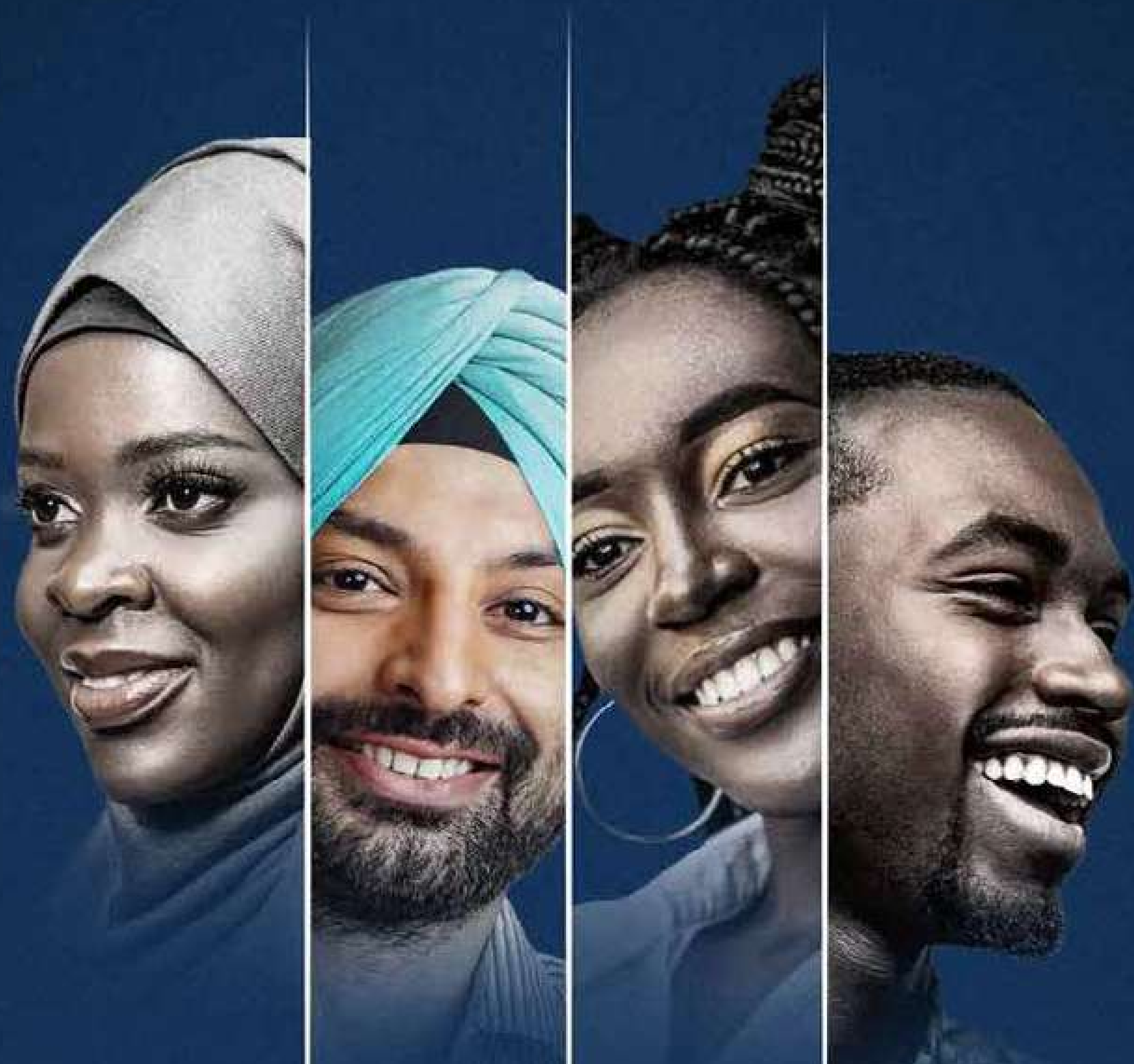
bpr BANK



2022

Integrated Report and Financial Statements

Regulated by the Central Bank of Rwanda

For People. For Better.

About this Report

Scope and purpose

The BPR Bank Rwanda Plc Integrated Report and Financial Statement 2022 is our statutory and regulatory reporting disclosure. It comprises information about activities, strategy, financial, and nonfinancial results for the period of January 1, 2022 to December 31, 2022. The aim is to comprehensively report to our existing and prospective investors in an integrated way to reflect how the organization operates.

Framework

The report has been prepared in compliance with global best practice and prudent accounting frameworks. It is aligned to the provisions of the Capital Markets Authority (CMA) guidelines, and National Bank of Rwanda (BNR) Prudential Guidelines. The Bank's Annual Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS). The report is part of our commitment to be transparent and accountable to our stakeholders. BPR Bank Rwanda Plc constantly considers whether there are additional reporting frameworks or metrics we could use to enhance our disclosures.

Assurance

The Annual Financial Statements for BPR Bank Rwanda were audited by PWC.

Financial Disclosures	• Quarterly Financial statements and other disclosures • Quarterly Investor Presentations These disclosures provide an update on Banks financial results and operations. The 2023 disclosures will be available at https://bpr.rw/about-us/financials on the dates listed on the investor calendar on page 13.
Shareholder Information	**BPR AGM is on 10th June 2023.** The notice and proxy form provide valuable information to shareholders who want to participate at the Bank's annual general meeting to be held on 10 June 2023. **Outcomes from the AGM** The polling results and responses to questions raised are published on our website after the conclusion of the AGM.

About our Cover Concept

For People For Better.

Our cover depicts the ushering in of our next chapter at BPR Bank guided by our new brand purpose, For People. For Better. Through this purpose, we seek to build a unified team that acts as one in thought, purpose, and values. We have highlighted this through a composite image capturing the diverse nature of our stakeholders cutting through nationality, gender, culture, age, ethnicity among others.

Table of Contents

Approach to integrated thinking

Our integrated thinking approach to decision-making, management and reporting facilitates the alignment of our purpose and values to our strategy and guides our value creation process. We applied the principle of double materiality in assessing the material matters included in this report. Material matters are those matters with the ability to significantly influence value creation over the short, medium, and long term.

In identifying our material matters, we relied on a Group-wide process which incorporated input from all our subsidiaries. This process enabled us to identify issues that have the potential to impact our ability to create, preserve or erode value for our stakeholders. We thereafter prioritized those with the greatest relevance in our operations, validated these material matters against our strategy and continuously assessed them to ensure that our strategy remains relevant.

Our audience

This report primarily is addressed to our shareholders, but we have also included information relevant to our other stakeholders including employees, customers, debt holders, regulators, partners, and society.

Reporting frameworks

This report was developed in accordance with international best practices, reporting guidelines and prudent accounting standards. It complies with Law no 007/2021 governing companies in Rwanda . This report follows the guidelines of the International Integrated Reporting Council (IIRC) on the presentation of non-financial information.

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRC Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS and Law no 007/2021 of 05/02/2021 governing companies .The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and have been prepared on the historical cost basis except where it is indicated otherwise.

The Bank continuously strives to incorporate additional frameworks and metrics in our reporting to improve our transparency and meet the diverse information needs of our stakeholders. Please provide any feedback or direct your questions to contactus@bpr.rw for any additional information on matters contained within this report.

Delivering shared value for our stakeholders Page 10-15

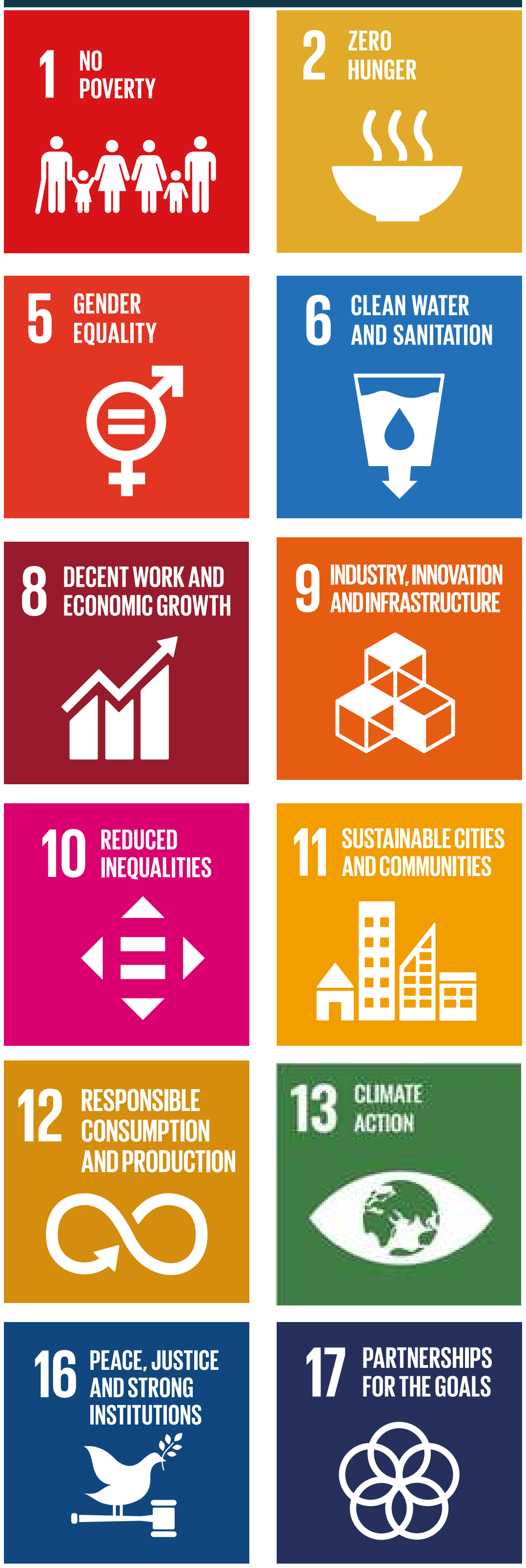
Our Strategy: Beyond Banking

Through our Beyond Banking strategy, the Group seeks to deliver exceptional customer experience and drive a digital future. The strategy is anchored on four thrusts namely;

Strategy execution Page 50-59

Our integrated reporting process is under the oversight of the Board and the Executive Committee. A cross-functional team composed of different subject matter experts under the leadership of the Head of Finance curated the content contained in this report.

Our Adopted SDGs



Process and assurance

Our Integrated Report resulted from a Group-wide process with input from various teams across all business lines.

This process is under the oversight of the Board and the Executive Committee.

A cross-functional team composed of different subject matter experts under the leadership of the Head of Finance curated the content contained in this report.

Our Board ensures the integrity of the integrated report through our integrated reporting process. A series of rigorous internal reviews support the accuracy of the disclosures contained herein.

This is further corroborated by the external assurance provided by our auditors through their opinion on our financial statements as expressed within this report.

The annual financial statements were audited by

price water house coopers Rwanda limited

Digital leader and digital to the core

Drawing from our digital transformation to enhance our report

Guided by our beyond banking strategy, we have been on an exciting digital transformation journey at the Bank. In line with our strategic aspiration of being a digital leader and digital to the core, we have embarked on digitization of key processes to drive efficiency and improve customer satisfaction. You will read more about the progress we have made on this front in this report.

It is against this backdrop that this year, we have incorporated digital navigation icons and embedded links on the online version of this report. These allow for seamless navigation and avail an enhanced user experience while bringing our integrated report to life.

The report is available at https://bpr.rw/about-us/financials

Our navigation icons

Page — Read More

Website Link

A series of rigorous internal reviews support the accuracy of the disclosures contained herein. This is further corroborated by the external assurance provided by our auditors through their opinion on our financial statements as expressed within this report.

Who we are

Founded in 1975, BPR Bank Rwanda Plc (a member of KCB Group Plc) is a commercial bank regulated by the National Bank of Rwanda operating with a Network of 84 branches, 66 Outlets, a Corporate and Advantage Center, over 100 ATMs, 2500 banking agents and merchants, spread across the width and breadth of the country to take our products and services closer to the marketplace. We pride ourselves in being an innovative, warm and customer friendly bank offering a full range of financial solutions. We are Simple, Inspiring and Friendly, and practice these values as we work towards simplifying our clients' world to enable their progress.

As the 2nd largest bank in Rwanda, with an asset size of RWF 746 Billion, we are well positioned to offer convenient banking services to every individual and business in Rwanda at an affordable cost. We offer competitive Affluent, Retail, SME, Micro, Corporate, Custody, Mortgage products and Agent Banking (BPR Hafi) which has brought convenient banking services directly to our customers who are now able to access their banking services at any time at their convenience. The Bank provides best in class digital banking services that cater to transfers, payments, and mobile credit. Additionally, we offer international money transfer services such as Western Union, Money gram, World Remit and RIA.

Our Purpose

For People, For Better

Our Values

Closer, Connected, Courageous

Our Banking channels:

- Branch banking
- ATM banking
- Internet banking
- Mobile banking
- Agent banking (BPR Hafi)
- Diaspora banking

Our Foundation

Under the BPR Bank Foundation we are committed to supporting development of our communities through economic empowerment. Working with employees and other stakeholders, the Foundation offers support in five thematic areas in line with the Millennium Development Goals (MDGs):

- Enterprise Development
- Environment
- Education
- Health
- Humanitarian Intervention

In Rwanda, the Foundation has undertaken various CSR activities from inception, such as supporting schools & hospitals, training youth entrepreneurs, providing livestock, electricity, medical insurance to communities and taking care of the environment and so much more. The Foundation's primary project is IGIRE, a youth empowerment program, that has up-skilled 500 youth and provided seed capital for over 40 businesses to-date. We aim to make a difference in the community where we operate in a sustainable manner.

BPR BANK

What Differentiates BPR BANK

We work towards sustainably harnessing our capitals to deliver superior returns for our shareholders and create shared value for our customers, employees, partners, and communities. Our BANK has several characteristics that set it apart including:

Strong balance sheet

Our strong balance sheet enables us to support millions of customers in the region and catalyze economic growth.

Total assets

Frw. **746** billion
#2 in Rwanda
(2021:Frw **667** billion)

Net loans and advances

Frw. **456.8** billion
#2 in Rwanda
(2021: Frw **363** billion)

Customer deposits

Frw. **441.3** billion
#2 in Rwanda
(2021: Frw. **399** billion)

Dominant and diversified business

Our wide regional footprint enables us to facilitate seamless service, intra-regional trade, and investment flows for our stakeholders.

876 Thousand
Customers

152
Branches

77
ATMs

982
Agents and Merchants

Leader in digital financial solutions

Our innovative digital financial solutions and robust platforms facilitate the provision of exceptional service to customers with unmatched convenience while driving financial inclusion.

56% Proportion of number of transactions conducted through non-branch channels (2021: **52%**)

Frw. **588** billion
mobile loans advanced
(2021: Frw **432** Million)

Superior shareholder returns

Track record in delivering superior returns to our shareholders and consistent dividend payout history supported by sustainable high profitability.

20.5%
Return on equity
(2021: **13.2%**)

Frw. **32.15** billion
Profit before tax
(2021: Frw. **17.07** billion)

Leader in sustainability and governance

We have embedded ESG practices in our strategy.

We are committed to become Net Zero by 2050

Industry leader in sustainable finance. Committed to increase the proportion of green loans in our loan book to 30% by 2025. (2022: 16.6%)

Exceptional talent

A diverse team of engaged and experienced employees working to deliver on our strategy. The Bank offers superior employee value proposition to attract and retain exceptional talent.

1,163
Staff (2021: **8,538**)

46%
Proportion of female employees (2021: **45%**)

Frw. **18.7** billion
Total employee benefits
(2021: Frw. **17.3** billion)

Strong brand and customer experience

47 Net promoter score (2021: **42**)

Renewed focus on customer obsession powered by our new brand purpose, **For People, For Better**

Our Business Model

Our wide Rwanda footprint, strong balance sheet and exceptional talent enables us to facilitate seamless service, intra-regional trade and investment flows for our stakeholders. To deliver on our strategic goals and maintain and grow our in the market, we have set for ourselves ambitious growth goals under our beyond banking strategy. Through this strategy, we seek to deliver exceptional customer experience across all our touchpoints and drive a digital future

WHY WE EXIST
Our Purpose

For People.
For Better.

Our Values

Closer

Connected

Courageous.

Our Inputs: The Capitals we harness

Financial Capital

Frw **119.9** B
Shareholders' equity.

Frw **49.9** B
Borrowings.

Frw.. **119.9** B
Total capital.

Frw. **456.8** B
Loans and advances.

Frw.. **441.3** B
Customer deposits.

Manufactured Capital

152
Branches. & Outlets

711
Agents and POS merchants.

Robust Digital Banking Channels.

99.22%
Core banking system uptime.

Intellectual Capital

Strong customer value propositions.

Innovative digital products.

Robust risk management.

Strong brand.

Human Capital

Exceptional talent and skillset.

1,141 Employees,
43.7% are women.
57.3% below 40 years of age.

Strong employee value proposition.

Social Capital

876
Thousand Customers.

Diverse pool of suppliers with focus on special interest groups of women, youth, and differently abled persons.

Strong transformative partnerships.

Impactful BPR BANK Foundation programmes.

Natural Capital

Industry leader in Sustainability.

Signatory to key alliances to champion sustainable practices.

Alignment towards increasing disbursement of green loans.

1 NO POVERTY | 2 ZERO HUNGER | 5 GENDER EQUALITY | 6 CLEAN WATER AND SANITATION | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 10 REDUCED INEQUALITIES | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 17 PARTNERSHIPS FOR THE GOALS

Our process

Customer first, with leading value propositions

Step change in efficiency and productivity

Digital leader and digital to the core

Scale to achieve regional relevance.

Our outputs
A well diversified business model that offer an extensive suite of tailor-made, market leading financial solutions to enable our customers transact, save, and make payments.

We extend secured and unsecured credit to our customers based on their repayment ability and our risk appetite.
We offer investment banking solutions and asset management services.

We facilitate provision of protection against insurable risks.

Our outcomes

Value for customers

Frw. **100.8** billion
Loan growth.

Frw **52** billion
MSME loans.

56%
of transactions outside branch network.

NPS
score of 47.

Value for employees

Frw. **18.7** billion
Total employee benefits.

64
promotions in 2022.

Strong employee value proposition.

Value for investors

20.5%
return on equity.

Frw. **29.3** billion
in retained earnings.

Value for government and regulators

Compliance with regulatory requirements.

Frw. **9.9** billion
Income tax expense in 2022.

Value for society

bpr FOUNDATION
programmes continue to deliver meaningful impact across the country.

16.6%
of green loans in our portfolio .

2022 Recap

2022 was a remarkable year for BPR Bank. We concluded the merger of Banque Populaire and KCB Bank into BPR Bank Rwanda Plc, developed more innovative products and onboarded more transformative partnerships to offer superior customer value propositions and drive customer obsession across all our touchpoints.

At the same time, we realigned our banking businesses and supported thousands of customers to actualize their dreams. These initiatives and more helped propel BPR Bank forward. As we look forward to a phenomenal 2023, here is a recap of some of the key milestones we were able to achieve together in 2022.

January

- BPR Bank reverted to the usual business hours at its branches, adding an extra hour of service. The business hours had been temporarily reviewed in 2020 in light of the COVID-19 pandemic.

February

- BPR Bank launched a new personal banking unsecured loan offering of 30 million.

March

- BPR Bank Foundation started the recruitment process of Igire students of the 2022 Igire class targeting 200 an activity that covered the entire of Rwanda.

- BPR Bank's parent company, KCB Group received regulatory approval from the Nationa Bank of Rwanda (BNR) to merge its newly acquired Banque Populaire du Rwanda (BPR) and KCB Bank Rwanda.

May

- KCB Bank Rwanda and Banque Populaire du Rwanda (BPR) officially merged to form one bank, known as BPR Bank Rwanda Plc, following the successful acquisition of BPR by KCB Group from Atlas Mara Limited and Arise B.V.

- BPR Bank officially launched Visa debit, prepaid and credit cards.

April

- BPR Bank paid tribute to former employees during the 28th commemoration of the Genocide against the Tutsi. The Bank donated Rwf3 million for the maintenance of the Kigali Genocide Memorial Centre.

June

- BPR Bank Rwanda Plc through its Foundation and in partnership with the Rwanda National Youth Council launched the 2022 intake for the youth scholarship program dubbed "IGIRE" which equipped 200 youth with vocational skills.

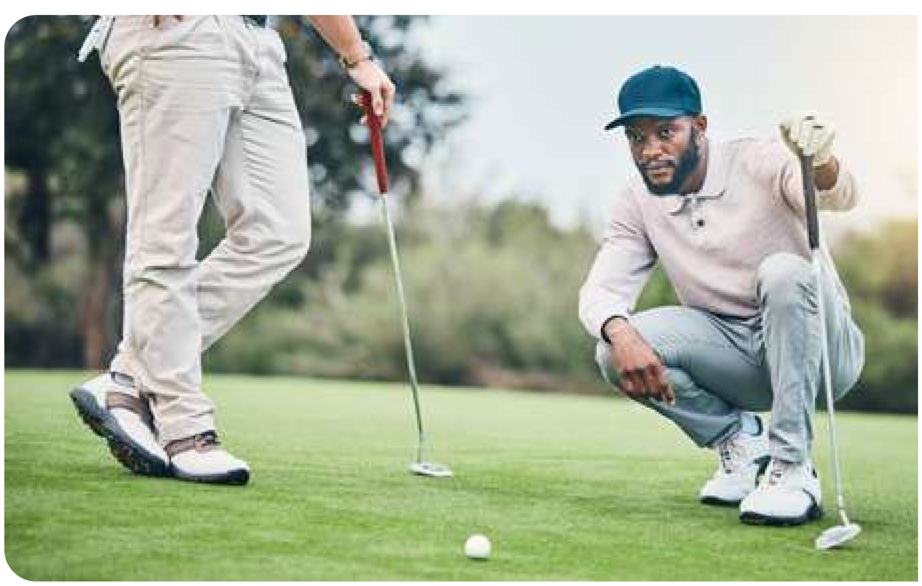
August - September

- BPR Bank Rwanda signed an agreement with ADHI Rwanda to provide mortgage loans to clients that desire to purchase fully built affordable houses in Bwiza Riverside home estate.

October

- BPR Bank Rwanda, gathered its customers based in the City of Kigali and interacted, thanked them for their support and took their suggestions on how to serve them better during the Customer Appreciation Week which was observed around the world under the theme

"Celebrate Service."



