Liabilities Committee reviews the maturity profile of liabilities on a weekly basis and ensures that sufficient liquidity is maintained to meet maturing deposit obligations. The 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.

2.6 Financial risk management objectives and policies (continued)

d) Liquidity risk (Continued)

At 31 December 2022	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	2,029,558	-	-	-	-	2,029,558
Central banks balances	9,916,217	-	-	-	-	9,916,217
Government securities	1,000,000	1,910,621	13,573,620	6,529,786	15,632,404	38,646,431
Due from banking institutions	8,010,764	5,334,444	-	-	-	13,345,208
Customer loans and advances	2,882,422	14,275,843	19,663,499	43,388,325	55,407,751	135,617,840
Other financial assets	3,243,291	2,162,194	-	-	-	5,405,485
Total financial assets	27,082,252	23,683,102	33,237,119	49,918,111	71,040,155	204,960,739
Liabilities						
Customer deposits	13,055,184	4,895,809	19,648,153	35,269,675	23,512,808	96,381,629
Due to banking institutions	4,415,264	-	2,229,558	-	-	6,644,822
Due to group companies	968,594	-	-	-	-	968,594
Other financial liabilities	1,349,668	2,024,502	3,238,100	-	-	6,612,270
Borrowings	-	138,750	416,250	5,147,910	14,209,244	19,912,154
Total financial liabilities	19,788,710	7,059,061	25,532,061	40,417,585	37,722,052	130,519,469
Net on- balance sheet liquidity gap	7,293,542	16,624,041	7,705,058	9,500,526	33,318,103	74,441,270
Off-balance sheet financial instruments						
Guarantees and letters of credit	4,339,200	6,508,800	-	-	-	10,848,000
Financing commitment given	1,696,807	2,545,210				4,242,017
Total off-balance sheet notional position	6,036,007	9,054,010	-	-	-	15,090,017
Total on and off-balance sheet net liquidity gap	13,329,549	25,678,051	7,705,058	9,500,526	33,318,103	89,531,287

2.6 Financial risk management objectives and policies (continued)

d) Liquidity risk (continued)

	Up to 1 month Frw 000	1-3 months Frw 000	3-12 months Frw 000	1-5 years Frw 000	Over 5 years Frw 000	Total Frw 000
At 31 December 2021						
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						
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
Off balance sheet financial instruments						
Guarantees	4,081,134					4,081,134
Financing commitment given	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

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.

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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 2022, the effect of a 100 basis points change in net interest margin would have resulted in an increase or decrease of Frw 115 million (2021 - Frw 102 million) on the profit after income tax expense

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

At 31 December 2022, 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 (2021- Frw 5.1 million) higher or lower mainly as a result of dollar denominated customer loans and advances and placements with other banks.

The bank did not have significant transactions in the other currencies in the year 2022.

2.6 Financial risk management objectives and policies (continued)

Capital management

e) Market risk sensitivity analysis

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%.
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.

3) Capital management (continued)

The table below summarises the composition of regulatory capital and capital adequacy ratios of NCBA bank as at 31 December 2022.

(e)Basel ratios

	2022 Frw 000	2021 Frw 000
Tier I capital	23,321,810	16,645,410
Adjustment	1,654,616	794,599
Total capital	**24,976,426**	**17,440,009**
Risk-weighted assets		
Credit risk weighted assets	116,628,804	58,151,530
Market risk weighted assets equivalent	1,133,206	333,539
Operational risk equivalent assets	14,607,251	5,082,809
Total risk-weighted assets	**132,369,261**	**63,567,878**

	2022	2021
Basel ratios		
Tier I	17.62%	26.2%
Total capital	18.87%	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.

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.

