KCB BANK

2021 INTEGRATED REPORT & FINANCIAL STATEMENTS

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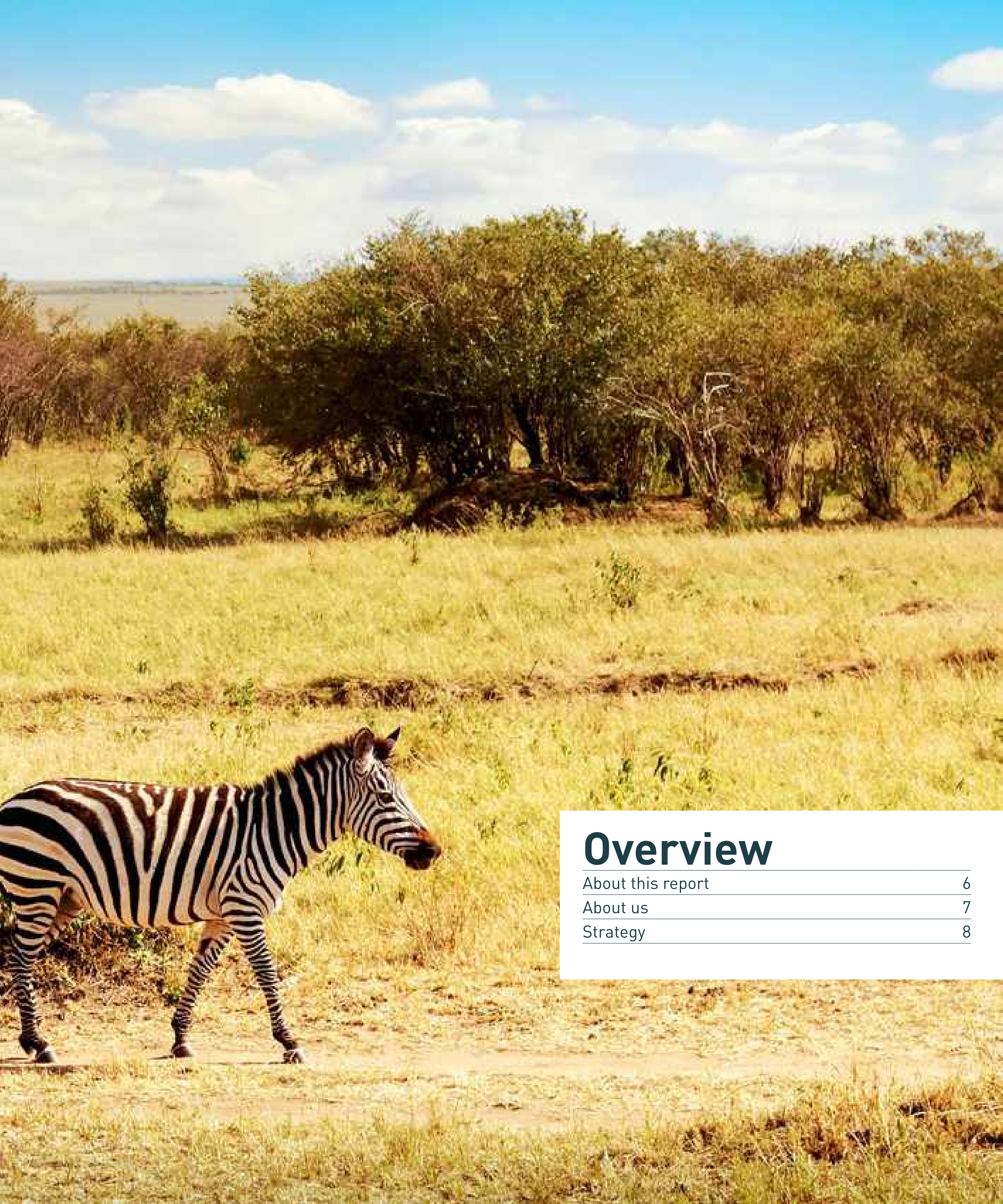


Overview

Overview

About this Report

Scope and Purpose

The KCB Bank Rwanda Plc Integrated Report and Financial Statement 2021 is our statutory and regulatory reporting disclosure. It comprises information about activities, strategy, financial, and nonfinancial results for the period of January 1, 2021 to December 31, 2021. 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.

KCB 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 KCB Bank Rwanda were audited by PricewaterhouseCoopers.

Overview

About Us

KCB 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 13 branches, a Corporate and Advantage Centre for the affluent customer, 26 ATMs and 480 banking agents, spread across the width and breadth of the country in order 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.

The Bank is 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 (KCB Iwacu) which has brought convenient banking services directly to our customers. They are now able to do their banking for even longer hours and comfortably in outlets. The Bank provides high-end digital banking services that cater to mobile transfers, payments and credit. Additionally, we offer money transfer services such as Western Union, Money gram, WorldRemit and RIA.

13
Branches
26 ATMS
590 Agents & POS Merchants

100K
Customers

236
Staff

RWF. 42.3B
Total equity attributable to equity holders of KCB Rwanda

Overview

Strategy

Our Purpose
Simplifying your world to enable your progress

Our Vision
To be the preferred financial solutions provider in Africa with global reach.

20
20

Our Mission
To drive efficiency whilst growing market share in order to be the preferred financial solutions provider in Africa with global reach.

Strategy Pillars

- Customer first, with leading value propositions
- Step change in efficiency and productivity
- Digital leader and digital to the sore
- Scale to achieve regional relevance

What Drives Us

Financial
- PBT
- Efficiency
- Shareholder Value

Customer Perspective
- Customer Experience
- Market Share
- Shared Value

Internal Business Process
- System Reliability
- Sustainability
- Control Environment

Learning and Growth
- Staff Productivity
- Staff Development
- Culture Change

2023

Our Values
• Inspiring • Simple • Friendly

Our Behavior
• I am a leader
• I find solutions
• I drive efficiency
• I simplify work
• I listen and care
• I am positive and committed

Our Promise
Go Ahead

How we achieve it

1
- Modern IT Architecture, Processes, Capabilities and Talent

2
- Enhance End-to End (E2E) Credit and Enterprise Risk Management.

3
- Rigorous Performance Management with Enabling Culture and Organisation Structure

Operating Environment

Operating Environment

Rwanda

Our Footprint-KCBR	
Branches	13
ATMs	26
Agents	590
Merchant outlets	157
Staff	236

Rwanda's Economy strongly rebounded in 2021 bolstered by sustained fiscal stimulus and an accelerated vaccination rollout. Real GDP in Rwanda increased by 10.9% in 2021 compared to a contraction of 3.4% in 2020. This reflects the low spread in public health catastrophe of COVID-19 compared to 2020.

In 2021, GDP at current market prices was estimated at Frw 10,944 billion, up from Frw 9,607 billion in 2020. Services sector contributed 48% of GDP, Agriculture sector 24% of GDP, and Industry sector 20% of GDP while 8% was attributed to adjustment for taxes less subsidies on products.

Agriculture sector increased by 6% and contributed 1.6 percentage points to the overall GDP growth. Activities in the Industry sector increased by 13% and contributed 2.4 percentage points to the GDP growth. Service sector increased by 12% and contributed 5.6 percentage points to the GDP growth.

In 2021, private final consumption expenditure was 72% of the GDP while government final consumption expenditure was 17%. Gross capital formation was estimated at 26% of GDP. The central bank expects the economy to continue recovering in 2022 with a projected growth of 7.2% driven by the government's supportive macroeconomic policies including the manufacture and build to recover programme, vaccine rollout, and continued resumption of economic activities.

Inflation is projected to move towards the benchmark level and be within the upper bound of the central bank's tolerance level in 2022, driven by the pickup in domestic activity, global demand, and rising commodity prices. In 2021, urban headline inflation decelerated to 0.8% from 7.7% recorded in 2020. The deceleration was mostly reflected in domestic components like food and transport. Food prices dropped reflecting the good performance of agriculture, while transport inflation reduced due to the base effect from the pandemic-related transport hike in 2020. Headline inflation is projected at 7.5% in 2022 mainly due to the increase in imported costs and international commodity prices.

The Rwandan Franc (FRW) depreciated by 3.8% against the US dollar in 2021, an improvement compared to a depreciation of 5.4% in 2020. The slowdown despite of the strengthening of the US dollar witnessed in 2021 was due to reduced pressure on the local currency during the year attributed to stable demand for foreign currencies and increased export earnings. Rwanda's exports continued to recover in 2021 from the COVID-19 induced slump growing by 53.4%. This growth was mainly driven by rising commodity prices across the globe and reduced supply chain disruptions to global trade in 2021. Total imports grew by 16.5% driven by strong recovery of domestic demand coupled with rising global prices.

Our performance KCBR	2021 Rwf Million	2020 Rwf Million
Net operating Income	24,743	18,369
Operating expense	(14,912)	(12,637)
PAT	6,777	4,047
Total assets	251,241	232,693

Who Governs Us

Board of Directors - KCB Bank Rwanda Plc

John Bosco Birungi

Chairman

Antonia Mutoro

Director

Timothy Kariuki Mwai

Director

Dr. Alexis Nsengumuremyi

Director

Joachim Steuerwald

Director

George Odhiambo

Managing Director

Manzi Brice

Company Secretary

Who Governs Us

Board of Directors' Profiles

John Bosco Birungi

Chairman

PROFILE

John joined the board in 2018. He holds an MBA in Finance from Brandeis University in Boston, Massachusetts and a BSc in Quantitative Economics from Makerere University, Uganda.

John is currently the Director of UAP Insurance Rwanda, Elon Construction and JIBU Corporate. He previously served as CEO of Crystal Venture Ltd and on the Boards of MTN Rwanda, Rwanda Investment Group and CIMERWA. He worked in investment banking with Bank of America's Global Industries Group in New York, in commercial banking and market research with Fleet Boston Bank and AC Nielsen respectively And as an Analyst with Trudeau & Trudeau Associates in Boston.

John is the founder of the Vision Sports Academy in Rwanda and the President of the Rwanda Table Tennis Federation.

Antonia Mutoro

Director

PROFILE

Antonia joined the Board in 2017. She has over 15 years of experience serving in Governance and leadership positions in Government, Academia, Civil Society and Public Policy think-tank, focusing mainly in the areas of skills development and employment, economic inclusion, social protection, gender and financial inclusion.

She served as the first Executive Director of the Institute of Policy Analysis and Research (IPAR) in Rwanda and as Director General of National Capacity Development and Employment Services Board (CESB). Antonia previously served as Chairperson of Rwanda Governance Boards (RGB), Board member of Public Sector Capacity Building secretariat (PSCBS) and Vice Chair Umutara Polytec University.

She holds a Master of Education from Leeds University in UK, a Diploma in Education from Kyambogo, a certificate in MSM Executive Program in Management of Change for Organization Transformation from Maastricht School of Management.

She is currently the National Coordinator of Forum for African Women Educationalists (FAWE Rwanda Chapter)

Timothy Kariuki Mwai

Director

PROFILE

Timothy joined the board in 2018. He holds a Bachelor's degree in Agricultural Economics and a master of Science degree in Agricultural

Economics from the University of Idaho, USA.
He is a seasoned Human Resources professional with extensive experience at senior management and board levels who has shaped high performance culture in Multinational organizations and major growth brands, with robust development programs that have Produced double digit revenue growth.

Timothy's Specialties are: HR strategy and execution, organization review and development, talent engagement and development, Union negotiations, Q12, Gallup strength finder.

Joachim Steuerwald

Director

PROFILE

Joachim was appointed the chief technology office, KCB group plc effective on September 9th, 2021,

He has over 34 years of work experience spanning several global executive technology management roles in banking and financial services, technology, automotive and aeronautics sectors. these include head of infrastructure (airbus industries, Germany), team leader, software development (BMW Bank), group head of derivatives it (Deutsche bank group), chief architect and Chief Technology officer, global equities business services (deutsche bank group), global head of production management (Deutsche Bank Group corporate and investment bank, London, UK), Director of Enterprise Architecture (Oracle Corporation, London, UK and Nairobi, Kenya) and Technology Sales Director for Kenya and East Africa (Oracle Corporation).

Joachim holds bachelor of computer science and mathematics from the Technical University of Munich.

Who Governs Us

Board of Directors' Profiles

George Odhiambo

Managing Director

PROFILE

George joined the bank in September 2013. He previously served as Head, Business Analytics & Transformation at KCB Bank Kenya.

George's early career included Branch Management at Standard Chartered Bank Kenya, Area Manager at Barclays Bank Kenya, before becoming Head, Business Analytics, East & West Africa at Barclays Africa.

A graduate of the University of Nairobi in BSc Mathematical Statistics & MSc Pure Mathematics, Post Graduate Diploma graduate in Corporate Governance from KCA University, Kenya and a holder of Practitioner Diploma in Executive Coaching awarded by the Academy of Executive Coaching, UK. He has over 22 years' experience in Commercial Banking.

Dr. Alexis Nsengumuremyi

Director

PROFILE

Dr. Alexis joined the board in March 2021. He 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 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 Workforce Development Authority (WDA) and Rwanda Public Procurement Authority (RPPA).

Brice Manzi

Company secretary

PROFILE

Brice Manzi joined the bank in 2009 where he first served as Manager, Legal Services and Compliance. He has over 17 years' experience in legal services. Other roles held include Attorney and Investment Specialist lawyer at Rwanda Social Security Board and Legal Consultant at KPS Associates.

He holds a Bachelor of Laws Degree (LLB) from the University of Rwanda and a Post Graduate Diploma in Legal Practices (PG Dip. LP) from the Institute of Legal Practices and Development. He is a certified arbitrator from Chartered Institute of Arbitrators (Clarb).

Who Governs Us

Chairman's Statement

Dear Stakeholders,

As one of Rwanda's leading banks and also part of the largest diversified financial services group with a presence in 6 countries, we are committed to Africa and her people as evidenced in our push for regional relevance. Our purpose is to bring your possibility to life. We believe that even within the current context, possibilities can be unlocked for the individuals and businesses we serve but also the ambitions of the Country that we operate in.

Context

As the COVID-19 pandemic persisted for a second year, global economic recovery gained momentum, although the pace was uneven as developed economies recovered faster than developing ones. After contracting 3.3% in 2020, the global economy grew by 5.9% in 2021, supported by additional fiscal stimulus in developed economies, along with the vaccination rollout, allowing economies to open up further. Sub-Saharan Africa's economic growth was more robust than expected. Accommodative policies, a stronger global backdrop that supported higher commodity prices and multilateral support have been key drivers behind the more robust trajectory seen in many markets.

Who Governs Us

In 2021, Rwanda's GDP bounced back to an impressive 10.9% from the prior year recession of 3.4%. This reflected a sharp bounce back from an initial projection of 5.6 percent. Covid containment measures were greatly eased in 2021 and that was reflected in the numbers as highlighted above.

> **"Covid cases plummeted in early 2022 with the percentage of vaccinated Rwandans rising as high as 70%. Even as the country looks forward to continued growth in 2022, international crises such as the Russia-Ukraine War, Increased Fuel Prices, Growing global inflation and New COVID 19 variants remain a threat to Rwanda's economic recovery and we will remain vigilant to these threats to ensure we are proactive in our response and repositioning."**

The Banking Sector in Rwanda remained resilient in the face of COVID 19 challenges and recorded a growth of 17.4% in total assets during the year 2021 compared to 2020. The year also saw a 15% growth in gross Loans and Advances compared to the prior year and an even more impressive 16.6% growth in deposits.

Profitability in the Banking Sector continued to soar with a staggering 181 Billion Frws realized as profits before taxes in 2021 compared to 120 Billion in 2020 driven mainly by a 17.2% growth in interest income from loans and advances.

KCB Acquisition of BPR Part of Atlas Mara

In August 2021, KCB Group announced that it had completed the acquisition of Banque Populaire du Rwanda (BPR) from London-listed financial services firm Atlas Mara Limited. The plan was to eventually create one banking entity in Rwanda to be named BPR Bank Rwanda by merging KCB Bank Rwanda and BPR. As I write this letter, I am pleased and greatly honored to inform you that indeed that plan has been fully realized and BPR Bank Rwanda is now a reality after receiving all the necessary regulatory and other stakeholders approvals.

The new Bank is solidly second in the market with the financial and intellectual resources to meet its goals and ambitions while bringing value to its customers, shareholders and the general public. This acquisition gives a stronger edge in deepening the ongoing KCB Group strategy to scale regional presence.

Financial Performance

Total assets in 2021 grew at 8% compared to prior year reaching 251 Billion with growth in Loans and Advances growing by 12% compared to 2020. Customer Deposits grew by 7.8% to reach 152 Billion compared to prior year figure of 140 Billion.

Profitability soared to an incredible 72% before tax compared to the previous year and this was driven by strong income growth that saw total operating income grow from 20 Billion in 2020 to 25.3 Billion in 2021. The bank managed its costs prudently which saw a respectable 18% growth of total operating expenses in 2021 compared to 2020.

Conclusion

I am proud of the work we have done over the past year Bank 's resilience over this time. My thanks go to the KCB Group Board for the support it has continued to give to the Rwanda Business, The Government of Rwanda for its continued insights and initiatives that continue to keep the banking sector a vibrant and innovative ecosystem and by extension KCBR. I am honoured to have served with some of the best minds in the business – both on the boards and in the executive team. Finally, I extend my utmost appreciation to our employees across the Bank for their commitment and to our loyal clients across Rwanda. I am excited for the year 2022 and look forward to the great potential that will be unleashed by the new consolidated Rwanda Business, BPR Bank Rwanda.

God bless you all.

Strategy Review

Strategy Review

KCB BANK RWANDA Managing Director's Statement

Dear Stakeholders,

Greetings. It is my honor to share with you the exciting journey that was 2021 and my outlook for 2022 which I will articulate in this letter but also through out this report. The year 2021 has been a mixed bag of events but we have emerged through it stronger and even more positioned for the challenges and opportunities ahead of us in 2022 and beyond.

Context

It has now been two years living with the COVID-19 pandemic. The implications of which has resulted in countries worldwide imposing national lockdowns and shut down of economies. Life as we know it has greatly been upended and normalcy in most facets is yet to be seen. The measures taken to contain COVID 19 has resulted in economic hardship, job losses, increased inequality, and lower business and retail confidence. The emergence of vaccines globally has offered hope in our collective efforts to overcome the pandemic, more so in Rwanda where vaccinated Rwandans are approaching 70%. With lockdowns in China and other places currently ongoing, the threat to an emergence of cases still remains. The price for normalcy is Eternal vigilance.

Developed economies led the global economic rebound in 2021 after a recession in 2020, while the pace of growth and recovery in developing economies was slower. Although 2022 started on a positive note, the outlook remains uncertain partly due to the Russia/Ukraine conflict, ongoing supply chain constraints and the risk of another disruptive COVID-19 wave. While the full impact of the war in Eastern Europe is unclear, tightening sanctions on Russia have sent commodity prices soaring, which has potential implications for inflation, interest rates and global economic growth and by extension, Rwanda's Economic growth.