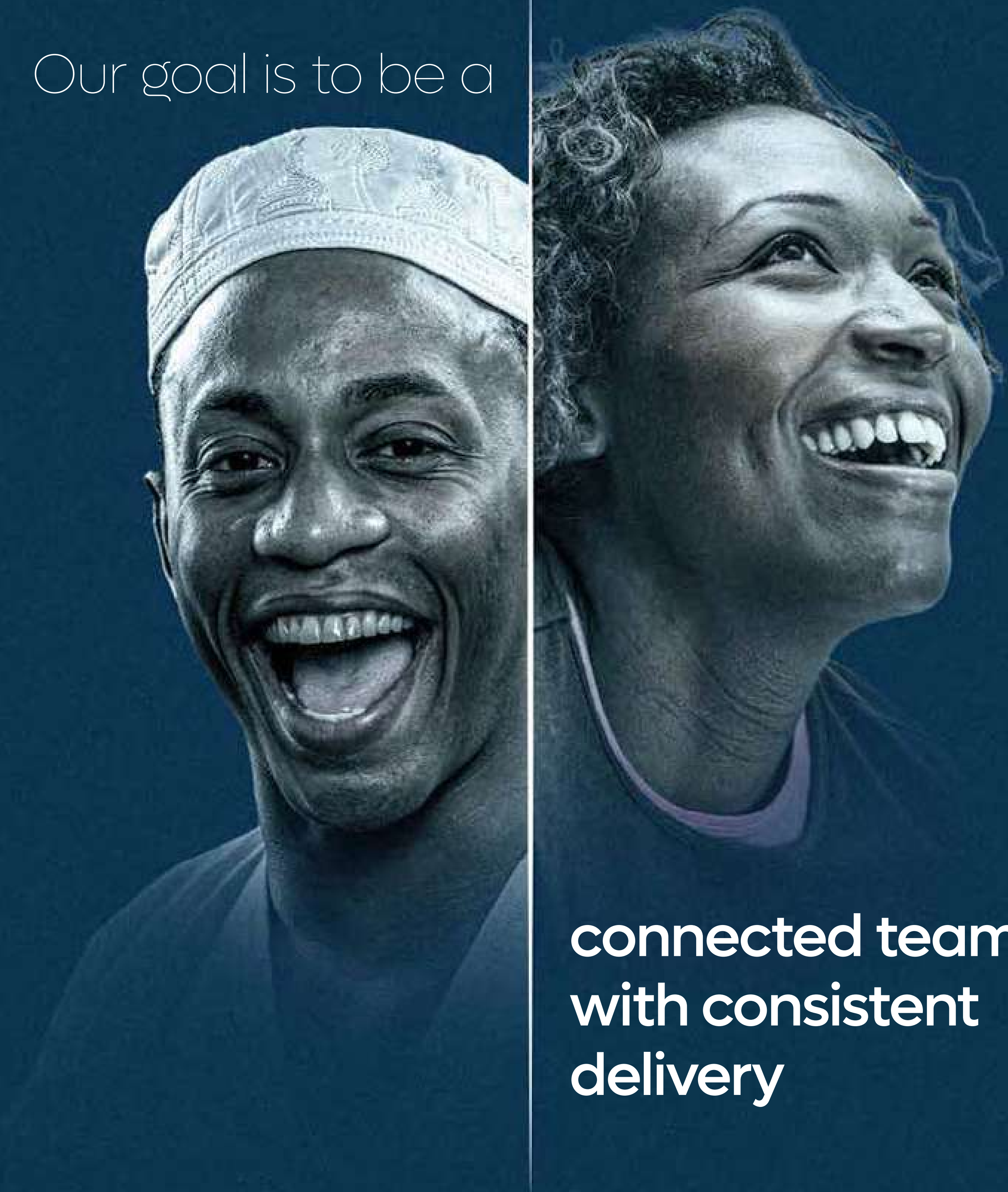
November

- BPR Bank Rwanda Plc as part of its brand outreach activities, has sponsored the PMC Golf Open 2022, as the tournament's main sponsor for the 2nd year running. BPR Bank, and its parent company KCB Group have been involved in the development of golf in Rwanda for over 10 years.

December

- 2022 intake of BPR Rwanda Bank Plc's IGIRE scholarship programme graduated after six months of vocational training in different trades.

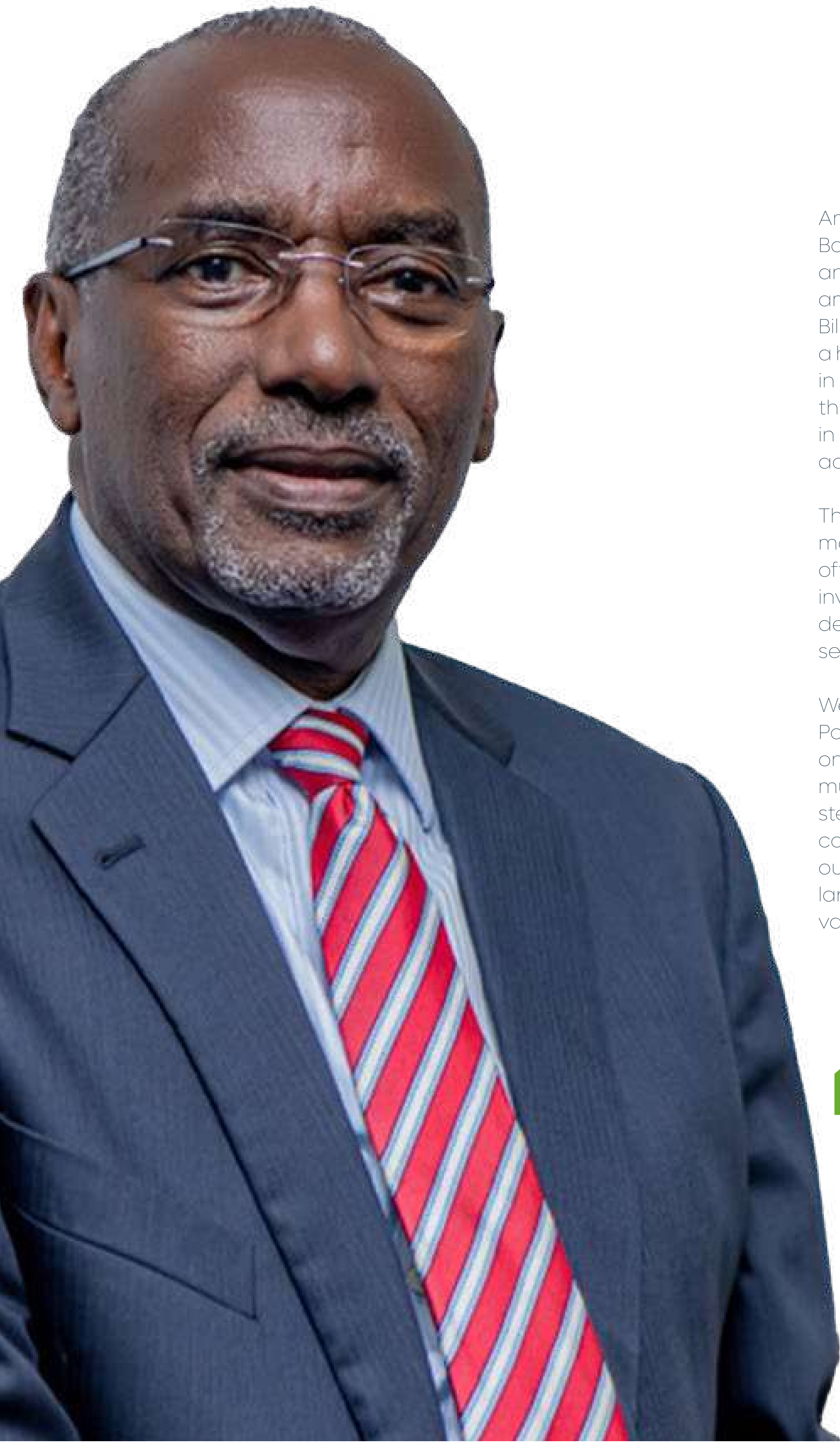
Our goal is to be a



connected team with consistent delivery

Delivering on our Strategy

Chairman's Statement



Am pleased to report that 2022 was a successful year for BPR Bank Rwanda PLC. We witnessed significant growth in deposits and loans, which translated in Profit Before Tax for 2022 in the amount of RWF 32 Billion, an increase of 88% over 2021's RWF 17 Billion Profit Before Tax. The Bank's Balance Sheet also registered a healthy 15% growth from RWF 667 Billion in 2021 to RWF 747 Billion in 2022. Such growth bears testimony to and is demonstration of the immense amount of work that has gone into driving growth in our Bank's business, especially through concerted effort to achieve significant growth in both the Loan Book and deposits.

The delivery of such performance is product of sound financial management; purposeful structuring of our product and service offering to suit customers' needs; supported and enabled by investment in upgrading our Banking Technology so we can deliver best-in-class performance across operational and service delivery points.

We merged two great banks, KCB Bank Rwanda and Banque Populaire du Rwanda into one great bank, BPR Bank Rwanda Plc on the 1st of April 2022. Here we are a year later, consolidating multiple efforts from all our stakeholders, while delivering stellar business performance results. BPR Bank Rwanda will continue shaping its business strategy in the best interests of our shareholders, our customers and the national economy at large; we are confident that the strategy will derive the best value in the medium and long term.

> "BPR Bank Rwanda will continue shaping its business strategy in the best interests of our shareholders, our customers and the national economy at large.

> we are excited about the possibilities that lie on the journey ahead, which we look forward to share with our customers and stakeholders as they blossom both economically and socially.

Collectively, from Staff, Management to the Board of Directors, we have put considerable effort in re-engineering our customer's experience, which is best exemplified by the considerable capital investment the Bank made recently to upgrade its core Banking System and upskilling its Human Resources, focused on upgrading our service and operational technology to boost transaction simplicity and ultimately, customer experience. We recognize that technology is critical to the future of the Banking Sector; we are committed to continuous investment that will enable us to provide cutting-edge services to our customers well into the future.

We have integrated BPR Bank's operations and invested in the required Banking Systems Technology that have positioned the Bank to cater to various customer segments, from Corporate to SME and personal consumer banking services. We understand that each segment has unique requirements and we have customized our products and services to cater to their specific needs. This approach has enabled us to build strong relationships with our customers and become a trusted partner in their financial journey, which in turn has enabled us to deliver the operational results reported herein above.

BPR Bank is also committed to making a positive impact on society. We have invested in social programs and sustainability initiatives to support the communities we serve. Our efforts have helped us to become a responsible corporate citizen and made a difference in the lives of those around us. To date over 300 Million RWF has been invested in the BPR Foundation's flagship Vocational Training Program, "IGIRE", which we run in partnership with the Integrated Polytechnic Regional Colleges ("IPRCs") with campuses in Bugesera, Gishali, Huye, Karongi, Kicukiro, Kigali, Muhanga, Musanze and Ngoma. More than 600 young men and women have qualified in various vocational programs offered by the IPRCs; and each year, the Bank awards selected business proposals with seed capital to fund their dream business. Over 30 graduates have used the funding to start small and medium enterprises, employing over 300 people, and growing year by year.

Finally, I am pleased to report that our Bank's operations are poised to continue creating shareholder value into the future, as reflected by the healthy growth of its Balance Sheet. As we progress further into 2023, we wish to assure our stakeholders, especially the shareholders of BPR Bank and the public at large, of our commitment to cater for the needs and interests of all our stakeholders. With a growing service delivery network of 154 branches countrywide, managed by human capital of more than 1000 highly trained staff members who are backed by the best-in-class Core Banking System Technology, we are excited about the possibilities that lie on the journey ahead, which we look forward to share with our customers and stakeholders as they blossom both economically and socially. We welcome you to join the BPR Bank Family and walk with us on the Journey of Possibilities, now and into the future.

George Rubagumya
Chairman

With a growing service delivery network of

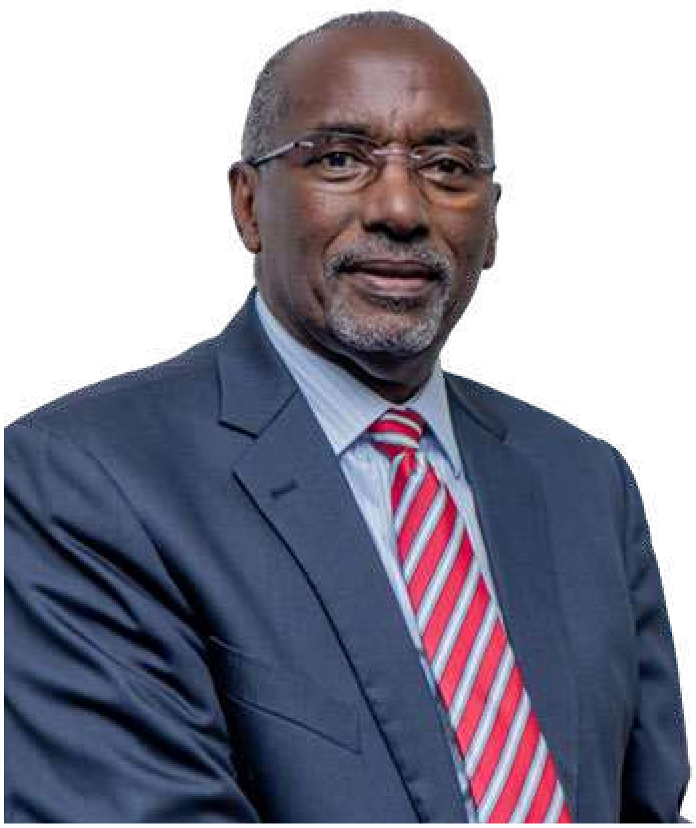
152
branches countrywide

> managed by human capital of more than 1000 highly trained staff members

Board of Directors

Patience Mutesi
Managing Director

Alexis Nsengumuremyi
Director



George Rubagumya
Chairman

Diana Hagumba
Director

Dr. Obuya Bagaka
Director

Jean Kalima Maliki
Director

Pascal Nyiringango
Director

Paul Russo, EBS
Group Chief Executive Officer

Brice Manzi
Company Secretary

KCB Group completed the amalgamation of BPR and KCB Bank Rwanda to form BPR Bank Rwanda, the second largest bank is Rwanda

Rwanda's economy has been staging robust growth despite the unfavorable global environment. Real GDP is estimated to have grown by 7.9% in 2022 down from 10.9% in 2021. This moderation in growth was due, in part, to the effects of the war in Ukraine and the persistent risk of the COVID-19 pandemic in major economies. Real GDP increased by 10.0% in quarter three of 2022 compared to an increase of 10.1% in a similar period in 2021.

This growth was supported by the services sector which grew by 17% and contributed 7.9% to overall GDP growth. Within the services sector, wholesale and retail trade increased by 20% while transport activities increased by 26%. The agricultural sector grew by 1% and contributed 0.3% to the overall GDP growth. Within agriculture, the production of food crops and the production of export crops decreased by 1%. In addition, industrial activities decreased by 1% due to a drop of 17% in construction activities.

In October 2022, IMF and the Rwandan authorities reached a staff-level agreement on a 36-month Policy Coordination Instrument (PCI) and Resilience and Sustainability Facility (RSF) to support Rwanda's economic policies and reforms. Rwanda is the first African country to reach a staff-level agreement to access the RSF.

Rwanda's strong policy track record and its well-advanced climate strategy provide a sound basis for an impactful reform agenda. The new PCI, combined with RSF financing, will support the authorities' efforts to maintain macroeconomic stability, advance structural reforms, including climate adaptation and mitigation, and insure against downside risks. According to the agreement, Rwanda will have access to USD 310 million under the RSF.

The Overall inflation decreased to 31.7% in December 2022 compared to 33.8% in November 2022 as food inflation decreased to 59.2% year on year. The annual inflation remained elevated to average 17.7% in 2022 compared to a deflation of 0.4% in 2021 as food inflation remained high to average 29.4%. Inflation continued to mount as increases in international commodity prices and the disruption of global supply chains led to substantial increase in energy, transport, and food prices.

The Rwandese Franc (RWF) depreciated by 6.03% against the USD to average RWF 1,030.60 to the US dollar in 2022 compared to RWF 988.9 in the previous year. The yield on the 91-day, 182-day and 364-day treasury bills averaged 7.26%, 8.17% and 8.66% respectively in December 2022 compared to 6.46%, 6.64% and 7.65% respectively in December 2021. In 2022, the National Bank of Rwanda Monetary Policy Committee increased the Central Bank Rate to 6.5% from 4.5% to curb the inflationary pressures that persisted during the period.

KCB Group completed the amalgamation of BPR and KCB Bank Rwanda to form BPR Bank Rwanda. The amalgamated Bank is the second largest in the market and is well positioned to capitalize on the opportunities that exists in Rwanda.

To give the Bank impetus to offer innovative products and exceptional customer experience, we completed the merger and upgrade of the core banking system in 2022. The Bank posted 86% and 23% growth in total revenue and total assets respectively in 2022.

Our Footprint	
Branches	**152**
ATMs	**77**
Agents	**711**
Merchant outlets	**103**
Staff	**1,141**

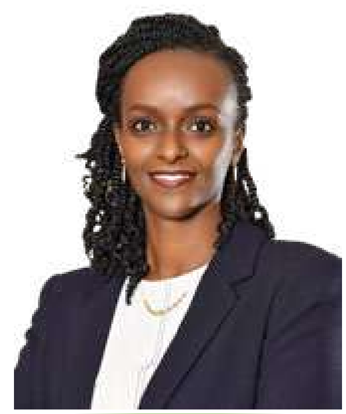
Our performance KCBR	2022 Rwf million	2021 Rwf million
Operating income	72,013	61,969
Operating expense	(40,627	(39,654)
PAT	22,271	11,902
Total assets	**746,767**	**667,348**

Executive Committee

Patience Mutesi
Managing Director

BERNARD Muasya
Head of Finance

MANZI Brice
Head of Legal Services



CHRISTELLE Kayihura
Head of Credit

DENNIS Olola
Head of Digital Banking

EDWARD K Bitok
Head of Operations

AKIMANZI Albert
Head of Marketing, Corporate affairs & Citizenship

INNOCENT Africa
Head of Risk

UWIZEYIMANA Eliane
Head of Treasure

NDAHIRO Stephen
Head of Compliance

NZAHABONIMANA Emmanuella
Head of IT & Cyber Security

MBYAYINGABO Joel
Head of Audit

Lilian Batanyagwa
Head of Human Resources

Ntwali Innocent
Head of Retail

MUTABISHI Johnny
Head of Corporate Banking

Managing Director's Statement

2022 was a symbolic year for the bank. We witnessed the merger of two monumental organizations in KCB Bank Rwanda and Banque Populaire du Rwanda into one entity, BPR Bank Rwanda PLC. Through concerted efforts of the business, operational and support teams we registered significant milestones in the 2022 Full Year Financial Performance. Our profit before tax was 32 Billion RWF, driven by 28% growth in total operating income and a 27% growth in gross loans across all segments of the business, specifically lending in trade, personal, manufacturing, and construction sectors.

Strategically, we were centered on a Beyond Banking approach, based on strengthening our digital offering, building efficiency and productivity, as well as creating value propositions for all our customers. This strategy is driven by state-of-the-art IT infrastructure, an enhanced end to end credit process, and rigorous performance management protocols.

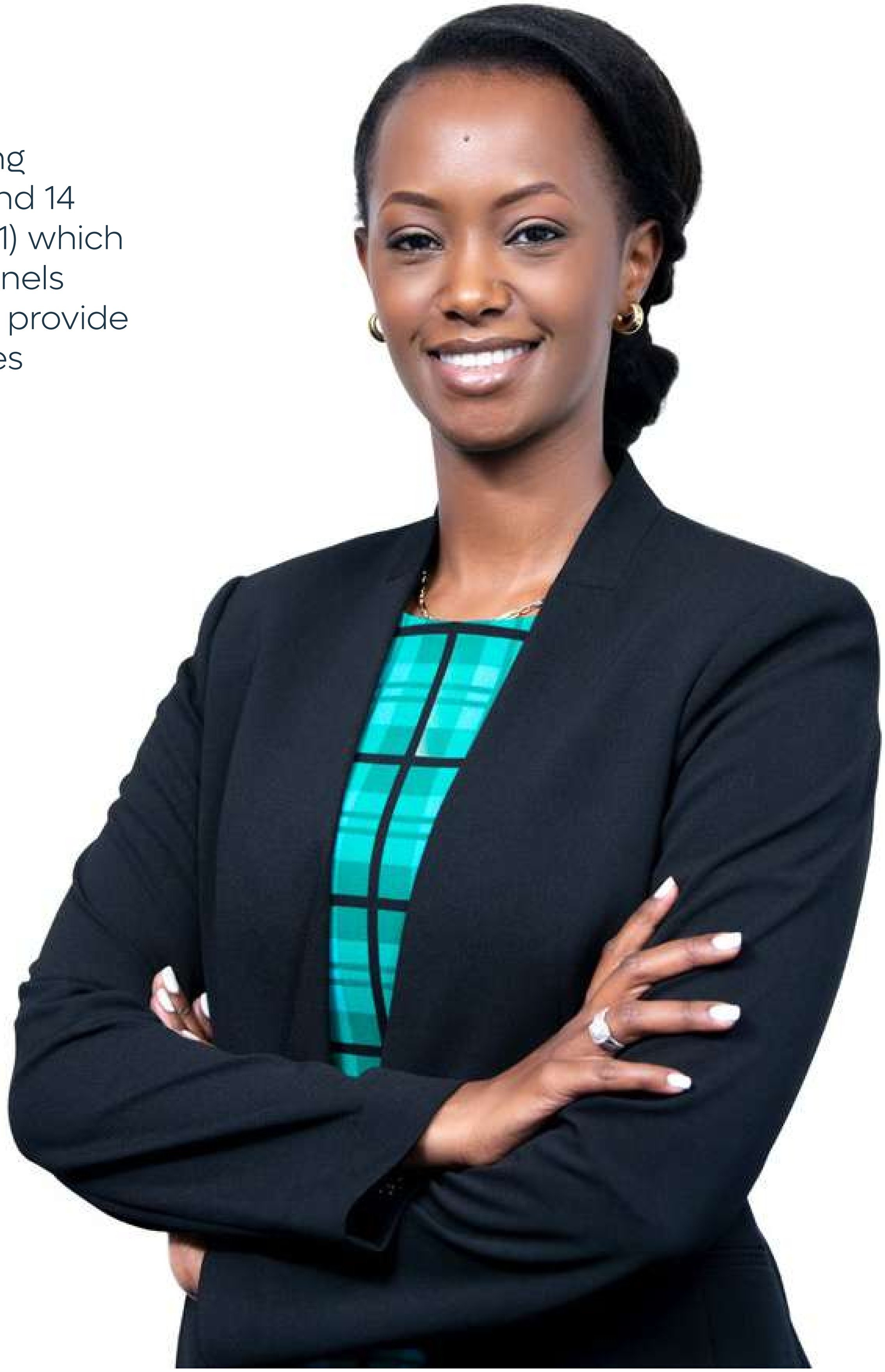
A volatile global economic environment didn't hinder Rwanda's resilient GDP growth, which bounced back to 8.9% versus 4.4% the previous year. Overall the East African region is still recovering from the Covid-19 pandemic and global inflationary effects. As a bank of our scale, with in-depth understanding of this market, we have taken up the opportunity to oversee our customer's recovery processes through various credit and investment management expertise.

