# ANNUAL REPORT 2021

cogebanque

simple & possible

# BUSINESS BANKING

## ENSURING YOUR BUSINESS FINANCES ARE IN GOOD HANDS IS OUR PRIORITY.


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Cogebanque


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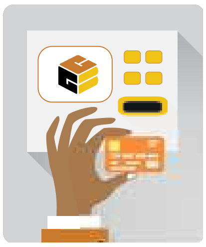
# Contents

**ATMs:**
**36**
**LOCATIONS**



**EMPLOYEES**
**364**

**BRANCHES**
**28**

**10%**
**FRW 16.1bn**
NET LOANS 2021

**15%**
**FRW 5.007bn**
EQUITY 2021

**13.9%**
RETURN ON EQUITY VERSUS INDUSTRY AVERAGE: 17.4%

**FRW 5bn**
PROFIT AFTER TAX: 2021

**8.1%**
**FRW 21.9bn**
BALANCE SHEET

**2.8%**
NON PERFORMING LOANS 2021.
NORM 5%

**20.4%**
CAPITAL ADEQUACY RATIO VERSUS PRUDENTIAL NORM 15%

## MISSION

To create, maintain, and enhance shareholder value by providing unrivaled financial solutions to our customers

## VISION

To be a financial center of excellence and a leading provider of innovative financial solutions in Rwanda

## VALUES

- Excellence
- Integrity
- Innovation
- Teamwork
- Flexibility
- Open Communication
- Accountability
- Customer orientation

# Chairperson's Statement

**EBENEZER ESSOKA -** *Chairperson of the Board*

***Dear Shareholders,***

***2021 has demonstrated Cogebanque's resilience in adapting to globally volatile markets emanating from the coronavirus pandemic.***

***As the Rwandan economy continued to open following the easing of Covid-19 restrictions, the full extent of the pandemic's impact on clientele across various industries, began to emerge. During that period, Cogebanque was able to help its customers and clients re-assess and re-direct their financial path, in the face of inflation and increased liquidity risk.***

## Macroeconomic landscape

Following measures against the pandemic's spread put in place by the government of Rwanda in accordance with international standards, the Rwandan economy started recovering from the impact of COVID-19 in the second quarter of 2021. According to statistics issued by Rwanda's central bank, GDP grew by 10.9% in 2021, following a 3.4% contraction in 2020.

As the global economy continued recovering from the pandemic in 2021, inflation rose due to supply bottlenecks that arose from closed borders across the world in 2020, with that many central banks were prompted to tighten their monetary policies to contain inflation. In Rwanda, however, headline inflation eased to 0.8% in 2021, from 7.7% recorded in 2020. Statistics indicated that in 2021 (Q4), headline inflation started increasing (rose to 1.2% from 0.6% recorded in 2021 (Q3)). This uptick was mainly recorded in the core and energy components, which are expected to stimulate an increase in inflation in 2022. Although the Rwandan franc continued to depreciate against the US dollars in 2021, it did so at a slower rate of 3.8% compared to 5.4% in 2020.

Overall, the financial sector recorded a 19.5% growth in assets in 2021 from 2020 values. More specifically, the banking sector experienced a 17.5% growth in assets in 2021 from 2020. The latter was mainly driven by increased lending which resulted from a 15.4% growth in authorized loans. The financial industry remained adequately capitalized, with a total Capital Adequacy Ratio (CAR) of 21.5%, and a Liquidity Coverage Ratio (LCR) of 269% (higher than the regulatory minimum limit of 100%).

## 2021 Financial Performance

The bank recorded a net profit after tax of Frw 5 billion, which marked a year-on-year increase of 30.5%. This increase was due to a 25% increase in net interest income, coupled with fixed operating expenses resulting from improved operational efficiency.

# **Chairperson's Statement** - Continued

Provision expenses on assets increased significantly in 2021, owing to a few bad loans that could not be easily recovered, given that Covid-19 restrictions affected all recovery processes in the market. On the same note, provisions also increased from the facilities under moratorium which by the central bank guidance had to be downgraded under watch category: the practice that triggered the increase of probability of default.

The total assets of the bank increased by Frw 21.5 billion, while total earning assets increased by Frw 24.9 billion. Shareholders' equity increased by 15% (Frw 5 billion) year-on-year, with a 10.6% (Frw 22.5 billion) increase in total deposits from customers. The return on equity was registered at 13.9%, up from the 12.2% registered in 2020. Earnings per share for the year was Frw 71,685, up from Frw 54,949 in 2020. The bank was adequately capitalized with a CAR of 20.4%, up from 18.9% in 2020. Interest yield grew to 15.6% from 15.1% the previous year, with a lowering of cost of funds from 5% in 2020 to 4.5% in 2021.

The bank took a hit with write-off of bad loans totaling Frw 14 billion in 2021, despite it being lower than the total industry write-off of Frw 75 billion. As a result of this, the bank's Non- Performing Loans (NPL) reduced from 8% in 2020 to 2.8% in 2021, which once again, was lower than the industry average of 4.6% in 2021. The watch category loans increased by Frw 32 billion, while the financial industry at large experienced an increase of Frw 212 billion. This change was mainly due to the central bank guidance requiring that banks downgrade their restructured loans due to Covid-19 impacts.

**2022 Outlook**

At the macroeconomic level, the Rwandan economy is expected to continue recovering from the covid-19 impact in 2022, with a projected growth of 6% according to the International Monetary Fund (IMF). While the immediate economic outlook is tainted with uncertainty from a shifting global geopolitical landscape, the IMF has labelled Rwanda's medium-term economic outlook as favourable, thanks to the Rwandan government's commitment to undertaking structural reforms.

As with other banks, Cogebanque faced many challenges in 2020 and 2021. This significantly affected the implementation of its 5 year strategic plan, which had been approved in the year prior to the pandemic. It has now been determined that various initiatives will need to be revised to reflect current and projected market realities. Thus, before the end of 2022, the bank will revise its strategic plan, highlighting the bank's new direction over the next five years.

Over the next five years, we expect to focus on expanding our business in both the retail and Small and Medium Enterprise (SME) space, with very well calculated risks. The bank's portfolio review and sectors' analysis will be done regularly, to determine which sectors have the strongest prospects for high returns. Close monitoring of the clients and their respective sectors, mostly affected by Covid-19, will be done to circumvent avoidable losses.

The unprecedented digitization that has transformed the banking world over the past two years will continue to be at the core of Cogebanque's operations. Our strategy is to automate all key processes, strengthen the connectivity, enhance our digital apps, have advanced analytics, and upskill the staff with the required expertise in digital banking areas.

The bank will be improving the quality of its core banking system, by acquiring a new system which will resolve challenges arising from the use of the existing one. The implementation process for the new system will begin in 2022 and continue through next year.

To create enough buffer for its capital, Cogebanque will source supplementary capital through subordinated loans and loan guarantees . This process has already begun, and we expect deals with some financiers to be concluded by the end of the calendar year 2022.

**Board Governance and Evolution of the Board**

With the aim of strengthening the corporate governance of the bank, the board composition was changed mid-2021. Seven (7) of the nine (9) required board members were newly recruited and joined the board in July 2021. Many outgoing board members had reached the end of their term and decided not to renew it, at the time of their departure, while others resigned for personal reasons. Their contributions to the bank's performance during their tenure, have been commendable and laudable. I am certain that the current board will continue to build upon the groundwork that has been laid.

**Dividend**

In appreciation of our shareholders for their continued confidence and support for Cogebanque in these challenging times, the Board of Directors has proposed a 30% dividend distribution of the 2021 profits after tax, which corresponds to Frw 1,502,154,646. This proposal is consistent with the bank's need to maintain a level of capital, necessary for supporting growth.

**Closing remarks**

The bank's exemplary achievements under tough conditions in 2021 have resulted from the collective efforts of staff, management, and the board secretariat. Their commitment to delivering on the bank's mandate is worthy of this recognition. This would not have been possible without the support and loyalty of our customers and partners. Additionally, the great lengths to which the government of Rwanda went, to mitigate the effects of global shocks on the national economy, are not only admirable, but also set a positive precedent for future economic climes.

With the onset of the Ukrainian war at the beginning of this year, it was evident that new challenges would arise within the world's supply chain and energy networks, with reverberating effects across various sectors of the global economy, that may not be felt until much later. The stakes are high, and the risks are real. Nonetheless, with new challenges come new opportunities for innovation. Consequently, I am confidently optimistic about the trajectory the bank is taking and pleased to have your support as we forge ahead to enhance our market share and increase returns.

**EBENEZER ESSOKA**
CHAIRPERSON OF THE BOARD

# CEO's Foreword

MR. GUILLAUME NGAMIJE HABARUGIRA - *CEO*

***Esteemed Clients, Partners, Staff and Shareholders of Cogebanque Plc!***

***It is my pleasure to share with you the annual report for the year 2021, in which our institution enjoyed a continued stability, on the backdrop of staff performance and foremost an incredible support from our Shareholders!***

***2021 has been, in the same breath as 2020, a challenging period in which we operated in a continued precarious individual health hazard environment, and sustained economic challenges. Alongside peers in the industry, Cogebanque resisted those challenges by reacting quickly, and working hand in hand with our customers, regulators and our governance structures, we achieved a growth of 8% despite the challenging times.***

***It's a result we are proud and grateful for.***

**Priority in Ensuring Stability**

A challenging 2021 was also the year in which firm strategic decisions were made by the Shareholders to strengthen Cogebanque Plc with a revamped governance structure. Those changes permitted critical managerial presence, thus allowing key business decisions to be consistently made and the interests of all stakeholders preserved.
With the recruitment of a new Board of Directors in the 3rd quarter of 2021, the Management team became a potent interlocutor to address regulatory, strategic and growth challenges.

The urgency was foremost to continue operating in full compliance of the anti-Covid19 health measures, while offering an optimum functioning and service. Business-wise, the focus remained on supporting a fair, Covid-19 impact cognizant approach to restructuring affected loans and adjusting recovery procedures to perceived market trends.

This required steady yet intensive interactions, in which the Staff, the Management and the newly appointed Board of Directors very much eagerly worked to find solutions to immediate and medium term challenges.

### Focus on our core growth drivers

Cogebanque Plc adopted a rather conservative approach to growth. In the Management's concerted belief, 2021 wouldn't have been ideal for an aggressive, innovative growth.

We believed that tailwinds from Covid-19 impact were yet to be at our gates, hence our best option has been to sustain existing, trusted customers, and grow with them when they get stronger after a riskier business cycle.

The consolidation in cross-border operations and value-chains due to Covid-19 meant that for most correspondent banks, cross-border cash management alone became less attractive without the component of Trade Finance.

### Prioritizing a sustainable future

Cogebanque Plc ranks at the 5th position by total assets, and is an important industry player. This, coupled with its over 21 years' presence in the market and supportive Shareholding, give Cogebanque the potential to become an even greater force in the industry.

With the support of the Board of Directors, management is in the process of revising its 5year strategy which will be aligned to the country projections of the entire economic growth and developments. The forecast for Rwandan GDP is approximately USD 11 Billion and USD 11.5Billion in 2022 and 2023 respectively. The bank is also taking into account the budget on the national expenditure in the period 2022/2023, which has helped to inform the management while deciding on where to play on both short and medium term.

Executing on those priority objectives, would require a strategic and tactical management of some of the challenges brought about by recent Covid-19 related market context; in particular, we will leverage our digital channels, install a new core banking system, partner with innovative scale-ups, increase our card penetration, reduce our over-head costs and prioritize the upskilling human capital.

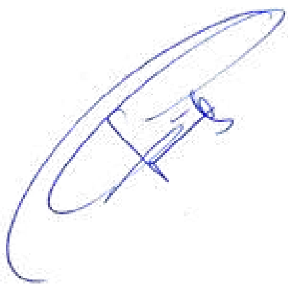
How we believe in skilled people is equal to our readiness for change, since they will strongly facilitate the new strategy adoption.

### Outlook

Covid-19 will probably still be with us in 2022. This will however not stop us from working, contracting, negotiating with all partners and customers. Some of the fixes will take time to deliver a positive impact, however we obviously have quick gains we are executing on to maintain our business edge. These quick gains consist in revamping our Credit Underwriting & Monitoring processes in order to have an improved turnaround time. It involves implementing a Unified Client Access and achieving an efficient digital delivery.

Furthermore, the bank is in the process of installing a new Core Banking System and consistent Change Management initiatives.

Sustainable long-term wins are for the resolute.
Cogebanque Plc has what it takes!