Strategy Review

"In 2021, Rwanda's GDP bounced back to an impressive 10.9% from the prior year recession of 3.4%. This reflected a sharp bounce back from an initial projection of 5.6 percent. Covid containment measures were greatly eased in 2021 and that was reflected in the numbers as highlighted above."

Inflation during the year eased compared to the previous year, largely on the back of stronger Agricultural performance that saw food prices level to pre covid 19 prices. The Rwandan Franc (FRW) depreciated by 3.8% against the US dollar in 2021, an improvement compared to a depreciation of 5.4% in 2020. The easing was despite of the strengthening of the US dollar witnessed in 2021 was due to reduced pressure on the local currency.

The Banking Sector in Rwanda remained resilient in the face of COVID 19 challenges and recorded a growth of 17.4% in total assets during the year 2021 compared to 2020. The year also saw a 15% growth in gross Loans and Advances compared to the prior year and an even more impressive 16.6% growth in deposits.

Profitability in the Banking Sector continued to soar with a staggering 181 Billion Frws realized as profits before taxes in 2021 compared to 120 Billion in 2020 driven mainly by a 17.2% growth in interest income from loans and advances.

KCB Acquisition of BPR Part of Atlas Mara

In August 2021, KCB Group announced that it had completed the acquisition of Banque Populaire du Rwanda (BPR) from London-listed financial services firm Atlas Mara Limited. The plan was to eventually create one banking entity in Rwanda to be named BPR Bank Rwanda by merging their existing Rwanda Business, KCB Bank Rwanda and the newly acquired BPR.

I am pleased beyond words and greatly honored to inform you that indeed the Rwanda Business is currently operating as one entity and has already noticed encouraging reactions from our clients and the market as a whole.

All indications point to this amalgamation roaring well ahead of Schedule and it is my hope that the remaining integrations will conclude seamlessly to ensure minimal disruptions to our clients.

While this journey remains ongoing, our commitment to our stakeholders remains unshaken and we will continuously report to you any developments as they come. We can not thank you enough for the steadfast support you have extended to us during this transition.

Strategy Review

KCB Rwanda remained dedicated and committed to the overall group strategy but localized to the Rwanda context. As such, key initiatives in the areas of Product Innovation and Technology, Sales excellence, Chanell enhancement while emphasizing on efficiency were realized in 2021. Our Numbers communicate this efforts and we will build on these in 2022.

The combined bank will, none the less, allow us to position our efforts in a more pronounced way for the benefit of our clients and shareholders.

People

Our People remained a critical part of our thrust towards transformation and efficiency. I would like to thank the leadership team, past and present, for their commitment to our goals and targets but also the entire 234 team members that have made this journey meaningful and value driven. We could not have achieved what we did without your dedication and steadfastness throughout 2021. You achieved all of this despite the COVID 19 lockdowns experienced in 2021 but also the disruptions common during a merger process.

Staff attrition rate in 2021 was marginally better than 2020 at 5.98% compared to 6% in 2020. We continued our learning and development journey with 50% more trainings than 2020 while continuing to leverage on our eLearning platforms. We expect that all of this will be even better in 2022.

Financial Performance

Total assets in 2021 grew at 8% compared to prior year reaching 251 Billion with growth in Loans and Advances growing by 12% compared to 2020. Customer Deposits grew by 7.8% to reach 152 Billion compared to prior year figure of 140 Billion. The Bank's Non Performing Loan book reduced to 1.76% in 2021 compared to the prior year figure of 5%.

Profitability soared to an incredible 72% before tax compared to the previous year and this was driven by strong income growth that saw total operating income grow from 20 Billion in 2020 to 25.3 Billion in 2021. The bank managed its costs prudently which saw a respectable 18% growth of total operating expenses in 2021 compared to 2020. Total non-funded income grew by 26.5% attributable to utilization of digital channels and increase in transaction levels in Treasury and Retail Banking.

I am also pleased to inform you that our full year digital transactions soared to 77.3% while 22.7% were branch transactions. This is inline with our strategy of digital first and digital to the core.

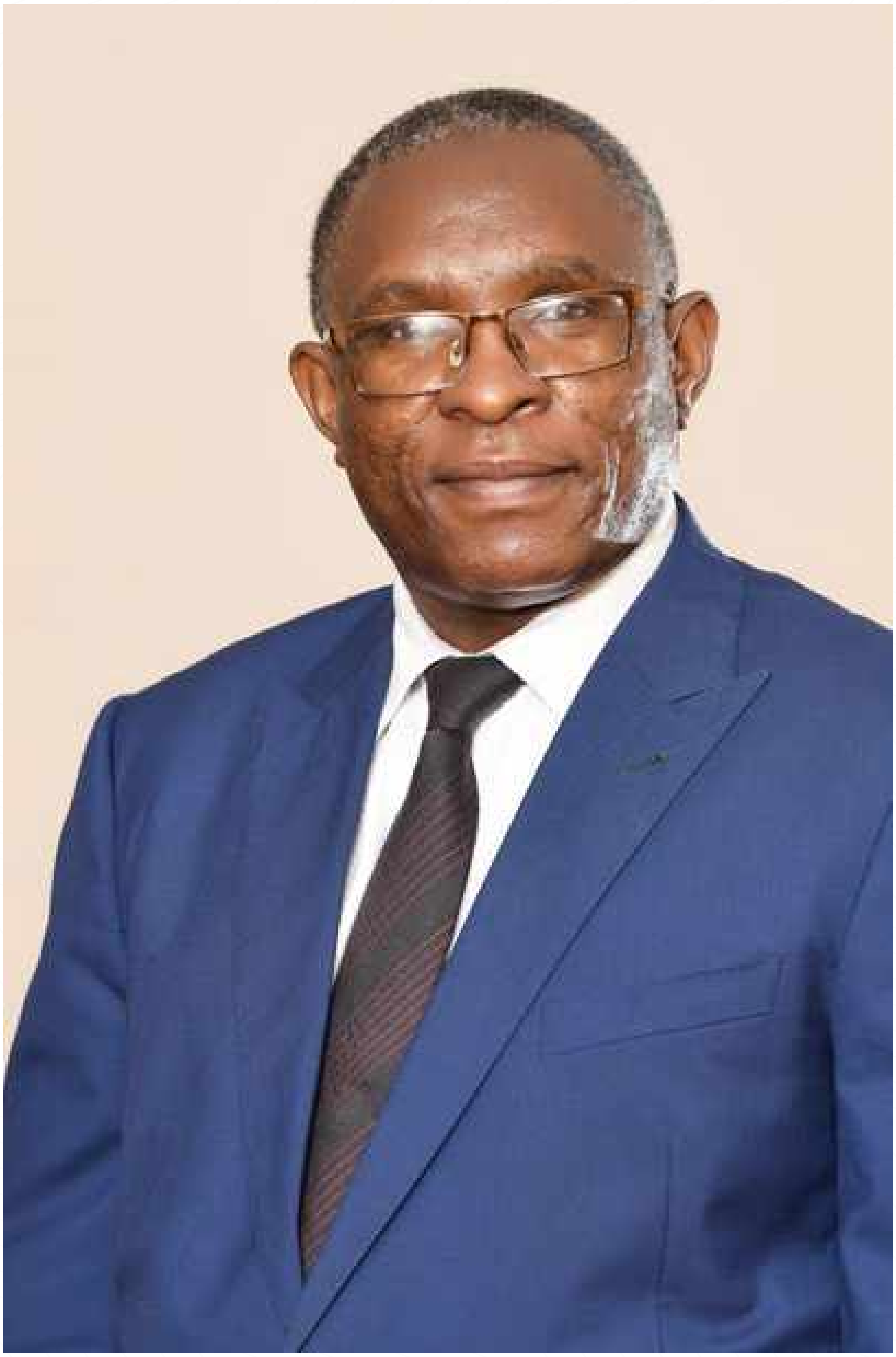
Outlook

Our 2022 Outlook remains encouraging as we believe the bank will continue to benefit from Rwanda's economic upswing with key events like the Commonwealth Heads of States and Governments Meeting slated for June 2022 but also internal milestones that will be realized as the BPR and KCBR merger continues. The harmonized and synchronized operations and products of both banks will likely transform the banking sector in Rwanda and can only lead to value creation for our customers and other stakeholders.

I Thank you for the support and encouragement that you have extended to us in 2021 and hope you will join us in the exciting journey ahead.

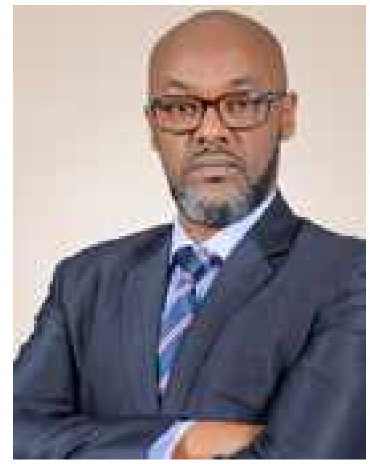
Our Leaders

Executive Committee



George Odhiambo

Managing Director



Brice Manzi

Head of Legal Services

Restuta Ndamage

A.G Head of Operations & Logistics

Bernard Muasya

Head of Finance

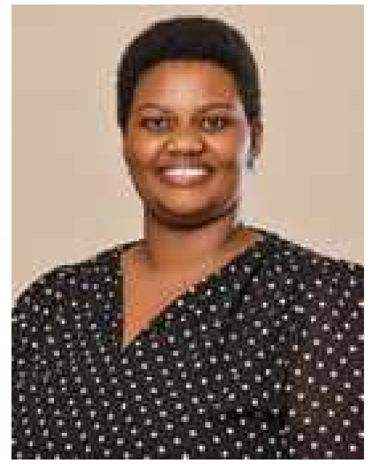
Our Leaders

Albert Akimanzi

Head of Marketing, Corporate affairs & Citizenship

Innocent Africa

Head of Risk



Eliane Uwizeyimana

Head of Treasury

Steven Ndahiro

Head of Compliance

Emmanuella Nzahabonimana

Head of IT & Cyber Security

Joel Mbyayingabo

Head of Audit

Eric Shema Rwishema

Ag. Head of Credit

Innocent Ntwali

Head of Retail

Johnny Matabishi

Head of Corporate Banking

Our Social Investment

KCB Foundation

KCB Bank Rwanda, it is our firm belief that the bank can only prosper if the communities that have given us the social license to operate, thrive. This is what forms the baseline of our socialand relationship capital. The Bank affirmed this belief when it adopted araft of measures to provide support to our customers and communities at the onset of the COVID-19 pandemic.

These measures included fee waivers and loan restructuring to provide the much-needed relief to our customers as well as donations to support various COVID-19 response programs across the communities we operate in.

KCB Foundation continues to champion for sustainable development, reduction of poverty, and enhancement of the wellbeing of the communities in Rwanda. This is achieved through the shared value philosophy that champions for businesses to solve societal challenges, which anchors the foundation programmes. One of the programmes we drive focuses on enterprise development; KCB IGIRE – a targeted skills and enterprise training for the youth for self-reliance.

KCB IGIRE

In an effort to equip the Rwandan youth for self-employment, KCB Bank Rwanda in partnership with the National Youth Council have opened a door of opportunity for the youth to acquire vocational skills through a Scholarship programme dubbed IGIRE.

The programme covers the following sectors:

1. Construction

2. Agriculture

3. Information & Communication Technology

4. Auto Mobile Services

5. Culinary Arts

6.Food Processing

Why Igire?

Youth comprise 28.1 percent of Rwanda's estimated 12 million people. The government targets to create 200,000 off-farm jobs per year, mainly for youth and women in the next couple of years. With Rwanda's youth numbering 2.3 million, increasing livelihood opportunities for the next generation is crucial for the country's economic development.

KCB Bank Rwanda under KCB Foundation is one of the private entities in the country that have crafted initiatives that feed into national employment programs and targets.

KCB Foundation, the social investments arm of KCB Bank Group, acknowledges its role in job creation and putting efforts in supporting the youth by advocating and strengthening the linkages between the informal and private sectors.

It's in accordance with this that KCB Foundation launched a scholarship program in Rwanda dubbed ' Igire' in partnership with National Youth Council (NYC) which has now sponsored 450 students to study vocational skills in the fields of Culinary Arts, Carpentry, Film Making, Welding, auto mobile Mechanics, and ICT at different Colleges under Rwanda Polytechnic. Under the program, competitions are organized at the end of the six months of accelerated training where ten participants with most articulate bankable business proposals are given startup funds by the Foundation.

The Igire Program is one of the KCB group and KCB sustainable projects that we believe will have a ripple effect on the development of the Rwandan community in the years to come.

KCB Igire In Rwanda

• 450 Beneficiaries,

• Rwf 200M investment

• Rwf 30M seed capital

• 200 Business Plans

KCB FOUNDATION IN 2022.

Empowering 200 youth to be trained in Culinary arts , Food Processing, Welding, Agri mechanization and ICT in different IPRCs around Rwanda.

450

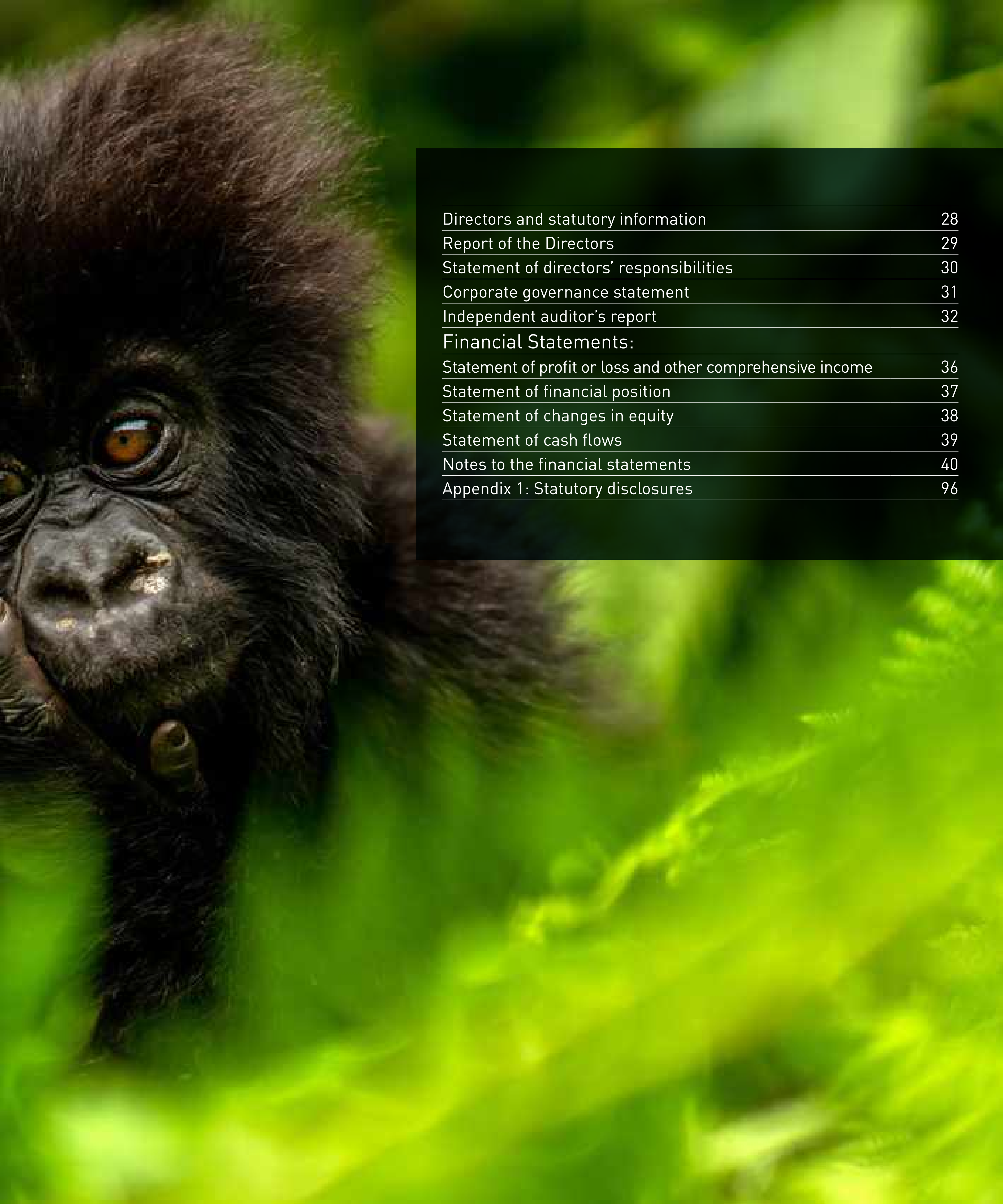
Sponsored students to study vocational skills in the fields

Rwf. 200M investment

Rwf. 30M Seed Capital

200 Business plans

Our Social Investment
KCB Foundation



KCB Bank Rwanda PLC

Directors and statutory information

For the Year Ended 31 December 2021

NAME	POSITION	DATE APPOINTED	DATE RETIRED
Mr. John Bosco Birungi*	Chairman	18-Jan-18	
Mr. George Odhiambo**	Managing Director	7-Nov-17	
Dr. Mr. Alexis Nsengumuremyi*	Member	23-Oct-20	
Mr. Joachim Steuerwald***	Member	21-Jan-20	
Mrs. Antonia Mutoro*	Member	12-Nov-17	
Mr. Timothy Kariuki Mwai**	Member	18-Jun-18	
Ms. Molly Rwigamba*	Member	17-Apr-13	17-Apr-21
Mr. Tom D.O. Ipomai**	Member	5-Jun-14	8-Jul-21

* Rwandan **Kenyan ***German

REGISTERED OFFICE KCB Bank Rwanda Plc

Avenue de la Paix
P. O. Box 5620
Plot No.1229 & 6404
Kigali, Rwanda

Brice Manzi SECRETARY

P. O. Box 5620

Kigali, Rwanda

AUDITOR Price water house Coopers Rwanda Limited
5th Floor, Blue Star House,
35 KG 7 Ave, Kacyiru

Kigali, Rwanda

ADVOCATES A full list of advocates is available at the Head Office

KCB Bank Rwanda PLC

Report of the Directors

For the Year Ended 31 December 2021

The Directors have the pleasure of submitting their report together with the audited financial statements for the year ended 31 December 2021 which disclose the state of affairs of the KCB Bank Rwanda Plc (the Bank). The Bank was incorporated on 19 June 2008 and was issued with a Banking license to operate in Rwanda by the National Bank of Rwanda on 9 September 2008. Operations commenced on 5 December 2008.