In 2022, we launched credit and debit cards, a novel transaction channel to a considerable portion of our customer base. Our digital agenda is ambitious, targeted toward accessibility, omnipresence and accelerated end to end service. In 2023, we will be digitizing our agency as well merchant services, enabling accessibility and a faster turnaround time at points of sale. We are intent on expanding our services across Rwanda through these developments, which are part of our strategy to avail all our services to all corners of the country. As part of our efforts to make credit more readily accessible, we will be expanding our scoring model to make more customers viable for the bank's mobile loan services

We upgraded our core banking system from T24 Release 12 and 14 (R12, R14) to T24 Release 21 (R21) which has expanded all digital channels and service delivery points to provide efficient customer experiences. Among many other benefits of the core banking system upgrade is that customers will now experience more functionalities, flexibility, and improved service uptime.

Our profit before tax was 32 Billion RWF, driven by 28% growth in total operating income and a 27% growth in gross loans across all segments of the business, specifically lending in trade, personal, manufacturing, and construction sectors.

> We upgraded our core banking system from T24 Release 12 and 14 (R12, R14) to T24 Release 21 (R21) which has expanded all digital channels and service delivery points to provide efficient customer experiences



As part of our commitment to the Rwandan community, we continue to invest in a shared value approach through the BPR Foundation's flagship program, IGIRE. We were able to train 200 youth in ICT, auto-mobile mechanics, agri-mechanization, and culinary arts. The program aims to educate several Rwandans over the next few years in technical and vocational skills to drive self-empowerment and employment rates as we play our role in support of growing Rwanda's SME base.

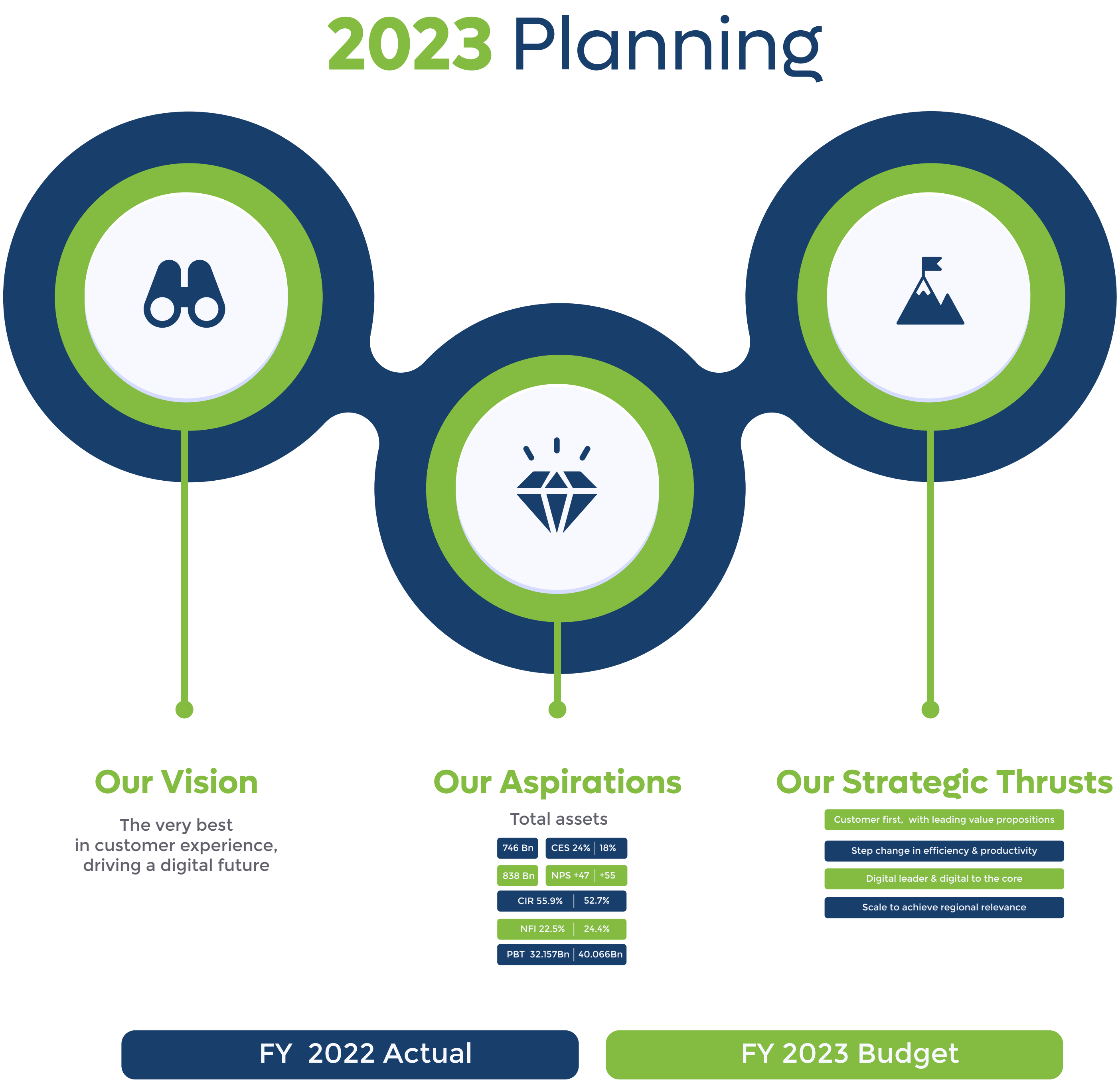
2023 is a year for consolidation as we structure our operations to be more agile and productive. We are focused on transforming customer experience through our recently launched purpose, For People, For Better which will determine service initiatives and operational policy across our branches, agencies and channels. I firmly believe we have the right people and enthusiasm to deliver our ambitious strategy in the near and long term.

Our Strategic Ambitions

Our Beyond Banking strategic goals

2022 marked the penultimate year for our three-year Beyond Banking strategy. Through this strategy, the Group seeks to deliver exceptional customer experience and drive a digital future.

The strategy is anchored on four thrusts namely;



1	2	3	4
Customer first, with leading value propositions	Step change in efficiency and productivity	Digital leader and digital to the core	Scale to achieve regional relevance

1 Customer First, with Leading Value Propositions

Vision	The very best in customer experience, driving a digital futre
2023 Aspirations	Total Assets Frw 838B; NPS +55 CES <18%; CIR 52.7%; NFI 24.4%; PBT contribution to group 6.2%

Strategic Thrusts	**A** Customer first, with leading customer propositions	**B** Step change in efficiency & productivity	**C** Digital leader & digital to the core	**D** Scale to achieve regional relevance
Core Initiatives	1. Differentiated CVPs for priority Consumer and SME segments 2. Differentiated CVPs for priority Corporate segments 3. Differentiated CVPs for priority segments in subsidiaries	4. Corporate sales excellence with an optimized RM coverage 5. Retail sales excellence 6. Transformation of retail branch network	7. End-to-end digitization of priority customer journeys 8. Implementation of priority advanced analytics use cases 9. Enhancement of mobile and internet banking channels	10. Strategic M&A to rapidly increase scale outside Kenya and bevond banking

Enabling Initiatives

11. Modern IT architecture, processes and capabilities

12. Enhanced end-to-end credit and enterprise risk management

13. Rigorous performance management engine with enabling organization structure (OHI action plans)

BPR IGIRE – ADDRESSING YOUTH SKILL DEVELOPMENT AND UNEMPLOYMENT

Igire is a BPR Bank program under the KCB Foundation that addresses the problem of youth and unemployment by creating jobs for the youth through skill development and vocational scholarships for a period of six months in partnership with National Youth Council.

IGIRE program was first launched in 2018 with 100 students recruited and trained, 200 students in 2019, in 2020 even with the presence of COVID19 Pandemic, we trained 100 teen mothers on business creation and development skills. In 2021, only 50 students were recruited and trained limited with the presence of the COVID19 pandemic. The program recruited and trained 200 youths in 2022.

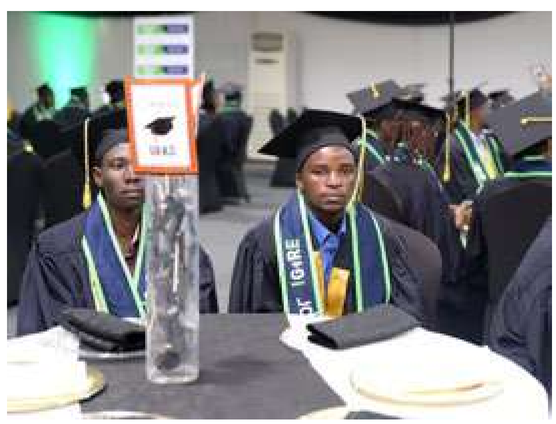
Through Igire, we have managed to finance a total of 30 businesses since inception. In addition, 42 businesses have been created by Igire beneficiaries and this is attributed to the skills they acquired from the training received from program.

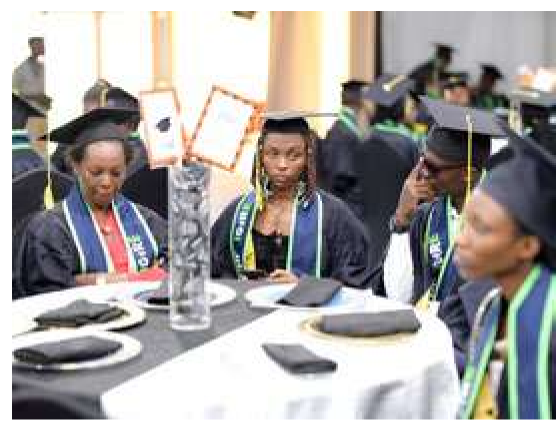
IGIRE IN NUMBERS:

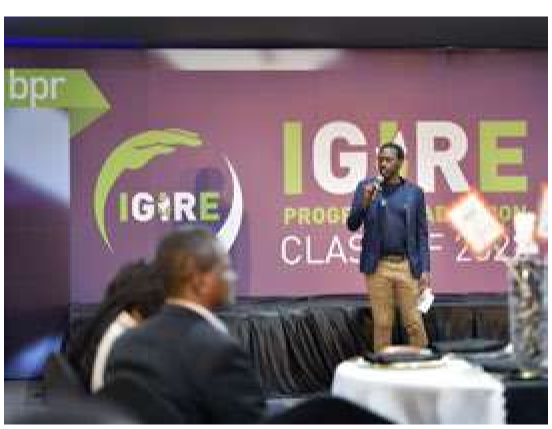
- Over 650 Youths trained in vocational skills.
- 30 Businesses financed since inception.
- 42 Business created by the Igire Beneficiaries

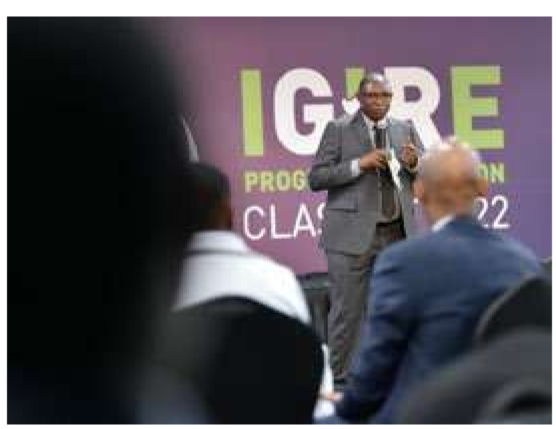
Over **650** **Youths trained in vocational skills.**	**30** **Businesses Financed**	**42** **Businesses Created**

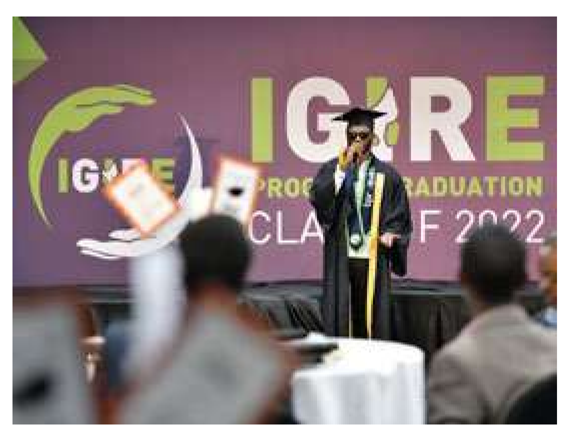
Our Social Investment BPR Bank Foundation



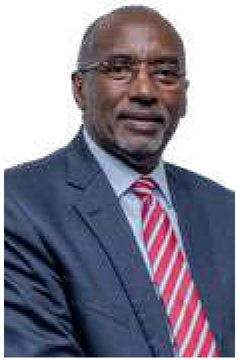








Board of Director's Profiles



Name: GEORGE W. RUBAGUMYA
(67 Years)
Designation: Board Chairman
Date of Appointment:
January 2022

Education and Professional Background:

Mr. Rubagumya holds a Bachelor of Arts in Economics and Finance from the University of Nebraska–Lincoln; a Juris Doctor of Laws from Creighton University School of Law; an LLM in International Development Law from the London School of Economics; and Advanced Diploma in International Law from The Hague Academy of International Law.

He has more than 30 years of international business experience and legal practice in the United States of America and Africa advising government and private sector leaders on design and execution of legal and economic policy reforms to drive private sector-led sustainable economic development. Extensive experience in building public-private partnerships to develop and implement integrated economic development programs; promotion and facilitation of international investments in infrastructure, natural resources, energy, oil and gas, utilities, financial services; capital markets and Information Technology.

Name: Paul Russo
(47 Years)
Designation: Director & KCB Group Chief Executive Officer
Date of Appointment to Board:
August 2021

Education and Professional Background:

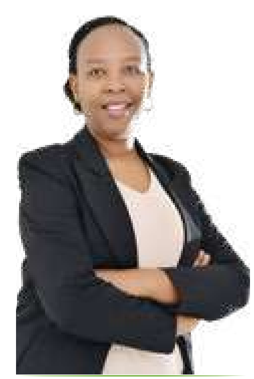
GePaul Russo, EBS holds a master's in business administration from Strathmore University Business School and a Bachelor of Business Management from Moi University. He also holds a senior executive program for Africa Certificate from Harvard Business School. He is a member of the Kenya Bankers Association Governing Council. Paul sits in the Boards of the National Investment Council and the National Steering Committee on Drought Response. He is also a member of Steering Committee for the World Rally Championship (WRC) Safari Rally Project. He also serves in the United Nations Environment Program Finance (UNEP-FI) Leadership Council. Prior to his appointment as the Group Chief Executive Officer, he served as the Group Regional Business Director and the MD NBK. A HR practitioner, he has close to 25 years of work experience spanning executive and key roles including Group HR Director, KCB Group. He has served in other big corporates such as Barclays, PwC, K-Rep Bank, EABL, and Unga Holdings.

Name: Dr. Obuya Bagaka
(47 Years)
Designation: Director
Date of Appointment to Board:
August 2021

Education and Professional Background:

Dr. Obuya holds a PhD in Public Administration (from Northern Illinois University, USA); M.A. Public Administration (Minnesota State University-USA); B.A. Political Science & Philosophy (University of Nairobi). He is also a Member of the Commonwealth Association of Public Administration and Management.

He has extensive experience and expertise in Public Administration, Policy and Strategy. He has over 12 years' experience in Public Finance and Budgeting, Governance, Capacity building, Research and Policy Development in both the public and private sectors. Currently, Bagaka provides advisory and consultancy services to public and private organization. Previously, Bagaka worked as the technical lead on governance and institutional strengthening for a DFID-funded program: The Sustainable Urban Economic Development (SUED).

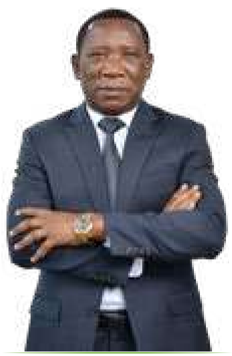


Name: DIANA HAGUMA
(47 Years)
Designation: Director
Date of Appointment to Board:
December 2020

Education and Professional Background:

Diana holds a Master of Science in Finance from The University of Stirling-Scotland. A Bachelor's degree in Business Administration from Makerere University, a Certificate in Digital Money from Digital Frontiers Institute and currently in her final level of association of Certified chartered Accountants (ACCA-UK).

She has vast experience in the area of Accounting/Finance, taxation and Human resources. Gained both from formal training and work experience from different organizations; twelve years of working with Rwanda Revenue Authority, six years working in telecommunication (Airtel Rwanda) as well as I over one year Non-Governmental organization experience where she occupied various positions in the finance, Human resource and Administration departments.



Name: Dr. Alexis Nsengumuremyi
(61 Years)
Designation: Director
Date of Appointment to Board:
December 2022

Education and Professional Background:

Dr. Alexis holds a bachelor's degree in civil engineering sciences, a Master of Sciences in Civil Engineering from Washington International University and a PHD of Sciences in Civil Engineering, specializing in Dynamic of Structures from Washington International University.

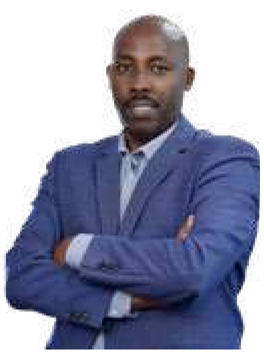
Alexis is a seasoned engineer and founder of E.G.C Ltd a local private company specializing in construction works of buildings, water and power supply.

He is currently the chairman of the Chamber of Industry at Rwanda Private Sector Federation (PSF) and chairman of board of directors of the Association of the Rwanda Contractors (AEBTP). He has also served on the boards of Work force Development Authority (WDA) and Rwanda Public Procurement Authority (RPPA).

Name: Patience Mutesi
(41 Years)
Designation: Managing Director
Date of Appointment to Board
December 2022

Education and Professional Background:

Patience has an MBA in Finance from Maastrich School of Management, Netherlands and a BSc in Quantitative Economics, Makerere University, Uganda. She joined BPR Bank from TradeMark East Africa (TMEA) where she was serving as the Country Director. She was responsible for maintaining strategic relationships with government, private sector, civil society and donor community, while overseeing strategic projects implementation in trade facilitation in Rwanda. She has diversified background in the financial sector including credit management, product development and fundraising, extensive experience in deal origination, negotiation, structuring and execution as well as credible expertise in strategic risk management having previously served as Corporate Bank Head, Ecobank Rwanda and Cluster Head for EAC as well as Deputy Head of Corporate Banking and Senior Relationship Manager, BCR.



Name: Pascal Nyiringango
(49 Years)
Designation: Director
Date of Appointment to Board:
February 2023

Education and Professional Background:

Pascal holds a master's degree in Global Business and sustainability specializing in social entrepreneurship. A bachelor's degree in business administration specializing in Huma resource management in addition to other professional trainings undertaken during the course of his professional career.

He has extensive experience in public service, is a Professional social entrepreneur and certified in the innovation of startups. He currently serves as head of innovation hub with a mission of technology transfer through the translation of research output into an impactful and scalable venture under the African Center of excellence of energy for sustainable development, a project funded by the World Bank.

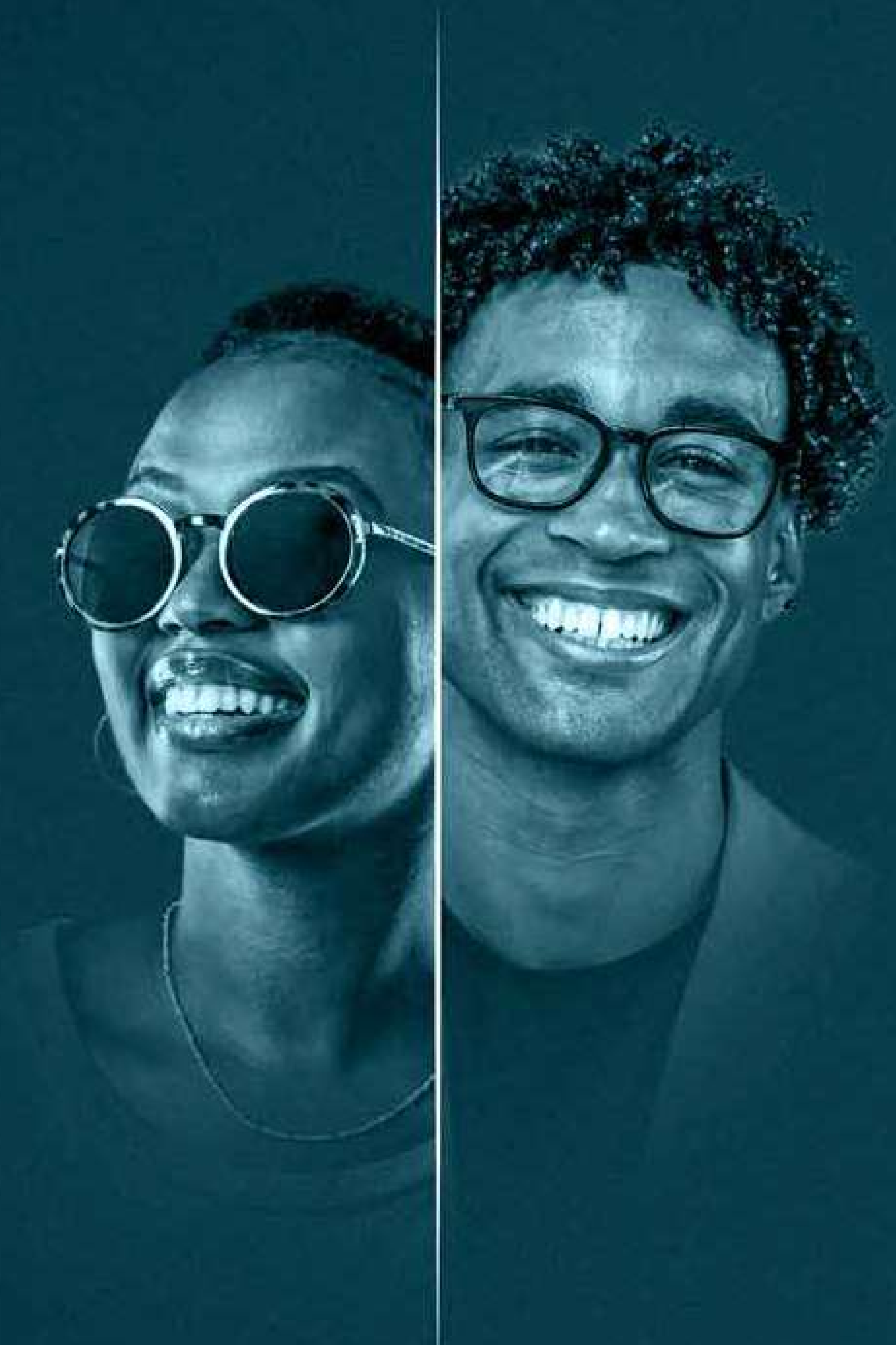
Name: Jean Malic Kalima
(60 Years)
Designation: Director
Date of Appointment to Board:
January 2022

Education and Professional Background:

Mr. Jean Malic KALIMA holds a Bachelor's Degree in Management in addition to other professional trainings undertaken during the course of his professional career.