**GUILLAUME NGAMIJE HABARUGIRA**
CHIEF EXECUTIVE OFFICER

# Corporate Governance Overview

COGEBANQUE's corporate governance principles and framework are shaped by regulatory requirements of the National Bank of Rwanda (BNR) and the Office of the Registrar of Companies at Rwanda Development Board (RDB). In this context, Cogebanque is obliged to comply with the Companies Act of Rwanda as well as regulation number N° 01/2018 of 24/01/2018 relating to corporate governance of banks.

To implement applicable laws, rules, regulations as well as best practices relating to corporate governance, the bank's corporate governance framework is comprised of the following governance structures:

**(1) THE BOARD OF DIRECTORS**

As at the end of December 2021, the Board was comprised of nine (9) non-executive directors, four (4) of whom are independent including the Chairman of the Board of Directors. Three independent directors and two non-independent director retired in the financial year 2021.

The Board is responsible for the overall leadership of the Bank. The Board's key role is to provide effective oversight and leadership, by creating a conducive environment for accountability, responsibility, equity and transparency to thrive. It also ensures that good corporate governance practices are reflected in the bank's interactions with its stakeholders.

The Board is assisted by six (6) Committees in discharging its oversight role. These committees meet at least every quarter and report to the Board after each sitting.
The Board committees include:

1) Audit Committee
2) Risk and Compliance Committee
3) Credit Committee
4) Asset and Liability Committee (ALCO)
5) Nomination and remuneration Committee
6) IT committee

**The Audit Committee**

The Audit Committee is mainly in charge of overseeing the financial reporting process and enhancing the internal controls environment. The committee oversees the following:
a) Assisting in the appointment external auditors and fixing their remuneration;
b) Ensuring that financial statements are prepared in accordance with applicable laws, rules and regulations including International Financial Reporting Standards (IFRS);
c) Ensuring that the bank's internal control environment is effective and adequate; and
d) Oversee the appointment of external auditors as well as reviewing their work on behalf of the Board.
Board members who served on the Committee as of end 2021 were:

| Name of Director | Role |
|---|---|
| Jeanine MUNYESHULI | Chairperson |
| Marie Rose UWASE | Member |
| Arlette RWAKAZINA | Member |
| Jotham MAJYALIBU | Member |
| Pie HABIMANA | Member |

**The Credit Committee**

The committee oversees the following:
a) The entire credit portfolio to ensure that: (i) Lending policies and practices are sound and effective; (ii) Credit losses are kept in line with prudential norms; and (iii) high asset quality is maintained.
b) Review credit files that are over and above management's discretionary limits and make recommendations to the main board; and
c) Ensuring that effective procedures are in place to maximize recoveries.
Board members who served on the Committee as of end 2021 were:

| Name of Director | Role |
|---|---|
| Ebenezer ESSOKA | Chairperson |
| Jotham MAJYALIBU | Member |
| Bruno CHARUEL | Member |
| Philippe WATRIN | Member |
| Robert MAKUZA | Member |
| Guillaume Ngamije HABARUGIRA | Member |

**The Risk and Compliance Committee**

The committee is responsible for the bank's risk governance by ensuring that the bank's risk management policies, practices and procedures are designed to ensure that risks are effectively identified, tracked, measured, monitored, managed and reported.

Board members who served on the Committee as of end 2021 were:

| Name of Director | Role |
|---|---|
| Bruno CHARUEL | Chairperson |
| Marie Rose UWASE | Member |
| Pie HABIMANA | Member |
| Jeanine MUNYESHULI | Member |
| Robert MAKUZA | Member |

### The Asset and Liability Committee (ALCO)

The Committee is tasked with the responsibility of:

a) Advising the Board on matters relating mainly to the management of capital, liquidity and market risk; and
b) Ensuring that risks under its domain are monitored closed and are kept within limits set by the Board and the National Bank of Rwanda.

Board members who served on the Committee as of end 2021 were:

| Name of Director | Role |
|---|---|
| Jotham MAJYALIBU | Chairperson |
| Marie Rose UWASE | Member |
| Philippe WATRIN | Member |
| Bruno CHARUEL | Member |
| Robert MAKUZA | Member |

### The Nomination and Remuneration Committee

The Committee is responsible for:

a) Attracting and remunerating the right caliber of human resources to drive the bank's strategy;
b) Advises the board on matters relating to organizational structure and design; and
c) Ensuring that appropriate policies, practices and procedures are in place in areas of recruitment, human development, remuneration and staff retention.

Board members who served on the Committee as of end 2021 were:

| Name of Director | Role |
|---|---|
| Pie HABIMANA | Chairperson |
| Arlette RWAKAZINA | Member |
| Philippe WATRIN | Member |
| Jotham MAJYALIBU | Member |
| Ebenezer ESSOKA | Member |

### The IT Committee

The committee oversees the following:

a) Perform oversight functions over the IT steering committee (at a senior management level);
b) Oversee the implementation of the requirements provided in the laws and regulations on cyber security
c) Investigate activities within this scope
d) Work in partnership with other board committees and senior management to provide input, review and amend the aligned corporate and IT strategies.

Board members who served on the Committee as of end 2021 were:

| Name of Director | Role |
|---|---|
| Arlette RWAKAZINA | Chairperson |
| Philippe WATRIN | Member |
| Robert MAKUZA | Member |
| Ebenezer ESSOKA | Member |
| Jeanine MUNYESHULI | Member |

### (2) THE ACTIVITIES OF THE BOARD OF DIRECTORS

The Directors are appointed by the Shareholders at the Annual General Meeting, and approved by the National Bank of Rwanda as a regulatory requirement.

By end of Financial year 2021, the Board of Directors was composed of nine (9) members, appointed based on their experience in varied background in different disciplines, which include banking, law, accounting, investment analysis, in addition to hands on experience in various industries.

As at end December 2021, The Board was chaired by an independent chairperson, Mr. Ebenezer Ngea ESSOKA.

### (3) THE BOARD MEETINGS

The Board meets at least once every quarter for scheduled meetings, or more frequently, when required to deal with specific matters between scheduled meetings. The chairperson ensures that the Board focuses on the right matters reserved for the Board by approving all Board agendas in collaboration with the Chief Executive Officer and the Company Secretary.

The Chairperson also ensures that Board Members receive timely and relevant information before Board meetings and that they are kept informed of key developments in the bank.
During the year 2021, the Board met seven (7) times.

### (4) THE BOARD EVALUATION

The corporate governance regulations of the National Bank of Rwanda require the Board to have a regular self-evaluation of its performance, including the performance of board sub-committees and individual directors.

The Board established a system of self-evaluation of its own performance. The results of the evaluation are submitted to the Central Bank before the 31st of March 2021 as per the National Bank Regulations.

# Board Team

**EBENEZER ESSOKA**
*Chairperson of the Board*

Ebenezer Essoka is Executive Chairman of IBURU, an advisory firm focused on Economic Development across Sub-Sahara Africa (SSA). He retired from Standard Chartered Bank (SCB) Group as Vice Chairman, Africa in November 2015 after over 30 years of banking experience. Prior to becoming Vice Chairman, he was CEO South Africa and Southern Africa (2008-2013) and CEO Central and West Africa (2004-2008).

In addition to his responsibilities at IBURU, he is an Independent Non-Executive Director (INED) Sanlam Limited and Sanlam Life insurance Limited, South Africa, Independent Non-Executive Chairman United Bank for Africa (UBA) Cameroon SA, INED and Chairman of Audit, Risk and Compliance Committee of Mobile Money Corporation of Cameroon, Senior Advisor to the President of the Africa Development Bank, working on the Africa Investment Forum. Mr Essoka had served on Boards in other jurisdictions including Zimbabwe, Botswana, Nigeria, Ghana, Mauritius, Tanzania, Uganda, Pakistan etc. He was a member of the Global advisory council of the London business School (2000-2016).

Mr Essoka holds a BS Degree in Finance, an MBA in Finance, and a Diploma in International Business from Seton Hall University USA. In addition, he has attended Senior Executive development programs at INSEAD, London Business School, Templeton College, Oxford University and Cambridge University.

**JEANINE MUNYESHULI**
*Vice Chairperson of the Board*

Jeanine MUNYESHULI is the Chief Strategy Officer of the University of Global Health Equity (UGHE).

Prior to joining to UGHE, she was with Southbridge Group and opened the Kigali office working as the Chief Operating Officer at Southbridge Rwanda. Before moving back on the continent, she spent 15 years working in the most sophisticated financial institutions of Switzerland as hedge fund manager, asset manager and strategist.

She holds a master degree in Econometrics and Statistics from the University of Geneva, Switzerland.

**JOTHAM MAJYALIBU**
*Director*

Mr. MAJYALIBU joined the board in 2017. He is currently the Managing Director at Petrocom Ltd. Prior to this appointment; he was the General Manager of Rwanda Mountain Tea Ltd and held the role of the Finance Director as well in the same company.

He also worked in the Accounting and Budget Department respectively in charge of Accounts Reconciliation, and Financial Reporting Officer at the National Bank of Rwanda.

He currently serves on various Boards, including the Chairperson of the Executive Committee at Rwanda Tea Association. He holds a Degree of Master in Business Administration (Finance) degree from the Maastricht School of Management and he is a Certified Public Accountant (CPA).

### BRUNO JEAN LOUIS MARIE CHARUEL
***Director***

Mr. Bruno CHARUEL has previously been in charge of commodities finance activities on the board of directors of Credit Agricole in Geneva, Switzerland from 1992 and 2018.

His experience in banking span over 40 years. In addition to working in Switzerland, he also worked in Luxembourg and France where he held managerial and directorial roles respectively.

He held various Board positions, being the Vice Chairman of the Supervisory Board of Filhet-Allard SAS, France , Board Member of Midgulf International Ltd, Cyprus and Capezzana Commodities, Switzerland. He also won a “life achievement award” from the World Rice Conference in Hanoi, Vietnam.

He additionally holds a Master’s degree in management sciences from the University of Paris IX-Dauphine and a Master’s degree in private law from the University of Paris II-Assas.

### PHILIPPE WATRIN
***Director***

Philippe WATRIN is the Chief Investment Officer of the Rwanda Social Security Board (RSSB), the public institution mandated to administer social security in the country, which is as well the largest Rwandan investment fund.

Prior to joining RSSB, he used to work for the French sovereign wealth fund, Bpifrance\, as a Deputy Head of the assets and liabilities management department, and for Mazars in the Transaction Services and Financial Audit Departments.

He holds a Master of Science (MS) in Economic Research, Finance and Insurance from Aix-Marseille School of Economics (France) and Master of Science (MS) in Mathematical Finance and Strategy from Ecole Centrale de Marseille (France).

### ROBERT MAKUZA
***Director***

Robert MAKUZA is a successful entrepreneur with extensive managerial and corporate governance experience; he demonstrates a high sense of responsibility, vision, strong coordination and supervision qualities as well as interpersonal skills.

He is currently the General manager of TECHNICO TRADING Ltd, operating in the general trading area; He is also the Chairman of the Board of Directors of AMEGERWA Ltd one of leading furniture manufacturing companies in Rwanda; RWANDAFOAM Ltd; MARKET SHOPPING CENTER Ltd; he is also a sitting Directors in Boards of RWANDA PLASTIC INDUSTRIES Ltd and served previously in COGEAR.

He holds Bachelor degree in Law from Institute of Lay Adventists (Rwanda) and is efficient in computer skills.

# Board Team — Continued

## MARIE ROSE UWASE
*Director*

Marie Rose UWASE has experience of more than 13 years in Audit and Finance. She is currently working as Head of Internal Audit for both SONARWA General Insurance Company Ltd and SONARWA Life Assurance Company Ltd.

Before that, she worked as Head of Internal Audit of SONARWA General Insurance Company Ltd.

She worked for United Nations High Commission for Refugees (UNHCR) as Finance Associate. She also worked for the Office of the Auditor General for State Finances as an external auditor in Government Institutions and Projects.

She currently serves as member of the Audit Committee of the Ministry of Health.

Marie Rose UWASE is a member of Association of Chartered Certified Accountants (ACCA) and holds a Bachelor's degree in Business Administration (Finance) from National University of Rwanda.

## PIE HABIMANA
*Director*

Dr. Pie HABIMANA is a business law practitioner and scholar with more than 13 years of experience. He was called to the Bar in 2011, and is the managing partner of Amilex Chambers.