3. Capital management (continued)

Fair value estimation

Frw'000	Carrying amount	Fair value	Quoted prices in active market Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3
31 December 2022					
Government securities at amortised cost	26,740,647	26,740,647		26,740,647	
Customer Loans and advances	86,790,615	86,790,615			86,790,615
Customer deposits	95,792,632	95,792,632		95,792,632	
Due to other banks	6,550,728			6,550,728	
31 December 2021					
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	

The carrying value for level 2 and 3 approximates the fair value because the market rates approximate the current interest rates available in the bank. The bank's assets and liabilities securities comprise of mixed maturity periods and with fixed interest rates where applicable. Prices are determined based on the available interest rates and are carried at amortized costs.

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.

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

(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 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 86 million higher or lower (2021: Frw 46 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 Frw 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

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

(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

(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.

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

(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 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

		2022	2021
		Frw 000	Frw 000
5			
	Customer loans and advances - main banking business	9,739,664	5,785,352
	Government securities at amortised cost	2,750,465	1,733,767
	Customer loans and advances - Mobile loans	4,569,346	2,219,647
		17,059,475	9,738,766

6 (a)	**Interest expense**		
	Customer deposits	3,908,910	2,830,618
	Balances due to banks	418,549	378,529
	Long Term Debt	292,397	-
		4,619,856	3,209,147
6 (b)	**Other interest and similar expense**		
	IFRS 16 - lease liability (Note 27)	196,232	135,871
		4,816,088	3,345,018

	2022	2021
7 . Credit losses expense	Frw 000	Frw 000
Stage 1	772,721	782,265
Stage 2	173,026	92,462
Stage 3	662,569	1,639,335
Impairment on other financial instruments	48,000	
Total impairment charges	1,656,316	2,514,062
Bad debts recoveries	(72,718)	(85,386)
	1,583,598	2,428,676

8. (a) Fees and commission income	2022 Frw 000	2021 Frw 000
Service and transaction fees	585,667	766,353
Fees and commission on bills, letters of credit and guarantees	317,263	109,773
	902,930	876,126
8. (b) Fees and commission expenses		
Service and transaction expense	(90,891)	(7,630)
	(90,891)	(7,630)

9. Foreign exchange income

Realized gains	1,725,188	846,650
Unrealized gains	-	25,745
	1,725,188	872,395

10. (a) Operating expenses

Professional and consultancy fees	416,799	299,963
Connectivity and network charges	459,411	392,185
License fees for banking systems	825,407	456,533
Marketing and publicity	257,984	168,574
Group cost recovery	199,854	136,892
Other operating expenses/losses	187,319	105,401
Directors fees	322,080	279,382
Strategy and business support expenses	292,928	31,764
Staff transport	152,027	137,555
Legal and consultancy fees	8,970	13,095
Security and cash in transit	76,738	51,589
Travel and accommodation expenses	66,998	29,865
Correspondent Bank Charges	163,370	53,276
VISA operational costs	91,228	48,298
EDW Associated Costs	80,541	-
Postage, photocopy and printing	62,421	53,811
Insurance	76,571	51,039
ATM expenses	40,364	23,718
Fuels, lubricants and motor vehicle expenses	65,440	44,775
Utility and electricity expenses	53,932	43,117
Subscription to banking and dealing platforms	36,140	19,926
Audit fees	42,243	42,243
Donations	4,865	4,300
Repairs and maintenance	69,416	42,118
Cleaning Cost	32,114	22,205
Depositor guarantee fund	49,780	22,817
Membership-subscriptions	65,066	43,686
	4,200,006	2,618,127

Other expenses relate to short term rental expenses and other miscellaneous business and strategy support expenses.

10. (b) Employee benefits expenses

	2022	2021
	Frw 000	Frw 000
Salaries and wages	2,092,341	1,708,238
Pension	118,177	90,178
Medical expenses	120,294	97,529
Other staff costs	626,433	170,113
Trainings	90,189	16,078
	3,047,434	2,082,136

10.(c)Depreciation and Amortization

Depreciation of fixed assets	445,183	339,290
Depreciation of right of use assets	435,660	323,363
Software amortization	218,061	111,258
	1,098,904	773,911

11.Income tax expense

Deferred income tax (note 25)	(589,897)	269,700
	(589,897)	269,700

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:

	2022	2021
	Frw 000	Frw 000
Profit before income tax	4,850,672	231,789
Tax calculated at the statutory income tax rate of 30% (2021- 30%)	1,455,202	69,537
Expenses not deductible for tax purposes	60,135	32,879
Prior year adjustment-Over provision	-	23,659
Deferred tax not recognized/ (Utilized)	(159,510)	(395,775)
	1,355,828	(269,700)

12. Cash and bank balances with National Bank of Rwanda

	2022	2021
	Frw 000	Frw 000
Cash in hand	2,029,558	1,010,670
Balances with National Bank of Rwanda	9,916,217	6,387,360
Total	11,945,775	7,398,030
Mandatory cash reserve deposits	4,783,552	2,164,883

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13.(a) Due from banking institutions

	2022 Frw 000	2021 Frw 000
Current accounts, overnight and call deposits	13,336,111	6,348,295
	13,336,111	6,348,295

13 (b) Analysis of cash and cash equivalents

	2022 Frw 000	2021 Frw 000
Cash in hand	2,029,558	1,010,670
Balances with BNR	9,916,217	6,387,360
Due from other banking institutions	13,336,111	6,348,295
Total	25,281,886	13,746,325

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

14. Government securities

	2022 Frw'000	2021 Frw'000
Treasury bills - amortised cost	13,540,774	8,746,924
Fixed rate Treasury bonds - amortised cost	11,098,523	11,034,227
Other securities -amortised cost	2,149,350	4,126,754
Expected credit losses	(48,000)	-
	26,740,647	23,907,905
Comprising:		
Treasury bills and bonds maturing within 91 days from date of acquisition	2,889,347	2,049,393
Treasury bills and bonds maturing after 91 days but within 364 days from date of acquisition	13,007,352	12,190,743
Treasury bills and bonds maturing after 364 days from date of acquisition	10,843,948	9,667,769
	26,740,647	23,907,905

15. a) Loans and advances to customers

	2022 Frw 000	2021 Frw 000
Term loans	78,498,526	46,723,324
Overdrafts	10,902,954	6,747,880
Credit card balances	109,727	79,699
Gross loans and advances	89,511,207	53,550,903
Less: Expected credit loss		
- Stage 3	(406,701)	(34,916)
-Stage 2	(282,689)	(109,663)
- Stage 1	(2,031,202)	(1,181,876)
Total ECL	(2,720,592)	(1,426,455)
Net customer Loans and advances	86,790,615	52,124,448

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 2022				
At 1 January	1,181,876	109,663	134,916	1,426,455
Charge for the year	964,010	121,631	780,781	1,866,422
Loans written off during the year as uncollectible	-	-	(320,214)	(320,214)
At 31 December 2022	2,031,202	282,689	658,772	2,972,663

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. The Bank has writen-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2022 was Frw 2,866,028 (2021: Frw 2,565,814) The Bank still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

Movements in provisions for impairment of loans and advances

	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Total Frw'000
Year ended 31 December 2021				
At 1 January	399,611	17,201	1,061,395	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	1,181,876	109,663	134,916	1,426,455

16. Other assets

Deposits, prepayments and other deferred charges	366,040	657,873
Mobile banking account	4,318,110	2,644,278
Other receivables	448,139	568,304
	5,132,289	3,870,455

Other receivables relate to withholding taxes recoverable, prepayments and other items in the course of collection.

17. Property and equipment

At 1 January 2022	Improvements on leased properties Frw 000	Equipment, furniture and fittings Frw 000	Motor vehicles Frw 000	Capital Work in progress Frw 000	Total Frw 000
Cost	962,329	2,085,159	124,731	1,768,110	4,933,481
Additions	37,115	206,867	31,685	697,242	972,909
Capitalisation of work in progress	356,381	855,854	-	(1,212,235)	(9,182)
Transfers to intangible assets	-	-	-	(1,081,187)	(1,081,187)
Cost	1,355,825	3,147,880	156,416	162,748	4,822,869
Year ended 31 Dec 2022					
Depreciation as at 1 Jan 2022	(208,469)	(1,749,720)	(67,996)	-	(2,026,185)
Charge for the year	(66,545)	(352,521)	(26,117)	-	(445,183)
As at 31 December 2022	(275,014)	(2,088,115)	(101,391)	-	(2,464,520)
Net Book Value					
As at 1 January 2022	753,860	335,439	56,735	1,768,110	2,914,144
As at 31 December 2022	1,080,811	1,045,638	62,303	162,748	2,351,500