He is a Rwandan entrepreneur, businessman and investor, currently operating in various areas including the mining sector and the health sector among others.

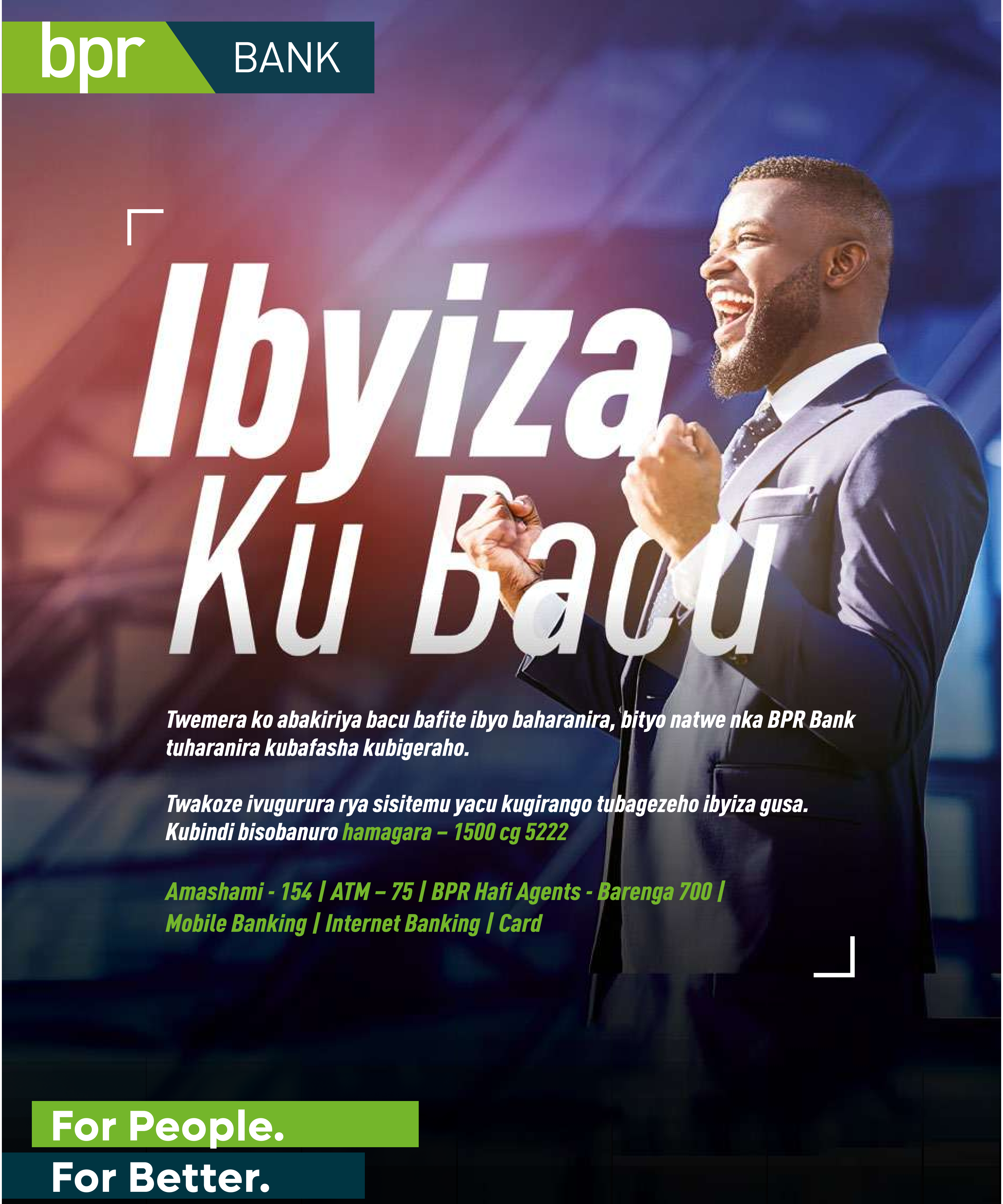
Having previously worked in government, he has a wide experience in both public and private sectors. Jean Malic KALIMA worked in a number of private companies in the Democratic Republic of Congo (DRC) where he spent most of his youth years before returning to his motherland Rwanda. Upon his return in Rwanda, Jean Malic joined Rwanda's Ministry of Foreign Affairs from 1994 up to 2004 where he served in various senior positions, including the following among others, Chief of Ceremonies and Visits Division and Chief of State Protocol.



Our intent is to take lead courageously and act with purpose

Financial Statements and Notes

For the Year Ended 31 December 2022


bpr BANK
Ibyiza Ku Bacu
Twemera ko abakiriya bacu bafite ibyo baharanira, bityo natwe nka BPR Bank tuharanira kubafasha kubigeraho.
Twakoze ivugurura rya sisitemu yacu kugirango tubagezeho ibyiza gusa.
Kubindi bisobanuro hamagara – 1500 cg 5222
Amashami - 154 | ATM – 75 | BPR Hafi Agents - Barenga 700 |
Mobile Banking | Internet Banking | Card
For People.
For Better.

BPR Group PLC
Report of the Directors
For the Year Ended 31 December 2022

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 BPR Bank Rwanda Plc **(the "Bank" or the "Company")**. On 1 April 2022the bank merged its operations with that of KCB Bank Rwanda PLC and changed the name to BPR Bank Rwanda PLC

Principal activities
The Bank is engaged in the business of commercial banking.

Results
The results of the Group and the Company are set out on pages 126 to 128.

Dividend
The Directors do not recommend the payment of a dividend for the year (2021: Nil).

Directors
The Directors who held office during the year and to the date of this report were:

On 1 February 2023 patience Mutesi was appointed as the Managing Director of the Bank and ceased being an Independent Non-executive Board Member

REGISTERED OFFICE
The Bank is incorporated and domiciled in the Republic Rwanda as a Public limited liability company. The address of its registered office is

BPR Bank Rwanda Plc
P O Box 1348, KN 67, ST 2, Kigali Rwanda

AUDITOR
The Bank's independent auditor's PricewaterhouseCoopers Rwanda Limited, Continue in office in accordance with Law No.007/2021 of 05/02/2021 Governing companies and regulation No.14/2017 on accreditation and other requirements for external auditors of banks in Rwanda

Name	Appointment	Appointment & Retirement Date
George Rubagumya	Chairman (Non-executive)	Appointed on 1 February 2022
James Obuya Bagaka	Board member (Non-executive)	Appointed on 25 August 2021
Diana Haguma	Board member (Independent Non-executive)	Appointed on 2 December 2020
Emmanuel Habineza	Board member (Independent Non-executive)	Resigned on 31 March 2022
Patience Mutesi	Managing Director (Independent Non-executive)	Appointed on 1 February 2023
Linda Kalimba Mulenga	Board member (Independent Non-executive)	Resigned on 24 July 2022
Maurice Toroitich	Board member (Executive)	Resigned on 30 April 2022
Njuguna Ndung'u	Board member (Independent Non-executive)	Resigned on 31 March 2022
Paul Russo	Board member (Non-executive)	Appointed on 25 August 2021
Jean Malic Kalima	Board member (Independent Non-executive)	Appointed on 1 April 2022
George Odhiambo	Board member (Executive)	Resigned on 31 January 2023
Alexis Nsengumuremyi	Board member (Independent Non-executive)	Appointed on 1 February 2023
Pascal Nyiringango	Board member (Independent Non-executive)	Appointed on 17 February 2023

BPR BANK PLC
Report of the Directors
For the Year Ended 31 December 2022

BANKERS

National Bank of Rwanda
P.O. Box 531
Kigali
Rwanda

Rabobank
Croeselan 18
3521 CB UTRECHT
Netherlands

African Banking Corporation Tanzania Limited
1st Floor Barclays House, Ohio Street
P.O Box 31
Dar-es-salaam
Tanzania

KCB Bank Kenya Limited
Kencom House
Moi Avenue
P. O. Box 48400 – 00100
Nairobi, Kenya

KCB Bank Tanzania Limited
Harambee Plaza
Ali Hassan Mwinyi Road/
Kaunda Road Junction
P. O. Box 804
Dar es Salaam, Tanzania

KCB Bank Burundi Limited
Boulevard Patrice Lumumba
P. O. Box 6119
Bujumbura, Burundi

BHF - Bank Aktiengesellschaft
Bockenheimer Landd Strasse 10,
P.O Box 60323
Frankfurt AM Main Germany

EBI SA GROUPE ECOBANK
Les collines de l'Arche, Immeuble Concorde F
76 Route de la Demi-Lune
92057 Paris La Défense Cedex-France

Equity Bank Rwanda Plc
P.O.Box 494
KN 4 Ave, Kigali
Kigali
Rwanda

KCB Bank South Sudan Limited
KCB Plaza
Ministry Road
P. O. Box 47
Juba, South Sudan

KCB Bank Uganda Limited
Commercial Plaza
7 Kampala Road
P. O. Box 7399
Kampala, Uganda

Deutsche Bank Trust Company Americas
5022 Gate Parkway North, Building 4 00,
Jacksonville, FL 32256

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved at a meeting of the directors held on 17 February 2022.

Directors have the power to amend and reissue the financial statements.

BY ORDER OF THE BOARD

Company Secretary

17 March 2023

BPR BANK PLC
Report of the Directors
For the Year Ended 31 December 2022

The Directors are responsible for the preparation of financial statements that give a true and fair view of the financial status of BPR Bank Rwanda Plc, as set out on pages 41 to 105, which comprise the statement of financial position as at 31 December 2022, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by Law No. 007/2021 of 05/02/2021 governing companies.

The Directors are also responsible for such internal controls as the Directors determine as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the Bank to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The independent auditor is responsible for reporting on whether, based on their audit, the financial statements give a true and fair view in accordance with the International Financial Reporting Standards and in the manner required by Law No. 007/2021 of 05/02/2021 Governing companies.

Approval of financial statements

The financial statements of BPR Bank Rwanda Plc, as identified in the first paragraph, were approved and authorised for issue by the Board of Directors on 17 February 2023 and signed on its behalf by:

Managing Director

Chair - Board Audit Committee

Board Chairman

* Date of Resignation.

BPR BANK PLC
Directors' Remuneration Report
For the Year Ended 31 December 2022

BPR Bank Rwanda Plc is committed to world class corporate governance standards as set from time to time by the National Bank of Rwanda and by itself in accordance with international best practice. The Board of Directors is responsible for the long-term strategic direction for profitable growth of the Bank whilst being accountable to the shareholders for compliance and maintenance of the highest corporate governance standards and business ethics.

The Board of Directors
The Board is currently made up of seven members, six of whom are non-executive directors including the chairman. The Board is provided with full, appropriate and timely information to enable them to maintain full and effective control over the strategic, financial, operational and compliance issues of the Bank. The day to day running of the business of the Bank is delegated to the Managing Director but the Board is responsible for establishing and maintaining the Bank's system of internal controls so that the objectives of profitable and sustainable growth and shareholders value is realised. The Board also makes recommendations to the shareholders on Board succession planning and annual financial statements.

Board meetings
The Board of Directors meets quarterly or as required in order to monitor the implementation of the Bank's strategy, review its financial performance and approves decisions of a strategic nature. Specific reviews are also undertaken on business operations and future planning. At the end of each financial year, the Board reviews itself, Board Committees, Senior Management and Managing Director against targets agreed at the beginning of the year.

Board Committees
The Board has created the following principal committees which meet regularly under well-defined and materially delegated terms of reference set by the Board and in accordance with National Bank of Rwanda Regulation N° 01/2018 of 24/01/2018 on Corporate Governance for Banks

1. Risk Management Committee
The Risk Management Committee meets on a quarterly or as required to oversee the Bank's mitigation and appreciation of all risks in the business. It meets quarterly to consider and advise the business on all matters pertaining to credit, market, operations, legal, and environmental and other risks. Business continuity issues are also discussed by this committee.

2. Audit Committee
The Audit Committee meets quarterly or as required. In accordance with regulatory requirement, the committee comprise non- executive members of the Board who are independent of the day-to-day management of the Bank's operations. The committee deals with all matters relating to the financial statements and internal control systems of the Bank including engagement with independent auditors and National Bank of Rwanda inspectors. All the audits conducted by this committee are risk based.

3. Remuneration and Nominations Committee
The committee meets quarterly or as required to review human resource policies and make suitable recommendations to the Board on senior management appointments. This committee also oversees the board nomination functions and senior management performance and renumeration reviews.

4. Credit Committee
The committee meets quarterly or as required to review the credit risk profile of the Bank and recommend to the Board for approval policies and standards of credit risk governance and management. The committee also reviews the Bank's credit risk appetite and sectorial concentration.

5. Strategy and Information Technology (IT) Committee
The committee meets quarterly or as required to review the Bank's IT governance and technology risk management and recommend to the Board for approval IT Strategy and Investment plan and management strategies and policies. It's also responsible for the implementation of the requirements provided in the laws and regulations on cyber security.

6. Procurement committee
The committee meets quarterly or as required to review the procurement policy directions and strategy and to evaluate and recommend to the Board for approval matters related to the review and development of the bank's procurement policies and procedures. This committee also oversees the implementation of the procurement processes and plan to ensure the bank's procurement procedures are conducted in a fair, transparent and non-discriminatory manner.

Record of Board/ Committee meetings attendance
The following table shows the record of attendance to the Board and Committee meetings for the year ended 31 December 2022.

BPR BANK PLC
Directors' Remuneration Report
For the Year Ended 31 December 2022

The following table shows the record of attendance to the Board and Committee meetings for the year ended 31 December 2022.

	MAIN BOARD	STRATEGY & IT CO	AUDIT	CREDIT	REMCO	RISK	PROCUREMENT
Meetings held	13	6	6	11	11	6	6
George Rubagumya	12	1	1	3	7	1	1
James Obuya Bagaka	13	6	1	9	11	6	1
Diana Haguma	13	×	6	1	7	5	6
Emmanuel Habineza	5	1	6	1	6	5	6
Patience Mutesi	12	16	6	11	16	6	6
Linda Kalimba Mulenga		1	1	1	6	3	3
Maurice Toroitich	10	1	2	1	1	1	1
Njuguna Ndung'u	3	1	1	1	2	1	1
Paul Russo	5	2	×	2	4	1	1
Jean Malic Kalima	18	4	3	4	7	3	3
George Odhiambo	6	3	×	×	3	×	×

Management committees

The Board has delegated the daily management of the bank to the Managing Director supported by the various management committees. The following key management committees are in place to ensure that the Bank carries out its obligation efficiently and effectively.

- **Executive Management Committee (EXCO)**
- **Assets and Liabilities Committee**
- **Credit committee**
- **Risk and Control Committee**
- **IT Steering Committee**
- **Strategy Committee**

Report of the independent auditor to the shareholders of BPR Bank Plc

Report on the financial statements

Opinion

In our opinion, BPR Bank Rwanda Plc (the "Bank"/ "Company")'s financial statements give a true and fair view of the financial position of the Bank as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of Law No. 007/2021 of 05/02/2021 Governing Companies.

What we have audited

The Company's financial statements as set out in pages 42 to 105 comprise:

- the statement of financial position as at 31 December 2022;
- the statements of comprehensive income;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Key audit matters

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

pricewaterhousecoopersrwanda limited , 5th floor , BlueStart House,35 KG 7 Ave,Kacyiru

Po Box 1495 Kigali Rwanda

Tel +250(252)588201/2/3/4/5/6. www.pwc.com/rw

pwc

Report of the independent auditor to the shareholders of BPR Bank Plc (continued)

Report on the financial statements (Continued)

Key audit matters (Continued)

Expected credit losses on loans and advances at amortised cost	***How key audit matter was addressed in the audit***
Credit risk assessment and determination of expected credit losses on loans and advances at amortised cost	
• Loans and advances to customers comprise a significant portion of the Bank's total assets. The estimation of expected credit losses (ECL) on loans and advances requires management judgment in the assumptions that are applied in the models used to calculate ECL. • Changes to the assumptions and estimates used by management could generate significant fluctuations in the Bank's financial results and materially impact the valuation of the portfolio of loans and advances. • The policies for estimating ECL are explained in note 32(a) of the financial statements. • The key areas where significant judgement has been exercised and therefore, an increased level of audit focus applied, include: • the judgments made to determine the categorisation (staging) of individual loan and advances accounts in line with IFRS 9. In particular, the identification of Significant Increase in Credit Risk ("SICR") and Default requires consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether a 12-month or lifetime PD is used; • the assumptions applied in deriving the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD) for the various segments of loans and advances, including any adjustments in relation to COVID-19 overlays; and • the appropriateness of forward-looking information used in the model; • the conceptual logic, soundness and accuracy of the expected credit losses models used by the Bank • the relevance of forward-looking information used in the models; and • Due to the significant impact of management judgments applied in calculating the ECL, we designated this as a key audit matter in our audit.	Our audit procedures focused on the significant areas of judgement and estimations that could result in material misstatements in the financial statements. These procedures included: • We evaluated the Bank's methodology for determining ECL and evaluated this against the requirements of IFRS 9; • We tested how the Bank extracts 'days past due (DPD)' applied in classifying the loan book into the three stages required by IFRS 9. For a sample of loans, we recalculated the DPD applied in the model and agreed these to the DPD as per the Bank's IT system and the respective customer files; • We evaluated judgments applied in the staging of loans and advances; • Obtained an understanding of the basis used to determine the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD) • For LGD, we tested the assumptions on the timing of the cash flows based on empirical evidence. In addition, for secured facilities, we agreed the collateral values used in the ECL model to external valuer reports; • We tested the completeness and accuracy of the historical data used in derivation of PDs, LGDs and EADs, and re-calculated the outcomes on a sample basis. For LGD, we tested the assumptions on the timing of the cash flows based on historical empirical evidence. In addition, for secured facilities, we agreed the collateral values used in the ECL model to external valuer reports. • We tested, on a sample basis, the reasonableness of EAD for both on and off balance sheet exposures; • For forward-looking assumptions used in the ECL calculations, we corroborated the assumptions using publicly available information; • We assessed whether the disclosures in the financial statements on the key judgements and assumptions were adequate.

Report of the independent auditor to the shareholders of BPR Bank Plc (continued)

Other information

Directors are responsible for the other information. The other information comprises the Directors' report, Statement of directors' responsibilities, corporate governance statement and the appendix which we obtained prior to the date of this auditor's report, and the other information that will be included in the annual report which is expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon.

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

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

When we read the other information that will be included in the annual report, if we conclude that there is material misstatement there in, we are required to communicate the matter to the directors.

Report of the independent auditor to the shareholders of BPR Bank Plc (continued)

Report on the financial statements (Continued)

Responsibilities of the directors for the financial statements

Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of Law No. 007/2021 of 05/02/2021 Governing Companies, and for such internal control as directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, directors are 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.

Directors are also 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 scepticism 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.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on the financial statements (Continued)

Report on other legal and regulatory requirements

EvaLaw No. 007/2021 of 05/02/2021 Governing Companies requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i. We have no relationship, interest or debt with BPR Bank Rwanda Plc. As indicated in our report on the financial statements, we have complied with the required ethical requirements. These are the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) which includes comprehensive independence and other requirements;

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

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

iv. We have communicated to the Company's Board of Directors, through a separate management letter, internal control matters identified in the course of our audit including our recommendations in relation to those matters.

v. According to the best of the information and the explanations given to us as auditors, as shown by the accounting and other documents of the company, the annual accounts comply with Article 125 of Law No. 007/2021 of 05/02/2021 Governing Companies.

For PricewaterhouseCoopers Rwanda Limited, Kigali,

Moses Nyabanda **7th June 2023**
Director

Financial Statements
For the Year Ended 31 December 2022

Consolidated statement of profit or loss

	Note	2022 Frw'000	2021 Frw'000
Interest income	1	80,388,942	69,397,261
Interest expense	2	(20,666,257)	(21,866,734)
Net interest income		**59,722,685**	**47,530,527**
Fees and commission income	3 (a)	11,688,331	12,914,912
Fees and commission expense	3 (b)	(2,443,346)	(1,902,656)
Net fees and commission income		**9,244,985**	**11,012,256**
Net foreign exchange gain	4	1,696,646	2,315,823
Other operating income	5	1,349,373	1,110,286
Total operating income before impairment charge		**72,013,689**	**61,968,892**
Impairment charge on financial assets	13	771,111	(5,119,218)
Impairment charges for non-current asset held for sale	15	-	(120,000)
		771,111	**(5,239,218)**
Total operating income after impairment charge		72,784,800	56,729,674
Operating expenses	6	(16,109519)	(15,805,077)
Employee benefits	7	(18,722,227)	(17,337,341)
Depreciation and amortization	16,17	(5,795,562)	(6,512,312)
Total operating expenses		**(40,627,309)**	**(39,654,730)**
Profit before income tax		**32,157,491**	**17,074,944**
Income tax expense	8	(9,886,493)	(5,497,511))
Profit for the year		**22,270,998**	**11,577,433**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Changes in revaluation of land and buildings	28	-	324,810
Other comprehensive income (net of tax)	28	-	324,810
Total comprehensive income for the year		**22,270,998**	**11,902,243**

The notes set out on pages an integral part of these financial statements.

Financial Statements

For the Year Ended 31 December 2022

Consolidated statement of financial position

ASSETS	Note	2022 Frw'000	2021 Frw'000
Cash and balances with the National Bank of Rwanda	9	76,189,863	47,072,657
Amounts due from banks	10	16,503,185	50,609,923
Government securities	11	144,495,970	163,748,221
Loans and advances	12	456,813,644	363,204,143
Current income tax recoverable	25 (b)	6,059,326	4,119,051
Other assets	14	10,430,256	5,279,151
Non-current asset held for sale	15	-	-
Due from related parties		464,895	281,426
Deferred tax asset	25 (a)	1,947,592	201,574
Intangible assets	16	3,712,052	2,044,375
Property and equipment	17	26,665,922	25,724,934
Right of use asset	18	3,484,245	5,063,039
TOTAL ASSETS		**746,766,970**	**667,348,494**
LIABILITIES AND EQUITY			
Liabilities			
Deposit from customers	19	441,349,679	399,395,783
Deposit from financial institutions	20	85,118,231	119,141,983
Provision for legal claims	21	913,666	818,836
Credit funds	22	2,691,599	1,187,337
Borrowings	23	49,897,656	26,699,064
Other payables	24	20,136,189	10,048,659
Due to relate parties	29 (b)	13,526,096	1,809,940
Deferred income tax	25 (a)	-	-
Current income tax	25 (c)	9,843,091	5,339,361
Lease Liability	26	3,343,004	5,044,348
Total liabilities		**626,818,901**	**569,485,311**
Equity			
Share capital	41	81,509,050	63,614,563
Share premium		8,032,565	4,978,042
Revaluation reserves	42	1,101,308	1,101,308
Statutory reserves	42	-	536,908
Retained earnings/(losses)		29,304,816	27,632,363
TOTAL EQUITY		**119,947,739**	**97,863,184**
TOTAL EQUITY AND LIABILITIES		**746,766,950**	**667,348,494**

The notes set out on pages form an integral part of these financial statements.