He is currently the Vice-President of the East Africa Law Society (EALS), a member of the Board of the Rwanda Bar Association (RBA) and a disciplinary commissioner of the Institute of Certified Public Accountants of Rwanda (ICPAR). He is also a member and on the panel of arbitrators and adjudicators of the Kigali International Arbitration Centre (KIAC), a member of the Chartered Institute of Arbitrators (MCIArb), the International Bar Association (IBA), and the African Business Integrity Network (ABIN).

In academia, Dr. Pie teaches tax law, international trade law, and private international law at the University of Rwanda (since 2010) and corporate law practice, commercial transactions, and practice management at the Institute of Legal Practice and Development (since 2014). He is the author of numerous books and research papers published in well-reputed journals.

Pie Habimana holds a PhD in international tax law from the prestigious Leiden Law School of Leiden University, a Master's degree in business law (cum laude) and a Bachelor's degree in law (cum laude) from the National University of Rwanda, a Postgraduate diploma in legal practice from the Institute of Legal Practice and Development, and several postgraduate certificates.

## ARLETTE RWAKAZINA
*Director*

Arlette RWAKAZINA is currently General Manager Cybersecurity and Strategic Integrations at Rwanda Utilities Regulatory Authority – RURA in charge of Cybersecurity within the utilities RURA is regulating as well as emerging and innovative technologies and Big Data.

She previously worked at ERICSSON as Senior Business Technical Analyst - Mobile Financial Services among her duties were to ensure a well operating and complaint Mobile Money System. She was also part of solution architects pool team in charge of Mobile Money Projects in Sub Sahara Region.

She holds Masters of Science in Communications, Control and Digital Signal Processing from University of Strathclyde, United Kingdom. She holds various Certificates among others Certificate in Regulation in Digital Finance (2019), Certificate in Digital Money (2018) Cybersecurity in Digital Finance (2020) and finally she is currently working on final paper to be Chartered Digital Finance Practitioner/Digital Frontier Institute/ Tufts University.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# Executive Management Team

### MR. GUILLAUME NGAMIJE HABARUGIRA
*CEO*

Mr. HABARUGIRA is a senior finance & business development professional with over 14 years of professional experience in Finance business (investment, treasury, payments, export, and trade finance) and economic development in emerging markets. He is experienced both in emerging markets (Africa), Europe and USA, executing market strategy on behalf of Austria's largest banking group for its corporate and sovereign customers, interbank market participants and global payments service providers.

He is very adept at applying research and analytical skills to understand markets, industry sectors and policy frameworks in order to develop business strategies and formulate team objectives. He has achieved Successful transactional leadership in structured project and export finance, Key Account and Portfolio Management, information management, analysis and public policy research. Mr. Guillaume is also an Enthusiastic writer, presenter and communicator who is able to engage with clients, partners and teams at large.

Mr. Guillaume holds a Master of Science in Financial Analysis and Project Management as well as a Master of Arts in International Development Economics, Policy and Financial Analysis.

### MR. EMMANUEL MUGANDURA
*Chief Financial Officer*

Mr. Emmanuel is a Chartered Certified Accountant (ACCA) and a member of ICPAR, with MBA in Finance, and a Bachelor's degree in Accounting Science. Emmanuel is a certified microfinance expert, a qualification he acquired from the Frankfurt School of Finance and Management.

Emmanuel has over 18 years of experience and he has been in senior managerial capacities within Rwandan banking industry for the last 15 years. Prior to Joining Cogebanque in 2017, Emmanuel was the CFO at Urwego Opportunity Bank (part of Opportunity International network) for 4 years. Prior to the role of CFO, he was the Chief Risk Management Officer for a period of 3 years and before that he was the Chief Internal Auditor for 3 years in the same bank. Through his career development, Emmanuel has gained immense experience from financial sector, ranging from financial planning and management, treasury management, strategic planning and implementation as well as Audit and risk management.

Mr. Emmanuel assumed the role of Acting CEO at Cogebanque plc, for a period of four months after being appointed by the Board of Directors on December 31, 2020.

Prior to banking sector, Mr. Emmanuel worked at the Office of Auditor General of Rwanda where he audited different public institutions for 2 years, which he joined after serving as an accountant at the National University of Rwanda.

### MR. JOEL KAYONGA
*Commercial Director*

Mr. Joel is currently the Commercial Director, having assumed the role in mid- 2019 and is primarily charged with overseeing the Bank's business segments- i.e. Retail, Business, and Corporate Banking as well as Marketing and Product Development, and Digital Banking and Alternative Channels.

He has previously served as the Deputy Director of Credit, prior to assuming the role of Director of Credit in late 2016 overseeing the bank's credit portfolio. Before joining, he served in the Financial Sector Development Secretariat and then as Advisor to the Minister in the Ministry of Finance and Economic Development.

He holds a Masters of Arts (Hons) in Economics and Finance from University of Aberdeen, in the UK, and a Masters of Arts in International Comparative and Commercial Law from School of Oriental and African Studies, University of London.

## MR. GEORGES NDIZIHIWE
*Director of Credit*

Mr. Georges is currently the Director of Credit and has been serving COGEBANQUE for over 20 years; since almost its establishment in 2000.

Trained in both Law and professional banker course, Georges is also experienced with a great and extensive technical and managerial background in different areas such as banking operations, business development, branches network and legal advisory.

He occupied different senior positions among them, Bank Legal Adviser, Head of Branch's Network, Head of operations which included the Electronic and Digital Channels, International trade Finance with various methods of settlement, (Import & Export, Trade Finance, International transfers, Lcs, etc.), local Settlement system with its all in-house and domestic transactions in different currencies, etc.

Georges holds a Bachelor's degree in Law, a Certified Professional Banker Course (CPB), and undergone numerous training in banking and financial services offered by reputable institutions.

Favorite quote: "85% of your financial success is due to your personality and ability to communicate, negotiate and lead. Shockingly, only 15% is due to technical knowledge." (Carnegie Institute of Technology).

## MR. VIVIEN FIDENCE KATABARWA
*Acting Director of Operations services and Head of IT*

Mr. Vivien has 16 years of broad IT experience and over 6 years in a managerial capacity.

Before assuming the role of Head of IT, Vivien was a System Engineer for 5 years and specialized in use of Linux and UNIX system for high end banking systems. He managed Financial and Billing Systems Databases for both Oracle and SQL Server.

He holds a Bachelor's degree in Information Systems from Adventist University of Central Africa, and is an IBM Certified Specialist System Administration.

## MR. JEAN BOSCO RWELINYANGE
*Acting Director of Human Resource and Administration; and Head of Human Resource*

Mr. Jean Bosco joined the Bank in 2005 and has more than 20 years' experience in human resource management both in the public and private sector, with more than 15 years in banking.

He works closely with senior management to implement the HR policies and objectives, especially in attracting, motivating and developing the key talent staff to enable to Bank to maintain its remarkable growth.

Prior to his current role, he was Head of Human Resource Department of Rwanda Civil Aviation Authority.

Certified HR person, he holds a Bachelor's degree in Administration from Kigali Independent University and has done various executive trainings on Human Resource Management and Strategy.

He has been a Member of Rwanda Human Resource Forum since 2003; and is also a Member of Rwanda Bankers Human Resource Forum.

# Executive Management Team — Continued

**MR. JEAN DAMASCENE MUTABAZI**
***Head of Risk and Internal control***

Mr. Jean Damascene has spent the last 13 years in Risk management, Compliance and internal control roles in the banking sector.

He holds a Masters and Bachelors in Business Administration.

He is a Certified Banker from Lagos School of Excellence, a certified Risk Manager and a Certified Compliance Professional from The International Academy of Financial Management.

Prior to his current position, he occupied different senior managerial positions in two International Banks, first as Head Compliance and Internal Control at Access Bank Rwanda, then as Head of Compliance in Ecobank Rwanda.

**MRS. MUTESI ANGELA PADUA**
***Head of Legal and Company Secretary***

Mrs. Angela is the Head of Legal and Company Secretary at Cogebanque Plc since January 2019. Since joining the Bank, Angela has overseen and managed the legal services of the Bank such as litigation and contract management to mention but a few. Furthermore, she is responsible for providing corporate governance advise to the Board of Directors and the Bank's stakeholders.

Angela has a diverse legal background spanning over 11 years. Prior to joining the Bank, she served as the Legal Manager and Company Secretary of Letshego Rwanda Plc, a Pan-African Microfinance Bank. She also worked with the International Criminal Court in Nairobi for 5 years, UNHCR in Kigali in 2010 and was a legal advisor to the Registrar General of Companies at the Rwanda Development Board in 2009.

She holds a Masters of Law Degree from the University of Pretoria school of Law and a Bachelor of Law Degree from the University of Western Cape in South Africa. In addition, she has undergone various training in legal and corporate governance.


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# Corporate Social Responsibility Feature

**Cogebanque has a long-standing commitment to community aid. In fact, we are driven by the firm conviction that being a responsible member of society is integral to our success and that of our customers, clients, shareholders and local communities in particular. Impacting lives one by one is not only necessary but also a condition for sustainable economic development. As such, Corporate Social Responsibility is integrated into core areas we believe to be critical for our host communities to thrive.**

## COGEBANQUE WELFARE

Cogebanque is focused on making the banking sector more accessible to individuals who are under-represented in financial services or with low-socio economic backgrounds. We are benchmarking our programs against Rwanda's sustainable development goals, to make a positive impact on the community.

In that context, Cogebanque took part in the Connect Rwanda Initiative 2020 with a pledge of 1,000 Mara Phones; some of those phones were delivered to Ngororero residents in 2021. Equally, cows were donated, and health insurance paid for underprivileged families in the Southern Province.

## EDUCATION

For the last 8 years, Cogebanque has been working with local educators, organizers and employers to support the education sector and better align with Rwanda's vision to become a knowledge-based economy. To that end, we help youth reach their full potential through early employment experience by offering the necessary tools and training especially for students interested in entrepreneurship.

On the practical aspect, Cogebanque has been awarding the best performing graduates from different universities. In 2021, Cogebanque awarded the best graduates from University of Kigali.
On the other hand, Cogebanque provided school fees and scholastic materials to 100 unprivileged kariyeri primary pupils. We truly take pride in promoting young children's learning or paths towards a better future.

This year, Cogebanque has been committed to this effort by connecting underserved groups, with a focus on those from low and moderate-income communities, to the skills, resources and experience they need to succeed, all of which contribute to the prosperity of the community we serve.

## BUSINESS

At Cogebanque, we realize that providing tailor made insights and solutions to our Small and Medium Enterprises is the foundation to a thriving economy. In light of this, we have been offering essential resources and support that make it easier to do business, especially for our SMEs.

## COGEBANQUE PUSH AND PULL PARTNERSHIP

This partnership with Airtel came to ease the financial burden on customers in terms of accumulated costs while carrying out transactions. Cogebanque Plc clients can now easily transfer money from their bank accounts to any Airtel Money wallet and vice-versa without incurring any cost.
For Cogebanque, it is crucial to promote the development and growth of customers by bringing convenience and reducing the cost of transactions.

This partnership between Cogebanque Plc and Airtel Money will not only benefit the mutual current and potential clients to enjoy conducting transactions remotely through digital payment platforms but also support the Rwandan cashless economy vision.

# Corporate Social Responsibility Feature
— Continued


**CUSTOMER-CENTERED BANKING**

We always look forward to serving a bigger market. However, before getting more customers on board we are dedicated to best serve our regular loyal customers, for they are our spokespersons in local communities. Even though quick service delivery has been complicated since the pandemic started, Cogebanque has tried its best to timely deliver at all branches. We provide outstanding banking services and are most ready to go the extra mile to ensure our clients' banking needs are met.

At the beginning of the year, Cogebanque recognized more than 500 of its customers for making good use of their mastercards, while paying or withdrawing money. The prizes were given through a campaign entitled "It's easy with Cogebanque Mastercard". Among the prizes were laptops, fridges and cellphones.

To date, Cogebanque provides a comprehensive range of products and services targeted at corporate, SMEs and retail customers.

**COMMEMORATION OF THE GENOCIDE AGAINST THE TUTSI**

Faced with the legacy of the 1994 Genocide against the Tutsi that not only cost the country over 1 million lives, but also crucial structures on which the well-being of all Rwandans depended on; Rwanda felt the imperative of national reconciliation and socio-economic development. 27 years down the line, through good leadership and inclusive policies, Rwanda has transformed tremendously and is a shining example of unity and people centered development. At Cogebanque, we are more than proud to be part of this transformation. As such, the culture of commemorating the 1994 Genocide against the Tutsi, is an opportunity for all of us at the bank to remember the lives that we lost during this horrific time in our past and a reminder that we must do what it takes for it to never happen again, as we play our role in improving the lives of Rwandans. Through our commemoration events, Cogebanque staff takes part in interactive talks aimed at fighting genocide ideology, as well as share their experiences.