The administrative expenses of Rwf 9.182 million identified upon capitalisation of work in progress assets were written off and charged to the operating expenses in the statement of comprehensive income

17. Property and equipment (Continued)

	Improvements on leased properties Frw 000	Equipment, furniture and fittings Frw 000	Motor vehicles Frw 000	Capital Work in progress Frw 000	Total Frw 000
At 1 January 2021					
Cost	962,329	1,923,515	124,731	542,082	3,552,657
Additions		161,644		1,226,028	1,387,672
Cost	962,329	2,085,159	124,731	1,768,110	4,940,329
Year ended 31 Dec 2021					
Depreciation as at 1 Jan 2021	(160,361)	(1,482,014)	(44,520)	-	(1,686,895)
Charge for the year	(48,108)	(267,706)	(23,476)		(339,290)
As at 31 December 2021	(208,469)	(1,749,720)	(67,996)	-	(2,026,185)
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**

18. Intangible assets

	2022 Frw'000	2021 Frw'000
Cost		
At 1 January	1,415,948	1,368,285
Transfers	1,081,187	
Additions	50,821	47,663
	-	
As at 31-December	2,547,957	1,415,948
Amortisation		
At 1 January	(1,097,506)	(986,248)
Charge for the year	(218,061)	(111,258)
Accumulated amortisation	(1,315,567)	(1,097,505)
Net book value	1,232,390	318,443

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

19. Right of use assets

	2022 Frw'000	2021 Frw'000
Cost		
At 1 January	2,165,737	1,896,849
Additions	1,180,047	243,185
	3,345,784	2,140,034
Accumulated depreciation		
At 1 January	(959,299)	(610,232)
Depreciation for the year	(435,660)	(323,364)
	(1,394,959)	(933,596)
Closing balance	**1,950,825**	**1,206,438**

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.

20. Customer deposits

	2022 Frw 000	2021 Frw 000
Current accounts	59,756,610	31,317,899
Term deposits	13,508,053	17,718,639
Savings accounts	22,527,969	21,451,470
	95,792,632	70,488,008

Maturity analysis of deposits from customers

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

	2022	2021
Repayable on demand	82,284,579	55,723,687
Maturing within 12 months	13,504,793	16,065,607
Maturing in more than 12 months	3,260	-
	95,792,632	**71,789,294**

21. Balances due to other banks

	2022 Frw 000	2021 Frw 000
Current accounts	6,550,728	7,252,422
	6,550,728	7,252,422

22. Due to group

	2022 Frw 000	2021 Frw 000
Due to NCBA Group PLC	968,594	852,798
	968,594	852,798

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.

23. Other Liabilities

	2022 Frw'000	2021 Frw'000
Clearing items	369,800	343,056
Taxes withheld not due	94,427	87,928
Accrued general expenses	2,840,677	823,265
	3,304,894	**1,254,249**

Accrued general expenses consist of group shared costs for the period; Clearing accounts are temporary and transitory accounts pending compensation house clearing including cheques in transit to other banks.