Financial Statements

For the Year Ended 31 December 2022

Statement of changes in equity

For year ended 31 December 2022	Note	Share capital Frw'000	Share premium Frw'000	Revaluation reserves Frw'000	Statutory reserves Frw'000	Retained earnings Frw'000	Total Frw'000
As at 1 January 2022		**63,614,562**	**4,978,043**	**1,101,308**	**536,908**	**27,632,362**	**97,863,182**
Comprehensive income							
Profit for the year		-	-	-		22,270,998	22,270,998
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**22,270,998**	**22,270,998**
Transactions with equity holders of the Bank							
Reallocation of capital	29 (b)	17,894,488	3,054,523	-	(536,908)	(20,598,545)	(186,442)
As at 31 December 2022		**81,509,050**	**8,032,565**	**1,101,308**	**0**	**29,304,816**	**119,947,739**
Balance at 1 January 2021		63,614,562	2,434,017	1,426,118	536,908	15,730,118	83,741,723
Comprehensive income							
Profit for the year		-	-	-	-	11,577,434	11,577,434
Other comprehensive income		-	-	(324,810)	-	324,810	-
Transactons with equity holders of the Bank Contributions of equity net of transaction costs	27 (b)	**-**	**2,544,025**	**-**	**-**	**-**	**2,544,025**
As at 31 December 2022		**63,614,562**	**4,978,043**	**1,101,308**	**536,908**	**27,632,362**	**97,863,183**

** Other comprehensive income comprises of movement in revaluation reserves for land and buildings derecognized during the year.

The notes set out on pages 42 to 105 form an integral part of these financial statements.

Financial Statements

For the Year Ended 31 December 2022

Cash flows from operating activities

	Note	2022 Frw'000	2021 Frw'000
Net cash flows generated from/(used in) from operating activities	44	**(32,346,319)**	**(4,166,709)**
Cash flows from investing activities			
Purchase of amortized cost investments	23	-	-
Sale/maturity of amortized cost investments	23	-	(597,564)
Purchase of property and equipment	17	(4,652,331)	(660,048)
Sale of property and equipment	30	-	94,746
Purchase of intangible assets	29	(3,180,066)	(849,487)
Right of use acquired	31	-	(999,539)
Payment for acquisition of subsidiary, net cash acquired	33	104,040	(4,846)
Net cash flows from/(used in) investing activities		**(7,832,397)**	**(3,011,893)**
Financing activities			
Long term debt paid in the year	35	(2,711,281)	(1,639,827)
Net repayment of lease liability	37	(1,980,131)	(236,658)
Proceeds on issuance of share capital	38	-	2,544,025
Repayment of credit fund	34	1,504,261	818,742
Long term debt received in the year	35	33,790,772	19,916,008
IFRS 9 adjustment on ERF funds	35	-	(180,494)
Net cash flows used in financing activities		**30,603,621**	**21,221,796**
Net increase /(decrease)in cash and cash equivalents		(9,575,095)	14,043,514
Cash and cash equivalents at start of year	31(b)	79,709,769	65,666,255
Cash and cash equivalents at 31 December	31(b)	**70,134,673**	**79,709,769**

The notes set out on pages 42 to 105 form an integral part of these financial statements.

Financial Statements
For the Year Ended 31 December 2022

Notes to the financial statements

1. Interest income	**2022 Frw'000**	**2021 Frw'000**
Interest on loans and advances	63,160,774	53,216,545
Interest on government securities	13,734,553	14,859,110
Forex swap contract with National Bank of Rwanda		-
Interest on placements and bank balances	149,755	186,543
Effective interest rate (appraisal fee	2,973,733	826,989
IFRS 9 adjustment – notional benefit	370,126	308,075
	80,388,942	**69,397,261**
2. Interest expense		
Interest on deposits from customers	17,052,671	17,826,923
Interest on deposits from financial institutions	673,046	2,811,050
Interest on borrowings	2,495,377	732,312
Interest on forex swap	-	-
Lease financing	278,787	438,288
IFRS 9 adjustment – notional benefit	166,376	58,161
Total liabilities	**20,666,257**	**21,866,734**
3. Fees and commissions		
a) Fees and commissions income		
Commissions on loan services	1,601,282	2,704,204
Commissions on operations of accounts	2,089,092	1,916,745
Commission on payment facilities	263,124	445,840
Commissions on funds transfers	1,509,620	894,057
Commissions earned on salary processing services	745,544	712,759
Commission on mobile banking	477,033	1,552,508
	11,688,331	**12,914,912**
b) Fees and commissions expense		
Card management fee	(69,578)	(134,035)
Commissions on transactions	(215,931)	(669,463)
Mobile banking charges	(190,204)	(221,586)
Commissions on payment facilities	(1,967,634)	(240,483)
	(2,443,346)	**(1,902,656)**
Net fees and commissions	**9,244,985**	**11,012,256**
4. Net foreign exchange income		
Income from FX trading	1,603,112	2,500,727
Losses on foreign exchange differences	93,534	(184,904)
	1,696,646	**2,315,823**
Other operating income		
5. Other income	1,102,273	757,805
Gain on disposal of assets	20,850	70,962
Insurance and risk provision recoveries	-	20,038
Notional benefit on low interest borrowings	223,551	171,526
Miscellaneous income	**2,699**	**89,955**
	1,349,373	**1,110,286**

Financial Statements

For the Year Ended 31 December 2022

Notes to the financial statements (continued)

	2022 Frw'000	2021 Frw'000
6. Operating expenses		
Rent, repairs and maintenance	1,375,318	1,007,858
Vehicle operating cost	77,863	56,659
Utilities	449,829	657,667
ATM maintenance and related cost	458,799	74,595
IT related costs	3,903,035	3,111,356
Audit fees	149,011	167,582
Marketing expenses	214,359	190,442
Local taxes	123,391	105,374
Subscriptions	152,059	268,506
Other professional fees	691,964	557,729
Credit reporting related cost		92,780
Legal expenses & Litigations	797,255	884,570
Archive services	201,306	201,306
Security expenses	637,968	718,601
Travel and accommodation	428,367	158,233
Cash in transit cost	453,172	400,940
Recovery cost	74,410	61,887
Printing, Stationery and office supplies	496,148	422,785
Statutory fees	557,997	352,197
Charitable donation	122,567	35,312
Courier services	120,686	90,122
Training costs	47,708	141,749
Communication expenses	259,947	815,551
Board sitting allowances	749,618	516,168
Repair and maintenance costs	213,366	312,716
Insurance costs	366,691	242,003
Shareholder and related costs		113,868
Fines and penalties		891,922
Other expenses	1,967,651	1,664,849
Provision for early lease termination		1,489,748
Project & Integration costs	1,019,033	-
	16,109,520	**15,805,077**
7. Employee benefits		
Salaries and wages	13,693,709	14,545,504
Medical expenses	1,119,361	945,467
Pension scheme contributions	765,642	760,141
Other benefits	2,794,797	887,879
IFRS 9 adjustment – notional benefit	348,718	198,350
	18,722,227	**17,337,342**
8. Income tax expense		
Current income tax charge	11,632,511	7,211,746
Deferred income tax (credit)/charge (Note 25 a)	(1,746,018)	(1,721,258)
Prior year (over)\under provision of deferred income tax		7,023
	9,886,494	5,497,511

Financial Statements
For the Year Ended 31 December 2022

The tax on the Bank's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	Effective Tax rate	2022 Frw'000	Effective tax rate	2021 Frw'000
Profit before income tax		32,157,491		17,074,944
Tax calculated at the statutory income tax rate of 30% (2020: 30%)	30%	9,647,247	30.00%	5,122,483
Tax effect of:	-	-	15,510	15,510
Non- deductible expenses	12.22%	3,928,581	10.72%	1,830,353
Tax exempt income	(6.04%)	(1,943,317)	(3.04%)	(519,748)
Overprovision of deferred tax in prior years	(5.43%)	(1,746,018)	(5.48)%	(935,577)
Income tax in the statement of comprehensive income	**30.74%**	**9,886,493**	**32.20%**	**5,494,511**

Financial Statements

For the Year Ended 31 December 2022

Notes to the financial statements

9. Cash and balances with National Bank of Rwanda	**2022 Frw'000**	**2021 Frw'000**
Cash on hand	18,071,627	18,557,888
Balances with the National Bank of Rwanda	58,268,744	10,034,094
Expected Credit Loss	(150,508)	(77,215)
	76,189,863	**47,072,657**
10. Amounts due from banks		
Placements with local banks	12,379,683	11,196,186
Balances with foreign banks	4,124,320	39,430,714
Gross balances due from other banks		
Expected Credit Loss	(818)	(16,977)
Net balances due from other banks	**16,503,185**	**50,609,924**
Amounts due from banks relates to transactional accounts held in correspondent banks which are non-interest bearing		
11. Government securities		
Treasury bills issued by the Government of Rwanda	76,863,863	108,635,941
Treasury bonds issued by the Government of Rwanda	68,246,122	55,636,680
Expected credit loss	(614,015)	(524,400)
	144,495,970	**163,748,221**
The maturity profile of treasury bills is as follows:		
Treasury bills maturing:		
- within 90 days from the date of acquisition	18,447,327	40,622,284
- within 91 days to 1 year from the date of acquisition	58,416,536	53,432,332
	76,863,863	**94,054,616**
Treasury bonds have a maturity period of between 3 years and 25 years with effective interest rate of 12.23% p.a (2021: 11.98 p.a). The effective rate for treasury bills is 7.44% p.a (2021: 7.90% p.a)		
12. Loans and advances		
a) Carrying amount		
Corporate	222,654,280	160,255,064
Mortgage	100,464,874	102,262,792
Retail	151,154,772	114,392,508
Gross loans	**474,273,926**	**376,910,364**
Fair value Adjustments	(4,182,084)	(1,133,221)
Expected credit loss for loans and advances	(13,278,198)	(12,573,000)
Net loans and advances	**456,813,644**	**363,204,143**
** Loans and advances secured by commercial and/or residential properties.		
a) Gross loans Movements in gross loans and advances are as follows		

Financial Statements
For the Year Ended 31 December 2022

a) Gross loans
Movements in gross loans and advances are as follows

Year ended 31 December 2022	Stage 1 Frw'000	Stage 1 Frw'000	Stage 1 Frw'000	Stage 1 Frw'000
At start of year	330,404,330	30,361,025	16,145,009	376,910,364
Impairment charge on loans and advances				
- transfers from stage 1	(11,448,455)	11,448,455	-	-
- transfers from stage 2	318,761	(986,452)	667,691	-
- transfers from stage 3	3,546,895	(12,192,350)	8,645,455	-
New financial assets originated or purchased	199,448,054	42,499,242	2,369,987	244,317,283
Loans derecognized	(136,367,873)	-	(10,585,847)	(146,953,721)
At end of year	**385,901,711**	**71,129,920**	**17,242,295**	**474,273,926**

Year ended 31 December 2021	Stage 1 Frw'000	Stage 1 Frw'000	Stage 1 Frw'000	Stage 1 Frw'000
At start of year	306,761,078	22,601,902	15,202,358	344,565,338
Impairment charge on loans and advances				
- transfers from stage 1	(2,929,492)	2,929,492	-	-
- transfers from stage 2	-2,001,131	(8,539,630)	10,540,761	-
- transfers from stage 3	380,267	126,527	(506,794)	-
Net remeasurement of loss allowance	(74,414,096)	9,824,193	(1,565,485)	(66,155,388)
New financial assets originated or purchased	156,005,633	9,277,588	382,685	165,665,906
Loans derecognized	(59,256,913)	(64)	(7,908,515)	(67,165,492)
At end of year	**324,545,346**	**36,220,008**	**16,145,010**	**376,910,364**

b) Impairment provisions
Movements in provisions for expected credit losses for loans and advances are as follows

Year ended 31 December 2022	Stage 1 Frw'000	Stage 1 Frw'000	Stage 1 Frw'000	Stage 1 Frw'000
At start of year	5,101,455	1,222,065	6,249,480	12,573,000
Impairment charge on loans and advances				
- transfers from stage 1	(25,414)	25,414	-	-
- transfers from stage 2	241,935	(584,120)	342,185	-
- transfers from stage 3	6,420	82,450	(88,870)	-
New financial assets originated or purchased	1,335,713	1,306,295	634,480	3,276,488
Loans derecognized	-	-	(2,571,289)	(2,571,289)
At end of year	**6,660,109**	**2,052,104**	**4,565,987**	**13,278,198**

Financial Statements
For the Year Ended 31 December 2022

Year ended 31 December 2021	Stage 1 Frw'000	Stage 1 Frw'000	Stage 1 Frw'000	Stage 1 Frw'000
At start of year	2,876,378	529,745	4,943,509	8,349,633
Impairment charge on loans and advances				
- transfers from stage 1	153,053	(153,053)	-	-
- transfers from stage 2	(50,586)	(148,743)	199,329	-
- transfers from stage 3	217,470	39,891	(257,361)	-
Net remeasurement of loss allowance	(2,023,238)	(135,006)	5,353,476	3,195,232
New financial assets originated or purchased	3,928,378	1,089,240	25,826)	5,043,444
Loans derecognized	-	(9)	(4,015,299)	(4,015,308)
At end of year	**5,101,455**	**1,222,066**	**6,249,480**	**12,573,000**

13) Impairment charges on financial assets

Impairment charges on financial assets	2022 Frw'000	2021 Frw'000
Impairment charge on loans and advances raised during the year	2,124,418	6,253,847
Impairment charge on Government securities and guarantees	-	-
Impairment charge on placements and bank balances	-	-
Impairment charge on other assets		(51,019)
Impairment charge on guarantees and off-balance sheet items	-	19,493
Recoveries on loans and advances previously derecognized	(2,922,906)	(1,172,644)
Bad debts written off	27,377	69,541
	(771,111)	**5,119,218**
14 Other assets		
Prepayments	2,156,570	2,425,741
Inventory		92,440
Clearing and transit accounts	(1,243,641)	570,223
Other receivables	6,743,193	1,517,191
IFRS 9 Adjustment on loans and advances to staff	3,806,123	1,068,841
IFRS 9 Adjustment on Economic recovery fund facilities	-	1,132,964
Gross Other Assets	**12,705,887**	**6,807,400**
Expected Credit Loss	(2,275,630)	(2,275,630)
Gross Other Assets	**10,430,256**	**5,279,151**
15 Non-current assets held for sale		
Acquired land		
Acquisition value	335,000	838,000
Impairment held	(335,000)	(838,000)
	-	**-**

In the ordinary course of business, the bank may acquire property held as collateral following the foreclosure on loans that are in default. The acquisition process is done through public auction and in accordance with the existing regulation and Registrar General guidelines on public auction. The acquired properties are measured at the lower of carrying amount and fair value less costs to sell. According to Central Bank guidelines, the acquired assets are to be disposed off to third parties within 365 days from the date of acquisition.

Financial Statements
For the Year Ended 31 December 2022

16 Intangible assets	**2022 Frw'000**	**2021 Frw'000**
Net book value as at 1 January:	2,044,375	2,272,541
Additions	451,896	825,719
Work in progress	2,608,956	
Write-off		-
Reclassification from property and equipment (note 17)	119,214	23,769
Amortisation charge	(1,512,389)	(1,077,654)
	3,712,052	**2,044,375**
At 31 December:		
Cost	14,607,537	11,496,730
Accumulated amortization	(10,895,485)	(9,452,355)
Intangible assets relate to computer software and licenses	**3,712,052**	**2,044,375**

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Notes to the financial statements (continued

17. Property and equipment

Cost / valuation	Land Frw'000	Buildings Frw'000	Computer equipment Frw'000	Motor vehicles Frw'000	Equipment, Furniture & fittings Frw'000	Leasehold improvements Frw'000	Work in progress Frw'000	2022 Frw'000
As at 1 January 2022	890,160	22,530,594	12,288,490	1,163,218	10,512,181	6,715,815	147,447	54,247,904
Additions	-	531,567	576,624		248,915	182,311	3,112,914	4,652,331
Disposals	-	(8,321)		(87,932)	(17,000)			(113,253)
Assets not transferred to BPR	-					(608,192)		(608,192)
Reclassification to intangible assets (Note 16)	-	-	-	-	-	-	(119,214)	(119,214)
Balance as at 31 December 2021	**890,160**	**3,053,840**	**12,865,114**	**1,075,286**	**10,744,096**	**6,289,934**	**3,141,147**	**58,059,577**
Accumulated depreciation								
As at 1 January 2022	-	(5,203,245)	(9,698,388)	(735,761)	(7,054,972)	(5,830,605)	-	(28,522,971)
Charge for the year	-	(858,039)	(1,501,866)	-	(849,641)	(109,382)	-	(3,318,928)
Disposals	-	(6,064)	-	80,887)	(15,206)	-	-	(90,037)
Write off						550,401		(550,401)
Balance as at 31 December 2022	**-**	**(6,067,348)**	**(11,200,253)**	**(816,648)**	**(7,919,819)**	**(5,389,586)**	**-**	**(31,393,655)**
Net book amount as at 31 December 2022	**890,160**	**16,986,491**	**1,664,860**	**258,638**	**2,824,277**	**900,348**	**3,141,147**	**26,665,922**

*The total amount paid during the year for additions (Frw 4,652,331) is included in investing activities for the purposes of the statement of cash flows.

**Work in progress includes on-going projects for T24 R21 upgrade and refurbishment of branches.

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Notes (Continued)

17. Property and equipment(continued)

Cost / valuation	Land Frw'000	Buildings Frw'000	Computer equipment Frw'000	Motor vehicles Frw'000	Equipment, Furniture & fittings Frw'000	Leasehold improvements Frw'000	Work in progress Frw'000	2022 Frw'000
At 1 January 2021	890,160	22,491,473	10,356,930	1,507,729	7,435,415	1,598,180	123,192	44,403,079
Additions	-	-	1,800,049	196,915	2,951,920	5,109,118	56,024	10,114,026
Disposals	-	-	132,311	(519,876)	124,846	8,517	(8,000)	(262,202)
Reinstatement	-	39,121	(800)	(21,550)	-	-	-	16,771
Reclassification to intangible assets (Note 29)	-	-	-	-	-	-	(23,769)	(23,769)
At 31 December 2021	**890,160**	**22,530,594**	**12,288,490**	**1,163,218**	**10,512,181**	**6,715,815**	**147,447**	**54,247,904**
Accumulated depreciation								
As at 1 January 2022	-	(4,542,180)	(8,006,987)	(1,261,404)	(6,198,583)	(5,462,999)	-	(25,472,153)
Charge for the year	-	(645,356)	(1,736,324)	-	(856,389)	(367,606)	-	(3,605,674)
Disposals	-	-	44,923	525,643	-	-	-	570,566
Write off		(15,709)	-	-	-	-		(15,709)
At 31 December 2021	**-**	**(5,203,245)**	**(9,698,388)**	**(735,761)**	**(7,054,972)**	**(5,830,605)**	**-**	**(28,522,971)**
Carrying amountn At 31 December 2021	**890,160**	**17,327,349**	**2,590,102**	**427,456**	**3,457,209**	**885,210**	**147,447**	**25,724,934**

Work in progress includes on-going projects for refurbishment of branches

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For the Year Ended 31 December 2022

17 Property and equipment (continued)

Carrying amounts that would have been recognised if land and buildings were stated at cost.

Land and buildings are initially recorded at cost which includes all costs necessary to bring the asset to working condition for its intended use. Periodically on subsequent measurement, the valuation is carried out by an independent valuer to determine their fair value. The revaluation surplus net of applicable deferred income taxes is credited to other comprehensive income and is shown in revaluation reserves in shareholders' equity. Revaluation reserve is not available for shareholders' distribution.

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	31 December 2022		31 December 2021	
	Frw' 000 Land	Frw' 000 Building	Frw' 000 Land	Frw' 000 Building
Cost	780,639	23,053,840	780,639	20,739,640
Accumulated depreciation	-	(6,067,348)	-	(5,291,860)
	780,639	**16,986,492**	**780,639**	**15,447,780**

18 Right of Use Asset

Right of use relates to leased branches and represents the banks right to use the assets over the life of the leases. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches. The initial lease liability is the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate of 5.5% p.a. The leases typically run for a period of 5 years, with an option to renew the lease after that date.

	Leasehold premises Frw '000	Leased equipment Frw '000	Motor vehicles Frw '000	Total Frw '000
Cost				
At 1 January 2022	**11,754,167**	**641,322**	**680,550**	**13,076,039**
Additions	-	-	-	-
Terminations	-	-	-	-
Remeasurements	-	-	-	-
At 31 December 2022	**11,754,167**	**641,322**	**680,550**	**13,076,039**
Depreciation				
At 1 January 2022	**(7,490,520)**	**(106,887)**	**(415,593)**	**(8,013,000)**
Charge for the year	(1,311,494)	(106,887)	(160,413)	(1,578,794)
Terminations		-	-	-
Remeasurements		-	-	-
At 31 December 2022	**(8,802,014)**	**(213,774)**	**(576,006)**	**(9,591,794)**
Carrying amount 31 December 2022	**2,952,153**	**427,548**	**104,544**	**3,484,245**

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18 Right of Use Asset (Continued).

	Leasehold premises Frw '000	Leased equipment Frw '000	Motor vehicles Frw '000	Total Frw '000
Cost				
At 1 January 2021	**12,483,755**	**-**	**322,333**	**12,806,088**
Additions	-	641,322	358,217	999,539
Terminations	(274,408)	-	-	(274,408)
Remeasurements	(455,180)	-	-	(455,180)
At 31 December 2022	**11,754,167**	**641,322**	**680,550**	**13,076,039**
Depreciation				
At 1 January 2021	**(5,839,407)**	**-**	**(255,180)**	**(6,094,587)**
Charge for the year	(1,644,297)	(106,887)	(160,413)	-1,911,597
Terminations	82,810	-	-	82,810
Remeasurements	(89,626)	-	-	(89,626)
At 31 December 2022	**(7,490,520)**	**(106,887)**	**(415,593)**	**(8,013,000)**
Carrying amount 31 December 2022	**4,263,647**	**534,435**	**264,957**	**5,063,039**

19 Deposits from customers

	2022 Frw'000	2021 Frw'000
Current and demand deposits	304,813,734	249,492,502
Term deposits	84,025,509	105,057,936
Savings accounts	52,510,436	44,845,346
	441,349,679	**399,395,784**

Customers' deposits only include financial instruments classified as liabilities at amortised cost.