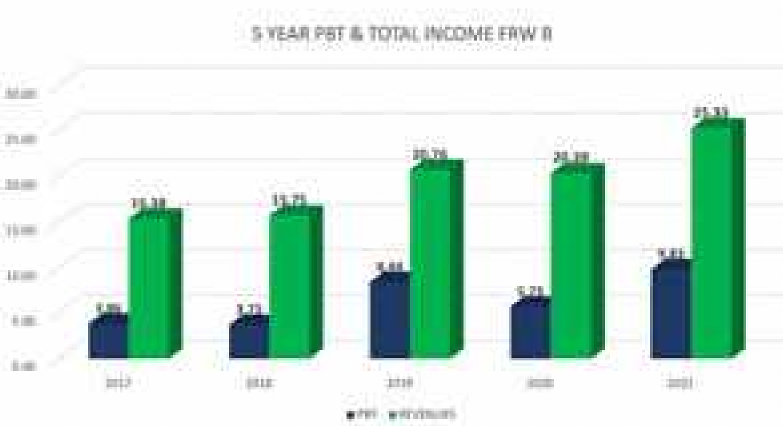
PRINCIPAL ACTIVITIES
The principal activity of KCB Bank Rwanda Plc is provision of banking services and other related services.

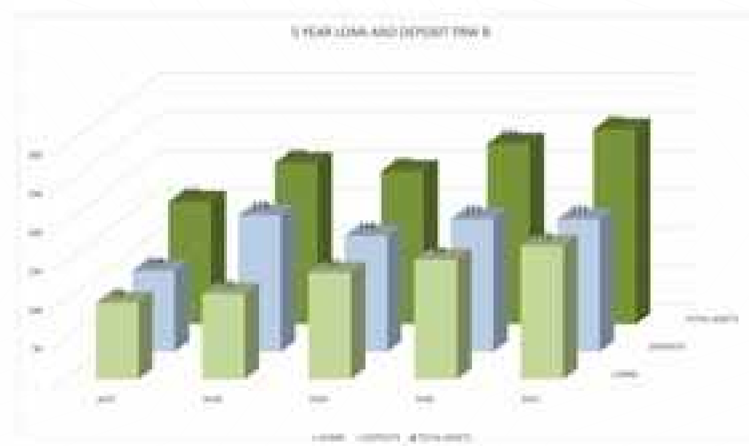
RESULTS FOR THE YEAR
The results for the year are set out on page 36.

DIRECTORS
The Directors who served during the year are set out on page 28. All the Directors are non-executive other than the Managing Director.

DIVIDENDS
Directors do not recommend payment of dividend (2020: Nil).

BUSINESS REVIEW AND FINANCIAL PERFORMANCE





The business has registered improved performance in the last five years with total assets growing by Frw 93B from Frw 158B to FRW 251B. Boosted by growth in customer deposits of Frw 67B from Frw 104B to Frw 171B which led to growth in loans to customers of Frw 73B from Frw 99B to Frw 172B Total income increased by Frw 10B from Frw 15.38B to Frw 25.33B in five years a 64% growth which led to growth in profits from Frw 3.86B to 9.83B 154% in profit before tax

AUDITOR
The auditor, PricewaterhouseCoopers Rwanda Limited, was appointed in 2021 in accordance with Law No. 47/2017 of 23/09/2017 Governing the Organisation of Banking and Regulation N°14/2017 of 23/11/2017 on accreditation requirements and other conditions for external auditors for financial institutions and have expressed willingness to continue in office.

BY ORDER OF THE BOARD

Brice Manzi

Secretary

18 February 2022

KCB Bank Rwanda PLC

Statement of Directors' Responsibilities

For the Year Ended 31 December 2021

The Directors are responsible for the preparation of financial statements that give a true and fair view of KCB Bank Rwanda Plc which comprise the statement of financial position as at 31 December 2021 and the statements of profit or loss and other 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 as set out on pages 40 to 100 in accordance with International Financial Reporting Standards, in the manner required by Law No. 007/2021 of 05/02/2021 Governing Companies.

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

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing as applicable, the matters related to going concern and using the going concern basis of accounting unless the directors intend to liquidate the Bank or to cease operations or have no realistic alternative but to do so. The directors are responsible for overseeing the Bank's financial reporting process.

The directors have not prepared the financial statements on a going concern basis as disclosed in Note 2 (a) of the financial statements.

The independent auditor is responsible for expressing an opinion on whether the financial statements give a true and fair view of the Bank's financial position and performance as at the year and for the year ended 31 December 2021.

Approval of financial statements

The financial statements of KCB Bank Rwanda Plc, as identified in the first paragraph, were approved and authorized for issue by the board of directors on 18 February 2022 and were signed by:

Managing Director

Chairman of the Board

KCB Bank Rwanda PLC

Corporate Governance Statement

For the Year Ended 31 December 2021

KCB Bank Rwanda Plc is committed to world class corporate governance standards as set from time to time by the National Bank of Rwanda, Capital Market Authority and by itself in accordance with international best practice. The Directors are responsible for the long term strategic direction and 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.

During the year, the Board comprised eight Directors out of whom seven are non-executive Directors, including the Chairman. The Board has created committees which meet regularly under well-defined and delegated terms of reference set by the Board. The committees are; Risk Management Committee, Audit Committee, Human Resources Committee, Credit Committee, and IT and Strategy Committee.

The following table shows the record of membership and attendance to the Board and Committee meetings during the year ended 31 December 2021.

	Main Board	Audit Committee	Risk & Compliance Committee	Credit Committee	Nomination & Compensation Committee	IT & Strategy Committee
No of meetings held	6	6	4	7	5	5/5
Mr. John Bosco Birungi	6/6			4/4		1/1
Mr. George Odhiambo	6/6	6/6	4/4	7/7	5/5	5/5
Ms Antonia Mutoro	6/6	1/1	4/4		5/5	1/1
Mr. Tom D.O Ipomai	3/3	4/4		4/4	1/1	
Ms Molly Rwigamba	2/2			3/3	3/3	
Mr. Timothy Mwai	6/6	2/2	4/4		5/5	1/1
Mr. Joachim Steuerwald	5/6	6/6	4/4			5/5
Dr. Alexis Nsengumuremyi	6/6			7/7		1/1

The following management committees are in place to ensure that the Bank carries out its obligation efficiently and effectively;

- Management Committee
- Assets and Liabilities Committee
- Credit committee
- Risk Management and Compliance Committee
- Procurement Committee
- Disciplinary Committee

Independent auditor's report to the shareholder of KCB Bank Rwanda Plc

Report on the audit of the financial statements

Opinion

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

What we have audited

The Bank's financial statements on pages 36 to 95 comprise:

- the statement of financial position as at 31 December 2021;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with 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.

Emphasis of matter – basis of preparation of the financial statements

We draw attention to Note 2 (a) of the financial statements, which describes the basis of preparation of the financial statements. The financial statements have not been prepared on a going concern basis because the Bank has been granted conditional approval by the National Bank of Rwanda to merge its assets and liabilities with Banque Populaire du Rwanda Plc, a sister company in Rwanda. Our opinion is not modified in respect of this matter.

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Tel: +250 (252) 588203/4/5/6, www.pwc.com/rw
Directors: M Karanja M Nyabanda B Kimacia P Ngahu

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Independent auditor's report to the shareholder of KCB Bank Rwanda Plc (continued)

The key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter 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 this matter.

Expected credit losses on loans and advances at amortized cost	How the key audit matter was addressed in the audit
Loans and advances to customers comprise a significant portion of the Bank's total assets. The estimation of expected credit losses (ECL) on loans and advances requires management 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. In addition, the economic impact of the COVID-19 pandemic has heightened the general risk of credit default and significant increase in credit risk, increasing the uncertainty around the management judgements and estimation process. The policies for estimating ECL are explained in note 4.1 of the financial statements. The key areas where significant judgement has been exercised and therefore, an increased level of audit focus applied, include: • Staging of facilities in line with IFRS 9. In particular, the identification of Significant Increase in Credit Risk ("SICR") and Default requires consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether 12-month or lifetime probabilities of default ("PDs") are used. • The assumptions applied in deriving the PDs, loss given defaults ("LGDs") and exposures at default ("EADs") for the various segments of loans and advances, including any adjustments in relation to COVID-19 overlays; • The appropriateness of forward-looking information used in the model; and • The relevance of forward-looking information used in the models. Due to the significant impact of management judgments applied in calculating the ECL, we designated this as a key audit matter in our audit.	Our audit procedures focused on the significant areas of judgement and estimations that could result in material misstatements in the financial statements. These procedures included: • Evaluating the appropriateness of the Bank's IFRS 9 impairment methodology, against the requirements of IFRS9; • We tested the staging of facilities by checking how the Bank extracts 'days past due (DPD)' applied in classifying the loan book into the three stages required by IFRS 9. For a sample of loans, we recalculated the DPD applied in the model and compared these to the DPD as per the Bank's IT system and the respective customer files; • Obtained an understanding of the basis used to determine the PDs, LGDs and EADs, and the COVID-19 impact overlays; • We obtained an understanding of the basis used to determine the probabilities of default. We tested the completeness and accuracy of the historical data used in derivation of PDs and LGDs, and re-calculated the same on a sample basis; • For LGD, for a sample of loans and advances, we tested the assumptions on the timing of the cash flows based on empirical evidence. In addition, for secured facilities, we agreed the collateral values used in the ECL model to external valuer reports; • We tested, on a sample basis, the reasonableness of EAD for both on and off balance sheet exposures

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Independent auditor's report to the shareholder of KCB Bank Rwanda Plc (continued)

Other information

Directors are responsible for the other information. The other information comprises Directors and statutory information, Report of the directors, 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 integrated 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 express any form of assurance conclusion thereon.

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

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

Other matter

The financial statements of the Bank for the year ended 31 December 2020 were audited by another firm of auditors whose report, dated 27 April 2021, expressed an unmodified opinion on those statements.

In preparing the financial statements, the directors are responsible for assessing the Group'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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Responsibilities of the directors with governance 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 Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. Refer to Note 2(a) to the financial statements, which refers to the intention of the directors of the Company to merge its assets and liabilities with Banque Populaire du Rwanda Plc, a sister company in Rwanda, subsequent to the statement of financial position date, subject to approval from the National Bank of Rwanda.

Directors are also responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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 Bank's internal control.

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

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Independent auditor's report to the shareholder of KCB Bank Rwanda Plc (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial

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

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

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

Report on other legal and regulatory requirements

Law 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:

- We have no relationship, interest or debt with the Bank. 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;
- 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;
- In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books; and
- We have communicated to the Bank'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.
- 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 Bank, 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
Director
31 March 2022

Financial Statements

For the Year Ended 31 December 2021

Statement of profit or loss and other comprehensive Income

	Note	2021 Frw '000	2020 Frw '000
Interest income	10	28,001,466	24,059,025
Interest expense	11	(9,457,929)	(8,760,442)
Net interest income		**18,543,537**	**15,298,583**
Fees and commission income	12	4,168,118	3,429,663
Fees and commission expense	13	(637,089)	(506,829)
Foreign exchange income	**14**	**2,505,722**	**1,399,611**
Total operating income		**25,332,039**	**20,020,710**
Impairment charges on financial assets	16	(588,647)	(1,651,491)
Net operating income		**24,743,392**	**18,369,219**
Employee benefits expense	17	(6,125,642)	(5,204,560)
Depreciation and amortisation	18	(2,938,320)	(2,129,991)
Other operating expenses	19	(5,847,722)	(5,301,979)
Total operating expenses		**(14,911,684)**	**(12,636,530)**
Profit before income tax		9,831,708	5,732,689
Income tax expense	20	(3,054,566)	(1,685,315)
Profit for the year		**6,777,142**	**4,047,374**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**6,777,142**	**4,047,374**
Profit for the year			
Earnings per share			
Earnings per share			
Diluted and basic	21	10.76	6.43

Financial Statements

For the Year Ended 31 December 2021

Statement of Financial Position

	Note	2021 Frw '000	2020 Frw '000
ASSETS			
Cash and balances with National Bank of Rwanda	22	21,440,768	20,360,827
Balances due from other banks	23	25,434,869	23,500,016
Government securities at amortised cost	24	25,771,664	26,446,593
Due from related parties	26	281,426	972,307
Other assets	27	1,708,621	2,452,101
Loans and advances to customers	25	168,652,503	150,426,864
Property and equipment	28	1,628,856	1,935,383
Intangible assets	29	1,536,237	1,451,107
Right of use assets	30	3,113,374	4,402,693
Deferred income tax	34	1,672,841	745,556
TOTAL ASSETS		**251,241,159**	**232,693,447**
LIABILITIES AND EQUITY			
Liabilities			
Balances due to other banks	32	25,034,320	40,259,523
Customer deposits	33	151,900,251	140,878,850
Current income tax	35	2,124,782	246,013
Balances due to related parties	26	1,708,974	2,981,538
Other liabilities	36	3,930,141	1,605,783
Lease liabilities	31	3,201,383	3,666,478
Long term debt	34	20,981,521	7,472,617
Total liabilities		**208,881,372**	**197,110,802**
CAPITAL AND RESERVES			
Share capital	38	20,148,149	20,148,149
Share premium	39 (a)	1,076,185	1,076,185
Retained earnings	39 (b)	20,598,545	13,821,403
Statutory credit risk reserve	39 (c)	536,908	536,908
Total equity		**42,359,787**	**35,582,645**
TOTAL LIABILITIES AND EQUITY		**251,241,159**	**232,693,447**

The notes set out on pages 40 to 100 form an integral part of these financial statements.

Financial Statements

For the Year Ended 31 December 2021

Consolidated Statement of Changes in Equity

		Attributable to owners of KCB Bank Rwanda PLC				
	NOTE	**Share capital**	**Share premium**	**Statutory credit risk reserve**	**Retained earnings**	**Total**
At 1 January 2021		20,148,149	1,076,185	536,908	13,821,403	35,582,645
Comprehensive income for the year:		-	-	-	-	-
Profit for the year		-	-	-	6,777,142	6,777,142
Other comprehensive income (net of taxes)						
- Transfer to statutory credit risk reserve		-	-	-	-	-
Total comprehensive income for the year:		**-**	**-**	**-**	**6,777,142**	**6,777,142**
At 31 December 2021		**20,148,149**	**1,076,185**	**536,908**	**20,598,545**	**42,359,787**
Balance at 1 January 2020		**16,329,895**	**1,076,185**	**237,283**	**10,073,654**	**27,717,017**
Comprehensive income for the year:		-	-	-	-	-
Profit for the year		-	-	-	4,047,374	4,047,374
Other comprehensive income (net of taxes)		-	-	-	-	-
- Transfer to statutory credit risk Reserve		-	-	299,625	(299,625)	-
Total comprehensive income for the year:		**-**	**-**	**-**	**6,777,142**	**6,777,142**
Transactions with owners in their capacity as owners Issue of shares	38	3,818,254	-	-	-	3,818,254
At 31 December 2020		**20,148,149**	**1,076,185**	**536,908**	**13,821,403**	**35,582,645**

The notes set out on pages 40 to 100 form an integral part of these financial statements.

Financial Statements

At 31 December 2021

Statement of cash flows

	Note	2021 Frw '000	2020 Frw '000
Cash flows from operating activities			
Cash flows generated from/(used in) from operations	40	5,340,513	6,723,453
Income tax paid	35	(2,118,398)	(2,432,784)
Net cash flows generated from/(used in) from operating activities		**3,222,115**	**4,290,669**
Cash flows from investing activities			
Purchase of government securities		(101,430,871)	(11,500,000)
Maturity of government securities		102,514,430	1,417,236
Purchase of property and equipment	28	(309,797)	(514,853)
Purchase of intangible assets	29	(578,142)	(99,679)
Net cash flows from/(used in) investing activities		**(7,521)**	**4,456**
Cash flows from financing activities		195,620	(10,697,296)
Long term debt paid in the year	34	(1,417,163)	(1,417,163)
Principal elements of lease payments	31	(1,289,319)	(1,547,784)
Proceeds on issuance of share capital	38	-	3,818,254
Proceeds from long term debt	34	15,184,282	2,690,000
Net cash flows used in financing activities		**12,477,800**	**3,516,307**
Net increase /(decrease)in cash and cash equivalents		**15,895,535**	**2,890,320**
Cash and cash equivalents at 1 January	40	8,271,915	12,135,235
Cash and cash equivalents at 31 December	**40**	**24,167,835**	**9,244,915**

Financial Statements

For the Year Ended 31 December 2021

Notes

1. Reporting Entity

KCB Bank Rwanda Plc (the 'Bank') is a Commercial Bank licensed under Law No. 08/99 Governing Banks and Other Financial Institutions: The Bank is incorporated in Rwanda and is 100% a subsidiary of KCB Bank Rwanda PLC, a company incorporated in Kenya and listed at the Nairobi Securities Exchange (NSE), Uganda Securities Exchange, Dar-es-Salaam Stock Exchange and Rwanda Stock Exchange. The address of the Bank's registered office is as follows:

KCB Bank Rwanda PLC
Avenue de la paix
Plot No. 1229 & 6404
P.O Box 5620
Kigali, Rwanda

2. Summary of Significant Accounting Policies

(a) Basis of preparation

The financial statements have not been prepared on a going concern basis because the Bank has been granted conditional approval by the National Bank of Rwanda to merge its assets and liabilities with Banque Populaire du Rwanda Plc, a sister company in Rwanda. Therefore, no revenue generating activities are expected to take place from 1 April 2022.

The above matters cast significant doubt on the ability of the Bank to continue as a going concern for the foreseeable future. As a result, the financial statements have been prepared using the liquidation basis. In applying the liquidation basis at the year end, the following key principles were followed in the measurements of assets and liabilities. Other principles are as described in the relevant accounting policies and notes to the financial statements.

• Non-current assets: property plant and equipment has been subjected to impairment tests as the above matters represent impairment indicators. In addition, management reassessed the useful lives and considered changes in the residual values of the assets. Management also considered the requirements of IFRS 5 'non-current assets held for sale and discontinued operations' to assess whether the non-current assets meet the criteria to be presented as held for sale.

• Current assets: Financial assets have been assessed for impairment under IFRS 9 'financial instruments' and recoverability assessment for other assets have been performed at year end.

• Liabilities (current and non-current): Provisions have been recognised in line with the general recognition criteria under IAS 37 'provisions, contingent liabilities and contingent assets. Financial liabilities have continued to be measured at amortized cost based on the principles in IFRS 9, 'Financial instruments'. Where applicable the guidance for modification of financial liabilities under IFRS 9 was applied to account for changes in the terms of financial liabilities.

• Management also considered the impact of the non-going concern status of the Bank to other existing arrangements (example: lease contracts and suppliers' contracts) and applied the relevant IFRS guidance thereon.

• Where required additional disclosures have been included in the relevant notes to the financial statements to explain the impact.

• Prior year financial statements were prepared on a going concern basis. Therefore, current year balances are not entirely comparable to 2020 balances.

(b) New and amended standards adopted by the Bank

The Bank has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

- Covid-19-Related Rent Concessions – amendments to IFRS 16, and
- Interest Rate Benchmark Reform – Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods since there no such transactions.