This year, Cogebanque supported Our Past, a youth-led initiative that aims to educate young people about the Genocide and to inspire them to take the initiative in rebuilding the country through poetry, musical performances, drama, dance, theatre, and workshops with leaders.


**COGEBANQUE IN SPORTS**

Cogebanque has a strong belief that investing in sports is a good avenue to improve people's wellbeing by engaging communities, identifying talent among the youth, as well as promoting financial services aimed at upgrading the lives of players, fans and the public in general. To that purpose, our marketing activities and tournaments focus on various disciplines in this sector, especially in tennis and cycling.

**TENNIS**

Over the last 6 years, Cogebanque has been hosting annual Tennis Open tournaments and at the same time engaging players from various levels and categories, including those from the disabled community. We ensure that winners are awarded cash prizes and trophies with the aim of supporting their endeavors and giving them the right tools to push their talent further.

**CYCLING**

In May 2021, Cogebanque once again had the privilege of sponsoring the Tour of Rwanda for its 9th time. We are proud to be part of this sport, which has become a flag bearer for the country.

During the Tour du Rwanda 2021 started from 2nd to 9th May 2021, In order to continue fighting against the consequences of Covid-19 on economy, Cogebanque introduced a campaign dubbed “Tugendane” which literally translates to “ let’s move together; aimed at making it easier for bank customers to access digital financial services.

The Head of Marketing and Product Development, Mr. Antoine IYAMUREMBYE commented that this campaign was in line with the bank’s contribution to Rwanda’s vision of promoting a cashless economy.
“We are telling Rwandans that there is a way to access all banking services without requiring them to carry cash in hand, which could lead to them being robbed,” he said.

Cycling events have not only been an opportunity to award and support talents, but to promote financial inclusion , by offering relevant bank products such as the Agency banking products, consumer loans, savings accounts and digital banking products. It also acts as a great avenue to build personal and strong relationships with clients while learning first-hand about their experience and needs.

**COGEBANQUE CAMPAIGN**

This year, Cogebanque Plc completed a three-month campaign dubbed “Tugendane na Cogebanque” that aimed at encouraging all account holders with the lender to adopt online banking channels as their preferred way of transacting.

The campaign which kicked off in June 2021 and was initially introduced during Tour du Rwanda 2021 cycling tournament has seen a 23 per cent increase of uptake of Cogebanque’s online banking platforms that include mobile banking (USSD:


*505#, Mobile application “Coge mBank”), Cogebanque Mastercards and Smart Cash cards. This campaign was much needed especially during these pandemic times where people are encouraged to avoid physical contact with money as a way to reduce their chances of contracting the deadly Covid-19 virus. It also made it as simple and convenient as possible for our clients to be able to access their money and conduct transactions from wherever they may be and at any time. At the completion of the campaign, prizes including fridges, flat-screen televisions, bikes and bicycles were awarded to the winners who embraced the use of digital banking platforms.

The campaign came in alignment with the country’s vision to become a cashless economy, a target we fully support as a bank.


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# FINANCIAL STATEMENTS

# Statutory Information

**PRINCIPAL ACTIVITIES**
The Bank is engaged in the business of commercial banking and the provision of related services.

**RESULTS**
The net profit for the year was Frw 5,007.2 million an increase of 30.5% compared to Frw 3,838.2 million generated in 2020, and 100% of the latter was added to the retained earnings.

**DIRECTORS**
The Directors that served during the year and up-to the date of approval of these financial statements are shown below:

**The Directors have the pleasure to submit their report together with the audited financial statements for the year ended 31 December 2021, which disclose the state of affairs of Compagnie Générale de Banque Plc (the "Bank").**

| Name | Position | Date of appointment | Date of resignation |
|---|---|---|---|
| Mr. Ebenezer ESSOKA | Chairperson | 12 July 2021 | |
| Ms. Jeanine MUNYESHULI | Vice chair person | 12 July 2021 | |
| Mr. Philippe WATRIN | Director | 12 July 2021 | |
| Mr. Pie HABIMANA | Director | 12 July 2021 | |
| Mr. Robert MAKUZA | Director | 12 July 2021 | |
| Ms. Arlette RWAKAZINA | Director | 12 July 2021 | |
| Ms. Marie Rose UWASE | Director | 12 July 2021 | |
| Mr. Jotham MAJYALIBU | Director | 24 May 2017 | |
| Mr. Charuel Bruno Jean Louis Marie | Director | 6 Sept 2019 | |
| Mr. Christian MAKUZA | Director | 31 Aug 2015 | 15 July 2021 |
| Mr. Desire MUSONI WA RWIHIMBA | Director | 29 April 2015 | 29 April 2021 |
| Mr. Eric RUTABANA | Director | 13 May 2020 | 23 July 2021 |
| Mr. Richard MUGISHA | Director | 13 May 2020 | 15 July 2021 |
| Mr. Jean Marie GACANDAGA | Director | 13 May 2020 | 15 April 2021 |

## Shareholders

The shareholders of the bank as at 31 December 2021 were as follows:

| Name of shareholder | Number of shares | % |
|---|---|---|
| R.S.S.B | 21,375 | 30.60% |
| Egide GATERA | 17,463 | 25.00% |
| Judith MUGIRASONI | 8,855 | 12.68% |
| Muriel DELFORGE | 6,502 | 9.31% |
| SANLAM Vie Plc | 4,875 | 6.98% |
| Emmanuel MUGABOWINDEKWE | 4,686 | 6.71% |
| Eduard RUTERANA | 743 | 1.06% |
| Dismas NYAGATARE | 713 | 1.02% |
| Philippe MURANGIRA | 696 | 1.00% |
| Aloys KABERUKA | 510 | 0.73% |
| Assinapol RWIGARA | 456 | 0.65% |
| Narcisse KALINIJABO | 345 | 0.49% |
| Victor UWIMANA | 337 | 0.48% |
| Celestin RUZINDANA | 285 | 0.41% |
| Andre KATABARWA | 220 | 0.31% |
| GL Petro Trading Ltd | 200 | 0.29% |
| Joseph NSENGIMANA | 171 | 0.24% |
| Oreste INCIMATATA | 171 | 0.24% |
| Succession NKULIKIYIMFURA | 171 | 0.24% |
| Jean Marie KAREKEZI | 171 | 0.24% |
| Etienne GAKWAYA | 150 | 0.21% |
| Tatien NDOLIMANA | 150 | 0.21% |
| Jean Baptiste MUTAGANA | 130 | 0.19% |
| Others | 475 | 0.68% |
| | **69,850** | **100%** |

# Statutory Information
— Continued

## REGISTERED OFFICE

The Bank is incorporated in Rwanda as a public limited company and is domiciled in Rwanda. The address of its registered office is:

**Compagnie Générale de Banque (COGEBANQUE)Plc**
Cogebanque Building, KN 63 St
P.O. Box 5230
Kigali, Rwanda

## REGISTERED ADDRESS OF THE AUDITOR

PricewaterhouseCoopers Rwanda Limited

5th Floor, Blue Star House
35 KG 7 Ave, Kacyiru
PO Box 1495
Kigali, Rwanda

## CORRESPONDENT BANKS

1. **ODDO BHF**
   Bockenheimer Landstraße
   10– 60323 Frankfurt am Main
   Frankfurt, Germany

2. **Mauritius Commercial Bank Limited**
   11th floor, MCB Head office
   9-15, Sir William Newton Street
   Port Louis, Mauritius

3. **AKTIF YATIRIM BANKASI A.S**
   Esentepe Mah. Kore Şehitleri
   Cad. Aktif Bank Genel Müdürlük
   Apt. No: 8/1 Şişli İstanbul
   Istanbul, Turkey

4. **ING Belgium SA/NY**
   Avenue Marnix 24, 1000
   Bruxelles, Belgium

5. **AFREXIMBANK**
   72 (B) El-Maahad El-Eshteraky
   Street – Heliopolis, Cairo 11341,
   Egypt
   Postal Address: P.O. Box 613
   He-liopolis, Cairo 11757, Egypt

6. **UNITED BANK FOR AFRICA (UBA)**
   New York Branch
   One Rockefeller Plaza, Floor 8
   34 E 148th St, The Bronx, NY 10451,
   United States

## Lawyers

1. **Cabinet K-SOLUTION**
   KG 645 ST ,12, Urugwiro,
   Kamatamu, Kacyiru, Gasabo,
   Kigali City, Rwanda
   www.ksolutions-law.com
   0788300973

2. **Cabinet Pacis Law Firm**
   CHIC HOUSE
   Email: kayirangwasham@yahoo.fr
   0788303591

3. **Cabinet Justice et Fairness**
   Charity House, Ste Famille.
   Email: jfairness2015@gmail.com
   0788414707/0788444869

4. **Cabinet Legal Link**
   KG 3 Avenue, Road KACYIRU-KIMICANGA
   Email: legallinkchambers@gmail.com
   0788304275

# Corporate Governance Overview

COGEBANQUE's corporate governance principles and framework are shaped by the nature and scope of our business, industry best practices, and legal and regulatory requirements. As far as laws and regulations are concerned, Cogebanque Plc is obliged to comply with the requirements of the Companies Act of Rwanda, the Banking Law and supporting regulations. Moreover, the requirements of Regulation N°01 of 2018 of 24/01/2018 on Corporate Governance for Banks apply to all banks operating in Rwanda.

To implement applicable laws, rules, regulations as well as best practices relating to corporate governance, the bank's corporate governance framework is comprised of the following governance structures:

## 1. THE BOARD OF DIRECTORS

The Board of Directors of COGEBANQUE as at 31 December 2021 comprised nine (9) non-executive directors, five (5) of whom are independent including the Chairman. The Board's key role is to provide effective oversight and leadership, by creating a conducive environment for accountability, responsibility, equity and transparency to thrive. It also ensures that good corporate governance practices are reflected in the bank's interactions with its stakeholders. The Board is assisted by six Sub-committees in discharging its oversight role. These committees meet once in a quarter and report to the Board after each sitting.

The Board committees include:

a. Audit Committee
b. Risk and compliance Committee
c. Credit Committee
d. Nomination and Remuneration Committee
e. Assets and Liabilities Committee (ALCO)
f. IT Committee

### a) Audit Committee

The Audit Committee is mainly in charge of overseeing the financial reporting process and enhancing the internal controls environment. The committee oversees the following:

1. Assisting in the appointment of external auditors and fixing their remuneration. The committee also review the work of the external auditor on behalf of the board
2. Ensuring that financial statements are prepared in accordance with applicable laws, rules and regulations including International Financial Reporting Standards (IFRSs);
3. Ensuring that the bank's internal control environment is effective and adequate.

### b) Credit Committee

The committee oversees the following:

1. The entire credit portfolio to ensure that: (i) Lending policies and practices are sound and effective; (ii) Credit losses are kept in line with prudential norms; and (iii) high asset quality;
2. Review credit files that are over and above management's discretionary limits and make recommendations to the main board; and
3. Ensuring that effective procedure is in place to maximize recoveries.

### c) Risk and compliance Committee

The committee is responsible for the bank's risk governance by ensuring that the bank's risk management policies, practices and procedures are designed to ensure that risks are effectively identified, tracked, measured, monitored, managed and reported on a timely basis. The committee's work includes oversight of the strategies for capital and liquidity management as well as for all relevant risks of the bank, such as credit, market, operational and reputational risks, to ensure they are consistent with the bank's risk appetite. The committee also oversees the bank's compliance matters and advises the Board accordingly.

### d) Assets and Liabilities Committee (ALCO)

The Committee is tasked with the responsibility of:

1. Advising the Board on matters relating mainly to the management of capital, liquidity and market risk; and
2. Ensuring that risks under its domain are monitored closely and is kept within limits set by the Board and the National Bank of Rwanda.

### e) Nomination and Remuneration Committee

1. Review and approve guidelines for the remuneration system's design and operation, ensuring that remuneration is appropriate and consistent with the bank's culture, long-term business and risk appetite, performance and control environment as well as with any legal or regulatory requirements;
2. Exercise competent and independent judgment on compensation policies and practices and the incentives they create;
3. Work closely with the bank's risk committee in evaluating the incentives created by the remuneration system and ensure that the Risk Committee has access to any information it requires to fulfil its responsibilities;
4. Provide recommendations to the board for new board members and members of senior management;
5. Analyse the roles and responsibilities of the board members and the knowledge, experience and competence which the role requires;
6. Strive to ensure that the board is not dominated by any individual or group of individuals in a manner that is detrimental to the interests of the bank as a whole.