Interest earning fixed and demand deposits are at fixed interest rates. The average weighted effective interest rates on interest earning deposits for the year ended 31 December 2022 was 9.32% p.a (2021: 9.59% p.a)

20 Deposits from financial institutions

	2022 Frw'000	2021 Frw'000
Repurchase agreements with National Bank of Rwanda	10,641,590	22,955,032
Money market deposits – local banks	18,792,930	23,005,255
Deposits from local banks	30,709,167	54,961,386
Savings and Credit Cooperative Organizations		11,802,714
Insurance companies	20,044,498	3,870,340
Balances and placements due to foreign banks	4,930,046	2,547,256
	85,118,231	**119,141,983**

Interest earning fixed and demand deposits are at fixed interest rates. The average weighted effective interest rates on interest earning deposits for the year ended 31 December 2022 was 6.01% p.a (2021: 5.48% p.a)

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21 Provision for legal claims

	2022 Frw'000	2021 Frw'000
As at 1 January	818,836	343,006
Provision charge during in the year	797,257	674,437
Provision write back during the year	(6,009)	(103,905)
Payments made during the year	(696,416)	(94,702)
As at 31 December	**913,666**	**818,836**

Credit funds relate to financing received from the Government of Rwanda and its agencies and other public development partners for advancing to defined development projects and economic sectors, including the agricultural sector.

The funds are non-interest earning and are measured at their amortised cost.

The movement in the credit funds during the year was as below

	2022 Frw'000	2021 Frw'000
As at 1 January	1,187,338	368,596
Additional funds received	2,199,080	1,011,161
Re-paid during the year	(694,819)	(192,420)
As at 31 December	**2,691,599**	**1,187,337**

22 Credit funds

	2022 Frw'000	2021 Frw'000
Community Development Fund	362	362
CNJ Rwanda	3,227	6,019
DEFLATE Rwanda	118,709	123059
FIR Rwanda	23,712	23,712
Rural Investment Facility 2	50,201	22645
Rural Sector Support Project, Rwanda	48,472	50,630
Value Chain Development Fund	128	129
Business Development Fund	-	94,230
Other credit funds	98,186	17,290
Socio Economic Inclusion of Refugees and Host Communities	2,348,602	849,261
	2,691,599	**1,187,337**

23 Borrowings

	Currency	Rate p.a	2022 Frw'000	2021 Frw'000
Export Growth Facility (EGF) -BRD	Frw	4.00%	5,922,674	3,613,596
Economic Recovery Fund (ERF) Facility -BNR	Frw	3.00%	28,936,186	5,663,758
European Investment Bank EIB		8.01%	15,038,796	17,421,710
As at 31 December			**49,897,656**	**26,699,064**

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24 Borrowings Movement

	2022 Frw'000	2021 Frw'000
Opening balance	26,699,064	8,907,786
Additional debt	33,790,772	19,916,008
Interest expense	2,439,878	579,045
Interest paid	(2,065,488)	(560,653)
Debt- repayment	(2,711,281)	(1,521,662)
IFRS 9 adjustment – ERF	(8,255,290)	(621,460)
Closing Balance	**49,897,656**	**26,699,064**

Export Growth Facility

The facility is provided by The Development Bank of Rwanda "BRD" for funding loans to export oriented small scale and medium enterprises (SMEs) in Rwanda at a preferential rate for a tenor of Frw 9 years starting from June 2017 and April 2021.

Economic Recovery Fund (ERF) Facility

In 2020, The Government of Rwanda established the Economic Recovery Fund to support the recovery of businesses hardest hit by COVID-19 pandemic so they can survive, resume operations and safeguard employment, thereby cushioning the economic effects of the pandemic. The tenor of the facility is between two to five years.

This section sets out an analysis of net debt and the balances in net debt for each of the years presented.

	Currency		2022 Frw'000	2021 Frw'000
Cash and Balances with Central Bank	(Note 30)		76,340,371	49,876,937
Cash reserve requirement	(Note 30)		(22,067,484)	(27,629,710)
Amount due from banks	(Note 10)		16,037,618	50,609,924
Liquid investments	(Note 11)		68,246,122	40,622,284
Borrowings			(49,897,656)	(27,062,310)
Lease liabilities	(Note 26)		(3,343,004)	(5,044,348)
Net debt			**85,315,967**	**95,010,253**

24 Other payables

	2022 Frw'000	2021 Frw'000
In transit clearing account balances	2,149,124	896,081
Accrued expenses	4,436,250	4,796,388
Other trade payables	467,304	386,623
Cash collateral	433,563	418,053
Transit accounts	88,192	693,921
Cash guarantee	908,417	234,599
Deferred income	286,453	201,043
Other provisions	1,744,821	1,126,392
Staff leave accrual	225,992	66,360
Amounts due to Government bodies	724,843	743,469
Amounts due to pension funds	114,217	119,948
Amounts due to employees	2,534	2,534
IFRS 9 adjustment – unearned ERF benefit	8,088,914	363,246
Other payables net of amount paid for the buildings	**20,136,189**	**10,048,659**

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25 Income tax expense

(a) Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2021: 30%). The movement on the deferred income tax account is as follows:

	2022 Frw'000	2021 Frw'000
As at start of year	201,574	(1,497,346)
Prior year under provision (Note 8)	-	(22,338)
Charge to profit and loss (Note 8)	1,746,018	1,721,258
	1,947,592	**201,574**

(b) Current income tax recoverable

Balance as at 1 January	4,119,051	3,003,387
Additional WHT paid	1,940,275	2,273,137
Utilised during the year		(1,157,473)
Balance as at 31 December	**6,059,326**	**4,119,051**

(c) Current income tax payable

Balance as at 1 January	5,339,361	1,515,975
Charge for the year	11,632,512	7,211,746
Paid during the year	(7,128,782)	(3,388,360)
Balance as at 31 December	**9,843,091**	**5,339,361**

The deferred income tax liability, deferred income tax charge/(credit) to profit and loss (PL) and deferred income tax charge to other comprehensive income (OCI) are attributable to the following items:

Arising from:	Plant and equipment Frw'000	Other temporary differences Frw'000	Net deferred tax Frw'000
01-Jan-22	(3,793,537)	3,995,111	201,574
Prior year under/ (over) provision	-	-	-
Charged/ (credited) to P&L	707,614	1,038,404	1,746,018
31-Dec-22	**(3,085,923)**	**5,033,515**	**1,947,592**

Arising from:	Plant and equipment Frw'000	Other temporary differences Frw'000	Net deferred tax Frw'000
01-Jan-21	(4,284,259)	2,786,913	(1,497,346)
Prior year under/ (over) provision	(7,023)	(15,315)	(22,388)
Charged/ (credited) to P&L	497,745	1,223,513	1,721,258
31-Dec-22	**(3,793,537)**	**3,995,111**	**201,574**

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26 Lease liability

The bank initially applied IFRS 16 at 1 January 2019, which requires the recognition of right-of-use assets and lease liabilities for branch lease contracts that were previously classified as operating leases. The leases typically run for a period of 5 years, with an option to renew the lease after that date.

	2022 Frw'000	2021 Frw'000
At the start of the year	5,044,348	5,816,290
Additions during the year	-	999,539
Interest expense (included in finance cost)	278,787	438,288
Terminations in the year	-	(202,595)
Lease payments in the year	(1,980,131)	(2,156,903)
Remeasurement	-	149,729
At end of year	**3,343,004**	**5,044,348**

Lease liabilities are presented in the statement of financial position as follows:

Current	450,741	935,341
Non-Current	2,892,264	4,109,008
	3,343,004	**5,044,348**

27 Share capital and share premium

	2022 Frw'000	2021 Frw'000
Authorised share capital (85,000,000 shares with par value of Frw 1,000 2021 43,500,000)	85,000,000	43,500,000
Issued and fully paid shares (81,509,050 shares) As at 1 January	43,466,413	43,466,413
Additional shares (38,042,637) issued at merger	38,042,637	-
Balance as at 31 December	**81,509,050**	**43,466,413**

The shareholding structure as at 31 December 2022:

	No. of Shares	Par Value - Frw	Value- Frw	%
Individual shareholders (Local)	10,139,969	1,000	10,139,969,000	12.44%
KCB Group Plc	71,369,081	1,000	71,369,081,000	87.56%
TOTAL	**81,509,000**	**2,000**	**81,509,050,000**	**100.00%**

The shareholding structure as at 31 December 2021:

	No. of Shares	Par Value - Frw	Value- Frw	%
Individual shareholders (Local)	10,139,969	1,000	10,139,969,000	23.33%
KCB Group Plc	33,326,444	1,000	33,326,444,000	76.67%
TOTAL	**43,466,413**	**2,000**	**43,466,413,000**	**100.00%**

On 1 April 2022 KCB Bank Rwanda Plc Merged with Banque Popular du Rwanda to form BPR Bank Rwanda Plc where additional shares were issued to KCB Group increasing its share from 76.67% to 87.56%

KCB Group Plc has also made a global offer to all the remaining Shareholders of BPR to acquire additional shares in the bank.

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b) Share Premium

Share premium arises from issue of shares at a price higher than the par value of the shares. This amount is not available for distribution..

	2022 Frw'000	2021 Frw'000
As at 1 January	4,978,042	2,434,017
Contribution of Equity net of transaction	-	2,544,025
Capital Reallocation at merger	3,054,523	
As at 31 December	**8,032,566**	**4,978,042**

28 Reserves

(a) Revaluation reserve: The revaluation reserve represents the surplus on the revaluation of buildings and freehold land. Revaluation reserve will be credited to retained earnings upon disposal of the asset. This reserve is not

distributable.

	2022 Frw'000	2021 Frw'000
As at 1 January	1,101,308	1,426,118
Reclassification to retained earnings	-	(324,810)
As at 31 December	**1,101,308**	**1,101,308**

(b) Retained earnings/(losses): This comprises of prior year earnings/(losses) plus current year profit.

29 Related party transactions

The parent and the controlling entity is KCB Group Plc. There are companies which are related to BPR Bank Rwanda Plc through common shareholdings or common Directorships.

The Bank enters into transactions, arrangements, and agreements involving Directors, senior management and their related concerns in the ordinary course of business. Related-party transactions during the year, outstanding balances at the year-end, and relating expense and income recognized during the year are as follows:

(a) Transactions with directors & Related companies

Deposits from related parties

	2022 Frw'000	2021 Frw'000
Deposits from Directors	1,101,308	1,426,118
Interest paid	-	(324,810)
Loans & Advances to Directors	6,233,161	1,107,665
Interest Received	486,514	51,837

(b) Transactions with Senior Management

Loans and advances to Senior Management

	2022 Frw'000	2021 Frw'000
Deposits from Senior Management	68,451	54,195
Interest paid	-	-
Loans and advances to senior management	487,259	1,107,665
Interest received	34,108	51,837

Loans and advances to senior management were issued at interest rates of between 7% and 10% and were all performing as at 31 December 2022 and 2021. Therefore, no impairment provisions have been recognised in respect of loans given to related parties (2021: nil).

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c) Amounts due to related parties

	2022 Frw'000	2021 Frw'000
KCB Bank Kenya Limited	267,096	253,276
KCB Bank Burundi Limited	164,412	3,880
KCB Bank Tanzania Limited	8,288	7,568
KCB Bank South Sudan Limited	2,463	
KCB Bank Uganda Limited	22,636	16,702
	464,895	**281,426**

d) Amounts due from related parties

KCB Bank Kenya Limited	10,997,052	1,677,554
KCB Bank South Sudan Limited	-	8,957
KCB Bank Burundi Limited	-	105,082
KCB Bank Tanzania Limited	1,619,979	12,676
KCB Bank Uganda Limited	909,066	5,692
	13,526,097	**1,809,961**
	(13,061,202)	**(1,528,535)**

e) Directors' remuneration

Sitting allowances	**749,618**	**516,168**

30 (a) Analysis of cash and cash equivalents as shown in the cash flow statement

	2022 Frw'000	2021 Frw'000
Cash and balances with Central Bank of Rwanda (Note 9)	76,189,863	47,072,656
Less: cash reserve requirement (see below)	(22,558,374)	(17,972,810)
	53,631,488	**29,099,846**
Amount due from banks (Note 10)	16,503,185	50,609,923
Treasury Bills maturing within 91 days (Note 11)	-	-
	70,134,674	**79,709,769**

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days' maturity from the date of acquisition including: cash and balances with Banks, treasury bills and other eligible bills, and amounts due from other banks. Cash and cash equivalents exclude the cash reserve requirement held with the National Bank of Rwanda. Banks are required to maintain a prescribed minimum cash balance with the National Bank of Rwanda that is not available to finance the bank's day-to-day activities. The amount is determined as 5% (2021: 4%) of the average outstanding customer deposits over a cash reserve cycle period of 15 days.

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(b) Net cash flow from operating activities

Year ended 31 December:	Note	2022 Frw'000	2021 Frw'000
Cash flows from operating activities			
Profit before income tax		**32,157,491**	**17,074,944**
Adjusted for:			
Amortization of intangible assets	16	1,512,389	1,077,654
Depreciation on property and equipment	17	3,318,928	3,605,674
Amortization of right of use	18	1,578,794	1,911,597
Net impairment loss on non-current assets held for sale		-	136,559
Interest on borrowings		-	122,169
Finance cost on lease liabilities		-	(10,997)
Net impairment – right of use		-	-
Net Revaluation Reserve			(70,962)
ECL (borrowings)		(8,255,290)	(258,214)
Cash flows generated by operating activities before changes in operating assets and liabilities		**30,312,312**	**23,588,424**
Changes in operating assets and liabilities:			
- loans and advances	12	(93,609,500)	(28,881,866)
- Government securities	11	19,252,251	(4,361,795)
- other assets	14	(6,232,228)	(299,008)
- customer deposits	19	41,953,895	21,959,585
-deposits from financial institutions		(34,023,752)	(7,404,869)
- other payables	24	10,087,530	(2,571,419)
- due to related parties		11,716,157	690,881
- due from Related Parties		(183,469)	(1,171,598)
- Legal claims payable	21	94,832	475,830
- Cash reserves required by BNR	30	(4,585,565)	(1,896,476)
income tax paid		(7,128,782)	(4,504,024)
Net cash generated by (used in) operating activities		**(32,346,319)**	**(4,166,709)**

31. Off balance sheet financial instruments, contingent liabilities and commitments

The Bank conducts business involving acceptances, letters of credit, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

Contingent liabilities

	2022 Frw'000	2021 Frw'000
Guarantees and performance bonds	66,271,211	41,631,583
Expected credit loss	(398,544)	(215,023)
	65,872,667	**41,416,560**

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Notes (Continued)

32. Summary of significant accounting policies (Continued)

(j) Financial assets and liabilities (Continued)

ii) Classification and subsequent measurement of financial instruments (Continued)

Financial assets (Continued)

Significant increase in credit risk (Continued)

of credit-impairment the assets are at stage 3 of the impairment model.

More information about significant increase in credit risk is provided in note 4.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Group renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Group has an established forbearance policy which applies for corporate and retail lending.

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers the following:

Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or when rights to cash flows between the original counterparties expire because a new debtor replaces the original debtor (unless both debtors are under common control), the extent of change in interest rates, and maturity. If these do not clearly indicate a substantial modification, then,

A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 10% the Group deems the arrangement is substantially different leading to derecognition. When performing a quantitative assessment of a modification or renegotiation of a credit-impaired financial asset or a purchased or originated credit-impaired financial asset that was subject to a write-off, the Group considers the expected (rather than the contractual) cash flows before modification or renegotiation and compares those with the contractual cash flows after modification or renegotiation.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition.

The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated- credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par-amount because there remains a high risk of default which has not been reduced by the modification. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Group's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL.

If a forborne loan is credit impaired due to the existence of evidence of credit impairment (see above), the Group performs an ongoing assessment to ascertain if the problems of the exposure are cured, to determine if the loan is no longer credit impaired. The loss allowance on forborne loans will generally only be measured based

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For the Year Ended 31 December 2022

Notes (Continued)

2. Summary of significant accounting policies (Continued)

j) Financial assets and liabilities (Continued)

(ii) Classification and subsequent measurement of financial instruments (Continued)

Financial assets (Continued)

Modification and derecognition of financial assets (Continued)

on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Group calculates the modification loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Modification losses for financial assets are included in the profit or loss account in 'Losses on modification of financial assets'. Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Group derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss.

A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Write-off

Loans and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group'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.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investment's revaluation reserve;
- for loan commitments and financial guarantee contracts: as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Financial Statements
For the Year Ended 31 December 2022

Notes (Continued)

32. Off balance sheet financial instruments, contingent liabilities and commitmentsj)

Nature of commitments and contingent liabilities

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

Guarantees are generally written by a bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default.

Capital commitments

As at 31 December 2022, the bank had capital commitments of Rwandan Francs equivalent of Frw 7.9 billion (2021: Frw 2.3 billion). The directors are confident that future net revenues and funding will be sufficient to cover this commitment.

Legal proceedings

There were a number of legal proceedings outstanding against the Bank as at 31 December 2022. Provisions for these legal claims amounts to Frw 914 million (2021: Frw 819 million) at the balance sheet date (Note 21.) The provisions are in respect of certain legal claims brought against the bank by various stakeholders and are expected to be utilized in 2022. In the opinion of the directors, after taking appropriate legal advice, the outcome of these legal claims is not expected to give rise to any significant loss beyond the amounts provided as at 31 December 2022.

32. Financial risk management

The Bank's normal activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. These activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Bank's business, and the financial risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

Risk management is carried out by the Credit and Risk committees of the Board 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 currency risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments.

a) Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Bank by failing to pay amounts in full when due. Credit risk is the most important risk for the Bank's business: management therefore carefully manages the exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. Credit risk management and control is centralised in the credit risk management team in the Risk department, which reports regularly to the Board of Directors.

(i) Credit risk measurement

(a) Loans and advances (including commitments and guarantees)

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

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

Probability of default

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

Description of the grade	Days in arrears	Regulatory rating	Bank's rating
Performing	0 – 29	1	1
Watch	30 – 89	2	2
Substandard	90 – 179	3	3
Doubtful	180 - 365	4	4
Loss	366 - 730	5	5

Financial Statements
For the Year Ended 31 December 2022

Notes (Continued)

Financial risk management (continued)

(a) Credit risk (Continued)

Exposure at default (Continued)

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

Loss given default

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

(ii) Risk limit control and mitigation policies

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent review. Limits on the level of credit risk by product, and industry sector are approved annually by the Board of Directors. The Board of Directors also approve individual borrower limits above specified amounts. In response to the COVID-19 pandemic, the risk management committee has also been performing more frequent reviews of credit limits for customers in sectors that are severely impacted.

The exposure to any one borrower including banks is further restricted by sub-limits covering on and off-balance sheet exposures. Actual exposures against limits are monitored daily. Exposure to credit risk is also 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.

During the year ended 31 December 2022, the bank temporarily extended credit moratorium for specific customers with liquidity constraints arising as a direct result of the COVID-19 pandemic amounting to 11.2% (2021: 17.2%) of the loan book. All moratoriums which ranged from 3 – 6 months were granted after careful consideration of the impact of the COVID-19 pandemic on the customer cashflows and each customer that was granted an extension is closely monitored for credit deterioration.

The Bank employs 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 Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over properties;
- Charges over business assets such as premises, plant and equipment; and
- Charges over financial instruments such as receivables.
- Corporate guarantees

Longer-term finance and lending to corporate entities are generally secured.

(b) 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 loans. 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 cash collateralised and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused 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 credit risk than shorter-term commitments.

(ii) Impairment and provisioning policies

The impairment allowance shown in the statement of financial position at year end is derived from each of the five internal rating grades. The bank determines the impairment provision on loans and advances to customers as estimated credit loss over a period of 12 months for Stage 1 and lifetime expected losses for stage 2 and 3.

Financial Statements
For the Year Ended 31 December 2022

Notes (Continued)

Financial risk management (continued)

(a) Credit risk (Continued)

(iii) Impairment and provisioning policies (Continued)

Total exposure to credit risk

	2022 Frw'000	2021 Frw'000
Balances with National Bank of Rwanda	76,189,863	25,234,205
Amounts due from banks	16,503,185	13,673,157
Loans and advances to customers	456,813,644	193,329,594
Government securities	144,495,970	134,136,976
Other assets	10,430,256	1,443,496
Off-balance sheet items - Guarantees	66,056,188	7,124,993
	770,489,106	**671,330,656**

The above table represents the worst-case scenario of credit risk exposure to the Bank as at 31 December 2021 and 2020, without taking account of any collateral held or other credit enhancements attached. For on-statement of financial position assets, the exposures set out above are based on carrying amounts as reported on the statement of 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.

(iv) Financial risk review

Credit quality analysis

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

Loans and advances to customers at amortised cost

2022	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	POCI Frw'000	Total Frw'000
Class 1: Normal	424,872,744				424,872,744
Class 2: Watch		33,273,629		-	33,273,629
Class 3: Substandard			7,174,007	-	7,174,007
Class 4: Doubtful			5,034,849	-	5,034,849
Class 5: Loss			3,918,696	-	3,918,695
Total	**424,872,744**	**33,273,629**	**16,127,552**	**-**	**474,273,926**
Expected credit loss	(6,660,108)	(2,052,104)	(4,565,987)	-	13,918,120
Fair value adjustments-staff loans)	-	-	-	-	(3,674,970)
Fair value adjustments -ERF				-	(507,114)
Carrying amount	**418,212,636**	**31,221,525**	**11,561,565**	**-**	**456,813,644**

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Loans and advances to customers at amortised cost

2021	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	POCI Frw'000	Total Frw'000
Class 1: Normal	289,696,762				289,696,762
Class 2: Watch		72,594,818		-	72,594,818
Class 3: Substandard			8,885,676	-	8,885,676
Class 4: Doubtful			2,321,080	-	2,321,080
Class 5: Loss			5,613,831	-	5,613,831
Total	**289,696,762**	**72,594,818**	**16,820,587**	**-**	**379,112,167**
Expected credit loss	(4,920,490)	(590,597)	(7,061,914)	-	(12,573,000)
Fair value adjustments-staff loans)	-	-	-	-	(2,771,640)
Fair value adjustments -ERF				-	(563,384)
Carrying amount	**284,776,272**	**72,004,224**	**9,758,673**	**-**	**363,204,143**

The following table sets out information about the overdue status of loans and advances to customers in Stages 1, 2 and 3. Loans and advances to customers at amortised cost - gross carrying amount.