(c) New standards and interpretations not yet adopted

Certain new accounting standards, amendments to 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 Company. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Numer	Effective Date
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.
Amendment to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity	Annual periods beginning on or after 1 January 2022
Amendments to IAS 16 'Property, Plant and Equipment': Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022
Annual improvements cycle 2018 -2020	Annual periods beginning on or after 1 January 2022
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2022

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of the Bank has appointed an executive committee which assesses the financial performance and position of the Bank and makes strategic decisions. The executive committee, which has been identified as being the chief operating decision maker, consists of senior management.

(e) Foreign currency translation

Functional currency

The financial statements are presented in Rwandan Francs (Frw), which is the Bank's functional and presentation currency. All values are rounded to the nearest thousand (Frw'000) except when otherwise indicated.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

(f) Revenue and expenses recognition

(i) Interest and similar income and expense

For all financial instruments measured at amortised cost, interest income or expense is recognized at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recognized as interest income or expense. Interest income is recognized in the profit or loss for all interest bearing instruments on an accrual basis taking into account the effective yield on the asset.

(ii) Fees and commission income

Fees and commissions are generally recognized 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 recognized as an adjustment to the effective interest rate on the loan. Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party is recognized on completion of the underlying transaction.

Other fees and commission income including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. Other fees and commission expense relate mainly to transaction and services fee, which are expensed as the services are received.

(g) Government grants

The Bank on receiving government funding in the form of a liability will analyse the relevant terms and conditions to conclude on the appropriate accounting and disclosure, including whether government grant accounting under IAS 20 is applicable. In particular, the bank compares the interest rate payable on the loan with market pricing for other similar new borrowings at inception to determine whether the rate approximates market terms or is significantly off-market. Similar borrowings would be those with similar maturity, collateral and seniority/subordination. If the bank concludes that the funding does not contain a significant benefit relative to market pricing, then it accounts for the borrowing wholly under IFRS 9. If the bank concludes that the funding contains a significant benefit relative to market pricing, the benefit of the off-market element is accounted for as a government grant under IAS 20 – i.e. a financial liability for the funding would be initially recognised under IFRS 9 at fair value considering market rates for similar borrowings and the difference between the net funds received and this fair value would be treated as a government grant under IAS 20. The benefit of a government grant is recognised in profit or loss on a systematic basis as the entity recognises as expenses the related costs for which the grant is intended to compensate.

Financial Statements

For the Year Ended 31 December 2021

Notes (Continued)

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Property and equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses arising on disposal of an item of property and equipment are determined by comparing the net proceeds from disposal with the carrying amount of the item and are recognized net within 'other operating income' in income statement.

Depreciation is recognized in the profit or loss on a straight line basis at annual rates estimated to write off the carrying values of the assets over the estimated useful lives of each part of property and equipment. The annual depreciation rates in use are:

Leasehold improvements	10% or the shorter of the lease term's estimated useful life
Motor vehicles	25%
Furniture and fittings	10%
Office equipment	20%
Computers	20%

Property and equipment are periodically reviewed for impairment. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the statement of profit or loss.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

Property and equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of profit or loss in the period the item is de-recognized.

The costs of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Bank and its costs can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

(h) (Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the asset. Intangible assets are de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Intangible assets are de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Software

Costs associated with maintaining 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 where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

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

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

The Bank amortises intangible assets with a limited useful life, using the straight-line method over the following periods:

- Patents, trademarks and licences: 3 – 5 years
- IT development and software: 3 – 10 years

(i) (Provisions

Provisions for legal claims and make good obligations 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 can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(j) Financial assets and liabilities

Measurement methods

Amortised cost and effective interest rate 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 — the Bank 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.

When the Bank 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:

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

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Bank 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 the Bank commits to purchase or sell the asset.

At initial recognition, the Bank 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:

- 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.
- 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

(k) Classification and subsequent measurement

The Bank 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:

- The Bank's business model for managing the asset; and
- The cash flow characteristics of the asset.

Based on these factors, the Bank 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

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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.

- Business model: the business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank'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 the Bank in determining the business model for a group 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, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the `SPPI test'). In making this assessment, the Bank 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.

The Bank 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.

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank'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 the Bank'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.

(ii) Impairment

The Bank 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. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and

Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 4.1.2 provides more detail of how the expected credit loss allowance is measured.

(iii) Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank 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, the Bank 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, the Bank 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 the Bank 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).

(iv) 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) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank 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 the Bank:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Bank 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 the Bank retains a subordinated residual interest.

Financial liabilities

(iii) *(i) 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, the Bank recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

(iv) *(ii) 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 the Bank 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 recognised 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 amortised 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 the Bank are measured as the amount of the loss allowance. The Bank 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 the Bank 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.

Impairment of financial assets

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

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.
- The Bank has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort.

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This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and informed credit assessment and including forward-looking information.

The Bank assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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); or
- The financial asset is more than 90 days past due.

The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank considers this to be B+ per Rating Agency Fitch. The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss and OCI.

Impairment losses on other financial assets are presented under 'finance costs', similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

(l) Offsetting of financial assets and liabilities

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

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activities.

(m) Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged or liability settled between knowledgeable willing parties in an arm's length transaction on the measurement date.

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Bank uses widely recognized valuation models for determining the fair value of common and simpler financial instruments like options, interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

This initial difference, usually an increase, in fair value indicated by valuation techniques is recognized in profit or loss depending on the individual facts and circumstances of each transaction and not later than when the market data becomes observable.

The value produced by a model or other valuation techniques is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the statement of financial position.

A law or regulation, or other governmental action, may require or incentivise the Bank to make a loan to a borrower at a below-market rate in order to provide a concession to the borrower. If the Bank makes a below-market rate loan in order to provide a concession to the borrower, then the resulting loan is measured at fair value in accordance with IFRS 13 and any additional amount paid to the borrower is accounted for separately as a loss unless it qualifies for recognition as a separate asset. If the loan is made in order to qualify for a government grant, the government grant is accounted for in accordance with IAS 20.

(k) 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 amortized cost in the statement of financial position.

(l) 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 rate for each jurisdiction 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 in the countries where the company and its subsidiaries and associates operate and generate taxable income. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 of 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 substantially 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 tax liability 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 company 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 when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity 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.

(m) Fiduciary assets

The Bank provides trust and other fiduciary services such as nominee or agent that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity and income arising from related undertakings are not reported in the financial statements, as they are not the assets of the Bank.

(n) Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank. Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the reporting date.

(o) Employee benefits

i. Retirement benefit costs

The Bank contributes to a statutory defined contribution pension scheme, the Rwanda Social Security Board (RSSB). Contributions are determined by local statute and are currently limited to 5% of the employees' gross salary. The Bank's contributions are charged to the profit or loss in the period to which they relate.

The Bank has a defined contribution scheme where both the employer and employee contribute. Contributions are kept in a separate reserve. The Bank's contributions are charged to the profit or loss in the period to which they relate.

ii. Short-term benefits

Short term benefits consist of salaries, bonuses and any non-monetary benefits such as medical aid contributions and transport allowance. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Leave pay to employees is paid based on the number of days accrued in relation to the daily pay rate. A provision is recognized for the amount expected to be paid if the Bank has a present obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components, whose operating results are reviewed regularly to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

The Bank prepares segment reports for the following operating segments: Retail banking, corporate Banking, treasury, mortgage and other operational segments.

(q) Earnings per share

Basic and diluted earnings per share (EPS) data for ordinary shares are presented in the financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

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(r) Statutory credit reserve

The Bank estimates provisions on financial assets in accordance with the requirements of IFRS. The Bank is also required to make provisions in accordance with requirements of the National Bank of Rwanda (BNR). Where provisions determined using IFRS are lower than provisions determined using the BNR regulation, the difference has been treated as an appropriation from retained earnings and placed in a non-distributable reserve. Where provisions determined under IFRS are higher than those determined using the BNR regulation, the provisions are deemed adequate by the BNR regulations.

(s) Non–current assets held for sale

Non-current assets held for sale represents assets previously held by the Bank as security on defaulted loans which the Bank can acquire during the recovery process in line with article 21 of the Mortgage Law No 10/2009. These assets are held in the statement of financial position as current assets measured at the lower of the carrying amount and fair value less costs to sell.

(t) Impairment of non-financial assets

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(u) Leases

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

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

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

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

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

(u) Leases (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following; the amount of the initial measurement of lease liability plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received.Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.If the Bank is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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

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

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

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

(v) grants

A grant is recognised as deferred revenue when grant funds are received and the bank has the full intent to comply with the conditions attached to the grant. Grant revenue is recognised on the statement of comprehensive income in the period in which the expenses for which the grant funds are to be used are incurred. Grants that compensate the Bank for purchase of an asset are recognised as deferred income in the statement of financial position and amortised to the profit and loss as revenue as the useful life of the asset is depreciated.

(w) Comparatives

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

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. The directors also need to exercise judgement in applying the Bank's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

Measurement of the expected credit loss allowance

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 4.1.2.3, 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:

- 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 the Bank in the above areas is set out in note 4.1.2.

Impairment of non financial assets

As at 31 December 2021, the Bank had non financial assets as follows:

- Deferred income tax of Frw 1,672 million
- Property and equipment of Frw 1,629 million
- Intangible assets of Frw 1,536 million
- Right of use assets of Frw 3,113 million

Since the financial statements have been prepared on a non going concern basis, management carried out an impairment analysis of the above assets and no material impairment was noted. This is because there is a merger agreement between Banque Populaire du Rwanda Plc and KCB Bank Rwanda Plc which states that these assets will be transferred to Banque Populaire du Rwanda Plc at net carrying amounts.

Critical judgements in determining the 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 amalgamation project having commenced, the business model for the branch network will be impacted and projecting beyond a five-year planning period has uncertainties as to the new entity exercising its extension options.
- As at 31 December 2021, potential future cash outflows of Frw 7,822 million (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 five years to reflect the effect of exercising extension options would be an increase in recognised lease liabilities and right-of-use assets of Frw 149 million.

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4. Financial risk management

The following section discusses the bank's risk management policies. The measurement of ECL under IFRS 9 uses the information and approaches that the bank uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of IFRS 9. The approach taken for IFRS 9 measurement purposes is discussed separately in note 4.1.2.

The Bank's activities expose it to a variety of financial risks; including credit risk, liquidity risk, market risk, operational risk and interest rates risk. Consequently, the Bank has put in place risk management programmer which seeks to minimize potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors of the Bank has established the Credit, Audit, Risk, Human Resources and IT & Strategy committees, which are responsible for developing and monitoring the Bank's risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Risk Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Risk Committee is assisted in these functions by Internal Audit department. Internal Audit personnel undertake both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data.

Credit risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as credit derivatives (credit default swaps), financial guarantees, letters of credit, endorsements and acceptances.

The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures') including non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties and reverse repurchase agreements. Credit risk is the single largest risk for the Bank's business; the directors therefore carefully manage its exposure to credit risk. Credit risk management and control are centralised in a management credit committee which reports regularly to the Board of Directors through the Board Credit Committee.

Loans and advances (including loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, 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. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9. Refer to note 4.1.2 for more details.

4.1.1 Credit risk management

The Board of Directors has delegated responsibility for the management of credit risk to its Credit Committee. A separate credit department, reporting to the Credit Committee, is responsible for oversight of the Bank's credit risk; including: Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;

5. Financial risk management (continued)

4.2. Credit risk (continued)

- Establishing the authorization structure for the approval and renewal of credit facilities. Authorizations limits are allocated to business unit credit managers. Larger facilities require approval by the Board of Directors;
- Reviewing and assessing credit risk. The credit department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process;
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities);
- Developing and maintaining the Bank's risk grading in order to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation;
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries and product types. Regular reports are provided to the Credit Committee on the credit quality of local portfolios and appropriate corrective action is taken;
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk;
- Each business unit is required to implement the Bank's credit policies and procedures. Each business unit is responsible for the

quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval; and

- Regular audits of business units and the Bank's credit processes are undertaken by Internal Audit Department.

The Bank assesses the probability of default of customer or counterparty using internal rating scale tailored to the various categories of counter party. The rating scale has been developed internally and combines data analysis with credit officer judgment and is validated, where appropriate, by comparison with externally available information. Customers of the Bank are segmented into five rating classes.

The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes.

The rating scale is kept under review and upgraded as necessary. The Bank regularly validates the performance of the rating and their predictive power with regard to default events.

The bank uses the National Bank of Rwanda (BNR) credit risk gradings to reflect its assessment of the probability of default of retail counterparties.

The Bank's internal ratings scale is as follows:

Grade 1 - Normal

Grade 2 - Watch

Grade 3 - Substandard

Grade 4 - Doubtful

Grade 5 – Loss

Performing

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

Watch

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

Substandard

These are loan balances due for 90 days but less than 180 days. They are also those credit facilities that display well-defined credit weaknesses that jeopardize the liquidation of the debt such as inadequate cash flow to service the debt, undercapitalized or insufficient working capital, absence of adequate financial information or security documentation and irregular payment of principal or interest.

Doubtful

These are loan balances that are more than 180 days but less than 365 days overdue. They are also those credit facilities which, in addition to the weaknesses existing in substandard credits, have deteriorated to the extent that full repayment is unlikely or that realizable security values will be insufficient to cover the Bank's exposure.

Loss

These are loans that are more than 365 days overdue. These are also those credit facilities that are considered uncollectable or which may have some recovery value, but it is not considered practicable nor desirable to defer write off. They are also accounts classified as "Doubtful" with little or no improvement over the period it has been classified as such.

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

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5. Financial risk management (continued)

4.1. Credit risk (continued)

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

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

Normal and Watch loans

The Bank classifies loans and advances under this category for those exposures that are up to date and in line with contractual agreements. Such loans would have demonstrated financial conditions, risk factors and capacity to repay that are acceptable. These exposures will normally be maintained largely within approved product programs and with no signs of impairment or distress.

The table below shows loans past due but not yet impaired:

	2021		2020	
	Frw '000	Frw '000	Frw '000	Frw '000
Segment	Exposure at Default	Final Expected Credit Loss (ECL)	Exposure at Default	Final Expected Credit Loss (ECL)
Agriculture	2,584,450	(1,035)	2,458,525	(100,798)
Consumer	7,305,339	(435,597)	6,782,249	(555,958)
Hotels	7,287,210	(154)	6,586,008	-
Mortgage Commercial	42,716,821	(791,834)	33,178,752	(724,293)
Mortgage Residential	**25,058,919**	**(449,849)**	**24,922,535**	**(702,308)**
Telecommunication	**15,849,056**	**(862)**	**13,807,771**	**(3,327)**
Trade & Manufacture	71,478,489	(859,695)	66,545,799	(998,245)
Mobi loan	**51,780**	**(7,315)**	**47,073**	**(8,039)**
Total	**172,332,064**	**(2,546,341)**	**154,328,712**	**(3,092,968)**

Impaired loans and advances

Impaired loans and advances are those for which the Bank determines that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements. These loans are graded 3 to 5 in the Bank's internal credit risk grading system as required by the regulator.

According to the National Bank of Rwanda regulations, loans and advances overdue by above 90 days are considered non-performing. The specific provision for impairment of loans and advances is made on grades 3, 4 and 5 of the rating categories. Grade 3 loans are provided for at a rate of 20%, Grade 4- 50% and Grade 5- 100%.

5. Financial risk management (continued)

4.1. Credit risk (continued)

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

2021	Stage I 12-Month ECL	Stage II Lifetime ECL RWF '000	Stage III Lifetime ECL RWF '000	Total
Performing	151,102,850	-		151,102,850
Watch	-	18,101,812	-	18,101,812
Substandard	-	-	404,436	404,436
Doubtful	-	-	653,453	653,453
Loss	**-**	**-**	**2,069,513**	**2,069,513**
Gross carrying amount	**151,102,850**	**18,101,812**	**3,127,402**	**172,332,064**
ECL allowance	(1,731,556)	(247,777)	(567,009)	(2,546,342)
Fair valuation loss				**(1,133,219)**
Net loans & advances	**149,371,294**	**17,854,035**	**2,560,3-93**	**168,652,503**

2021	Stage I 12-Month ECL	Stage II Lifetime ECL RWF '000	Stage III Lifetime ECL RWF '000	Total
Performing	124,793,393	-	-	124,793,393
Watch	-	21,759,133	-	21,759,133
Substandard	-	-	677,580	677,580
Doubtful	-	-	696,878	696,878
Loss	**-**	**-**	**6,401,728**	**6,401,728**
Gross carrying amount	**124,793,393**	**21,759,133**	**7,776,187**	**154,328,712**
ECL allowance	(2,086,317)	(681,229)	(325,422)	(3,092,968)
Fair valuation loss				**(808,880)**
Net loans & advances	**121,898,196**	**21,077,904**	**7,450,765**	**150,426,864**

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- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Bank's recent default data.The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.
- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to note 4.1.5 for an explanation of forward-looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculation — such as how the maturity profile of the PDs and how collateral values change etc. — are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

4.1.5 Forward-looking information incorporated in the ECL models

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

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

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

In addition to the base economic scenario, the Bank's credit team also provide other possible scenarios along with scenario weightings. The three scenarios and their attributes are reassessed at each reporting date. At 31 December 2020, the Bank concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators (see note 5.1.2.1). This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the 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 (as opposed to weighting the inputs).

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2021 and 31 December 2020 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

	Base scenario		Upside		Downside	
Macroeconomic factors	Next 12 months	Remaining forecat period	Next 12 Months	Remaining forecat period	Next 12 months	Remaining forecat period
Domestic GDP	3.3%	5.4%	6.6%	6.6%	-0.2%	3.9%
Interest rates	16.6%	15.6%	16.9%	15.9%	16.1%	15.1%
Inflation	121	113	115	107	126	118

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

As at 31 December 2021	Base %	Upside %	Downside %
As at 31 December 2021			
Scenario probability weighting	77.97	16.95	5.08
As at 31 December 2021			
Scenario probability weighting	66.0%	0%	39%

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 is reviewed and monitored for appropriateness on a quarterly basis. The weights of Base and Upside have decreased/increased slightly reflecting the small change in dispersion in the scenarios. The impact on ECL is immaterial.

4.1.6 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 realisation: The directors have assumed a time to realisation of 3 years both for commercial properties and residential properties. If time to realisation increased to 4 years, overall ECL would increase in the range of Frw 823 million and Frw 1,554 million. Collateral haircuts: The directors have assumed collateral haircuts of 50% for commercial and 30% for residential properties. If haircuts were further adjusted by 10% the overall ECL would increase/reduce in the range of Frw 351 million and Frw 561 million.

4.1.7 Credit risk exposure

4.1.7.1 Maximum exposure to credit risk — Financial instruments subject to impairment

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

ECL determination for government securities, due from other banks

Government securities and due from other banks are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. Management consider 'low credit risk for these financial assets as they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The loss rate assigned to these has been determined to be 1.48% and 0.17% respectively which is the probability of default assigned to a B+ sovereign rating and investment grade by Standard & Poors rating agency.