The Remuneration and nomination committee may be involved in assessment of board and senior management effectiveness and may be involved in overseeing the bank's personnel or human resource policies.

# Corporate Governance Overview
— Continued

### f) IT Committee

The IT Committee is entrusted with the following powers and responsibilities:

1. Perform oversight functions over the IT steering committee (at a senior management level);
2. Oversee the implementation of the requirements provided in the laws and regulations on cyber security;
3. Investigate activities within this scope;
4. Work in partnership with other board committees and senior management to provide input, review and amend the aligned corporate and IT strategies.

## 2. BOARD MEETINGS

The Board of Directors meets at least once every quarter for scheduled meetings, or more frequently, when required to deal with specific matters between scheduled meetings. The chairman ensures that the Board focuses on the right matters reserved for the Board by approving all Board agendas in collaboration with the Chief executive officer and the Company Secretary. The Chairman also ensures that Board Members receive timely, all relevant information before Board meetings and that they are kept informed of key developments in the bank.

During the year 2021, the main Board met 4 times for ordinary meetings plus 6 extraordinary meetings. There were also other ad hoc meetings which were conducted by the Directors to discuss urgent matter.

***The following is the list of Board Members who served in 2021 and their board attendance.***

| Board Member | Category | Board | Audit | Risk & compliance | Credit | ALCO | RH | IT | Extraordinary board meetings |
|---|---|---|---|---|---|---|---|---|---|
| Mr. Ebenezer ESSOKA | Chairman | 2/4 | - | - | 2/4 | - | 2/4 | 2/4 | 4/6 |
| Ms. Jeanine MUNYESHULI | Vice Chairperson | 2/4 | 2/4 | 2/4 | - | - | - | 2/4 | 4/6 |
| Mr. Desire Musoni wa RWIHIMBA | Non-executive | 1/4 | - | - | - | - | 1/4 | 1/4 | 2/6 |
| Mr. Christian MAKUZA | Non-executive | 2/4 | - | - | | 1/4 | 1/4 | 2/4 | 2/6 |
| Mr. Jotham MAJYALIBU | Non-executive | 4/4 | 4/4 | 4/4 | 4/4 | 4/4 | 4/4 | - | 6/6 |
| Mr. Bruno CHARUEL | Non-executive | 4/4 | 1/4 | 1/4 | 3/4 | 3/4 | | 2/4 | 6/6 |
| Mr. Jean Marie GACANDAGA | Non-executive | 1/4 | | | 1/4 | | 1/4 | | 0/6 |
| Mr. Richard MUGISHA | Non-executive | 2/4 | 2/4 | 2/4 | | | 2/4 | 1/4 | 1/6 |
| Mr. Eric RUTABANA | Non-executive | 2/4 | 1/4 | 1/4 | 2/4 | 2/4 | 1/4 | 1/4 | 2/6 |
| Mr. Robert MAKUZA | Non-executive | 2/4 | - | - | 2/4 | 2/4 | | 2/4 | 4/6 |
| Mr. Pie HABIMANA | Non-executive | 2/4 | 2/4 | 2/4 | - | - | 2/4 | - | 4/6 |
| Mr. Marie Rose UWASE | Non-executive | 2/4 | 2/4 | 2/4 | - | 2/4 | - | - | 4/6 |
| Mr. Arlette RWAKAZINA | Non-executive | 2/4 | 2/4 | 2/4 | - | - | 2/4 | 2/4 | 3/6 |
| Mr. Philippe WATRIN | Non-executive | 2/4 | - | - | 2/4 | 1/4 | 2/4 | 2/4 | 4/6 |

# Report of the Directors

The Directors have the pleasure of submitting their report together with the audited financial statements for the year ended 31 December 2021 which reveal the state of affairs of the Bank.

### 1. Principal activities

The principal activity of Compagnie Générale de Banque (COGEBANQUE) Plc is provision of retail, SME and corporate banking services.

### 2. Results

The results for the year ended 31 December 2021 are set out in the financial statements on page 35.

### 3. Directors

The Directors who served during the year and up to the date of this report are set out on page 26.

### 4. Dividends

Shareholders have reinvested their dividends since 2019 in order to strengthen bank's capital base and make it resilient against the pandemic impacts. The directors proposed to pay out 30% of the 2021 annual profit as dividends to the shareholders.

### 5. Auditors

The auditor, PricewaterhouseCoopers Rwanda Limited, was appointed in 2021 in accordance with Law No. 007/2021 of 05/02/2021 Governing Companies and Regulation No. 14/2017 of 23/11/2017 on accreditation requirements and other conditions for external auditors for financial institutions. Auditor will serve the term of 3 years from 2021 in accordance with Law No. 007/2021 of 05/02/2021 Governing Companies and Regulation No. 14/2017 of 23/11/2017 on accreditation and other conditions for external auditors for financial institutions.

### 6. Approval of the Annual financial statements

The Financial Statements were approved and authorised for issue by the Directors on 25 March 2022.

BY ORDER OF THE BOARD

..............................................
Company Secretary

Date: **30/08/2022**

# Statement of Directors' Responsibilities

The Bank's Directors are responsible for the preparation of financial statements, set out on pages 12 to 95 , which give a true and fair view of Compagnie Générale de Banque PLC. (COGEBANQUE) which comprise of the statement of financial position as at 31 December 2021 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of 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 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 they 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.

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

The independent auditors are responsible for reporting, on whether, based on their audit, the financial statements give a true and fair view of the bank's financial position as at 31st December 2021 and of its performance and cash flow for the year then ended in accordance with the International Financial Reporting Standards, in the manner required by Law No. 007/2021 of 05/02/2021 governing companies (the Rwandan Companies Act).

### Approval of financial statements

The financial statements of Compagnie Générale de Banque (COGEBANQUE)Plc, as identified in the first paragraph, were approved and authorised for issue by the Board of Directors on 25 March 2022.

..............................................
Chief Executive Officer

..............................................
Chairperson of the Board Audit Committee

# Independent auditor's report to the shareholders of Compagnie Générale de Banque Plc

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Compagnie Générale de Banque 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 ("IFRS") and the requirements of Law No. 007/2021 of 05/02/2021 Governing Companies.

### What we have audited

The Bank's financial statements below comprise:

- the statement of financial position as at 31 December 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes 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.

### Key audit matters

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.<br><br>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.<br><br>The key areas where significant judgement has been exercised and therefore, an increased level of audit focus applied, include:<br><br>• 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. | 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:<br><br>• Evaluating the appropriateness of the Bank's IFRS 9 impairment methodology, against the requirements of IFRS 9;<br>• 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;<br>• Obtained an understanding of the basis used to determine the PDs, LGDs and EADs, and the COVID-19 impact overlays;<br>• 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;<br>• 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; |

- 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 significant impact of management judgements applied in calculating the ECL, we designated this as key audit matter in our audit.

- We tested, on a sample basis, the reasonableness of EAD for both on and off balance sheet exposures;

**Other information**

Directors are responsible for the other information. The other information comprises Statutory information, Report of the directors, Statement of directors' responsibilities, Corporate governance overview 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 11 May 2021, expressed an unmodified opinion on those statements.

**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.

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:

# Independent auditor's report to the shareholders of Compagnie Générale de Banque Plc -Continued

- 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.
- 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.
- 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:

i. 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;

ii. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
iii. In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books; and

iv. 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.

v. According to the best of the information and the explanations given to us as auditors, as shown by the accounting and other documents of the 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

# Statement of Profit or Loss and Other Comprehensive Income

| | Notes | 2021 | 2020 |
|---|---|---|---|
| | | **Frw'000** | **Frw'00** |
| Interest and similar income | 6 | 34,862,134 | 30,087,722 |
| Interest expense and similar expenses | 7 | (10,706,087) | (10,398,411) |
| **Net interest income** | | **24,156,047** | **19,689,311** |
| Fees and commission income | 8(a) | 1,860,155 | 1,502,154 |
| Fees and commission expense | 8(b) | (966,196) | (761,550) |
| **Net fee and commission income** | | **893,959** | **740,604** |
| | | | |
| Other operating income | 9(a) | 1,416,517 | 1,441,127 |
| Gain/(loss) on fair value on restructured loans | 9(b) | (285,200) | 536,630 |
| Foreign exchange income | 10 | 1,192,023 | 1,449,187 |
| | | **2,323,340** | **3,426,944** |
| | | | |
| **Total operating income** | | **27,373,346** | **23,856,859** |
| Impairment losses on financial assets | 11 | (5,704,164) | (4,881,137) |
| | | **21,669,182** | **18,975,722** |
| | | | |
| Employee benefits expense | 12 | (6,749,545) | (7,076,600) |
| Depreciation and amortisation | 13 | (2,235,045) | (2,340,401) |
| Other operating expenses | 14 | (4,554,469) | (3,978,752) |
| Finance costs | 15 | (189,884) | (223,738) |
| **Total operating expenses** | | **(13,728,943)** | **(13,619,491)** |
| | | | |
| **Profit before income tax** | | **7,940,239** | **5,356,231** |
| Income tax expense | 16 | (2,933,058) | (1,518,067) |
| | | | |
| Profit for after income tax | | **5,007,181** | **3,838,164** |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | **5,007,181** | **3,838,164** |

# Statement of Financial Position

| | Notes | 2021 | 2020 |
|---|---|---|---|
| **ASSETS** | | **Frw'000** | **Frw'000** |
| Cash and balances with the National Bank of Rwanda | 17 | 20,849,580 | 23,478,053 |
| Amounts due from other banks | 18 | 14,070,053 | 11,752,410 |
| Government securities at amortized cost | 19 | 61,855,306 | 53,148,321 |
| Other assets | 24 | 6,488,325 | 5,394,881 |
| Current income tax | 22(a) | - | 1,691,540 |
| Non-current assets held for sale | 21 | - | 494,000 |
| Loans and advances to customers | 20 | 173,989,552 | 157,820,211 |
| Right-of-use assets | 23 | 1,029,054 | 1,531,241 |
| Intangible assets | 25 | 1,102,660 | 1,393,997 |
| Property and equipment | 26 (a) | 9,152,256 | 10,299,284 |
| Investment property | 26 (b) | 2,622,547 | 2,679,676 |
| **TOTAL ASSETS** | | **291,159,333** | **269,683,614** |
| **LIABILITIES** | | | |
| Customer deposits | 27 | 189,115,267 | 172,886,458 |
| Amounts due to other banks | 28 | 46,161,562 | 51,040,034 |
| Current income tax | 22(b) | 425,624 | 25,674 |
| Other liabilities | 32(a) | 3,815,258 | 4,129,067 |
| Provision for litigations | 32(b) | 182,842 | 22,009 |
| Government grants | 30 | 1,836,291 | 2,205,559 |
| Loans from non-commercial banks | 29 | 9,205,218 | 3,068,617 |
| Lease liabilities | 33 | 1,202,462 | 1,701,692 |
| Deferred income tax | 35 | 920,508 | 1,317,384 |
| **TOTAL LIABILITIES** | | **252,865,032** | **236,396,494** |
| **EQUITY** | | | |
| **Share capital** | 36(a) | 6,985,000 | 6,985,000 |
| Share premium | 36(b) | 1,373,437 | 1,373,437 |
| Retained earnings | 36(c) | 29,935,864 | 24,928,683 |
| **TOTAL EQUITY** | | **38,294,301** | **33,287,120** |
| **TOTAL EQUITY AND LIABILITIES** | | **291,159,333** | **269,683,614** |

# Statement of Changes in Equity

| | Share capital | Share premium | Proposed divident | Statutory credit risk reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2021** | **Frw'000** | **Frw'000** | **Frw'000** | **Frw'000** | **Frw'000** | **Frw'000** |
| **At start of the year** | 6,985,000 | 1,373,437 | - | - | 24,928,683 | 33,287,120 |
| | | | | | | - |
| **Comprehensive income:** | | | | | | |
| Profit for the year | - | - | - | - | 5,007,181 | 5,007,181 |
| Other comprehensive income | - | - | - | - | - | - |
| **Total comprehensive income** | - | - | - | - | **5,007,183** | **5,007,181** |
| **At end of the year** | **6,985,000** | **1,373,437** | **-** | **-** | **29,935,864** | **38,294,301** |
| **Year ended 31 December 2020** | | | | | | |
| **At start of the year** | 6,985,000 | 1,373,437 | - | 190,411 | 20,900,108 | 29,448,956 |
| **Comprehensive income:** | | | | | | |
| Realease of credit risk reserve | - | - | - | (190,411) | 190,411 | - |
| Profit for the year | - | - | - | - | 3,838,164 | 3,838,164 |
| Other comprehensive income | - | - | - | - | - | - |
| **Total comprehensive income** | - | - | | (190,411) | **4,028,575** | **3,838,164** |
| **At end of the year** | **6,985,000** | **1,373,437** | **-** | - | **24,928,683** | **33,287,120** |