2022	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	POCI Frw'000	Total Frw'000
Current	424,872,745	-	-	-	424,872,745
Overdue < 30 days	-	5,100,203	1383364	-	6,483,567
Overdue > 30 days	-	28,173,426	14,744,188	-	42,917,614
Total	**424,872,745**	**33,273,629**	**16,127,552**	-	**474,273,926**

2021	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	POCI Frw'000	Total Frw'000
Current	289,696,762	-	-	-	289,696,762
Overdue < 30 days	-	72,594,818	-	-	72,594,818
Overdue > 30 days	-	-	16,820,587	-	16,820,587
Total	**289,696,762**	**72,594,818**	**16,820,587**	-	**379,112,167**

Financial Statements
For the Year Ended 31 December 2022

Notes (Continued)

Financial risk management (continued)

(a) Credit risk (Continued)

(iv) Financial risk review (Continued)

Financial guarantee contracts

2022	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Total Frw'000
Stage 1-6: Low/fair risk	66,271,211	-	-	66,271,211
Expected credit losses	(398,544)	-	-	(398,544)
Total	**65,872,667**	**-**	**-**	**65,872,667**

2021	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Total Frw'000
Stage 1-6: Low/fair risk	41,631,583	-	-	41,631,583
Expected credit losses	(215,023)	-	-	(215,023)
Total	**41,416,560**	**-**	**-**	**41,416,560**

Government bonds and treasury bills

	2022 Frw'000	2021 Frw'000
Rated B+	145,109,985	164,272,621
Expected credit losses	(614,015)	(524,400)
	144,495,970	**163,748,221**

Placements with National bank and other banks

	2022 Frw'000	2021 Frw'000
Balances with the National Bank of Rwanda	58,268,744	24,124,551
Amounts due from banks	16,503,185	39,318,258
Expected credit losses	(151,325)	(94,191)
	74,620,603	**63,348,618**

Other assets	2022				2021
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total Frw'000	Total Frw'000
Gross amount	11,195,079	-	1,510,808	12,705,887	6,807,400
Expected credit loss	(767,672)	-	(1,507,958)	(2,275,630)	(1,528,249)
Carrying amount	**10,427,407**	**-**	**2,850**	**10,430,257**	**5,279,151**

All financial guarantees contracts, government bonds and treasury bills and placements with National Bank of Rwanda and other banks are included in stage 1 category in 2022 and 2021

Financial Statements

For the Year Ended 31 December 2022

Notes (Continued)

Financial risk management (continued)

(a) Credit risk (Continued)

(iv) Financial risk review (Continued)

Collateral held and other credit enhancements

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets

Type of credit exposure.

Percentage of exposure that is subject to collateral requirements

2022 2021 Principle type of collateral held Loans and advances to retail customers

Mortgage lending	**43.67%**	**40%**	**Residential properties**
Personal loans	8%	6%	Vehicle and Equipment's
Other	32.67%	31%	Land and Commercial properties

Loans and advances to Corporate customers

Mortgage lending	**21.07%**	**20%**	**Residential properties**
Other	58.3%	57%	commercial properties, Corporate and Government guarantees

Financial Statements
For the Year Ended 31 December 2022

Notes (Continued)

32. Financial risk management (continued)

a) Credit risk (continued)

Financial risk review (continued)

Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the bank's historical experience and expert credit assessment.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with

- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The bank uses two criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;

- qualitative indicators

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

The Bank has not followed an overall blanket approach to the ECL impact of COVID-19 (where COVID-19 is seen as a significant increase in credit risk (SICR) trigger that will result in the entire portfolio of advances moving into their respective next staging bucket). With the Bank undertaking loan restructures on 17.2% (2020: 25%) of the loan book (see the section "Restructuring" below), the Bank incorporated qualitative factors to assess significant increase in credit risk on these loans as below:

All loans whose business activity, in our assessment, was significantly lower than the pre-COVID period as at 31 December 2022, was considered to have a significant increase in credit risk and downgraded to Stage 2.

Loans in high-risk industry segments (see the section "Restructuring" below) were assessed for significant increase in credit risk.

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

Such restructuring activities may include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Bank monitors the subsequent performance of modified assets. The Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

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

However, on the onset of the COVID-19 pandemic, the impact of the containment measures on the economy made it imperative for the Bank to support its customers. The Bank's view is that the economic impacts of the pandemic will be felt for a period of three to five years before there is full recovery. The Bank therefore accommodated its customers to cushion them from the economic downturn by rescheduling their loan facilities for a period of 6 months to 36 months. The length of the period of accommodation depended on the impact of the pandemic on the industry in which the customer operates. The Bank segregated the loan book into low risk, medium risk and high risk based on the industry. For example, Agriculture was rated as low risk, while Tourism and Hospitality and Real Estate as High Risk. The Bank then accommodated for different periods depending on the level of risk

The assessment of SICR incorporates forward-looking information (refer to note 32. (a). (iv)) for further information) and is performed on a monthly basis at a portfolio level for all financial instruments held by the Bank. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

Financial Statements
For the Year Ended 31 December 2022

Notes (Continued)

32. Financial risk management (continued)

a) Credit risk (continued)

Credit risk grades

The bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment.

Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate Exposures	Retail Exposures	All exposures
Information obtained during periodic review of customer files -e.g., audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes	Internally collected data on customer behavior.	Payment record - this includes overdue status as well as a range of variables about payment ratios
Data from credit reference agencies and press articles	Affordability metrics	Utilisation of the granted limit
Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	External data from credit reference agencies, including industry-standard credit scores	Requests for and granting of forbearance
-	-	Existing and forecast changes in business, financial and economic conditions

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The bank collects performance and default information about its credit risk exposures analysed by segment (wholesale and retail) and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

The bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the segment. What is considered significant differs for different types of lending, in particular between wholesale and retail segments.

Notes (Continued)

32. Financial risk management (Continued)

(b) Financial risk review (continued)

Amounts arising from ECL (continued)

As a general indicator, credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the bank's quantitative modelling:

When days in arrears increase between 29 and 179 days, the bank's IFRS stages are aligned to the days in arrears as follows;

Days in arrears	BNR Credit Classification	IFRS Stages
0 - 29	1	1
30 - 89	2	2
90 - 179	3	3
180 - 364	5	3
366 - 730	5	3

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgment and relevant historical experiences.

As a backstop, the bank considers that a significant increase in credit risk occurs no later than when an asset is more than 29 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument return to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Definition of default

The bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the bank in full, without recourse by the bank to actions such as realising security (if any is held);
- the borrower is more than 89 days past due on any material credit obligation to the bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the bank considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

On a quarterly basis, the bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. A comprehensive review is performed at least annually on the design of the scenarios by a panel of experts that advises the bank's senior management.

The bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan in accordance with the accounting policy.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

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- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The bank renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. Under the bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The bank Credit Committee regularly reviews reports on forbearance activities

For financial assets modified as part of the bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the bank's ability to collect interest and principal and the bank's previous experience of similar forbearance action. As part of this process, the bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the bank considers a longer period. The maximum contractual period extends to the date at which the bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for certain retail exposures, the bank measures ECL over a period longer than the maximum contractual period if the bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are Banked on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- collateral type;
- Loan to value ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

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Incorporation of forward-looking information

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

The bank has concluded that three (3) scenarios appropriately capture the non-linearities. The three scenarios that were applied as at 31 December 2021 are:

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

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

investments in debt securities and derivatives that are an asset position. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

	31 December 2022				31 December 2021		
	Upside	Base	Downside		Upside	Base	Downside
Scenario probability weighting	3.21%	3.21%	3.21%		3.21%	3.21%	3.21%

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses

The scenario weightings are determined by a combination of statistical analysis and expert judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the scenarios multiplied by the associated scenario weighting above. The Bank measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting.

Sensitivity analysis

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

i) Collateral haircuts, and

(ii) Period to recovery of collateral

Set out below are the changes to the ECL as at 31 December 2021 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank's economic variable assumptions.

Time to realization: The directors have assumed a time to realization of 3 years both for commercial properties and 2 years for residential properties. If time to realisation increased to 4 years, overall ECL would increase in the range of Frw 850 million and Frw 1.2 billion.

Collateral haircuts: The directors have assumed collateral haircuts of 50% for commercial and 70% residential properties. If haircuts were further adjusted by 10% the overall ECL would increase/ reduce in the range of Frw 170 million and Frw 230 million.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearity within the loan portfolio to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

A comprehensive review is performed at annually on the design of the scenarios by experts that advises the Bank senior management.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This will be reviewed and monitored for appropriateness on an annual basis.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, borrower retention and other factors not related to a current or potential credit deterioration of the borrower. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

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For the Year Ended 31 December 2022

Notes (Continued)

32. Financial Risk Management (Continued)

Internal credit risk ratings (Continued)

The Bank renegotiates loans to borrowers in financial difficulties to maximise collection opportunities and minimise the risk of default. Under the Bank Credit policy, loan restructuring is granted on a selective basis if the borrower is currently in default or if there is a high risk of default, there is evidence that the borrower made all reasonable efforts to pay under the original contractual terms and the borrower is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments, and amending the terms of loan covenants. Both retail and corporate loans are subject to the credit policy on restructuring. The Bank Credit Committee regularly reviews reports on restructured loans activities.

For financial assets modified as part of the Bank's restructuring credit policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar restructuring action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, restructuring is a qualitative indicator of a significant increase in credit risk and an expectation of restructuring may constitute evidence that an exposure is credit impaired. A borrower needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that it falls within the 12-month PD ranges for the asset to be considered Stage 1.

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

The loss allowance in these tables includes ECL on loan commitments for certain retail products such as overdrafts because the Bank cannot separately identify the ECL on the loan commitment component from those on the financial instrument component. assessed and the total score in each is mapped onto a rating

Financial risk review (continued)

Year ended 31 December 2022	Stage 1 Frw'000	Stage 2 Frw'000	Stage3 Frw'000	Total Frw'000
At start of year	**330,404,330**	**30,361,025**	**16,145,009**	**376,910,364**
Impairment charge on loans and advances				-
- transfers from stage 1	(11,448,455)	11,448,455	-	-
- transfers from stage 2	318,761	(986,452)	667,691	-
- transfers from stage 3	3,546,895	(12,192,350)	8,645,455	0
New financial assets originated or purchased	199,448,054	42,499,242	2,369,987	244,317,283
Loans derecognized	(136,367,874)	-	(10,585,847)	(146,953,721)
At end of year	**385,901,711**	**71,129,920**	**17,242,295**	**474,273,926**

Year ended 31 December 2021				
At start of year	**306,761,078**	**22,601,902**	**15,202,358**	**344,565,338**
Impairment charge on loans and advances				
- transfers from stage 1	(2,929,492)	2,929,492	-	-
- transfers from stage 2	(2,001,131)	(8,539,630)	10,540,761	-
- transfers from stage 3	380,267	126,527	(506,794)	-
Net remeasurement of loss allowance	(74,414,096)	9,824,193	(1,565,485)	(66,155,388)
New financial assets originated or purchased	156,005,633	9,277,588	382,685	165,665,906
Loans derecognized	(59,256,913)	(64)	(7,908,515)	(67,165,492)
At end of year	**324,545,346**	**36,220,008**	**16,145,010**	**376,910,364**

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Notes (Continued)

32. Financial Risk Management (Continued)

Impairment provisions

Movements in provisions for expected credit losses for loans and advances are as follows

Year ended 31 December 2022	Stage 1 Frw'000	Stage 2 Frw'000	Stage3 Frw'000	Total Frw'000
At start of year	**5,101,455**	**1,222,065**	**6,249,480**	**12,573,000**
Impairment charge on loans and advances				
- transfers from stage 1	(25,414)	25,414	-	-
- transfers from stage 2	241,935	(584,120)	342,185	-
- transfers from stage 3	6,420	82,450	(88,870)	-
New financial assets originated or purchased	1,335,713	1,306,295	634,480	3,276,488
Loans derecognized	-	-	(2,571,289)	(2,571,289)
At end of year	**6,660,108**	**2,052,104**	**4,565,987**	**13,918,198**
Year ended 31 December 2021				
At start of year	**2,876,378**	**529,746**	**4,943,509**	**8,349,632**
Impairment charge on loans and advances				
- transfers from stage 1	153,053	(153,053)	-	-
- transfers from stage 2	(50,586)	(148,743)	199,329	-
- transfers from stage 3	217,470	39,891	(257,361)	-
Net remeasurement of loss allowance	(2,023,238)	(135,006)	5,353,476	3,195,232
New financial assets originated or purchased	3,928,378	1,089,240	25,826)	5,043,444
Loans derecognized	-	(9)	(4,015,299)	(4,015,308)
At end of year	**5,101,455**	**1,222,065**	**6,249,480**	**12,573,000**

v) Concentrations of risk

Type of facility	Collateral cover %
Mortgages	100%
Equipment loans	100%
Overdrafts	100%
Consumer loans	100%
Others	100%

Economic sector risk concentrations within the gross customer loans and advances portfolios were as follows:

All amounts are shown in Frw '000

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For the Year Ended 31 December 2022

Notes (Continued)

32. Financial Risk Management (Continued)

v. concentration of risks

	2022 Frw'000	2021 Frw'000
Cost		
Personal/household	81,287,913	83,186,071
Real Estate	86,338,237	45,686,274
Manufacturing	78,501,072	56,947,874
Building and construction	66,577,749	42,147,964
Trade	82,137,345	59,464,830
Financial services	-	14,011,078
Transport and communication	34,561,072	29,538,389
Tourism, restaurants and hotels	16,492,658	26,273,395
Energy and water	16,812,136	4,499,524
Agriculture	11,005,395	14,441,268
Mining and quarrying	560,349	713,698
At end of year	**474,273,926**	**376,910,365**

b) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn.

The Bank is exposed to daily calls on its available cash resources 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 National Bank of Rwanda requires that the Bank maintains a cash reserve ratio. In addition, 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 Treasury department monitors liquidity ratios on a daily basis. Sources of liquidity are regularly reviewed by a separate team in the Treasury department to maintain a wide diversification by provider, product and term.

The tables below present the undiscounted cash flows payable by the Bank under financial liabilities by remaining contractual maturities at the statement of financial position date and from financial assets by expected maturity dates.

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Notes (Continued)

32. Financial Risk Management (Continued)

(b) Liquidity risk (Continued)

TheThe tables below analyse the Bank's financial liabilities into relevant maturity groupings based on their contractual maturities for which the contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

As at 31 December 2022	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
Cash in hand and balances National Bank of Rwanda	76,189,863	-	-	-	-	76,189,863
Balances due from other banks	-	16,503,185	-	-	-	16,503,185
Government securities at amortised cost	3,472,581	39,063,584	37,549,500	29,205,650	35,204,655	144,495,970
Balances due from related parties			464,895			464,895
Loans and advances to customers	51,345,837	13,996,126	34,576,279	170,142,914	186,752,488	456,813,644
Other assets	10,430,256	-	-	-	-	10,430,256
Off balance sheet assets	-	-	66,056,188			66,056,188
Total financial assets	**141,438,537**	**69,562,895**	**138,646,862**	**199,348,564**	**221,957,143**	**770,954,000**
Balances due to other banks	40,961,231	-	18,984,490	25,172,510	-	85,118,231
Borrowings	-	-	-	58,152,945	-	58,152,945
Credit funds	2,691,559					2,691,559
Customer deposits	345,102,937	807,744	59,354,778	15,752,654	20,331,565	441,349,678
Other liabilities	21,049,856	-	-	-	-	21,049,856
Lease liabilities	-	-	-	-	3,343,004	3,343,004
Balances due to related parties	13,526,096	-	-	-	-	13,276,843
Total financial liabilities	**423,331,679**	**807,744**	**78,339,268**	**99,078,109**	**23,674,569**	**625,231,369**
Net liquidity gap	**(281,893,142)**	**68,755,151**	**60,307,594**	**100,270,454**	**198,282,574**	**145,722,631**

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Notes (Continued)

32. Financial Risk Management (Continued)

(b) Liquidity risk (Continued)

At 31 December 2022	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
Cash in hand and balances National Bank of Rwanda	47,149,869	-	-	-	-	47,149,869
Balances due from other banks		50,626,082	-	-	-	50,626,082
Government securities at amortised cost	25,049,754	28,387,804	15,898,156	22,781,487	71,631,020	163,748,221
Balances due from related parties	-	-	281,426	-	-	281,426
Loans and advances to customers	22,880,410	127,483,103	36,998,890	69,533,594	106,308,147	363,204,144
Other assets	2,087,414	-	-	-	-	2,087,414
Off balance sheet assets	6,118,516		35,529,564			41,648,080
Total financial assets	**103,285,963**	**206,496,989**	**88,708,036**	**92,315,081**	**177,939,167**	**668,745,236**
Balances due to other banks	87,102,143	-	25,264,580	820,569	6,486,631	119,673,923
Borrowings	365	362,922	2,316,289	4,628,640	19,390,848	26,699,064
Credit funds	1,187,337					
Customer deposits	225,820,135	22,039,953	111,240,959	11,638,636	28,656,101	399,395,784
Other liabilities	10,048,657	-	-	-	-	10,048,657
Lease liabilities	78,297	237,006	897,118	1,623,889	2,208,038	5,044,348
Balances due to related parties	1,708,974	-	-	-	-	1,708,974
Total financial liabilities	**325,945,908**	**22,639,881**	**139,718,946**	**18,711,734**	**56,741,618**	**562,570,750**
Net statement of financial exposure	**(222,659,945)**	**183,857,108**	**(51,010,910)**	**73,603,347**	**121,197,549**	**106,174,486**

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Notes (Continued)

32. Financial Risk Management (Continued)

(c) Market risk (Continued)

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the fair 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 market risk exposures within acceptable limits, while optimizing the return on risk. Overall responsibility for managing market risk rests with the Management Assets and Liabilities Committee (MALCO).

The Treasury department is responsible for the development of detailed risk management policies (subject to review and approval by MALCO) and for the day to day implementation of those policies.

(i) Currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its 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 monitored daily.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2022 and 2021. Included in the table are the Bank's financial instruments, categorised by currency:

The Bank had the following significant foreign currency positions (all amounts expressed in thousands of Rwandan Francs):

The table below summarizes the foreign currency exposure as at 31 December 2022 and 31 December 2021:

As at 31 December 2022	USD Frw '000	GBP Frw '000	EURO Frw '000	OTHER Frw '000	Total Frw '000
Financial assets					
Cash and balances with National Bank of Rwanda	53,904,856	593,393	4,522,593	786,784	59,807,626
Amounts due from banks	-	-	-	-	-
Other assets	12,796,303	3	22,341	198	12,818,845
Loans and advances to customers	49,019,135	-	-	-	49,019,135
Total financial assets	**115,720,294**	**593,396**	**4,544,934**	**786,982**	**121,623,064**
Financial liabilities					
Deposit from customers	122,489,584	543,294	4,567,048	746,085	128,346,011
Deposits from banks	111,752	12,665	-	559	124,976
Other liabilities	4,676,525	-	16,540	209,433	4,902,498
At 31 December 2022	**127,277,861**	**555,959**	**4,583,588**	**956,077**	**133,373,485**
Net position	**(11,557,568)**	**37,437**	**(38,654)**	**(169,095)**	**(11,727,880)**

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For the Year Ended 31 December 2022

The table below summarizes the foreign currency exposure as at 31 December 2022 and 31 December 2021:

As at 31 December 2022	USD Frw '000	GBP Frw '000	EURO Frw '000	OTHER Frw '000	Total Frw '000
Financial assets					
Cash in hand and balances National Bank of Rwanda	8,514,842	1,362,548	180,814	155,950	10,214,154
Balances due from related parties				4,400	4,400
Other assets	82,405	37	0	0	82,442
Due from other banks	34,879,794	11,051,124	2,844,330	1,486,083	50,261,331
Total financial assets	**43,477,041**	**12,413,709**	**3,025,144**	**1,646,433**	**60,562,327**
Financial liabilities					
Balance due to other banks	21,578,034	113,498	0	0	21,691,532
Deposits from customers	65,492,856	4,237,655	514,995	146,497	70,392,003
Balances due to related parties	522,300	10,443	5,330	52,542	590,615
Other liabilities	407,507	135	3	69	407,714
Off balance sheet exposures	809,474				809,474
Lease Liabilities	205,334				205,334
At 31 December 2022	**89,015,505**	**4,361,731**	**520,328**	**199,108**	**94,096,672**
Net position	**(45,538,464)**	**8,051,978**	**2,504,816**	**1,447,397**	**(33,534,345)**

The table below shows the Foreign exchange rate risk sensitivity of the bank's reported profit to a change in exchange rates at the year-end date, assuming all other variables remain unchanged. The sensitivity represents the directors' assessment of a reasonably possible change, based on historic volatility. Foreign exchange rate risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. The symmetric basis assumes that an increase or decrease in foreign exchange movement would result in the same amount.

Placements with National bank and other banks

	2022 Frw'000	2021 Frw'000
10 basis points	(11,728)	(4,343)
50 basis points	(58,640)	(27,715)
100 basis points	(117,278)	(42,432)

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For the Year Ended 31 December 2022

Notes (Continued)

32. Financial Risk Management (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily. The tables below summarise the Bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.. All figures are in thousands of Rwandan Francs.