	2020 (Frw '000)		2020 (Frw '000)	
	Loans and advances to customers	All other financial assets subject to credit risk	Loans and advances to customers	All other financial assets subject to credit risk
Stage I	151,102,850	74,657,793	142,347,843	75,218,720
Stage II	18,101,812	-	4,659,518	-
Stage III	3,127,402	1,510,808	7,321,351	-
Gross	172,332,064	76,168,601	154,328,712	75,218,720
Less impairment allowances:	(2,546,342)	(1,531,253)	(3,092,968)	(1,486,876)
	169,785,722	**74,637,348**	**151,235,744**	**73,731,844**

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5. Financial risk management (continued)

4.1. Credit risk (continued)

4.1.7. Credit risk exposure (continued)

Corporate					
	2021				2020
	Stage 1 12-Month ECL (Frw '000)	ECL staging stage2 Lifetime ECL (Frw '000)	Stage 3 Lifertime ECL (Frw '000)	Total	(Frw '000)
Normal	94,695,318			94,695,318	89,616,032
Watch		9,357,539	253,802	9,357,539	229,138
Default				253802	
Gross carrying amount	94,695,318	9,357,539	253,802	104,306,659	89,845,170
Loss allowances	(880,289)	(2,090)	(103,707)	(986,086)	(742,466)
Carrying amount	**93,815,029**	**9,355,449**	**150,095**	**103,320,573**	**89,102,704**

Retail					
	2021				2020
	Stage 1 12-Month ECL (Frw '000)	ECL staging stage2 Lifetime ECL (Frw '000)	Stage 3 Lifertime ECL (Frw '000)	Total	
Normal	56,407,532			56,407,532	52,731,812
Watch		8,744,273		8,744,273	4,430,379
Default			2,873,600	2,873,600	7,321,351
Gross carrying amount	56,407,532	8,744,273	2,873,600	68,025,405	64,483,542
Loss allowances	(851,267)	(245,687)	(463,302)	(1,560,256)	(2,350,502)
Carrying amount	**55,556,265**	**8,498,586**	**2,410,299**	**66,465,149**	**62,133,040**
Fair valuation loss		(1,133,219)		(1,133,219)	(808,880)
Total carrying amount	**149,371,294**	**17,854,035**	**2,560,393**	**168,652,503**	**150,426,864**

5. Financial risk management (continued)

4.1. Credit risk (continued)

4.1.7. Credit risk exposure (continued)

Government securities					
	2021				2020
	Stage 1 12-month ECL (Frw '000)	ECL staging stage 2 Lifetime ECL (Frw '000)	Stage 3 Lifertime ECL (Frw '000)	Total	
Normal	25,773,850			25,773,850	26,447,876
Gross carrying amount	25,773,850			25,773,850	26,447,876
Loss allowances	(2,186)			(2,186)	(1,283)
Carrying amount	**25,771,664**			**25,771,664**	**26,446,593**

Guarantees and commitments					
	2021				2020
	Stage 1 2-month ECL (Frw '000)	ECL staging stage2 Lifetime ECL (Frw '000)	Stage 3 Lifertime ECL (Frw '000)	Total	
Normal	32,659,521			32,659,521	33,941,478
Watch		2,844,955		2,844,955	453,161
Default					
Gross carrying amount	32,659,521	2,844,955		35,504,476	34,394,639
Loss allowance	(23,055)	(2,033)		(25,088)	(24,386)
Carrying amount	**32,636,466**	**2,842,922**		**35,479,388**	**34,370,253**

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5. Financial risk management (continued)

4.1. Credit risk (continued)

4.1.7. Credit risk exposure (continued)

Nostros & Balances with Banks					
	2021				2020
	Stage 1 2-month ECL (Frw '000)	ECL staging stage 2 Lifetime ECL	Stage 3 Lifertime ECL	Total	
A					
A-		2,844,955			
A+					
AA	11,312,460	2,844,955		11,312,460	12,177,711
B		(2,033)			
B+	**14,127,045**	**2,842,922**		**14,127,045**	**11,323,342**
BB-					
Expected credit loss	**(818)**			**(818)**	**(437)**
Carrying amount	**25,438,687**			**25,438,687**	**23,500,616**

AAVery high credit quality with low credit risk
A High credit quality with low credit risk
A- Good credit quality with some credit risk
A+Strong credit quality with low credit risk
BB-Speculative with substantial credit risk
B Highly speculative with high credit risk
B+Highly speculative with high credit risk

Balances with National Bank of Rwanda					
	2021				2020
	Stage 1 2-month ECL (Frw '000)	ECL staging stage 2 Lifetime ECL	Stage 3 Lifertime ECL	Total	
Gross amount	15,779,890			15,779,890	12,535,214
Expected credit loss					
Carrying amount	**15,779,890**			**15,779,890**	**12,535,214**

4.1. Credit risk (continued)

4.1.7 Credit risk exposure (continued)

Balances with National Bank of Rwanda					
	2021				2020
	Stage 1 2-month ECL (Frw '000)	ECL staging stage 2 Lifetime ECL	Stage 3 Lifertime ECL	Total	
Gross amount	Frw'000		Frw'000	Frw'000	Frw'000
Expected credit loss	1,726,062		1,510,808	3,236,870	3,937,256
Carrying amount	**(20,291)**		**(1,507,958)**	**(1,528,249)**	**(1,485,155)**
	1,705,771		**2,850**	**1,708,621**	**2,452,101**

	2021				2020
	Stage 1 2-month ECL (Frw '000)	ECL staging stage 2 Lifetime ECL	Stage 3 Lifertime ECL	Total	
Gross amount	1,726,062		1,510,808	3,236,870	3,937,256
Expected credit loss	(20,291)		(1,507,958)	(1,528,249)	(1,485,155)
Carrying amount	**1,705,771**		**2,850**	**1,708,621**	**2,452,101**

Information on how the Expected Credit Loss (ECL) is measured and how the three stages above are determined is included in note 4.1.2 'Expected credit loss measurement'. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Gross loans

Below is a transitional table between stages between 1 January 2021 to 31 December 2021

	2021			
	Stage 1 (Frw '000)	Stage 2 (Frw '000)	Stage 3 (Frw '000)	Total (Frw '000)
Gross loans as at 1 January 2021	124,793,393	21,759,133	7,776,186	154,328,712
Transfers from stage 1 to stage 2 or 3	1,109,704	(537,933)	(571,771)	
Transfers from stage 2 to stage 1 or3	(2,124,820)	2,142,585	(17,765)	
Transfers from stage 3 to stage 2 or 1	(1,279,165)	(5,683,642)	6,962,808	
Transfers from stage 3				
New exposures disbursed	44,383,038	448,367	1,191,039	46,022,444
Subsequent increase in loans				
Net movement in gross loans	**166,882,150**	**18,128,509**	**15,340,497**	**200,351,156**
Financial asset derecognised	(15,779,300)	**(26,697)**	**(12,213,095)**	**(28,019,092)**
Gross loans as at 31 December 2021	**151,102,850**	**18,101,812**	**3,127,402**	**172,332,064**

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4.1. Credit risk (continued)

4.1.7 Credit risk exposure (continued)

	2021			
	Stage 1 (Frw '000)	Stage 2 (Frw '000)	Stage 3 (Frw '000)	Total (Frw '000)
Gross loans as at 1 January 2020	103,907,729	30,057,826	3,364,004	137,329,559
Transfers from stage 1 to stage 2 or 3	19,162,930	(18,591,159)	(571,771)	-
Transfers from stage 2 to stage 1or 3	(2,048,020)	2,118,785	(70,765)	-
Transfers from stage 3 to stage 2 or 1	(279,165)	(5,983,642)	6,262,808	-
Transfers from stage 3				
New exposure disbursed	42,403,331	19,139,975	279,698	61,823,004
Subsequent increase in loans				
Net movement in gross loans	**163,146,805**	**26,741,785**	**9,263,974**	**199,152,563**
Financial asset derecognised	**(38,353,412)**	**(4,982,651)**	**(1,487,788)**	**(44,823,851)**
Gross loans as at 31 December 2020	**124,793,393**	**21,759,134**	**7,776,186**	**154,328,712**

The table below presents the credit quality of financial instruments:

	2021	
Credit quality	**31 December 2021**	**31 December 2020**
Balances with National Bank of Rwanda	15,779,890	12,535,214
- Counterparty without credit rating		
Government securities	25,771,664	26,446,593
B+		
Loans and advances	**172,332,064**	154,328,712
- Counterparty without credit rating		
Other assets	**27,144,458**	**25,952,717**
- Counterparty without credit rating		

4.1. Credit risk (continued)

4.1.7 Credit risk exposure (continued)

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

	2021		2022	
Credit quality	(Frw '000)	%	(Frw '000)	%
Balances with National Bank of Rwanda	15,779,890	6.54%	12,535,214	5.73%
Balances due from other banks	25,434,869	10.53%	23,500,454	10.75%
Government securities	25,773,850	10.67%	26,447,876	12.10%
Loans and advances to customers	172,332,064	71.37%	154,328,712	70.58%
Other assets (Excluding Prepayments)	1,856,656	0.77%	882,192	0.40%
Due from related parties	281,426	0.12%	972,307	0.44%
Gross	**241,458,755**	**100%**	**218,666,755**	**100%**

4.1.7.2 Collateral and other credit enhancements

The Bank employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Bank has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. The Bank prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Mortgages over residential and commercial properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities; and
- Commitments and letters of undertaking from the Government of Rwanda.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured. Derivatives are not collateralised.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

A portion of the Bank's financial assets has sufficiently low 'loan to value' ratios, which result in no loss allowance being recognised in accordance with the Bank's expected credit loss model. The carrying amount of such financial assets as at 31 December 2021 is Frw 1528 million (2020: Frw 1485 million). The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

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4.1. Credit risk (continued)

4.1.7 Credit risk exposure (continued)

As at 31 December 2021

Corporate	Stage 1 (Frw '000)	Stage 2 (Frw '000)	Stage 3 (Frw '000)	Gross Loans (Frw '000)	Impairment allowance (Frw '000)	Carrying amount (Frw '000)	Fair value of collateral (Frw '000)
Overdrafts	12,435,231	-	-	12,435,231	(109,110)	12,326,121	16,835,360
Treasury loans	-	-	-	-	-	-	
Equipment loans	9,204,872	5,859,203	-	15,064,075	(668)	15,063,407	
Consumer loans	-	-		-	-	-	46,347,491
Mortgage loans	4,052,452	569,776		4,622,228	(67,477)	4,554,751	5,347,344
Others	69,002,763	2,928,560	253,802	72,185,125	(808,831)	71,376,294	104,450,738
	94,695,318	**9,357,539**	**253,802**	**104,306,659**	**(986,086)**	**103,320,573**	**172,980,933**
Retail							
Overdrafts	5,619,095						
Treasury loans							
Equipment loans	2,417,027	418,206	644	2,835,877	(410,534)	6,615,576	7,919,888
Consumer loans	6,188,642	496,967	340,501	7,026,110	(709,847)	34,459,469	42,033,684
Mortgage loans	29,221,647	3,959,022	1,988,647	35,169,316	(229,367)	16,952,194	23,177,337
Others	12,961,121	3,738,323	482,117	17,181,561	(229,367)	16,952,194	23,177,337
	56,407,532	8,744,273	2,873,600	68,025,405	(1,560,256)	66,465,149	93,774,707

As at 31 December 2021

Total	Stage 1 (Frw '000)	Stage 2 (Frw '000)	Stage 3 (Frw '000)	Gross Loans (Frw '000)	Impairment allowance (Frw '000)	Carrying amount (Frw '000)	Fair value of collateral (Frw '000)
Overdrafts	18,054,326	131,755	61,691	18,247,771	(250,228)	17,997,543	24,480,590
Treasury loans	-	-	-	-	-	-	-
Equipment loans	11,621,899	6,277,409	644	17,899,952	(70,058)	17,829,894	59,346,059
Consumer loans	6,188,642	496,969	340,501	7,026,112	(410,534)	6,615,577	7,919,888
Mortgage loans	33,274,099	4,528,797	1,988,647	39,791,543	(777,323)	39,014,219	47,381,028
Others	81,963,884	6,666,882	735,919	89,366,685	(1,038,199)	88,328,486	127,628,074
	151,102,850	**18,101,812**	**3,127,402**	**172,332,064**	**(2,546,342)**	**169,785,722**	**266,755,639**
Fair valuation	**-**	**-**	**-**	**-**	**-**	(1,133,219)	**-**
Total	**151,102,850**	**18,101,812**	**3,127,402**	**172,332,064**	**(2,546,342)**	**168,652,503**	**266,755,639**

4.1. Credit risk (continued)

4.1.7 Credit risk exposure (continued)

As at 31 December 2020

Corporate	Stage 1 (Frw '000)	Stage 2 (Frw '000)	Stage 3 (Frw '000)	Gross Loans (Frw '000)	Impairment allowance (Frw '000)	Carrying amount (Frw '000)	Fair value of collateral (Frw '000)
Overdrafts	9,167,119	-		9,167,119	(18,953)	9,148,166	5,375,548
Treasury loans	-	-		-	-	-	
Equipment loans	18,677,482	-		18,677,482	(11,065)	18,666,417	
Consumer loans	-	-		-	-	-	55,803,842
Mortgage loans	4,727,334	-		4,727,334	(84,961)	4,642,374	-
Others	57,044,096	**229,138**		57,273,235	(627,487)	56,645,747	4,365,941
	89,616,031	**229,138**		**89,845,169**	**(742,466)**	**89,102,703**	**84,235,054**
Retail							
Overdrafts	4,997,645	298,154	60,556	5,356,355	(68,716)	5,287,639	5,635,927
Treasury loans	-	-	-	-	-	-	-
Equipment loans	1,707,518	35,870	23,643	1,767,030	(35,351)	1,731,679	2,249,643
Consumer loans	5,464,461	639,089	448,710	6,552,260	(511,315)	6,040,945	6,390,453
Mortgage loans	30,116,146	1,958,570	6,113,326	38,188,042	(1,329,162)	36,858,880	38,829,276
Others	10,446,043	1,498,697	675,116	12,619,856	(405,957)	12,213,898	14,351,754
	52,731,812	**4,430,380**	**7,321,351**	**64,483,544**	**(2,350,501)**	**62,133,043**	**67,457,053**

As at 31 December 2020

Total	Stage 1 (Frw '000)	Stage 2 (Frw '000)	Stage 3 (Frw '000)	Gross Loans (Frw '000)	Impairment allowance (Frw '000)	Carrying amount (Frw '000)	Fair value of collateral (Frw '000)
Overdrafts	14,164,764	298,154	60,556	14,523,475	(87,669)	14,435,805	11,011,475
Treasury loans	-	-	-	-	-	-	-
Equipment loans	20,384,999	35,870	23,643	20,444,512	(46,416)	20,398,095	58,053,486
Consumer loans	5,464,461	639,089	448,710	6,552,260	(511,315)	6,040,945	6,390,453
Mortgage loans	34,843,480	1,958,570	6,113,326	42,915,376	(1,414,123)	41,501,254	43,195,217
Others	67,490,139	1,727,835	675,116	69,893,090	(1,033,445)	68,859,646	98,586,808
	142,347,843	**4,659,518**	**7,321,351**	**154,328,712**	**(3,092,968)**	**151,235,744**	**217,237,439**
Fair valuation						(808,880)	
Total	**142,347,843**	**4,659,518**	**7,321,351**	**154,328,351**	**(3,092,968)**	**150,426,864**	**217,237,439**

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4.1. Credit risk (continued)

4.1.8 Fair value of collateral held

As at 31 December 2021

Credit impaired assets	Gross exposure (Frw '000)	Impairment allowance (Frw '000)	Carrying amount (Frw '000)	Fair value of collateral held (Frw '000)
Stage I	151,102,850	1,731,556	149,371,294	227,256,708
Stage II	18,101,812	247,777	17,854,035	35,449,766
Stage III	3,127,402	567,009	2,560,393	4,049,166
Fair valuation loss	-	-	-	-
Total	**172,332,064**	**2,546,342**	**168,652,503**	**266,755,640**
31-Dec-20	81,963,884	6,666,882	735,919	89,366,685
Stage I	142,347,844	2,086,317	140,261,527	147,131,365
Stage II	4,659,517	681,229	3,978,289	20,632,018
Stage III	7,321,351	325,422	6,995,929	49,833,013
Fair valuation loss			(808,880)	
Total	**153,519,832**	**3,092,968**	**150,426,864**	**217,596,396**

i) Items not subject to collateral:	2021 (Frw '000)	2020 (Frw '000)
Balances with Central Bank	15,779,890	12,535,214
Amounts due from other banks	25,434,869	23,500,016
Due from related parties	215,642	972,307
Government securities	25,771,664	26,447,876
Other assets	1,708,621	2,452,101
	68,910,686	**65,907,514**

ii) Off-balance sheet items: Gurantee and performance bonds:	2021 (Frw '000)	2020 (Frw '000)
Book value	35,504,476	34,394,639
Value of collateral	45,349,360	43,506,587
Excess cover	**9,844,884**	**9,111,948**

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.

Different loan facilities held by the Bank are supported by collaterals as shown below:

4.1. Credit risk (continued)

4.1.8 Fair value of collateral held

Credit impaired assets 2021	Grade 1 Normal FRW '000	Grade 2 Watch FRW '000	Grade 3 Substandard FRW '000	Grade 4 Doubtful FRW '000	Grade 5 Loss FRW '000	Total Frw' 000 FRW '000
Gross Loans	121,946,659	47,344,563	404,436	653,453	1,982,953	172,332,064
Value of collaterals	179,037,278	82,915,490	1,238,571	1,067,729	2,496,572	266,755,640
Excess cover	**57,090,619**	**35,570,927**	**834,135**	**414,276**	**513,619**	**94,423,576**

Credit impaired assets 2020	Grade 1 Normal FRW '000	Grade 2 Watch FRW '000	Grade 3 Substandard FRW '000	Grade 4 Doubtful FRW '000	Grade 5 Loss FRW '000	Total Frw' 000 FRW '000
Gross Loans	124,793,393	21,759,133	677,581	696,878	6,401,727	154,328,712
Value of collaterals	157,399,406	52,480,486	1,604,780	774,684	5,337,041	217,596,397
Excess cover	**32,606,013**	**30,721,353**	**927,199**	**77,806**	**(1,064,686)**	**63,267,685**

4.1.9 Loss allowance

The loss allowance recognised in the year is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period (see note 4.1.6).