# Statement of Cash flows

| | Notes | 2021 | 2020 |
|---|---|---|---|
| **Cash flows from operating activities** | | **Frw'000** | **Frw'000** |
| Profit before income tax | | 7,940,391 | 5,356,232 |
| **Adjustments for:** | | | |
| Impairment of financial assets | | 5,704,164 | 4,881,137 |
| Impairment of other assets | | 314,259 | - |
| Provision for litigations | | 113,074 | - |
| Depreciation of property and equipment | 13 | 1,396,195 | 1,532,338 |
| Depreciation of right-of-use assets | | 502,187 | 526,426 |
| Amortisation of intangible assets | 13 | 336,663 | 281,637 |
| Finance costs | | 189,882 | 223,738 |
| Gain & loss fair value restructure loan and fair value staff cost | | 277,804 | - |
| Gain on disposal of non-current asset held for sale | | (15,613) | - |
| Bond premium to be amortised | | (187,606) | - |
| | | | - |
| **Cash flows from operating activities before changes in operating assets and liabilities** | | **16,571,399** | **12,801,507** |
| | | | |
| Changes in operating assets and liabilities: | | | |
| loans and advances | | (22,658,887) | (19,071,590) |
| other assets | | 841,533 | (4,223,538) |
| customer deposits | | 27,858,318 | 33,206,953 |
| other liabilities | | (779,531) | (165,772) |
| Movement in cash reserve requirement | | (1,219,011) | 304,552 |
| Movement in noncurrent assets held for sale | | - | (494,000) |
| | | | |
| Income tax paid during the year | | (1,344,223) | (3,071,413) |
| **Net cash from/ (used in) operations** | | **19,269,599** | **19,286,699** |
| | | | |
| **Cash flows from investing activities** | | | |
| Government securities and other bonds | | (8,697,079) | (18,076,334) |
| Purchase of property and equipment | | (222,729) | (582,504) |
| Purchase of intangible assets | | (12,336) | (510,538) |
| Proceeds from disposal of non-current assets held for sale | | 325,613 | - |
| **Net cash used in investing activities** | | **(8,606,531)** | **(19,169,376)** |

| | Notes | 2021 | 2020 |
|---|---|---|---|
| **Cash flows from financing activities** | | **Frw'000** | **Frw'000** |
| Lease payments-Principal | | (491,115) | (465,373) |
| Lease payments-Interest | | (189,882) | (223,738) |
| Loan from BNR | | 4,972,218 | 3,274,176 |
| Equity shares | | - | - |
| | | | |
| **Net cash generated/used in financing activities** | | **4,291,221** | **2,585,065** |
| **Net increase/decrease in cash and cash equivalents** | | **14,954,290** | **2,702,387** |
| | | | |
| Cash and cash equivalents at start of year | | 5,372,291 | 2,669,904 |
| **Cash and cash equivalents at end of year** | 38 | **20,326,581** | **5,372,291** |

# Notes to the Financial Statement

**1. REPORTING ENTITY**

Compagnie Générale de Banque Plc (COGEBANQUE) (the 'Bank') is a commercial bank licensed under No. 17/2018 of 13/04/2018 Governing Banks and Other Financial Institutions. The Bank is incorporated in Rwanda as a public limited company under Law No. 007/2021 of 05/02/2021 Governing Companies.

The principal activity of the Bank is provision of retail, SME and corporate banking services.

The address of the Bank's registered office is as follows:
Compagnie Générale de Banque (COGEBANQUE) Plc
KN 63 St Cogebanque Building
P.O. Box 5230 Kigali Rwanda

**2. BASIS OF PREPARATION**

**(a) Statement of compliance**

The Bank's financial statements for the year 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

Additional information required by the regulatory bodies is included where appropriate.

For the purposes of Law No. 007/2021 of 05/02/2021 Governing Companies, in these financial statements the "balance sheet" is represented by/is equivalent to the statement of financial position and the "profit and loss account" is presented in the statement of profit or loss and other comprehensive income.

**(b) Historical cost convention**

These financial statements have been prepared on a historical cost basis.

**(c) New and amended standards adopted by the Bank**

The Company has applied the following standards and 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 have a material effect to the Company's financial statements.

The Bank also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2018–2020, and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12.

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.

**(d) New amended standards not yet adopted by the Bank**

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

| Number | Effective Date | Executive Summary |
|---|---|---|
| Amendments to IAS 16 'Property, Plant and Equipment': Proceeds before Intended Use | Annual periods beginning on or after 1 January 2022<br><br>**(Published May 2020)** | The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss. |
| 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<br><br>**(Published Jan 2020)** | The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). |

## 2. BASIS OF PREPARATION (continued)

### (d) New amended standards not yet adopted by the Bank (continued)

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

# **Notes to the Financial Statement** -Continued

**3. USE OF ESTIMATES AND JUDGMENTS**

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 involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements.

The Covid-19 pandemic has significantly increased the estimation uncertainty in the preparation of these financial statements including:

- The extent and duration of the expected economic downturn, and subsequent recovery including on liquidity, credit quality, increasing unemployment, declines in consumer spending, reductions in production;
- The effectiveness of government measures to support businesses and consumers through this disruption and economic downturn, and
- The extent and duration of the disruption to business arising from the actions of Government, businesses and consumers to contain the spread of the virus.

**Significant estimates**

The areas involving significant estimates or judgements are:

***(a) Movement of the expected credit loss allowance***

The Bank reviews its loan portfolios to assess expected credit loss allowances at least on a quarterly basis. In determining whether an expected credit loss allowance should be recorded in the income statement, the bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

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 the future economic conditions and credit behaviour (e.g the likelihood of customers defaulting and the resulting losses). Explanations of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 4.1.6, 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 the criteria for significant increase in credit risk;
- Choosing the 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 groups of similar financial assets for the purposes of ECL.

Detailed information about the judgements and estimates made by the Bank in the above areas are set out in Note 4.1.2.

***(b) Provision for claims***

The Bank receives legal or contractual claims against it from time to time, in the normal course of business. The Bank considers external and internal legal counsel opinions in order to assess the likelihood of loss and to define the defense strategy. Judgements are made as to the potential likelihood of any claim succeeding when making a provision or disclosing a contingent liability. The timeframe for resolving legal or contractual claims may be judgmental, as is the amount of possible outflow of economic benefits.

The main judgments are related to the litigations such as those related to claims from former employees and bank customers. There are contingent liabilities of Frw 336 which if were to materialise would reduce the overall profits and retained earnings.

***(c) 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 the building leases, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Bank is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Bank is typically reasonably certain to extend (or not terminate).

Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset. The extension option has been included in the lease liability, because of the associated significant costs and disruption to business that non-renewal would cause.

As at 31 December 2021, all potential future cash outflows have been included in the lease liabilities because it is 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 terms to reflect the effect of exercising extension options have been included in the lease liabilities and right of use assets.

A sensitivity analysis of exercising all extension options in the contract for a further 5 years period from 2023 would result in an increase in recognised lease liabilities and right-of-use-assets of Frw 4,050 million and annual depreciation for right of use reducing from the current Rwf 43 million to Frw 34 million.

### *(d) Income tax expense*

Judgement is required in determining the Bank's provision for income tax expense. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

## 4. Financial risk management

The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors. As such, the core functions of the Bank's risk management function are to identify the significant risks that the Bank is exposed to, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The overall goal of the Bank's risk management policies is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

Risk management is carried out by the Bank's Head of Risk, under the supervision of the Board Risk Committee and the Chief Executive Officer ("the parties"). The parties execute their risk management roles under policies approved by the Board of Directors. The parties identify, evaluate and manages financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. In addition, the internal audit department is responsible for the independent review of risk management and the control environment.
The risks arising from financial instruments to which the Bank is exposed to are credit risk, liquidity risk, market risk (which are discussed below) and operational risk.

### (a) 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 commercial and consumer loans and advances and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees, letters of credit 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 settlement balances with market counterparties and reverse repurchase loans.

# **Notes to the Financial Statement** -Continued

**4. FINANCIAL RISK MANAGEMENT** (continued)

**(a) Credit risk** (continued)

Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team, which reports to the Board of Directors through the Chief Executive Officer and head of each business unit regularly.

**(i) Credit risk measurement**

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

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

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

***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;

- 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%.

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 |

# Notes to the Financial Statement -Continued

**4. FINANCIAL RISK MANAGEMENT** (continued)

**4.1.1 Credit risk management** (continued)

**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 |
| **Sector** | **Exposure at Default** | **Final Expected Credit Loss (ECL)** | **Exposure at Default** | **Final Expected Credit Loss (ECL)** |
| Infrastructure and construction | 22,364,711 | 152,030 | 5,764,969 | 13,712 |
| Manufacturing | 2,610,037 | 5,019 | 77,219 | 1,084 |
| Service and commerce | 31,475,792 | 906,274 | 13,571,602 | 302,593 |
| Agricultures | 1,093,828 | 24,579 | 143,437 | 760 |
| Mining | 20,845 | - | 58 | - |
| Other Sectors | 747 | - | 747 | - |
| **Total** | **57,565,959** | **1,087,902** | **19,558,032** | **318,149** |

**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 90 days and above 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%.

The table below shows the profile of the loans and advances to customers analysed according to the internal ratings grading system:

| | Stage 1 | Stage 2 | Stage 3 | |
|---|---|---|---|---|
| **2021** | **12- Month ECL** | **Lifetime ECL** | **Lifetime ECL** | **Total** |
| | **Frw'000** | **Frw'000** | **Frw'000** | **Frw'000** |
| Performing | 120,352,242 | - | - | 120,352,242 |
| Watch | - | 57,565,959 | - | 57,565,959 |
| Substandard | - | - | 1,475,301 | 1,475,301 |
| Doubtful | - | - | 2,230,612 | 2,230,612 |
| Loss | - | - | 862,687 | 862,687 |
| **Gross carrying amount** | **120,352,242** | **57,565,959** | **4,570,101** | **182,488,301** |
| ECL allowance | (1,123,516) | (1,087,902) | (1,485,855) | (3,697,273) |
| Modification gain | - | 145,240 | 106,190 | 251,430 |
| Fair valuation loss | (1,012,565) | (3,923,324) | (117,018) | (5,052,907) |
| Net loans & advances | **118,216,161** | **52,699,973** | **3,073,419** | **173,989,552** |
| | | | | |
| **2020** | | | | |
| | | | | |
| Performing | 142,846,408 | - | - | 142,846,408 |
| Watch | - | 15,232,032 | - | 15,232,032 |
| Substandard | - | - | 769,242 | 769,242 |
| Doubtful | - | - | 577,251 | 577,251 |
| Loss | - | - | 10,500,910 | 10,500,910 |
| **Gross carrying amount** | **142,846,408** | **15,232,032** | **11,847,404** | **169,925,844** |
| ECL allowance | (802,189) | (318,149) | (7,146,705) | (8,267,043) |
| Modification gain | 299,729 | 141,804 | 95,097 | 536,630 |
| Fair valuation loss | (2,221,020) | (2,154,199) | - | (4,375,220) |
| Net loans & advances | **140,122,928** | **12,901,488** | **4,795,796** | **157,820,211** |

# **Notes to the Financial Statement** -Continued

**4. FINANCIAL RISK MANAGEMENT** (continued)

The National Bank of Rwanda's loan grading assists management to determine whether objective evidence of impairment exists, based on the following criteria set out by the Bank:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of Bank Bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral.

The Bank's policy requires the review of individual financial assets regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the impairment at reporting date on a case-by-case basis and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

The Bank makes available to its customers guarantees which may require the Bank to make payments on their behalf and enters into commitments to extend lines to secure their liquidity needs.