As at 31 December 2021:	Average interest rate	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 and Balances with BNR	0.00%	-	-	-	-	-	76,189,863	76,189,863
Balances due from other banks	5.00%	-	16,503,185	-	-	-	-	16,503,185
Loans and advances to customers	16.21%	51,345,837	13,996,126	34,576,279	170,142,914	186,752,488	-	456,813,644
Due from related parties	0.00%	-	-	-	-	-	464,895	464,895
Other assets	0.00%	-	-	-	-	-	10,430,256	10,430,256
Government securities	8.90%	3,472,581	39,063,584	37,549,500	29,205,650	35,204,655	-	144,495,969
Off balance sheet	1.68%			66,056,188				66,056,188
Total assets		**54,818,418**	**69,562,895**	**138,181,967**	**199,348,564**	**221,957,143**	**87,085,0144**	**770,954,000**
Deposits from banks	8.50%	40,961,231	-	18,984,490	25,172,510	-	-	85,118,231
Deposits from customers	3.32%	282,475	807,744	59,354,778	15,752,654	20,331,565	344,820,462	441,349,678
Retirement benefits obligation	6.42%	-	-	-	3,343,004	-	-	3,343,004
Borrowings	3.55%			2,691,559				2,691,559
Lease liability	0.00%	-	-	-	-	-	21,049,856	21,049,856
Lease liability	8.02%	-	-	-	49,897,656	-	-	49,897,656
Payables and accrued expenses	0.00%		-	-	-	-	13,526,096	13,526,096
Total financial liabilities		**41,243,706**	**807,744**	**81,030,824**	**94,165,824**	**20,331,565**	**379,396,414**	**616,976,080**
Interest rate sensitivity gap		**13,574,712**	**68,755,151**	**57,366,782**	**105,182,740**	**201,625,578**	**(292,311,400)**	**153,977,920**

Financial Statements

For the Year Ended 31 December 2022

Notes (Continued)

32. Financial Risk Management (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

As at 31 December 2021:	Average interest rate	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 and balances National Bank of Rwanda	0.00%	-	-	-	-	-	47,149,869	47,149,869
Balances due from other banks	3.50%		50,626,082	-	-	-		50,626,082
Loans and advances to customers	16.37%	22,880,410	127,483,103	36,998,890	69,533,594	106,308,147		363,204,144
Balances due from related parties	0.00%	-	-	-	-	-	281,426	281,426
Other assets	0.00%	-	-	-	-	-	2,087,414	2,087,414
Government securities	8.44%	25,049,754	28,387,804	15,898,156	22,781,487	71,631,020		163,748,221
Total assets		**47,930,164**	**206,496,989**	**52,897,046**	**92,315,081**	**177,939,167**	**49,518,709**	**627,097,156**
Deposits from banks	6.44%	87,102,143	-	25,264,580	820,569	6,486,631	0	119,673,923
Deposits from customers	3.44%	40,647,624	22,039,953	111,240,959	11,638,636	28,656,101	185,172,511	399,395,784
Retirement benefits obligation	6.42%	78,297	237,006	897,118	1,623,889	2,208,038	0	5,044,348
Borrowings	3.20%	1,187,337						
Lease liability	0.00%		-	-	-	-	10,048,657	10,048,657
Lease liability	6.22%	365	362,922	2,316,289	4,628,640	19,390,848		26,699,064
Payables and accrued expenses	0.00%		-	-	-	-	1,708,974	1,708,974
Total financial liabilities		**129,015,766**	**22,639,881**	**139,718,946**	**18,711,734**	**56,741,618**	**196,930,142**	**563,758,087**
Interest rate sensitivity gap		**(74,967,086)**	**183,857,108**	**(51,292,336)**	**73,603,347**	**121,197,549**	**(147,411,433)**	**104,987,149**

The above analysis does not consider the impact of future interest on the contractual amounts in assessing the interest rate risk

Financial Statements
For the Year Ended 31 December 2022

Notes (Continued)

32. Financial Risk Management (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued

The management of interest rate risk against the interest rate gap limits is supplemented by monitoring the sensitivity of the bank's financial assets and liabilities to various standard and non-standard interest rate scenarios.

Standard scenarios that are considered on a monthly basis include a 100, 50 and 10 basis point (bp) parallel fall or rise in yields.

The following is an analysis of the banks' sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position.

	2022 Frw'000	2021 Frw'000
10 basis points	153,977	104,987
50 basis points	769,885	524,935
100 basis points	1,539,770	1,049,871

d) Capital management

The primary objective of the Bank's capital management policies and processes is to ensure that the Bank complies with capital requirements and maintains healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the National Bank of Rwanda. The National Bank of Rwanda sets and monitors capital requirements for the Banking industry as a whole.

In implementing current capital requirements, the National Bank of Rwanda requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital is analyzed into two tiers:

• Core Capital (Tier 1) capital, which includes ordinary share capital, share premium, retained earnings, after deductions for intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes; and

• Supplementary Capital (Tier 2) includes the revaluation reserve at 25% of the total amount.

Various limits are applied to elements of the capital base.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Financial Statements
For the Year Ended 31 December 2022

Notes (Continued)

6. Management of capital (Continued)

	2022	2021
Core Capital (Tier 1):		
Ordinary share capital	81,509,050	63,614,562
Share premium	8,032,565	4,978,043
Retained earnings/(losses)	18,298,643	29,270,578
Regulatory adjustment on IFRS 9 adoption	-	-
Deductions		
- Deferred income tax asset	-	(1,628,856)
- Intangible assets	(2,775,937)	(2,044,375)
Total Tier 1 Capital	**105,064,321**	**94,189,952**
Supplementary Capital (Tier 2):		
Revaluation reserve	275,327	2,929,505
Total Tier 2 Capital	275,327	2,929,505
Total capital	105,339,648	97,119,457
Risk weighted assets	**533,815,496**	**437,462,778**
Capital		
Total capital expressed as a percentage of total risk-weighted assets	19.39%	21.33%
Core capital expressed as a percentage of total risk-weighted assets	19.34%	22.20%

The minimum capital funds unimpaired by losses of a licensed Bank shall, at any one time, not be less than Rwandan Francs five billion. Unless a higher minimum ratio has been set by the Central Bank for an individual Bank, every Bank, shall, at all time, maintain a total capital ratio of 15% of its total weighted assets of which at least 12.5% is core capital or as prescribed by the Central Bank in the case of Systemically Important bank.

(e) Fair values

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

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

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

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

Financial Statements
For the Year Ended 31 December 2022

Notes (Continued)

1. Management of capital

e) Fair values (continued)

in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data

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

Valuation techniques include net present value and discounted cash flow models, and comparison with similar instruments for which market observable prices exist.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other inputs used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received by selling the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Financial instruments not measured at fair value, where the carrying value is estimated to approximate the fair value of these instruments, were as follows:

i. Cash and short-term funds

Placements with other banks include inter-bank placements and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity. All placements are fixed rate placements.

ii. Loans and advances

The fair value of loans and advances is deemed to closely approximate the carrying value. This is due to most of the instruments included in this classification being market rate instruments. The impact of fixed rate exposures has been assessed and is deemed to be immaterial. The value of variable rate instruments is determined with reference to the estimated future cash flows discounted back at the market rate prevailing for such instruments.

iii. Government securities and other bonds

Government securities and other bonds include only interest-bearing assets at amortized cost.

iv. Deposits; borrowed funds and intercompany payables

The estimated fair value of deposits borrowed funds and creditors and accruals with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using contractual interest rates and the remaining maturity. The majority of deposits and other borrowings are at fixed rates, or when at fixed rates, fixed for less than three months.

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

Financial Statements
For the Year Ended 31 December 2022

Notes (Continued)

32. Financial Risk Management (Continued)

e) Fair values (continued)

Comparison of carrying amounts and fair values for assets and liabilities not held at fair value:

The following tables show the breakdown of carrying amounts and fair values of financial assets and financial liabilities by class and category of financial instrument measured at amortised cost. All these financial instruments are in level 2 and are carried at amortized cost.

	FVOCI Frw '000	FVTPL Frw '000	Carrying amount Frw '000	Fair Value Frw '000
Assets				
Cash and balances with central Bank	-	-	76,189,863	76,189,863
Balances due from other Banks	-	-	16,503,185	16,503,185
Non-current assets held for sale	-	-	-	-
Amortised cost investments	-		144,495,970	144,495,970
Loans and advances to customers	-	-	456,813,644	456,813,644
Balances due from related parties	-		464,895	464,895
Other assets	-	-	10,430,256	10,430,256
Total financial assets	**-**	**-**	**704,897,813**	**704,897,813**
Assets				
Balances due to other Banks	-	-	85,118,231	85,118,231
Customer deposits	-	-	441,349,679	441,349,679
Other liabilities	-	-	20,136,189	20,136,189
Balances due to related parties	-		13,526,096	13,526,096
Long term borrowing	-	-	49,897,656	49,897,656
Credit funds	-	-	2,691,599	2,691,599
Total financial liabilities	**-**	**-**	**612,719,449**	**612,719,449**

Financial Statements
For the Year Ended 31 December 2022

Notes (Continued)

32. Financial Risk Management (Continued)

e) Fair values (continued)

Comparison of carrying amounts and fair values for assets and liabilities not held at fair value:

The following tables show the breakdown of carrying amounts and fair values of financial assets and financial liabilities by class and category of financial instrument measured at amortised cost. All these financial instruments are in level 2 and are carried at amortized cost.

	FVOCI Frw '000	FVTPL Frw '000	Carrying amount Frw '000	Fair Value Frw '000
Assets				
Cash and balances with central Bank	-	-	47,149,869	47,149,869
Balances due from other Banks	-	-	50,626,082	50,626,082
Non-current assets held for sale	-	-	-	-
Amortised cost investments	-		164,270,435	163,748,221
Loans and advances to customers	-	-	365,405,949	365,405,949
Balances due from related parties	-		281,426	281,426
Other assets	-	-	1,633,367	1,633,367
Total financial assets	**-**	**-**	**629,367,128**	**628,844,914**
Assets				
Balances due to other Banks	-	-	119,141,983	119,141,983
Customer deposits	-	-	399,395,784	399,395,784
Other liabilities	-	-	9,168,962	9,168,962
Balances due to related parties			1,643,190	1,643,190
Long term borrowing	-	-	26,699,064	26,699,064
Credit funds			1,187,337	1,187,337
Total financial liabilities	**-**	**-**	**557,236,320**	**557,236,320**

Financial Statements

For the Year Ended 31 December 2022

Notes (Continued)

Management of capital

e) Fair values (continued)

33 Reporting entity

BPR Bank Rwanda Plc (the 'Bank') is domiciled in the Republic of Rwanda. The Bank's registered office is at:

BPR Bank Rwanda Plc

P.O Box 1348

KN 67 ST 2 Kigali Rwanda

The bank core business is commercial banking.

34 Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards and the IFRS interpretation committee interpretations, the Law No. 007/2021 of 05/02/2021 Governing companies.

35 Functional and presentation currency

These financial statements are presented in Rwanda Franc (Frw), which is the company's functional and presentation currency.

In preparing the financial statements, transactions in currencies other than the Bank's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

36 Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

Information about assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the year is set out in the following notes;

Note 17 - Property and Equipment

Land and buildings are recognised at fair value based on periodic, but at least every 3-5 years, valuations by external independent valuers, less subsequent depreciation for buildings. A revaluation surplus is credited to revaluation reserves

in shareholders' equity. All other property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

36 Use of judgements and estimates (continued)

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as under note 17.

Freehold land is not depreciated as it is deemed to have an indefinite life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Bank policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

Note 12 – Expected credit loss

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 32. (a). (iv), which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

Financial Statements
For the Year Ended 31 December 2022

Notes (Continued)

Management of capital

e) Fair values (continued)

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing Banks of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by BPR Plc in the above areas is set out in note 32. (a). (iv).

Note 26 – Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of branch network, management considered the following:

With the transformation project having commenced, the business model for the bank will be impacted and projecting beyond a five-year planning period has uncertainties as to the Bank exercising its extension options.

36 Use of judgements and estimates (continued)

As at 31 December 2022, potential future cash outflows of Frw 1.2 billion (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease term by a further two years to reflect the effect of exercising extension options would be an increase in recognised lease liabilities and right-of-use assets of Frw 1.980 mbillion and 1.578 billion respectively.

37 Summary of significant accounting policies

(a) Fees and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

Other fees and commissions expense relate mainly to transaction and service fees which are expenses as they are received.

(b) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' or 'interest expense' in the statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.

((c) Offsetting

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 on a net basis, or realise the asset and settle the liability simultaneously.

(d) Financial assets and liabilities

Measurement methods

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets — assets that are credit-impaired at initial recognition — BPR Plc calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

Financial Statements

For the Year Ended 31 December 2022

Notes (Continued)

Management of capital

e) Fair values (continued)

Measurement methods (continued)

When BPR Plc revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

(i) Initial recognition and measurement

Financial assets and financial liabilities are recognised when BPR Plc becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which BPR Plc commits to purchase or sell the asset.

At initial recognition, BPR Plc measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets

(ii) Classification and subsequent measurement

BPR Plc classifies its financial assets in the following measurement categories:

- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below: Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

(i) BPR Plc's business model for managing the asset; and

(ii) The cash flow characteristics of the asset.

Based on these factors, BPR Plc classifies its debt instruments into one of the following three measurement categories:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in Net Investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Financial Statements
For the Year Ended 31 December 2022

Notes (Continued)

Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Measurement methods (continued)

Business model: the business model reflects how BPR Plc manages the assets in order to generate cash flows. That is, whether BPR Plc's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by BPR Plc in determining the business model for a Bank of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, BPR Plc assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the `SPPI test'). In making this assessment, BPR Plc considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

BPR Plc reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

BPR Plc subsequently measures all equity investments at fair value through profit or loss, except where BPR Plc's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. BPR Plc's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when BPR Plc's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the Net trading income' line in the statement of profit or loss.

(i) Impairment

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

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

Note 32. (a). (iv) provides more detail of how the expected credit loss allowance is measured.

(ii) Modification of loans

BPR Plc sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, BPR Plc assesses whether or not the new terms are substantially different to the original terms. BPR Plc does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, BPR Plc derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred.

Financial Statements

For the Year Ended 31 December 2022

Notes (Continued)

Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Measurement methods (continued)

BPR Plc subsequently measures all equity investments at fair value through profit or loss, except where BPR Plc's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. BPR Plc's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when BPR Plc's right to receive payments is established.

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

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- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements

that significantly affect the credit risk associated with the loan.

If the terms are substantially different, BPR Plc derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred.

However, BPR Plc also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in

derecognition, and BPR Plc recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(iii) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash

flows from the assets have expired, or when they have been transferred and either (i) BPR Plc transfers substantially all the risks and rewards of ownership, or (ii) BPR Plc neither transfers nor retains substantially all the risks and rewards of ownership and BPR Plc has not retained control.

BPR Plc enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if BPR Plc:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;

Financial Statements
For the Year Ended 31 December 2022

Notes (Continued)

Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Measurement methods (continued)

(ii) Is prohibited from selling or pledging the assets; and

(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by BPR Plc under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because BPR Plc retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which BPR Plc retains a subordinated residual interest.

(iv) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

Financial liabilities at fair value through profit or loss: this classification is applied to derivatives. Gains or losses on derivatives are recognised in profit or loss.;

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, BPR Plc recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

(v) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between BPR Plc and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment.

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by BPR Plc are measured as the amount of the loss allowance. BPR Plc has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and BPR Plc cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including: notes and coins on hand, unrestricted balances deposited with the National Bank of Rwanda and highly liquid assets, subject to insignificant risk of changes in their fair value.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Financial Statements
For the Year Ended 31 December 2022

Notes (Continued)

Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Measurement methods (continued)

(e) Property and equipment

(i) Initial recognition and measurement

An item of property, plant and equipment are initially recorded at cost which includes all costs necessary to bring the asset to working condition for its intended use. This includes not only its original purchase price but also costs of site preparation, delivery and handling, installation, related professional fees for architects and engineers, and the estimated cost of dismantling and removing the asset and restoring the site. Where purchased software is integral to the functionality of the related equipment, it is capitalized as part of that equipment. If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment. In case of deferred payment for an item of property, plant, and equipment, interest at a market rate is recognized as part of the asset cost.

(ii) Subsequent cost

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to statement of comprehensive income during the financial period in which they are incurred.

(iii) Subsequent measurement

Land and buildings are revalued periodically by external independent valuers. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserves in shareholders' equity. Revaluation reserve will be credited to retained earnings upon disposal of the asset. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserves directly in equity; all other decreases are charged to the statement of comprehensive income.

(iv) Depreciation

Freehold land is not depreciated. Depreciation on other assets is calculated on the straight-line basis to allocate their cost less their residual values over their estimated useful lives, as follows:

Buildings	20 – 50 years
Refurbishments	3 – 5 years
Fixtures, fittings and equipment	5 – 10 years
Motor vehicles and motor cycles	4 – 5 years
IT equipment	3 – 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

The Bank assesses at each reporting date whether there is any indication that any item of property and equipment is impaired. If any such indication exists, the Bank estimates the recoverable amount of the relevant assets. 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 and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining profit/loss.

(f) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank, are recognised as intangible assets, when the following criteria have been met:

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Financial Statements
For the Year Ended 31 December 2022

Notes (Continued)

Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Measurement methods (continued)

Computer software development costs recognised as assets are amortised over their estimated useful lives, not exceeding five years.

(g) Income tax expense

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that the taxation authority will accept an uncertain tax treatment. The Bank measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, 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 goodwill. Deferred income tax is also 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 substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The Deferred income tax in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Bank is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the Bank has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred 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.

(h) Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed when the customer has the right to direct the identified asset's use and to obtain substantially its economic benefits from that use.

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. The Bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

Financial Statements
For the Year Ended 31 December 2022

Notes (Continued)

Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Measurement methods (continued)

– fixed payments, including in-substance fixed payments;

– variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

– amounts expected to be payable under a residual value guarantee; and

– the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

From 1 January 2020, where the basis for determining future lease payments changes, the Bank remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

The recognised right-of-use assets relate to the following types of assets:

(i) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, including: cash and non-restricted balances with the National Bank of Rwanda, Treasury and other eligible bills, and amounts due from other banks. Cash and cash equivalents excludes the cash reserve requirement held with the National Bank of Rwanda.

	31 December 2022 Frw'000	1 January 2022 Frw'000
Leasehold premises	2,952,153	4,363,646
Leased equipment	427,548	534,435
Leased motor vehicles	104,544	264,957

(j) Employee benefits

(i) Retirement benefit obligations

The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Bank's contributions to the defined contribution schemes are charged to the statement of comprehensive income in the year in which they fall due.

(ii) Other entitlements

The estimated monetary liability for employees accrued annual leave entitlement at the Statement of financial position date is recognised as an expense accrual.

(k) Share capital

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

(l) Dividends payable

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

(m) Guarantees

Guarantees are accounted for as off Statement of financial position transactions and disclosed as contingent liabilities.

Other receivables

Other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

Financial Statements
For the Year Ended 31 December 2022

Notes (Continued)

Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Measurement methods (continued)

o) Other payables

Other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(p) Provisions

Provisions 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 expenditures 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. The increase in the provision due to passage of time is recognised as interest expense.

(q) Predecessor accounting policy

Management has chosen to use predecessor accounting and apply it retrospectively to account for the merger between the two legacy banks. This has set a precedence for the group with the option selected, and this will need to be applied consistently going forward A predecessor value method involves accounting for the assets and liabilities of the acquired business using existing carrying values.

38 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Bank. These standards are not expected to have a material impact on the Bank in the current or future reporting

periods and on foreseeable future transactions.

These amendments are effective for annual periods beginning on or after 1 January 2022.

International Financial Reporting Standards and amendments effective for the first time for December 2022 year-ends		
Number	**Effective date**	**Executive summary**
IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment	Annual periods beginning on or after 1 April 2021 (early adoption is permitted) (Published March 2021)	The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The March 2021 amendment will only be available if an entity chose to apply the May 2020 optional practical expedient. Further detailed information is available at the following link: In depth INT2020-05

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For the Year Ended 31 December 2022

Number	Effective date	Executive summary
Annual improvements cycle 2018 -2020	Annual periods beginning on or after 1 January 2022 (Published May 2020)	These amendments include minor changes to: • IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS. • IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. • IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives. • IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value.
Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

Financial Statements
For the Year Ended 31 December 2022

Number	Effective date	Executive summary
Amendment to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

International Financial Reporting Standards, interpretations and amendments issued but not effective		
Number	**Effective date**	**Executive summary**
IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023 Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17. (Published May 2017)	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

Financial Statements

For the Year Ended 31 December 2022

International Financial Reporting Standards, interpretations and amendments issued but not effective		
Number	**Effective date**	**Executive summary**
IFRS 17, Insurance contracts Amendments	Annual periods beginning on or after 1 January 2023 (Published June 2020)	In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway. Further detailed information is available at the following link: In Brief June 2020.
Amendment to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2023 (Published Jan 2020)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment. Further detailed information is available at the following link: In Brief 2020-3
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (Published May 2021)	The amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (Published February 2021)	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

39 Merger between BPR Bank Rwanda Plc and KCB Ban Rwanda Plc.

KCB Group Plc merged its two subsidiaries in Rwanda on 1st April 2022 to form BPR bank where it holds 87.56%

KCB Group Plc has also made a global offer to all the remaining Shareholders of BPR to acquire additional shares in the bank.

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Other regulatory disclosures		31/12/2022 Amount (Frw'000')
I. Capital Strength		
a) Core capital (Tier 1)		105,064,321
b) Supplementary capital (Tier 2)		275,327
c) Total capital		105,339,648
d) Total risk weighted assets		543,158,515
e) Core capital/ Total risk weighted assets ratio (Tier 1 ratio)		19.34%
f) Tier 2 ratio		0.05%
g) Total capital/total risk weighted assets ratio		19.39%
h) Leverage Ratio		12.00%
II. Credit risk		
1. Total gross credit risk exposure: after accounting offsets and without taking into account credit risk mitigation		340,217,779
2. Average gross credit exposure, broken down by major types of credit exposure:		
a) Loans, commitments and other non-derivatives off-balance sheet exposure		214,783,414
b) Debt securities		144,495,970
c) OCT derivatives		-
3. Regional or geographic distribution of exposures, broken down in significant areas by major types of credit exposure;		
	Debt Securities	**Loans & Commitments**
a) Kigali	144,495,970	367,392,115
b) Northern Region	-	21,286,587
c) Southern Region	-	28,982,269
d) Eastern Region	-	27,604,932
e) Western Region	-	29,453,502
4. Sector distribution of exposures, broken down by major types of credit exposure and aggregated :		
	Debt Securities	**Loans & Commitments**
a) Government	144,495,970	14,011,078
b) Financial	-	-
c) Manufacturing	-	78,501,072
d) Infrastructure and construction	-	66,577,749
e) Services and Commerce	-	150,003,211
F) Others	-	179,637,374
5. Off-balance sheet items		66,056,188
6. Non-performing loans indicators		
a) Non-performing loans (NPL)		18,875,099
b) NPL ratio		3.98%
7. Related parties		

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	a) Loans to Directors, shareholders and subsidiaries	6,233,161
	b) Loan to employees	12,433,262
	8. Restructured loans as at 31 December 2022	
	a. No. of borrowers	1,338
	b. Amount outstanding (Frw '000)	70,931,120
	c. Provision thereon (Frw '000) (regulatory):	1,968,505
	d. Restructured loans as % of gross loans	14.94%
III. Liquidity Risk		
	a) Liquidity Coverage Ratio	284%
	b) Net Stable Funding Ratio	120%
IV. Operational risk		
Number	**Type**	**Frw '000'**
7	a) Fraud cases	28,637
2	b) Forged documents	43,500
0	c) Account Manipulation	0
1	d) Error	201,932
V. Market risk		
	a) Interest rate risk	1,482,146
	b) Equity position risk	-
	c) Foreign exchange risk	2,191,246
VI. Country Risk		
	a) Credit exposure abroad	-
	b) Other asset held abroad	9,866,585
	c) Liabilities to abroad	4,735,372
VII. Management and board composition		
	a) Number of Board members	7
	b) Number of independent Directors	5
	c) Number of non-independent Directors	4
	d) Number of female Directors	2
	e) Number of male Directors	6
	f) Number of senior managers	15
	g) Number of females senior managers	5
	h) Number of males senior managers	10

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