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4.1. Credit risk (continued)

4.1.9 Loss allowance (continued)

The following table explains the changes in the loss allowance between the beginning and the end of the year due to these factors for the year to 31 December 2021:

	Stage 1 (Frw '000)	Stage 2 (Frw '000)	Stage 3 (Frw '000)	Gross Loans (Frw '000)
Loss allowance as at 1 January 2021	2,293,564	413,177	386,227	3,092,968
Movements with P&L impact				
Transfers from stage 1 to stage 2	218,089	(118,939)	(99,149)	172,332,064
Transfers from stage 1 to stage 3	(56,935)	109,524	(52,589)	-
Transfers to stage 2 to stage 1	(57,578)	38,705	18,873	172,332,064
Transfers from stage 3				
New financial assets originated or purchased				
Changes in PDs/LGDs/EADs				
Changes to model assumptions and methodologies				
Net movement to profit or loss	**648,996**	**43,064**	**68,944**	**761,003**
Other movements with no P&L impact				
Financial asset derecognised	(1,314,580)	(237,754)	244,703	(1,307,630)
Loss allowance as at 31 December 2021	1,731,556	247,777	567,009	2,546,341

Below is a transitional table between stages between 1 January 2020 to 31 December 2020:

	Stage 1 (Frw '000)	Stage 2 (Frw '000)	Stage 3 (Frw '000)	Gross Loans (Frw '000)
Loss allowance as at 1 January 2021	1,039,077	1,424	507,377	1,547,878
Movements with P&L impact				
Transfers from stage 1 to stage 2	84,379	(76,910)	(7,469)	
Transfers from stage 1 to stage 3	(490,363)	541,143	(50,781)	
Transfers to stage 2 to stage 1	(101,241)	(24,628)	125,869	
Transfers from stage 3				
New financial assets originated or purchased				
Changes in PDs/LGDs/EADs				
Changes to model assumptions and methodologies				
Net movement to profit or loss	**1,310,213**	**123,629**	**137,463**	**1,571,305**
Other movements with no P&L impact				
Financial asset derecognised	451,497	(151,481)	(326,232)	(26,216)
Loss allowance as at 31 December 2021	2,293,564	413,177	386,227	3,092,968

4.1. Credit risk (continued)

4.1.10 Write-off policy

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

The Bank may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2021 was Frw 632 million (2020: Frw 819 million). The Bank still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

4.1.11 Modification of financial assets

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.

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, Mining as medium risk and Tourism and Hospitality and Real Estate as High Risk. The Bank then accommodated for different periods depending on the level of risk.

4.1.12 Concentration of credit risk

Concentrations of credit risk arise when a number of counterparties or exposures have comparable economic characteristics, or such counterparties are engaged in similar activities or operate in the same geographical areas or industry sectors so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political or other conditions.

We use a number of controls and measures to minimise undue concentration of exposure in our two client segments. These include portfolio and counterparty limits, approval and review controls.

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

	31 December 2021		31 December 2020	
	(Frw '000)	%age	(Frw '000)	(Frw '000)
Large corporate	104,404,565	61%	89,845,170	58%
SMEs	33,362,019	19%	26,443,445	17%
Retail Banking	34,565,480	20%	38,040,097	25%
Gross loans	172,332,064	100%	154,328,712	100%

4.2 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

The impact on to covid-19 to liquidity and the impact was on cash flow in term of increasing interest earned not collected for the customers on loan repayment moratorium. The levels of deposits increased with additional liquidity injected in the bank through BNR support of customers worth Frw 2118 million (2020: Frw 2690 million).

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The Bank's treasury maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to Banks and other inter-Bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers.

Details of the reported Bank's ratio of net liquid assets to deposits from customers at the reporting date and during the reporting year were as follows:

	2021	2020
At close of the year	34%	31%
Average for the year	28%	28%
Maximum for the year	37%	35%
Minimum for the year	21%	22%
Minimum liquidity ratio regulatory requirement	20%	20%

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4.2 Liquidity risk (continued)

i) Financing arrangements

The Bank had access to the following undrawn borrowing facilities at the end of the reporting period:

	2021	2020
Fixed rate:	-	-
• Expiring within one year (bank overdrafts)	-	-
• Expiring beyond one year (bank loans)	5,332,500	-
	5,332,500	

The overdraft facilities may be drawn at any time and may be terminated by the bank without

notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn

at any time in EUR (immediately convertible to RWF on the draw down date) and have an average maturity of 6 years (2021 – 4 years).

ii) Maturity analysis

The 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 2021	Up to 1 month (Frw '000)	1 to 3 months (Frw '000)	3 to 12 months (Frw '000)	1 to 5 years (Frw '000)	Over 5 years (Frw '000)	Total (Frw '000)
Cash in hand and balances National Bank of Rwanda	21,440,768	413,177	386,227	3,092,968		21,440,768
Balances due from other banks		25,434,869				25,434,869
Government securities at amortised cost	2,800,000	7,011,121	5,787,550	2,945,488	7,227,505	25,771,664
Balances due from related parties	-	-	281,426	-	-	281,426
Loans and advances to customers	**7,263,829**	**4,748,888**	**22,512,170**	57,379,170	76,748,446	168,652,503
Other assets	**1,856,656**					1,856,656
Off balance sheet assets			35,529,564			35,529,564
Total financial assets	**33,361,253**	**37,194,878**	**64,110,710**	**60,324,658**	**83,975,951**	**278,967,450**
Balances due to other banks	7,857,602	**-**	**17,176,718**	**-**	**-**	**25,034,320**
Long term debt	-	-	1,417,163	2,834,325	20,321,860	24,573,348
Customer deposits	34,042,457	17742857	102,254,987		-	154,040,301
Other liabilities	3,930,141	-	-		-	3,930,141
Lease liabilities	-	-	239,262	-	3,295,671	4,201,278
Balances due to related parties	1,708,974	-	-	666,345	-	1,708,974
Total financial liabilities	**47,539,174**	**17,742,857**	**121,088,130**	-	**23,617,531**	**213,488,362**
Net liquidity gap	**(14,177,921)**	**19,452,021**	**(56,977,420)**	**56,823,988**	**60,358,420**	**65,479,088**

4.2 Liquidity risk (continued)

The table below summarizes the liquidity risk of the Bank as at 31 December 2020:

As at 31 December 2020	Up to 1 month (Frw '000)	1 to 3 months (Frw '000)	3 to 12 months (Frw '000)	1 to 5 years (Frw '000)	Over 5 years (Frw '000)	Total (Frw '000)
Cash in hand and balances National Bank of Rwanda	20,360,827	-	-	-	-	20,360,827
Balances due from other banks		23,500,016	-	-	-	23,500,016
Government securities at amortised cost	6,233,342	13,000,000	2,000,000	5,214,534	-	26,447,876
Balances due from related parties	-	-	972,307	-	-	972,307
Loans and advances to customers	348,279	10,148,168	13,852,490	120,599,799	5,478,128	150,426,864
Other assets	882,192	-	-	-	-	882,192
Off balance sheet assets			34,370,253			34,370,253
Total financial assets	**27,824,640**	**46,648,184**	**51,195,050**	**125,814,333**	**5,478,128**	**256,960,335**
Balances due to other banks	18,390,504	-	21,869,019	-	-	40,259,523
Long term debt	-	-	-	-	8,474,225	8,474,225
Customer deposits	79,412,974	-	63,916,020	-	-	143,328,994
Other liabilities	1,605,783	-	-	-	-	1,605,783
Lease liabilities	30,553	91,661	274,985	1,466,591	3,030,577	4,894,367
Balances due to related parties	2,981,538	-	-	-	-	2981538
Total financial liabilities	**102,421,352**	**91,661**	**86,060,024**	1,466,591	**11,504,802**	**201,544,430**
Net liquidity gap	**(74,596,712)**	**46,556,523**	**(34,564,974)**	**124,347,742**	**(6,026,674)**	**55,415,905**

The accrued interest on financial assets and liabilities whose maturities is more than 1 year has not been included in the note above.

c) Market risk

(i) Foreign exchange risk

The Bank takes on exposure to 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 and hedging strategies used to ensure that positions are maintained within the established limits.

Transactions in foreign currency are recorded at the rate in effect at the date of the transaction. The Bank translates monetary assets and liabilities denominated in foreign currencies at the rate of exchange in effect at the reporting date. The Bank records all gains or losses on changes in currency exchange rates in profit or loss. The following is a summary of currency exposure as at 31 December 2021 and 2020 in Rwandan Francs.

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c) Market risk (continued)

As at 31 December 2021	USD	Euro	GBP	KShs	Other	(Frw '000)
Assets (Frw '000s)	5,044,221	866,270	96,666	95,973		6,103,130
Cash in hand and balances National Bank of Rwanda					4,400	4,400
Balances due from related parties	23,157	37	-	-	-	23,194
Other assets	22,203,797	2,275,904	398,645	146,905	44,888	25,070,139
Due from other banks	14,628,827	16,979	-	72	-	14,645,878
Loans and advances	**41,900,002**	**3,159,190**	**495,311**	**242,950**	**49,288**	**45,846,741**
Liabilities (Frw '000s)						
Balance due to other banks	42,335,958	3,162,535	479,210	146,492	-	46,124,195
Deposits from customers	522,300	10,443	5,330	3,188	4,400	545,661
Balances due to related parties	202,173	135	3	6	63	202,380
Other liabilities	43,060,431	3,173,113	484,543	149,686	4,463	46,872,236
Net currency exposure	**(1,160,429)**	**(13,923)**	**10,768**	**93,264**	**44,825**	**(1,025,495)**

As at 31 December 2020	USD	Euro	GBP	KShs	Other	(Frw '000)
Assets (Frw '000s)	5,698,230	2,092,824	61,121	42,612	-	7,894,787
Cash in hand and balances National Bank of Rwanda	696,203	8,241	-	98	7,223	711,765
Balances due from related parties	142,914	-	-	-	-	142,914
Other assets	21,622,107	939,733	273,245	122,967	40,745	22,998,797
Due from other banks	19,317,106	95,876	-	107	53	19,413,142
Loans and advances	**47,476,560**	**3,136,674**	**334,366**	**165,784**	**48,021**	**51,161,405**
Liabilities (Frw '000s)	3,227,363	59,163	9,197	30,516	58	3,326,297
Balance due to other banks	39,891,990	3,063,299	283,876	76,564	-	43,315,729
Deposits from customers	2,068,767	-	3,846	8,239	15	2,080,867
Balances due to related parties	193,168	392	53	35	3	193,651
Other liabilities	45,381,288	3,122,854	296,972	115,354	76	48,916,544
Net currency exposure	**2,095,272**	**13,820**	**37,394**	**50,430**	**47,945**	**2,244,861**

The following table demonstrates the sensitivity to a reasonably possible change in the below mentioned exchange rates, with all other variables held constant, of the Bank's profit before tax (due to changes in the fair value of monetary assets and liabilities).

c) Market risk (continued)

The table below summarizes the liquidity risk of the Bank as at 31 December 2020:

		Effect on profit before tax	
	Increase/Decrease in the exchange rate	2021 Frw'000	20210 Frw'000
USD	10%	116,042	209,527
GBP	10%	1,077	3,739
EUR	10%	1,392	1,382
KSHS	10%	9,326	5,043

ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the future cash flows of financial instruments will fluctuate because of changes in the market interest rates. Interest margin may increase as a result of such changes but may also reduce in the event that unexpected movement arises. The Bank closely monitors interest rate movements and seeks to limit its exposure by managing the interest rate and maturity structure of financial assets and liabilities carried on the statement of financial position.

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 summarize the Bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual reprising or maturity dates. The Bank does not bear interest rate risk on off balance sheet items. All figures are in thousands of Rwandan Francs.

As at 31 December 2021	Average Interest rate (Frw '000)	Up to 1 month (Frw '000)	1 to 3 months (Frw '000)	3 to 12 months (Frw '000)	1 to 5 years (Frw '000)	Over 5 years (Frw '000)	Non-Interest bearing (Frw '000)	Totsl
Cash and Balances with BNR	0.00%	-	-	-	-	-	21,440,768	21,440,768
Balances due from other banks	4.32%	-	25,434,869	-	-	-	-	25,434,869
Loans and advances to customers	15.90%	7,263,829	4,748,888	22,512,170	57,379,170	76,748,446	-	168,652,503
Due from related parties	0.00%	-	-	-	-	-	281,426	281,426
Other assets	0.00%	-	-	-	-	-	3,321,523	3,321,523
Government securities	9.31%	**2,800,000**	**7,011,121**	**5,787,550**	**2,945,488**	**7,227,505**	-	25,771,664
Total financial assets		**10,063,829**	**37,194,878**	**28,299,720**	**60,324,658**	**83,975,951**	**25,043,717**	**244,902,753**

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c) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

As at 31 December 2020	Average Interest rate (Frw '000)	Up to 1 month (Frw '000)	1 to 3 months Frw '000	3 to 12 months (Frw '000)	1 to 5 years (Frw '000)	Over 5 years (Frw '000)	Non-Interest bearing (Frw '000)	Totsl
Balances due to other banks	6.22%	7,857,602	-	17,176,718	-	-	-	25,034,320
Long term debt	6.77%	-	-	-	1,417,163	2,834,325	16,730,033	20,981,521
Customer deposits	4.90%	34,042,457	17742857	11,297,654	-	-	88,817,283	151,900,251
Other liabilities	0.00%	-	-	-	-	-	3,930,141	3,930,141
Lease liabilities	7.83%	-	-	239,262	666,345	2,295,776	-	3,201,383
Balance due to related parties	0.00%	-	-	-	-	-	1,708,974	1,708,974
Total financial liabilities		**41,900,059**	**17,742,857**	**28,713,634**	**2,083,508**	**5,130,101**	**111,186,431**	**206,756,590**
Interest rate sensitivity gap		**(31,836,230)**	**19,452,021**	**(413,914)**	**58,241,150**	**78,845,850**	**(86,142,714)**	**38,146,163**

The table below summarizes the interest rate risk of the Bank as at 31 December 2020:

Cash and Balances with BNR	0.0%	-	-	-	-	-	20,360,827	20,360,827
Balances due from other banks	4.37%	-	23,500,016	-	-	-	-	23,500,016
Loans and advances to customers	16.30%	348,279	10,148,168	13,852,490	121,408,680	5,478,128	-	150,426,864
Due from related parties	0.0%	-	-	-	-	-	972,307	972,307
Other assets	0.0%	-	-	-	-	-	2,452,101	2,452,101
Government securities	9.08%	**6,233,342**	**13,000,000**	**2,000,000**	**5,214,534**	**-**	-	26,447,876
Total financial assets		**6,581,621**	**46,648,184**	**15,852,490**	**126,623,214**	**5,478,128**	**23,785,235**	**224,968,872**
Balances due to other banks	6.25%	18,390,504	-	21,869,019	-	-	-	40,259,523
Long term debt	7.85%	-	-	-	-	5,668,651	1,803,966	7,472,617
Customer deposits	4.8%	20,033,005	-	61,465,876	-	-	59,379,969	140,878,850
Other liabilities	0.0%	-	-	-	-	-	1,605,783	1,605,783
Lease liabilities	7.83%	30,553	91,661	274,985	1,466,591	1,802,688	-	3,666,478
Balance due to related parties	0.0%	-	-	-	-	-	2,981,538	2,981,538
Total financial liabilities		**38,454,062**	**91,661**	**83,609,880**	**1,466,591**	**7,471,339**	**65,771,256**	**196,864,789**
Interest rate sensitivity gap		**(31,872,441)**	**46,556,523**	**(67,757,390)**	**125,156,623**	**(1,993,211)**	**(41,986,021)**	**28,104,083**

5. Capital management

The primary objective of the Bank's capital management 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 investments in financial institutions, 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 regulatory reserve and subordinated debt

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.

The Bank's regulatory capital position as at 31 December 21 was as follows:

	2021 Frw'000	2020 Frw'000
Core Capital (Tier 1):		
Ordinary share capital	20,148,149	20,148,149
Share premium	1,076,185	1,076,185
Prior retained earning	14,358,673	10,275,562
Adjustment on initial application of IFRS9	-	315,345
Net after tax profit	3,388,571	2,023,687
Transfer to statutory Credit Risk Reserve	(536,908)	(536,908)
	38,434,670	**33,302,020**
Less investment in Intangible Asset	(1,536,237)	(1,451,107)
LESS I	(1,628,856)	(745,556)
Less Deferred Assets		
Total tier	**35,269,577**	**31,105,357**
Supplementary Capital (Tier 2): Subordinated term debt	2,654,178	2,406,555
Total capital	**37,923,755**	**33,511,912**
Risk weighted assets	**212,334,220**	**102,524,376**
Capital ratios:		
Total capital expressed as a percentage of total risk-weighted assets	17,86%	17.41%
Total tier 1 capital expressed as a percentage of total risk-weighted assets	16.61%	16.16%

5. Capital management (continued)

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 of 15% of its total weighted assets of which 10% is core capital.

Total regulatory capital expressed as a percentage of total risk-weighted assets	15.5%	15.5%
Tier 1 capital expressed as a percentage of total risk-weighted assets	12.5%	12.5%

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6. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Bank's operations and are faced by all business units.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the yearly assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective.

Compliance with Bank's standards is supported by a programmer of regular reviews undertaken by both the Internal Audit and Risk and Compliance department. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

7. Use of judgments and estimates

In determining the carrying amounts of certain assets and liabilities, the Bank makes assumptions of the effects of uncertain future events on those assets and liabilities at the reporting date. The Bank's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. This disclosure excludes uncertainty over future events and judgments in respect of measuring financial instruments. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty are set out in the notes.

In the context of Covid-19, management judgmental adjustments at both the customer and portfolio levels have been adopted in order to account for model deficiencies and expert credit judgement applied following management review and challenge. Internal governance and controls were put in place in order to monitor the post-model adjustments based on the economic performance in the midst of the pandemic.

(a) Impairment losses on loans and advances

The methodology for impairment of loans and advance is as included under note 4 (b).

(b) Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

All financial instruments are initially recognized at fair value, which is normally the transaction price. All financial instruments are initially recognized at fair value, which is normally the transaction price. Subsequent to initial recognition, some of the Bank's financial instruments are carried at fair value. The fair values of quoted financial instruments in active markets are based on current prices with no subjective judgments, if the market for a financial instrument does not exist or is not active including for unlisted securities, the Bank established fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants. Where representative prices are unreliable because of illiquid markets, the determination of fair value may require estimation of certain parameters, which are calibrated against industry standards and observable market data, or the use of valuation models that are based on observable market data. The fair value of the majority of the Bank's financial instruments are based on observable market prices or derived from observable market parameters.

(c) Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is possible that taxable profit will be available against which the losses can be utilized. Significant Directors' judgment is required to determine the amount of deferred tax asset that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(d) Property and equipment

Property and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmers are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. The rates used are set out on accounting policy 3(b).

8. Segment reporting

The Bank's main business comprises the following reportable segments:

Retail Banking – incorporating Banking services such as customer current accounts, savings and fixed deposits to individuals. Retail lending are mainly consumer loans and mortgages based lending.

Corporate Banking – incorporating Banking services such as current accounts, fixed deposits, overdrafts, loans and other credit facilities both in local and foreign currencies.

Treasury operates the Bank's foreign exchange business as well as investments in Treasury Bills and Bonds.