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. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

**4.1.2 Expected credit loss measurement**

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired. Please refer to note 4.1.2 for a description of how the Bank determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 4.1.3 for a description of how the Bank defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 4.1.4 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 4.1.5 includes an explanation of how the Bank has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

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

Change in credit quality since initial recognition

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

The key judgements and assumptions adopted by the bank in addressing the requirements of the standard are discussed below:

**4.1.2.1 Significant increase in credit risk (SICR)**

The Bank in determining whether the credit risk (i.e., risk of default) on a financial instrument has increased significantly since initial recognition considered reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the

Bank's historical experience, expert credit assessment and forward-looking information.

- The Bank identifies a significant increase in credit risk where
- Exposures have a regulatory risk rating of "Watch"
- An exposure is greater than 30 days. This is in line with the IFRS 9 30 DPD rebuttable presumption;
- an exposure that has been restructured in the past due to credit risk related factors or which was NPL and is now regular (subject to the regulatory cooling off period); or
- by comparing an exposures:
  - credit risk quality at the date of reporting; with
  - the credit risk quality on initial recognition of the exposure.

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

The Company has not followed an overall blanket approach to the ECL impact of COVID-19 (where COVID-19 is seen as a significant increase in credit risk (SICR) trigger that will result in the entire portfolio of advances moving into their respective next staging bucket). With the Bank undertaking loan restructures on 4.8% of the loan book (see the section "Restructuring" below), the Bank incorporated qualitative factors to assess significant increase in credit risk on these loans as below:

- All loans whose business activities required intervention from the Economic Recovery Fund, in our assessment, was considered to have a significant increase in credit risk and downgraded to Stage 2.
- Loans in high-risk industry segments (see the section "Restructuring" below) were assessed for significant increase in credit risk.

**Restructuring**

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

**Covid-19 impact on impairment losses on loans and advances**

The Covid-19 pandemic has resulted in a significant impact on the risks that the Bank is exposed to and the output of financial models, most specifically those used to determine credit risk exposures. This high degree of uncertainty has forced the Bank to reassess assumptions, and existing methods of estimation and judgements, used in the preparation of these financial results. There remains a risk that future performance and actual results may differ from the judgements and assumptions used.

At 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 15 years. 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.

The assessment of SICR incorporates forward-looking information (refer to note 4.1.5 for further information) and is performed on a monthly basis at a portfolio level for all financial instruments held by the Bank. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

The most substantial impact on the Bank relates to credit risk due to increased allowances for credit losses in the year. The increased credit risk is majorly because of:

- Declining performance in certain sectors of the economy e.g., hospitality and education sectors hence increased possibility of default.
- Downward changes in credit ratings (both internal and external)
- Increased time to realization of collateral for some portfolios and sectors as well as reassessment of the quality of collateral
- Increased days past due for loans issued
- Macroeconomic factors that have impacted the forward-looking estimates
- Increased modification losses because of the restructurings.

# **Notes to the Financial Statement** - Continued

**4. FINANCIAL RISK MANAGEMENT** (continued)

**Covid-19 impact on impairment losses on loans and advances** (continued)

- Increased write offs of the loans that we are unlikely to recover.

The estimation of impairment losses on loans and advances includes an unbiased and probability-weighted estimate of future losses determined by evaluating a range of possible macroeconomic outcomes. IFRS 9 models have used the following three parameters in ECL allowance calculations: probability of default (PD), loss given defaults (LGD) and exposure at default (EAD). Given the deteriorating macroeconomic environment, specific increases in PDs and LGDs were made to appropriately capture the Covid-19 environment.

As the outbreak continues to progress, it is challenging to predict the full extent and duration of its business and economic impact. Management adjustments were therefore required, in addition to the model outputs, to provide a more appropriate assessment of risk.

**Backstop**

A backstop is applied, and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

The Bank has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2021.

For debt securities in the treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

The rating methods are subject to an annual validation and recalibration so that they reflect the latest projections in the light of all actually observed defaults.

**4.1.3 Definition of default and credit-impaired assets**

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

**Quantitative criteria**

The borrower is more than 90 days past due on its contractual payments.

**Qualitative criteria**

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- •he borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Bank's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

**4.1.4 Measuring ECL — Explanation of inputs, assumptions and estimation techniques**

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PDs have been developed using 36 months of empirical data and to avoid distortions caused by COVID 19 related payment holidays the data used was as at 31 December 2021.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.
- The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month).

This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower.
- 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, LGDs 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.

This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

# Notes to the Financial Statement -Continued

**4. FINANCIAL RISK MANAGEMENT** (continued)

**4.1.4 Measuring ECL — Explanation of inputs, assumptions and estimation techniques** (continue)

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower.
- 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 probabilities 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 | |
|---|---|---|---|---|---|---|
| **Macroeconomics factors** | **Next 12 months** | **Remaining forecast period** | **Next 12 months** | **Remaining forecast period** | **Next 12 months** | **Remaining forecast period** |
| Domestic GDP | 2% | 10.9% | 12% | 12% | (7%) | (7%) |
| Interest rates | 16.5% | 16.7% | 17.4% | 16.5% | 17.4% | 16.5% |
| Inflation | 7.7% | 0.8% | - | - | - | - |

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

| | Base | Upside | Downside |
|---|---|---|---|
| | **%** | **%** | **%** |
| As at 31 December 2021 | | | |
| Scenario probability weighting | 77.4% | 4.31% | 18.2% |
| | | | |
| As at 31 December 2020 | | | |
| Scenario probability weighting | 77.5% | 4.38% | 18.2% |

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 between 3 and 2 years both for commercial properties and residential properties respectively. If time to realisation increased to 4 years, overall ECL would increase in the range of Frw 208.5 million and Frw 562.5 million.

**Collateral haircuts:** The directors have assumed collateral haircuts of 50% for commercial and 30% for residential properties. Due to Covid-19 analysis we have added additional haircut of 2% Commercial and 21% on residential property. If haircuts were further adjusted by 10% the overall ECL would increase/reduce in the range of Frw 163.1 million and Frw 287.3 million.

# Notes to the Financial Statement -Continued

**4. FINANCIAL RISK MANAGEMENT** (continued)

**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.

**Profile of financial assets subject to credit risk**

| | **2021 (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 | 120,352,242 | 62,032,812 | 142,846,408 | 53,148,321 |
| Stage II | 57,565,959 | - | 15,232,032 | - |
| Stage III | 4,570,100 | - | 11,847,404 | - |
| **Gross** | **182,488,301** | **62,032,812** | **169,925,844** | **53,148,321** |
| Less impairment allowances: | (3,697,273) | (177,506) | (8,267,043) | - |
| | **178,791,028** | **61,855,306** | **161,658,801** | **53,148,321** |

**Corporate**

| | **2021** | | | | **2020** |
|---|---|---|---|---|---|
| | | **ECL staging** | | | |
| | **Stage 1 12-month ECL** | **Stage 2 Lifetime ECL** | **Stage 3 Lifetime ECL** | **Total** | |
| | **Frw '000** | **Frw '000** | **Frw '000** | **Frw '000** | **Frw '000** |
| Normal | 69,982,271 | - | - | 69,982,271 | 84,465,432 |
| Watch | - | 42,485,614 | - | 42,485,614 | 7,122,760 |
| Default | - | - | 788,170 | 788,170 | 7,134,048 |
| **Gross carrying amount** | **69,982,271** | **42,485,614** | **788,170** | **113,256,056** | **98,722,241** |
| Loss allowances | (737,587) | (924,936) | (434,467) | (2,096,990) | (6,177,784) |
| **Carrying amount** | **69,244,685** | **41,560,678** | **353,703** | **111,159,066** | **92,544,457** |

**SMEs**

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total | |
| | Frw '000 | Frw '000 | Frw '000 | Frw '000 | Frw '000 |
| Normal | 22,221,004 | - | - | 22,221,004 | 33,984,222 |
| Watch | - | 11,808,576 | - | 11,808,576 | 4,261,626 |
| Default | - | - | 1,684,224 | 1,684,224 | 4,190,301 |
| **Gross carrying amount** | **-** | **11,808,576** | **1,684,224** | **35,713,804** | **42,436,150** |
| Loss allowances | (100,465) | (110,637) | (421,268) | (632,370) | (1,743,210) |
| **Carrying amount** | **22,120,539** | **11,697,938** | **1,262,956** | **35,081,434** | **40,692,940** |

**Retail**

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total | |
| | Frw '000 | Frw '000 | Frw '000 | Frw '000 | Frw '000 |
| Normal | 28,148,967 | - | - | 28,148,967 | 24,442,116 |
| Watch | - | 3,271,769 | - | 3,271,769 | 3,675,860 |
| Default | - | - | 2,097,706 | 2,097,706 | 649,479 |
| **Gross carrying amount** | **28,148,967** | **3,271,769** | **2,097,706** | **33,518,442** | **28,767,455** |
| Loss allowances | (285,464) | (52,329) | (630,084) | (967,877) | (346,049) |
| **Carrying amount** | **27,863,503** | **3,219,440** | **1,467,622** | **32,550,565** | **28,421,406** |

# **Notes to the Financial Statement** -Continued

**4. FINANCIAL RISK MANAGEMENT** (continued)

**4.1.7 Credit Risk Exposure** (continued)

***4.1.7.1 Maximum exposure to credit risk*** (continued)

**Government securities**

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total | |
| | Frw '000 | Frw '000 | Frw '000 | Frw '000 | Frw '000 |
| Normal | 62,032,812 | - | - | 62,032,812 | 53,148,321 |
| **Gross carrying amount** | **62,032,812** | **-** | **-** | **62,032,812** | **53,148,321** |
| Loss allowances | (177,506) | - | - | (177,506) | - |
| **Carrying amount** | **61,855,306** | **-** | **-** | **61,855,306** | **53,148,321** |

**Balance with National Bank of Rwanda**

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total | |
| | Frw '000 | Frw '000 | Frw '000 | Frw '000 | Frw '000 |
| Gross amount | 11,746,742 | - | - | 11,746,742 | 17,684,945 |
| **Expected credit loss** | - | - | - | - | - |
| **Carrying amount** | **11,746,742** | **-** | **-** | **11,746,742** | **17,684,945** |

**Balance with other Banks**

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total | |
| | Frw '000 | Frw '000 | Frw '000 | Frw '000 | Frw '000 |
| Gross amount | 14,070,053 | - | - | 14,070,053 | 11,752,410 |
| **Expected credit loss** | - | - | - | - | - |
| **Carrying amount** | **14,070,053** | **-** | **-** | **14,070,053** | **11,752,410** |

**Other Assets**

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | ECL staging | | | | |
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total | |
| | Frw '000 | Frw '000 | Frw '000 | Frw '000 | Frw '000 |
| Gross amount | - | - | - | - | - |
| **Expected credit loss** | - | - | - | - | - |
| **Carrying amount** | **-** | **-** | **-** | **-** | **-** |

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'.