24(a) Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2021 - 30%). The movements in the deferred income tax account were as follows:

	2022 Frw 000	2021 Frw 000
At start of year	79,412	(190,288)
Charge/(credit) for the year	589,896	269,700
At end of year	669,308	79,412

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

Year ended 31 December 2022	**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	(179,253)	1,530	(177,723)
Provision for impairment losses	262,236	660,881	923,117
IFRS 16	(45,154)	(30,932)	(76,086)
Accumulated tax losses	41,583	(41,583)	-
Net deferred income tax asset / (liability)	79,412	589,896	669,308

Year ended 31 December 2021	**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	(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

24(b) Current Income Tax Liabilities

The income tax charge on NCBA Bank Rwanda PLC's profit differs from the theoretical amount that would arise using the basic rate as follows:

Income Tax Charge	**31 December 2022**	**31 December 2021**
	Frw 000	**Frw 000**
Current income tax	1,945,725	-
Deferred income tax charge	(589,897)	269,700
Net Tax charge	1,355,828	269,700
Accounting profit before tax	**4,850,672**	**231789**
Current income tax @30%	1,455,201	69,537
Tax effects of non-deductible expenses	530,601	32,879
Prior year adjustment	-	23,659
Tax losses utilized/(not recognized)	(40,078)	(395,775)
	1,945,725	(269,700)
At 1 Jan	-	-
Tax paid during the period	(273,199)	-
Tax charge for the year	1,945,725	-
At 31 December	**1,672,528**	-

NCBA Bank Rwanda statutory income tax was 30% (2021:30%)

25. Lease liability

	2022	**2021**
	Frw'000	**Frw'000**
At 1 January	1,055,922	1,264,650
Additions during the year	1,152,268	243,185
Interest expense (included in finance cost)	196,232	135,871
	2,404,422	1,643,706
Cash settlements	(707,216)	(587,784)
Total repayments	(707,216)	(587,784)
Closing balance	1,697,206	1,055,922

26. Borrowings	**2022 Frw 000**	**2021 Frw 000**
At 1 January	-	-
Additions	15,500,000	-
Accrued interest	292,398	-
Repayments	(288,535)	-
At 31 December	15,503,863	-

Borrowed funds relate to borrowings from Development Bank of Rwanda for the implementation of housing finance project (RHFP)

27. Share Capital	**2022 December Number of shares (thousands)**	**2022 December Value Frw 000**	**2021 January Number of shares (thousands)**	**2021 January Value Frw 000**
Authorised				
At 1 January	2650	26,499,604	2,140	21,399,604
Shareholders capital injection	390	3,900,000	510	5,100,000
At 31 December	3,040	30,399,604	2650	26,499,604
Issued and fully paid				
At 1 January	2650	26,499,604	2,140	21,399,604
Shareholders capital injection	390	3,900,000	510	5,100,000
At 31 December	3,040	30,399,604	2650	26,499,604

The number of authorized fully paid shares is 3,399,604
The shareholder made capital injection of Frw 3.9 billion during the period

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28. Off-balance sheet financial instruments and commitments

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.

Off balance sheet items and commitments	2022 Frw 000	2021 Frw 000
Guarantees	7,377,687	4,081,134
Letters of credit	3,470,313	
Financing commitment given	4,242,017	1,282,005
	15,090,017	5,363,139

Nature of off-balance sheet financial instruments

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.

29. 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:

	2022 Frw 000	2021 Frw 000
Related party deposits	417,850	37,779

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

	2022 Frw 000	2021 Frw 000
Short term employment benefits	870,834	684,296
Post-employment benefits	71,821	54,744
	942,655	739,040

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

	2022 Frw 000	2021 Frw 000
Directors remuneration		
Fees for services as directors	322,080	279,382

Balances due to group companies

	2022 Frw 000	2021 Frw 000
NCBA Group Plc	968,594	852,798

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

	2022 Frw 000	2021 Frw 000
As at 1 Jan 2022	185,719	68,653
Advanced during the year	5,678	126,947
	(15,747)	(9,881)
Repaid during the year		
As at 31 December 2022	175,650	185,719

29. Related parties(continued)

Interest on loans to directors

	2022 Frw 000	2021 Frw 000
Interest income	36,893	18,763

Syndicated loans

	2022 Frw 000	2021 Frw 000
Loans syndicated with group	15,248,409	15,222,114

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.

30. Comparatives

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

31. Events after the reporting period

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