Other bank operations comprise custody and other normal operations. Transactions between the business segments are on normal commercial terms and conditions. Segment assets and liabilities mainly comprise operating assets and liabilities. The table below analysis the breakdown of segmental assets, liabilities, income and expenses;

Statement of profit or loss

2021	Corporate Banking (Frw '000)	Retail Banking (Frw '000)	Treasury Frw '000	Other (Frw '000)	Total (Frw '000)
Net interest income	6,564,770	10,342,352	1,952,535	(316120)	18,543,537
Net Fees and commission	1,237,904	2,293,125	-	-	3,531,029
Foreign exchange income	1000000		1,505,722	-	2,505,722
Other income	184,768	395,458	-	171,526	751,751
Operating expenses	(1,044,043)	(5,329,556)	(177,046)	(8,949,687)	(15,500,332)
Profit before tax	**7,943,399**	**7,701,379**	**3,281,211**	**(9,099,281)**	**9,831,708**

2020	Corporate Banking (Frw '000)	Retail Banking (Frw '000)	Treasury Frw '000	Other (Frw '000)	Total (Frw '000)
Net interest income	5,210,654	8,708,937	1,056,428	-	14,976,019
Net Fees and commission	2,010,206	1,606,285		-	3,616,491
Foreign exchange income	-	-	1,399,611	-	1,399,611
Other income	126,183	196,345	-	77,154	399,682
Operating expenses	(838,861)	(5,757,003)	(175,915)	(7,887,335)	(14,659,114)
Profit before tax	**6,508,182**	**4,754,564**	**2,280,124**	**(7,810,181)**	**5,732,689**

Statement of financial position

2021	Corporate Banking (Frw '000)	Retail Banking (Frw '000)	Treasury Frw '000	Other (Frw '000)	Total (Frw '000)
Total assets	104,404,568	67,927,496	36,920,364	41,988,731	251,241,159
Total liabilities	98,908,076	78,026,495	20,981,521	10,915,280	208,831,372
Shareholders' funds	-	-		-	**42,359,787**

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8.Segment reporting (continued)

2020	Corporate Banking (Frw '000)	Retail Banking (Frw '000)	Treasury Frw '000	Other (Frw '000)	Total (Frw '000)
Total assets	87,929,342	63,372,634	26,447,876	54,943,595	232,693,447
Total liabilities	102,232,649	72,493,245	5,668,651	16,716,257	197,110,802
Shareholders' funds	-	-	-	-	**35,582,645**

The following are the additions to non-current assets

	2021 (Frw '000)	2020 (Frw '000)
Additions to non-current assets		63,372,634
Property and equipment	309,797	710,511
Intangible assets	578,142	99,679
	887,939	810,190

No individual customer comprises more than 10% of the company's revenue. No revenue is made from customers outside Rwanda.

9. Fair value measurement

a) Accounting classification and fair values

The following sets out the Bank's basis of establishing fair values of financial instruments: Loans and advances to customers are carried net of allowance for impairment. The estimated fair value of loans and advances represents the discounted amount of future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

The estimated fair value of deposits with no stated maturity is the amount repayable on demand. Estimated fair value of fixed interest bearing deposits without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with similar maturities and interest rates. A substantial proportion of deposits mature within 12 months and hence fair value approximates the carrying amounts.

Cash and balances with the National Bank of Rwanda and other financial institution are measured at amortised cost and their value approximates their carrying amount.

b) Valuation hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data.

The Bank does not have any financial instruments at fair value (2019: nil). All the carrying amounts of the financial instruments at amortised cost as at year end approximate to the fair value of the same.

The table below sets out the carrying amounts of each class of financial assets and liabilities. The carrying amounts approximate the fair value:

9. Fair value measurement (continued)

2021 Assets	FVOCI (Frw '000)	FVTPL (Frw '000)	Carrying amount Frw '000	Fair Value (Frw '000)
Cash and balances with central Bank	-	-	21,440,768	21,440,768
Balances due from other Banks	-	-	25,434,869	25,434,869
Non-current assets held for sale	-	-	-	0
Amortised cost investments	-	-	25,771,664	25,771,664
Loans and advances to customers	-	-	168,652,503	168,652,503
Balances due from related parties	-	-	281,426	281,426
Other assets	-	-	1,633,367	1,633,367
Total financial assets	-	-	**243,214,597**	**243,214,597**
Liabilities				
Balances due to other Banks			25,034,320	25,034,320
Customer deposits			151,900,251	151,900,251
Other liabilities			9,168,962	9,168,962
Balances due to related parties			1,643,190	1,643,190
Long term borrowing			20,981,521	20,981,521
Total financial liabilities			**208,728,244**	**208,728,244**

2020 Assets	FVOCI (Frw '000)	FVTPL (Frw '000)	Carrying amount Frw '000	Fair Value (Frw '000)
Assets				
Cash and balances with National Bank of Rwanda	-	-	20,360,827	20,360,827
Balances due from other banks	-	-	23,500,016	23,500,016
Non-current assets held for sale	-	-	-	-
Amortised cost investments	-	-	26,447,876	26,447,876
Loans and advances to customers	-	-	151,235,744	150,426,864
Balances due from related parties	-	-	972,307	972,307
Other assets	-	-	2,452,101	2,452,101
Total financial assets	-	-	**224,968,871**	**224,159,991**
Liabilities				
Balances due to other banks	-	-	40,259,523	40,259,523
Customer deposits	-	-	140,878,850	140,878,850
Other liabilities	-	-	5,273,544	5,273,544
Balances due to related parties	-	-	2,981,538	2,981,538
Long term borrowing	-	-	7,472,617	7,472,617
Total financial liabilities	-	-	**196,866,072**	**196,866,072**

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10. Interest income

Assets	2021 Frw '000	2020 (Frw '000)
Interest on loans and advances	24,556,558	21,784,654
Interest on government securities	2,431,376	1,438,223
Interest on placements and bank balances	186,543	142,491
Loan appraisal fees	826,989	693,657
	28,001,466	**24,059,025**

11. Interest income

	2021 Frw '000	2020 (Frw '000)
Interest on customers' deposits	8,546,057	7,888,081
Interest on borrowed funds	595,753	501,267
Interest on lease liabilities	316,119	371,094
	9,457,929	**8,760,442**

12. Fees and commission income

	2021 Frw '000	2020 (Frw '000)
Commission income	2,463,956	2,368,068
Fee income	1,704,162	1,061,595
	4,168,118	**3,429,663**

13. Fees and commission expense

2021	2021 Frw '000	2020 (Frw '000)
Fees & commission expense	**637,089**	**506,829**

14. Foreign exchange income

	2021 Frw '000	2020 (Frw '000)
Foreign currency dealings	1,431,400	786,472
Revaluation gain	1,074,322	613,139
	2,505,722	**1,399,611**

15. Other income

	2021 Frw '000	2020 (Frw '000)
Other income	580,225	322,528
Fair valuation loss	-	(808,880)
Notional benefit on low interest borrowings	171,526	886,034
	751,751	**399,682**

16. Credit impairment losses on financial assets

Assets	2021 Frw '000	2020 (Frw '000)
Impairment losses on stage 1 & 2 loans	878,453	1,405,656
Impairment losses on stage 3 loans	(71,515)	139,433
Impairment losses on off balance sheet items	702	9,561
Reversal of impairment losses on other financial assets	(51,019)	(9,559)
Bad debts recovered during the year	(237,515)	-
Bad debts written off	69,541	106,400
Net impairment losses on financial assets	**588,647**	**1,651,491**

17. Employee benefits expense

	2021 Frw '000	2020 (Frw '000)
Salaries and wages	4,743,384	4,078,086
Medical expenses	324,526	351,151
Pension scheme contributions	347,821	444,760
Other benefits	709,911	330,563
	6,125,642	**5,204,560**

18. Depreciation and amortisation

	2021 Frw '000	2020 (Frw '000)
Depreciation of property and equipment	616,324	645,717
Depreciation of right-of-use assets	1,828,984	1,051,172
Amortisation of intangible assets	493,012	433,102
	2,938,320	**2,129,991**

19. Other operating expenses

Assets	2021 Frw '000	2020 Frw '000
Fines and penalties	880,142	-
Repairs and maintenance	203,824	163,763
Utilities	271,174	271,125
Insurance	126,598	67,808
Provision for early lease termination	1,489,748	287
Directors' emoluments	159,692	422,430
Auditor's remuneration	59,000	59,000
Transport	35,292	37,348
Operating licenses and subscriptions	245,049	214,703
Communication expenses	666,005	489,168
Printing and stationery	57,876	55,283
Sundries	112,789	122,102
Security	237,443	266,841
Cleaning	59,630	43,793
Software related expenses	426,692	275,142
Consultancy	295,572	440,492
Legal expenses	150,098	66,849
Marketing	79,374	110,827
Provision for income tax prepayments	89,204	885,182
Other expenses	202,520	1,309,836
	5,847,722	**5,301,979**

20. Income tax expense

	2020 Frw'000	2019 Frw' 000
Current Income tax expense		
Current income tax	3,997,166	2,058,224
Change in estimate related to prior years	-	-
Deferred Income tax expense		
Deferred income tax charge (note 30)	(942,600)	(372,909)
(Over)/under provision in the previous years	**-**	**-**
Total Income tax expense	**3,054,566**	**1,685,315**

20. Income tax expense (continued)

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	2021 Frw' 000	Effective tax rate	2020 Frw' 000
Accounting profit before tax	616,324	9,831,708		5,732,689
Tax at the applicable rate of 30%	30%	2,949,512	30.0%	1,719,807
Tax effects of:				
Understatement of current tax in prior year		-		-
Deferred tax effect on provisions	(9.04%)	(888,305)	-	-
Prior year Deferred tax not recognised		-	-	-
Expenses not deductible for tax purposes	15.94%	1,566,902	5.93%	115,402
Deferred tax effect on fixed assets	(0.55%)	(54,295)		
Effect of non-taxable incomes	(5.29%)	(519,748)	(7.37%)	(149,894)
	31.07%	**3,054,566**	**28.56%**	**1,685,315**

21. Earnings per share

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:

	2021 Frw'000	2020 Frw' 000
Net profit attributable to equity shareholders	6,777,142	4,047,374
Weighted average paid up ordinary shares 629,629,667 shares (2020: 629,629,667 shares)		
Diluted and basic earnings per share	10.76	6.43

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of theses financial statements which would require the restatement of earnings per share. Basic and dilutive earnings per share are the same as the Bank did not issue any potentially dilutive instruments.

22. Cash and bank balances with National Bank of Rwanda

	2021 Frw'000	2020 Frw' 000
Cash on hand	5,660,878	7,825,613
Balances with National Bank of Rwanda:		
-Cash Reverse ration	7,486,789	6,415,205
-Other current accounts	8,293,101	6,120,009
-Gross cash & balances with BNR	21,440,768	20,360,827
-Impairment allowance	-	-
Net cash & balances with BNR	**21,440,768**	**20,360,827**

The National Bank of Rwanda retains a minimum cash ratio reserve equivalent to 4.5% (2020: 4.5%) of the Bank's customer deposits that is not available for the Bank's use. The restricted cash therefore at 31 December is Frw 7,486,789,000 (2020 Frw 6,415,205,000).

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23. Balances due from other banks

	2021 Frw'000	2020 Frw' 000
Placements with local banks	11,196,165	6,822,305
Balances with foreign banks	14,239,522	16,678,149
Gross balances due from other banks	25,435,687	23,500,454
Impairment allowance	(818)	(438)
Net balances due from other banks	**25,434,869**	**23,500,016**

The weighted average effective interest rate on placements to Banks at 31 December 2021 was 4.253% (2020: 6.5%)

24. Government securities at amortised cost

	2021 Frw'000	2020 Frw' 000
Treasury bills	14,581,325	Frw '000
Treasury bonds	11,192,525	20,842,731
Gross government securities	25,773,850	5,605,145
Impairment allowance	(2,186)	(1,283)
Net government securities	**25,771,664**	**26,446,593**

Maturities at reporting date	2021 Frw'000	2020 Frw' 000
Maturing between 0-3 months	9,813,307	21,085,800
Maturing between 3-12 months	5,787,550	147,542
Maturing between 1-5 years	2,945,488	5,214,534
Maturing between over 5 years	7,227,505	-
	25,773,850	**26,447,876**

Treasury bills and bonds are debt securities issued by the Government of the Republic of Rwanda. The bills and bonds are categorized as held to maturity and carried at amortized cost. The weighted average effective interest rates on treasury bonds and bills as at 31 December 2021, was 11.15% and 7,17% respectively (31 December 2020: 11.86% and 5.05% respectively). The Bank had a borrowing stock in reverse repo of Frw 0 million as at 31 December 2021 (2020: Frw 3,800 million.

25. Loans and advances to customers

Sectorial analysis of loans and advances	2021	2020
Assets	**Frw '000**	**(Frw '000)**
Mortgage	27,208,359	31,852,015
Small and medium enterprises	33,459,927	26,443,445
Consumer	7,357,119	6,829,322
Corporate	104,306,659	89,203,930
Sub-total	172,332,064	154,328,712
Impairment allowances	(2,546,342)	(3,092,968)
Fair value loss on below market lending	(1,133,219)	(808,880)
Net carrying amount	**168,652,503**	**150,426,864**

Classified according to rating category: Assets	2021 Frw '000	2020 (Frw '000)
Grade 1: Normal	121,946,659	124,793,393
Grade 2: Watch	47,344,563	21,759,133
Grade 3: Substandard	404,436	677,581
Grade 4: Doubtful	653,453	696,878
Grade 5: Loss	1,982,953	6,401,727
	172,332,064	**154,328,712**
Impairment allowances	(2,546,342)	(3,092,968)
Fair value loss on below market lending	**(1,133,219)**	**(808,880)**
	168,652,503	**150,426,864**

Stage 3 ECL Assets	2021 Frw '000	2020 (Frw '000)
At 1 January	1,104,692	965,259
Provisions made during the year	-	139,433
Releases during the year	(71,515)	-
Recoveries during the year	(466,168)	-
Write offs	-	-
	567,009	**1,104,692**

At 31 December

(c) Stage 3	2021 Frw '000	2020 (Frw '000)
At 1 January	1,104,692	965,259
Provisions made during the year	-	139,433
Releases during the year	(71,515)	-
Recoveries during the year	(466,168)	-
Write offs	-	-
	567,009	**1,104,692**

At 31 December

(c) Stage 1 & 2	2021 Frw '000	2020 (Frw '000)
At 1 January	1,988,275	582,620
Provisions made during the year	(8,943)	1,405,656
At 31 December	**1,979,332**	**1,988,276**

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26. Related party disclosures

The Bank's immediate and ultimate parent company is KCB Group PLC, which is incorporated and domiciled in Kenya. The parent company is listed on the Nairobi Securities Exchange. There are other companies that are related to the Company through common shareholdings or common Directorships.

The following transactions were carried out with the parent company and other related companies:

a) Sale of goods and services

	2021 Frw '000	2020 (Frw '000)
KCB Group Plc		

b) Purchase of goods and services

	2021 Frw '000	2020 (Frw '000)
KCB Group Plc	25,773	

c) Key management compensation

Key management includes directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2021 Frw '000	2020 (Frw '000)
Short term employee benefits	243,843	253,611
Post-employment pension (defined contribution)	-	-
Terminal benefits	-	-
	243,843	**253,611**

d) Directors emoluments

	2021 Frw '000	2020 (Frw '000)
As executives	243,843	253,611
As directors	159,692	168,819
	403,535	**422,430**

e) Due from related parties

	2021 Frw '000	2020 (Frw '000)
KCB Bank Kenya Limited	253,276	253,274
KCB Bank Burundi Limited	3,880	688,107
KCB Bank Tanzania Limited	7,568	7,223
KCB Bank Uganda Limited	16,702	23,703
	281,426	**972,307**

f) Balances due to related parties

	2021 Frw '000	2020 (Frw '000)
KCB Bank Kenya Limited	1,576,588	2,924,191
KCB Bank South Sudan Limited	8,957	1,077
KCB Bank Burundi Limited	105,082	-
KCB Bank Tanzania Limited	12,676	52,228
KCB Bank Uganda Limited	5,671	4,042
	1,708,974	2,981,538
Net balances due from group companies	**(1,427,548)**	**(2,009,231)**

g) Loans and advances to directors and senior management staff:

	2021 Frw '000	2020 (Frw '000)
As at 1 January	359,202	378,388
Loans and advances issued during the year	180,457	22,429
Interest income	1,254	987
Loans and advances repaid during the year	(68,421)	(42,602)
As at 31 December	**472,492**	**359,202**

27. Other assets

	2021 Frw '000	2020 (Frw '000)
Prepayments	1,380,214	3,050,160
Clearing accounts	517,852	122,158
Other receivables	1,338,804	764,938
Impairment allowances	(1,528,249)	(1,485,155)
Net other assets	1,708,621	2,452,101
Net movement in impairment		
1 January	1,485,155	1,697,074
Charge/ (reversal) for the year	43,094	(211,919)
As at 31 December	**1,528,249**	**1,485,155**

Included in other receivables are unauthorized overdrafts worth Frw 757 million resulting from bank charges and long outstanding statutory receivables worth Frw 364 million. These amounts are fully provided for.

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28. Property and equipment

2021	Leasehold (Frw '000)	Computer equipment (Frw '000)	Motor vehicles Frw '000	Furniture & Equipment (Frw '000)	Capital works in progress (Frw '000)	Total (Frw '000)
Cost						
At 1 January 2021	5,109,118	1,514,540	196,915	2,942,845	-	9,763,418
Additions	8,517	176,434	-	124,846	-	309,797
Disposals	-	(800)	(21550)	-	-	-22,350
At 31 December 2021	**5,117,635**	**1,690,174**	**175,365**	**3,067,691**	**-**	**10,050,865**
Depreciation						**-**
At 1 January 2021	4,445,200	934,942	196,915	2,250,978	**-**	7,828,035
Charge for the year	201,014	203,066	-	212,244	**-**	616,324
Disposals	-	(800)	(21550)	-	**-**	(22,350)
At 31 December 2021	**4,646,214**	**1,137,208**	**175,365**	**2,463,222**	**-**	**8,422,009**
Carrying amount						
At 31 December 2021	**471,421**	**552,966**	**-**	**604,469**	**-**	**1,628,856**

2020	Leasehold (Frw '000)	Computer equipment (Frw '000)	Motor vehicles Frw '000	Furniture & Equip-ment (Frw '000)	Capital works in progress (Frw '000)	Total (Frw '000)
Cost						
At 1 January 2020	4,928,876	1,254,621	196,915	2,857,545	10,607	9,248,564
Additions	180,242	259,919	-	85,300	185,050	710,511
Transfers from work in progress	-	-	-	-	(195,657)	(195,657)
Disposal	-	-	-	-	-	-
At 31 December 2020	**5,109,118**	**1,514,540**	**196,915**	**2,942,845**	**-**	**9,763,418**
Depreciation						-
At 1 January 2020	4,218,553	755,564	186,655	2,021,546		7,182,318
Charge for the year	226,647	179,378	10,260	229,432	-	645,717
Disposal	-	-	-	-	-	-
At 31 December 2020	**4,445,200**	**934,942**	**196,915**	**2,250,978**	**-**	**7,828,036**
Carrying amount						
At 31 December 2020	**663,918**	**579,598**	**-**	**691,867**	**-**	**1,935,383**

The Leasehold improvements consist of refurbishment of the leased premises to suit the business of the Bank. All risks and benefits in connection with the improvements are the responsibility of the Bank and are not transferable to the owners of the premises.

29. Intangible assets

	2021 Frw '000	2020 (Frw '000)
Cost	Frw '000	Frw '000
At 1 January	2,908,899	2,809,220
Additions	578,142	99,679
At 31 December	**3,487,041**	**2,908,899**

	2021 Frw '000	2020 (Frw '000)
Amortisation		
At 1 January	1,457,792	1,024,690
Amortization for the year	493,012	433,102
At 31 December	**1,950,804**	**1,457,792**
Carrying amount at 31 December	**1,536,237**	**1,451,107**

Intangible assets relate to the cost of acquiring long term licensing rights for the usage of the core Banking system, interfaces and other Banking software.

30. Right use of assets

	Leasehold premises (Frw '000)	Motor vehicles (Frw '000)	2021 Total Frw '000	Leasehold premises (Frw '000)	Motor vehicles (Frw '000)	2020 Total (Frw '000)
Cost						
At the start of the year	8,705,595	322,333	9,027,928	8,189,935	322,333	8,512,268
Additions	-	358,217	358,217	515,660	-	515,660
Remeasurements	(455,180)	-	(455,180)	-	-	-
At end of year	8,250,415	680,550	8,930,965	8,705,595	322,333	9,027,928
Amortization						
At the start of the year	4,370,055	255,180	4,625,235	3,480,049	94,014	3,574,063
Charge for the year	942,317	160,413	1,102,730	890,006	161,166	1,051,172
Remeasurements	89,626	-	89,626	-	-	-
At end of year	**5,401,998**	**415,593**	**5,817,591**	**4,370,055**	**255,180**	**4,625,235**
Carrying amount at end of year	**2,848,417**	**264,957**	**3,113,374**	**4,335,540**	**67,153**	**4,402,693**

30. Right use of assets (continued)

Buildings and vehicles:	2021 Frw '000	2020 (Frw '000)
Cost		
At 1 January	9,027,928	8,512,268
Additions	358,217	515,660
Remeasurement	(455,180)	-
At 31 December	8,930,965	9,027,928
Accumulated depreciation		
At 1 January	4,625,235	3,574,063
Amortisation for the year	1,828,984	1,051,172
Re-measurement	(726,254)	**-**
At 31 December	5,787,965	4,625,235
Carrying amount at 31 December	**3,203,000**	**4,402,693**

31. Leases

This note provides information for leases where the Bank is a lessee. The Bank does not carry out lessor activities.

(i) Amounts shown in the statement of financial position

The statement of financial position shows the following amounts related to leases:

Buildings and vehicles:	2021 Frw '000	2020 (Frw '000)
Buildings	2,848,417	4,335,540
Motor vehicles	264,957	67,153
	3,113,374	**4,402,693**

Lease liabilities	2021 Frw '000	2020 (Frw '000)
Current	3,201,383	3,666,478
Non-current	-	-
	3,201,383	**3,666,478**

A reconciliation of the lease liabilities movement during each of the presented years is as follows:

Lease liabilities	2021 Frw '000	2020 (Frw '000)
At start of year	3,666,478	4,698,602
Additions	358,217	515,660
Interest expense	316,119	371,094
Repayment of principal	(1,289,160)	(1,547,784)
Repayment of interest	(316,119)	(371,094)
Remeasurement	465,848	-
At end of year	**3,201,383**	**3,639,478**

Right use of assets (continued)

During the year, the parent company of the Bank, KCB Group Holdings Plc, announced that it had acquired Banque Populaire du Rwanda Plc. It was also announced that KCB Group Holdings Plc commenced plans to merge the Bank into Banque Populaire du Rwanda Plc. As a result, the Bank reassessed the lease on the head office buildings, reducing the lease life from 3 years to 1 year since the option to review the lease is at the discretion of the Bank. This is because Banque Populaire du Rwanda Plc already has a building adequate for head quarter purposes.

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

Buildings and vehicles:	2021 Frw '000	2020 (Frw '000)
Depreciation charge of right-of-use assets	1,102,730	1,051,172
Interest expense (included in interest expense)	316,119	371,094
Expense relating to short-term leases (included in administrative expenses)	-	-

The total cash outflow for leases in 2021 was Frw 1,605 million (2020: Frw 1,919 million).

(iii) The Bank's leasing activities and how these are accounted for

The Bank leases several commercial and residential buildings, and motor vehicles. The rental contracts are typically fixed for periods of two to five years but may have extension options as described in (v) below. The contracts only contain lease components, and there are no non-lease components.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the interest in the leased asset that is held by the lessor. Leased assets may not be used as security for borrowing purposes.

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date and
- amounts expected to be payable by the Bank under residual value guarantees.

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

To determine the incremental borrowing rate, the Bank:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third-party financing, and
- Makes adjustments specific to the lease, eg term, country, currency and security.

The Bank is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Company has chosen not to revalue the right-of-use building.

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

(iv) Variable lease payments

There are no variable payment terms in the leases.

(v) Extension and termination options

Extension and termination options are included in the leases. These are used to maximise operational flexibility in terms of managing the assets used in the Bank's operations. The majority of extension and termination options held are exercisable only by the Bank and not by the lessor.

32. Balances due to other banks

	2021 Frw '000	2020 (Frw '000)
Balances and placements due to local banks	22,487,064	37,033,395
Balances and placements due to foreign banks	2,547,256	3,226,128
	25,034,320	**40,259,523**

The weighted average effective interest rate on deposits from other Banks as at 31 December 2021 was 9.5% (31 December 2020: 8.5%).

33. Customer deposits

	2021 Frw '000	2020 (Frw '000)
Current accounts	84,448,291	77,247,765
Fixed deposit accounts	47,143,909	45,084,683
Savings accounts	20,308,051	18,546,402
	151,900,251	140,878,850
Payable on demand	79,756,342	79,412,974
Payable within 1 to 3	25,000,000	19,000,000
Payable within 3 to 12 months	44,643,909	42,465,876
Payable within 1 to 5 years	2,500,000	-
	151,900,251	**140,878,850**

The weighted average effective interest rate on interest bearing customer deposits as at 31 December 2021 was 4.8% (2020: 4.8%).

2021	IFC (Frw '000)	GoR (Frw '000)	EIB Frw '000	Total (Frw '000)
As at 1 January 2021	-	1,803,966	5,668,651	7,472,617
Interest expense			442,486	442,486
Principal repayments	-	-	1,417,163	1,417,163
Interest repayments			(442,487)	(442,487)
New debt during the year		2,098,444	13,085,838	15,184,282
Government grant benefit		(258,214)	-	(258,214)
As at 31 December 2021	**-**	**3,644,196**	**20,171,651**	**23,815,887**
As at 1 January 2020	-	-	7,085,814	7,085,814
Interest expense			501,267	501,267
Principal repayments	-	-	(1,417,163)	(1,417,163)
Interest repayments			(501,267)	(501,267)
New debt in the year		2,690,000	-	2,690,000
Government grant benefit		(886,034)		(886,034)
As at 31 December 2020	**-**	**1,803,966**	**5,668,231**	**7,472,257**

34. Long term debt (continued)

Maturing as follows:	Up to 1 month (Frw '000)	1 to 3 months (Frw '000)	3 to 12 months Frw '000	1 to 5 years (Frw '000)	Over 5 years Frw '000	Total Frw '000
As at 31 December 2021	-	-	1,417,163	2,834,325	16,730,033	20,981,521
As at 31 December 2020	**-**	**-**	**1,417,163**	**4,251,488**	**1,803,966**	**7,472,617**

The loan from European Investment Bank (EIB) is on normal commercial terms and repayable on a half a year basis

Debt	Loan disbursed (Frw '000)	Loan 31 dec 21 (Frw '000)	Rate Frw '000	Value date (Frw '000)	Maturity date (Frw '000)
EIB SME Loan	7,085,814	4,251,488	7.83	15-Jun-19	15-Oct-24
EIB Covid Facility -Gender Portion	5,689,495	5,689,495	8.02	24-Dec-21	15-Oct-26
EIB Covid Facility-Normal Portion	7,396,343	7,396,343	8.64	24-Dec-21	15-Oct-26
Total	**20,171,652**	**17,337,326**			

The GoR debt is a 15 year old direct support to customers that were affected by Covid 19 as part of the economic recovery fund. The funds are on zero interest and have been matched to the maturity of the loans for the supported customers. The grant benefit is a result of subjecting the same funds to market rates at the BNR rate of 5%.

Recognition of the government grant was on condition that the bank restructures the existing facilities to the extent of the borrowing from BNR and that the restructures would result in the interest rates for the customers being lowered from market (contractual) rate to 5% which is deemed below market. Since this condition has been achieved, the grant benefit has been recognized. As per IAS 20, the benefit of a government grant is recognised in profit or loss on a systematic basis as the entity recognises as expenses the related costs for which the grant is intended to compensate. The loss being compensated is represented by the fair value loss on restructured facilities.

Net debt reconsilliation

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

	2021 Frw '000	2020 (Frw '000)
Cash and balances with National Bank of Rwanda	21,440,768	20,360,827
Balances due from other banks	25,434,869	23,500,016
Long term debt	(20,981,521)	(7,472,617)
Lease liabilities	(3,201,383)	(3,666,478)
Net debt	**22,692,733**	**32,721,748**

	Borrowings (11,784,416)	Cash and equivalents	Total
Net debt as at 1 January 2020	(11,784,416)	35,623,030	23,838,614
Cash flows	645,321	8,237,813	8,883,134
Net debt as at 31 December 2020	(11,139,095)	43,860,843	32,721,748
Cash flows	(13,043,809)	3,014,794	(10,029,015)
Net debt as at 31 December 2021	**(24,182,904)**	**46,875,637**	**22,692,733**

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For the Year Ended 31 December 2021

35. Current income tax

	2021 Frw '000	2020 (Frw '000)
As at 1 January	246,013	620,573
Income tax paid	(2,118,398)	(2,432,784)
Tax charge for the year	3,997,167	2,058,224
	2,124,782	**246,013**

33. Other liabilities

	2021 Frw '000	2020 (Frw '000)
Clearing accounts	361,911	-
Accruals	2,681,623	516,954
Other payables	886,607	1,088,829
	3,930,141	**1,605,783**

The weighted average effective interest rate on interest bearing customer deposits as at 31 December 2021 was 4.8% (2020: 4.8%).

37. Deffered incomve tax

	Pland and equipment Frw '000	Other temporary differences Frw '000	Net deffered tax Frw '000
Arising from:			
01-Jan-21	528,572	(1,274,128)	(745,556)
Prior year under/ (over) provision	-	15,315	15,315
Charged/ (credited) to P&L	(54,295)	(888,305)	(942,600)
31-Dec-21	**474,277**	**(2,147,118)**	**(1,672,841)**

	Pland and equipment Frw '000	Other temporary differences Frw '000	Net deffered tax Frw '000
Arising from:			
01-Jan-20	494,030	(866,677)	(372,647)
Prior year under/ (over) provision	-	-	-
Charged/ (credited) to P&L	34,542	(407,451)	(372,909)
31-Dec-20	**528,572**	**(1,274,128)**	**(745,556)**

38. Share capital

The holders of ordinary shares are entitled for dividends when declared and are voted per share during the annual general meeting. During the year there was no additional share capital issued. During 2020 the shareholder injected capital worth Frw 3,818,254,000 which translated to an additional 119,320,450 shares.

	2021 Shares Frw '000	2020 Shares Frw '000	2021 Frw '000	2020 Frw '000
Authorized share capital:				
Ordinary shares of par value of Frw 32 each:	1,250,000,000	1,250,000,000	40,000,000	40,000,000
Issued, called and paid share capital:				
Ordinary shares of Frw 32 each:	629,629,667	629,629,667	20,148,149	20,148,149
31 December			**20,148,149**	**16,329,895**

39. Reserves

a) Share premium

The 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. There was no movement in the account balance in 2021.

	2021 Shares Frw '000	2020 Shares Frw '000
Ordinary shares of par value of Frw 32 each:	**1,076,185**	**1,076,185**

b) Retained earnings

This comprises prior year profits less any appropriation to credit risk plus current year profit.

	2021 Shares Frw '000	2020 Shares Frw '000
Balance at 1 January	13,821,403	10,073,654
Profit for the year	6,777,142	4,047,374
Transfer to statutory credit risk reserve		(299,625)
Balance at 31 December	20,598,545	13,821,403

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For the Year Ended 31 December 2021

39. Resrves (continued)

c) Share premium

This reserve is used to record provision for regulatory impairment losses on financial assets over and above those derived by IFRS 9.

	2021 Shares Frw '000	2020 Shares Frw '000
Balance at 1 January	536,908	237,283
Transfer from retained earnings	-	299,625
Balance at 31 December	**536,908**	**536,908**

40. Notes on statement of cashflows

	2021 Shares Frw '000	2020 Shares Frw '000
(a) Cash flows from operating activities		
Profit before income tax	9,831,708	5,732,689
Adjustments for:		
Depreciation of property and equipment	616,324	645,717
Amortization of intangible assets	493,012	433,102
Depreciation of right of use assets	1,828,984	1,051,172
Government grant	(258,214)	(886,034)
Cash flows from operations before working capital changes	**12,511,814**	**6,976,646**
Cash ratio reserve	(1,071,584)	811,945
Other assets	743,479	402,393
Net loans and advances	(18,225,639)	(14,645,183)
Customer deposits	11,021,401	17,656,643
Other liabilities	2,324,358	(987,092)
Due from related parties	690,881	(532,398)
Due to related parties	(1,272,564)	(2,959,501)
Net cash flows generated/(used in) from operations	**6,722,146**	**6,723,453**

	2021 Shares Frw '000	2020 Shares Frw '000
b) Analysis of cash and cash equivalents		
Cash in hand	5,660,878	7,825,613
Balances with the National Bank of Rwanda	**8,293,101**	**6,120,009**
Due from banks	25,434,869	23,500,016
Due to banks	(25,034,320)	(40,259,523)
Treasury bills	9,813,307	11,085,800
	24,167,835	**8,271,915**

41. Custody services

The Bank offers custody services to customers trading on the Rwanda Stock Exchange. Customers' investments in the capital markets are managed separately from the Bank's assets and investments. As at 31 December, the Bank was in custody of certificates of titles of custody customers' investments with following values;

	2021 Shares Frw '000	2020 Shares Frw '000
Certificates of titles	282,945,702	206,995,622

42. Contingent liabilities and commitments

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend.

Even though these obligations may not be recognized in the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credits carry similar credit risk to loans.

The table below shows the Bank's maximum credit risk exposure for commitments and guarantees. The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment.

Guarantees and letters of credit

	2021 Shares Frw '000	2020 Shares Frw '000
Guarantees	29,717,891	32,627,290
Letters of credit, acceptances, indemnities and other engagements entered into on behalf of customers at year end	5,786,585	1,767,349
Adjustments for:	**35,504,476**	**34,394,639**
Expected credit losses	(25,088)	(24,386)
Net	35,479,388	34,370,253
Movement on impairment		
01-Jan	24,386	14,825
Charged to P&L	**702**	**9,561**
31-Dec	**25,088**	**24,386**

Legal claims

Litigation is a common occurrence in the Banking industry due to the nature of the business undertaken. The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing.

Based on information currently available, the unresolved claims which existed at year end are unlikely to result into any material effect on the operations of the Bank. As at 31 December 2021, a provision of Frw 273,923,093 has been made towards litigations and claims.

43 Pending merger between Banque Populaire du Rwanda Plc and KCB Bank Rwanda Plc

KCB Group Plc is in the process of merging the KCB Bank Rwanda Plc into Banque Populaire due Rwanda Plc (BPR), following the acquisition of a 76.67% stake in BPR. The merger transaction obtained approval from the National Bank of Rwanda with an effective date of 1 April 2022.

Appendix 1

	31-Dec-21 Frw '000	31-Dec-20 Frw '000
A. Capital strength		
Core capital (Tier 1)	35,269,577	31,105,357
Supplementary capital (Tier 2)	**2,654,178**	**2,406,555**
Total capital	37,923,755	33,511,912
Total risk weighted assets	212,334,220	192,524,376
Tier 1 ratio: Core capital/ Total risk weighted assets ratio	16.61%	16.16%
Tier 2 ratio: Total capital/Total risk weighted assets ratio	17.86%	17.41%

	Frw '000	Frw '000
B. Credit risk		
Total gross credit risk exposure without mitigation	172,332,064	154,328,712
Off- balance sheet items	**35,504,476**	**34,394,639**
Loans, commitments & off-balance sheet	207,826,540	188,723,351
Debt securities	-	-
OTC derivatives	-	-

	Frw '000	Frw '000
Regional distribution of exposure Region	172,332,064	154,328,712
City of Kigali	**147,206,653**	**134,559,402**
Northern province	2,773,161	2,512,226
Eastern province	3,028,560	2,642,638
Western province	9,615,927	8,223,506
Southern province	9,707,763	6,390,940
	172,332,064	**154,328,712**

	Frw '000	Frw '000
Sector distribution of exposure		
Government		
Agriculture & Livestock	1,139,222	2,468,574
Manufacturing	**39,346,499**	**45,634,252**
Infrastructure & Construction	66,003,181	58,197,736
services & Commerce	58,514,083	41,170,913
Others	7,329,079	6,857,237
Total	172,332,064	154,328,712
Off- balance sheet items	**35,504,476**	**34,394,639**

Appendix 1 (continued)

	31-Dec-21 Frw '000	31-Dec-20 Frw '000
Restructured Loans		
No. of Borrowers	**21**	**299**
Amount outstanding (Frw '000)	22,412,334	62,925,359
Provision thereon (Frw '000) (regulatory)	314,858	1,314,858
Restructured Loans as % of Gross Loans	13.01%	40.77%
Liquidity		
Liquidity coverage ratio	298%	104%
Net stable funding ratio	118%	105%
Market risk		
Interest rate risk	653,952	330,414
Equity position risk	-	-
Foreign exchange risk	183,111	235,174

	31-Dec-21 Frw '000	31-Dec-20 Frw '000
Credit exposures abroad		
Other assets held abroad	17,225,361	20,713,828
Liabilities to abroad	25,820,432	11,550,033

	31-Dec-21 Frw '000	31-Dec-20 Frw '000
Management and board composition		
Number of Board members	6	7
Number of executive directors	2	2
Number of non-executive directors	4	5
Number of female directors	1	2
Number of male directors	5	4
Number of Executive committee	14	13
Number of females in the Executive committee	3	4
Number of males in the Executive committee	10	9

Number and type of frauds and their corresponding amount for the period ended 31 December 2021

TYPE	NUMBER	Frw '000
Fraudulent Transfers		


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