**Gross loans**

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

| | Corporate | | | |
|---|---|---|---|---|
| | 31-Dec-2021 | | | |
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| | **Frw'000** | **Frw'000** | **Frw'000** | **Frw'000** |
| **Gross loans as at 1 January 2021** | **79,472,392** | **7,155,633** | **9,151,119** | **95,779,145** |
| | | | | |
| Transfers from stage 1 to stage 2 or 3 | (23,313,611) | 23,302,090 | 11,520 | - |
| Transfers from stage 2 to stage 1 or 3 | - | - | - | - |
| Transfers from stage 3 to stage 2 or 1 | - | - | - | - |
| Loans paid in full | (281,017) | (59,778) | - | (340,795) |
| New exposures disbursed | 9,558,484 | - | - | 9,558,484 |
| Subsequent increase in loans | (3,557,761) | 8,086,753 | 783,449 | 5,312,441 |
| | | | | |
| **Net movement in gross loans** | **(17,593,904)** | **31,329,065** | **794,969** | **14,530,130** |
| | | | | |
| Financial asset derecognised | - | - | (10,071,658) | (10,071,658) |
| | | | | |
| **Gross loans as at 31 December 2021** | **61,878,488** | **38,484,699** | **(125,570)** | **100,237,617** |

# **Notes to the Financial Statement** -Continued

| | SMEs | | | |
|---|---|---|---|---|
| | 31-Dec-2021 | | | |
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| | **Frw'000** | **Frw'000** | **Frw'000** | **Frw'000** |
| **Gross loans as at 1 January 2021** | **30,166,915** | **4,556,298** | **4,959,334** | **39,682,547** |
| | | | | |
| Transfers from stage 1 to stage 2 or 3 | (7,834,736) | 7,281,686 | 553,050 | - |
| Transfers from stage 2 to stage 1 or 3 | 140,115 | (1,397,582) | 1,257,466 | - |
| Transfers from stage 3 to stage 2 or 1 | 86,155 | 35,305 | (121,460) | - |
| Loans paid in full | (3,182,342) | (499,306) | - | (3,681,648) |
| New exposures disbursed | 5,605,912 | 196,153 | 6,114 | 5,808,179 |
| Subsequent increase in loans | - | - | - | - |
| | | | | |
| **Net movement in gross loans** | **(5,184,896)** | **5,616,256** | **1,695,170** | **2,126,531** |
| | | | | |
| Financial asset derecognised | - | - | (4,321,740) | (4,321,740) |
| | | | | |
| **Gross loans as at 31 December 2021** | **24,982,019** | **10,172,554** | **2,332,764** | **37,487,338** |

| | Retails | | | |
|---|---|---|---|---|
| | 31-Dec-2021 | | | |
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| | **Frw'000** | **Frw'000** | **Frw'000** | **Frw'000** |
| **Gross loans as at 1 January 2021** | **33,207,100** | **3,520,101** | **728,577** | **37,455,779** |
| | | | | |
| Transfers from stage 1 to stage 2 or 3 | (8,198,621) | 7,496,437 | 702,184 | - |
| Transfers from stage 2 to stage 1 or 3 | 1,400,567 | (2,204,318) | 803,751 | - |
| Transfers from stage 3 to stage 2 or 1 | 14,917 | 12,189 | (27,107) | - |
| Loans paid in full | (3,044,940) | (341,754) | (111,492) | (3,498,187) |
| New exposures disbursed | 10,112,712 | 426,050 | 422,416 | 10,961,178 |
| Subsequent increase in loans | - | - | - | - |
| | | | | |
| **Net movement in gross loans** | **284,634** | **5,388,605** | **1,789,753** | **7,462,992** |
| | | | | |
| Financial asset derecognised | - | - | (155,424) | (155,424) |
| | | | | |
| **Gross loans as at 31 December 2021** | **33,491,735** | **8,908,706** | **2,362,906** | **44,763,347** |

**4. FINANCIAL RISK MANAGEMENT** (continued)

**4.1.7 Credit Risk Exposure** (continued)

***4.1.7.1 Maximum exposure to credit risk*** (continued)

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

| | 31-Dec-2020 | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| | **Frw'000** | **Frw'000** | **Frw'000** | **Frw'000** |
| **Gross loans as at 1 January 2021** | **127,290,254** | **9,726,862** | **12,176,012** | **149,193,128** |
| | | | | |
| Transfers from stage 1 to stage 2 or 3 | (12,253,958) | 10,529,424 | 1,724,534 | - |
| Transfers from stage 2 to stage 1 or 3 | 3,733,990 | (5,182,126) | 1,448,136 | - |
| Transfers from stage 3 to stage 2 or 1 | 248 | 170,248 | (170,496) | - |
| Loans paid in full | (10,693,964) | (572,485) | (3,612,229) | (14,878,678) |
| New exposures disbursed | 26,402,640 | 703,854 | 639,798 | 27,746,292 |
| Subsequent increase in loans | 8,367,198 | (143,745) | 1,159,197 | 9,382,650 |
| | | | | |
| **Net movement in gross loans** | **15,556,154** | **5,505,170** | **1,188,940** | **22,250,264** |
| | | | | |
| Financial asset derecognised | 0 | 0 | (1,517,548) | (1,517,548) |
| | | | | |
| **Gross loans as at 31 December 2021** | **142,846,408** | **15,232,032** | **11,847,404** | **169,925,844** |

The table below presents the credit quality of financial instruments:

| **Credit quality** | **31 December 2021** | **31 December 2020** |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| Balances with National Bank of Rwanda | 11,746,742 | 17,684,945 |
| - Counterparty without credit rating | 11,746,742 | 17,684,945 |
| | | |
| Government securities | 61,855,306 | 53,148,321 |
| B+ | 61,855,306 | 53,148,321 |
| | | |
| Loans and advances | 173,989,552 | 157,820,211 |
| - Counterparty without credit rating | 166,316,276 | 147,596,529 |
| | | |
| Other assets | 6,488,325 | 5,394,881 |
| - Counterparty without credit rating | 6,488,325 | 5,394,881 |

# Notes to the Financial Statement -Continued

**4. FINANCIAL RISK MANAGEMENT** (continued)

**4.1.7 Credit Risk Exposure** (continued)

***4.1.7.1 Maximum exposure to credit risk*** (continued)

| Maximum exposure to credit risk before collateral held or other credit enhancements | 2021 | % | 2020 | % |
|---|---|---|---|---|
| | Frw'000 | | Frw'000 | |
| Balances with National Bank of Rwanda | 11,746,742 | 4% | 17,684,945 | 7% |
| Balances due from other banks | 14,070,053 | 5% | 11,752,410 | 5% |
| Government securities | 61,845,205 | 22% | 53,148,321 | 20% |
| Loans and advances to customers | 183,291,802 | 66% | 172,866,113 | 66% |
| Other assets (Excluding Prepayments) | 6,618,584 | 2% | 5,206,725 | 2% |
| Due from related parties | - | 0% | - | 0% |
| Gross | **277,572,386** | **100%** | **260,658,514** | **100.0%** |

***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 1,528 million (2020: Frw 1,485 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:

**As at 31 December 2021**

| Corporate | Stage 1 | Stage 2 | Stage 3 | Gross Loans | Impairment allowance | Carrying amount | Fair value of collateral |
|---|---|---|---|---|---|---|---|
| Overdrafts | 14,290,827 | 2,593,952 | 788,130 | 17,672,910 | 589,168 | 17,083,743 | 22,166,030 |
| Treasury loans | 4,115,554 | 4,069,260 | 40 | 8,184,853 | 18,922 | 8,165,932 | 14,403,156 |
| Equipment loans | 17,127,656 | 6,228,241 | - | 23,355,897 | 240,947 | 23,114,950 | 19,260,579 |
| Consumer loans | 164,715 | - | - | 164,715 | - | 164,715 | 712,948 |
| Mortgage loans | 34,283,519 | 29,594,161 | - | 63,877,680 | 1,247,865 | 62,629,815 | 99,051,074 |
| | **69,982,271** | **42,485,614** | **788,170** | **113,256,056** | **2,096,901** | **111,159,154** | **155,593,787** |
| **SME** | | | | | | | |
| Overdrafts | 9,639,515 | 4,288,741 | 150,656 | 14,078,913 | 162,689 | 13,916,223 | 20,034,880 |
| Treasury loans | 4,523,498 | 2,088,208 | 378,230 | 6,989,936 | 54,164 | 6,935,771 | 12,921,031 |
| Equipment loans | 1,548,047 | 1,437,239 | 534,276 | 3,519,561 | 248,847 | 3,270,714 | 3,265,195 |
| Consumer loans | 7,024 | - | 13,248 | 20,273 | - | 20,273 | 175,742 |
| Mortgage loans | 6,502,921 | 3,994,387 | 607,814 | 11,105,122 | 166,671 | 10,938,451 | 18,213,341 |
| | **22,221,004** | **11,808,576** | **1,684,224** | **35,713,804** | **632,371** | **35,081,433** | **54,610,188** |
| **Retails** | | | | | | | |
| Overdrafts | 3,820,794 | 48,517 | 391,001 | 4,260,312 | 192,270 | 4,068,042 | 7,101,879 |
| Treasury loans | 4,707,412 | 938,736 | 747,815 | 6,393,963 | 139,251 | 6,254,713 | 9,900,848 |
| Equipment loans | 1,546,605 | 245,665 | 240,383 | 2,032,653 | 50,697 | 1,981,956 | 2,924,728 |
| Consumer loans | 5,230,762 | 205,621 | 129,297 | 5,565,680 | 237,017 | 5,328,663 | 4,047,938 |
| Mortgage loans | 12,843,394 | 1,833,230 | 589,209 | 15,265,833 | 348,766 | 14,917,067 | 19,241,807 |
| | **28,148,967** | **3,271,769** | **2,097,705** | **33,518,441** | **968,001** | **32,550,441** | **43,217,200** |

# Notes to the Financial Statement -Continued

**4. FINANCIAL RISK MANAGEMENT** (continued)

**4.1.7 Credit Risk Exposure** (continued)

***4.1.7.2 Collateral and other credit enhancements***

**As at 31 December 2021**

| Total | Stage 1 | Stage 2 | Stage 3 | Gross Loans | Impairment allowance | Carrying amount | Fair value of collateral |
|---|---|---|---|---|---|---|---|
| Overdrafts | 27,751,136 | 6,931,211 | 1,329,788 | 36,012,135 | 944,127 | 35,068,008 | 49,302,789 |
| Treasury Loan | 13,346,463 | 7,096,204 | 1,126,085 | 21,568,752 | 212,337 | 21,356,416 | 37,225,035 |
| Equipment Loan | 20,222,307 | 7,911,145 | 774,659 | 28,908,111 | 540,491 | 28,367,620 | 25,450,501 |
| Consumer Loan | 5,402,501 | 205,621 | 142,545 | 5,750,668 | 237,017 | 5,513,651 | 4,936,628 |
| Mortgage Loan | 53,629,834 | 35,421,778 | 1,197,023 | 90,248,635 | 1,763,301 | 88,485,333 | 136,506,222 |
| **Total** | **120,352,243** | **57,565,958** | **4,570,099** | **182,488,301** | **3,697,273** | **178,791,028** | **253,421,176** |
| Modification gain | | 145,240 | 106,190 | 251,430 | - | 251,430 | - |
| Fair valuation loss | (1,012,565) | (3,923,324) | (117,018) | (5,052,907) | - | (5,052,907) | - |
| **Total** | **119,339,678** | **53,787,874** | **4,559,271** | **177,686,824** | **3,697,273** | **173,989,551** | **253,421,176** |

**As at 31 December 2020**

| Corporate | Stage 1 | Stage 2 | Stage 3 | Gross Loans | Impairment allowance | Carrying amount | Fair value of collateral |
|---|---|---|---|---|---|---|---|
| Overdrafts | 14,295,158 | 352,438 | 366,256 | 15,013,852 | 135,971 | 14,877,881 | 18,952,274 |
| Treasury Loans | 11,129,863 | 1,091,527 | 91,439 | 12,312,829 | 84,028 | 12,228,801 | 37,281,367 |
| Equipment Loans | 6,616,137 | 2,713,524 | 58,512 | 9,388,174 | 291,668 | 9,096,506 | 9,199,406 |
| Consumer Loans | - | - | - | - | - | - | - |
| Mortgage Loans | 48,245,479 | 3,154,818 | 6,617,841 | 58,018,138 | 5,666,097 | 52,352,040 | 75,196,369 |
| | **80,286,637** | **7,312,306** | **7,134,048** | **94,732,992** | **6,177,764** | **88,555,228** | **140,629,416** |

| SMEs | Stage 1 | Stage 2 | Stage 3 | Gross Loans | Impairment allowance | Carrying amount | Fair value of collateral |
|---|---|---|---|---|---|---|---|
| Overdrafts | 4,432,698 | 284,735 | 1,776,729 | 6,494,161 | 363,112 | 6,131,049 | 10,150,113 |
| Treasury Loans | 15,502,994 | 1,055,661 | 955,458 | 17,514,113 | 289,013 | 17,225,100 | 25,779,106 |
| Equipment Loans | 1,576,469 | 1,111,076 | 15,662 | 2,703,208 | 18,262 | 2,684,946 | 3,227,955 |
| Consumer Loans | 12,573 | - | 4,418 | 16,990 | - | 16,990 | 44,955 |
| Mortgage Loans | 12,392,749 | 1,876,893 | 1,438,034 | 15,707,677 | 1,072,822 | 14,634,855 | 21,129,460 |
| | **33,917,483** | **4,328,366** | **4,190,301** | **42,436,150** | **1,743,210** | **40,692,940** | **60,331,589** |

| Retails | Stage 1 | Stage 2 | Stage 3 | Gross Loans | Impairment allowance | Carrying amount | Fair value of collateral |
|---|---|---|---|---|---|---|---|
| Overdrafts | 998,157 | 145,100 | 31,716 | 1,174,973 | 25,850 | 1,149,123 | 2,088,478 |
| Treasury Loans | 6,250,068 | 855,412 | 350,969 | 7,456,449 | 53,227 | 7,403,221 | 11,809,784 |
| Equipment Loans | 1,718,372 | 596,694 | 10,646 | 2,325,712 | 6,215 | 2,319,498 | 3,669,914 |
| Consumer Loans | 3,805,100 | 184,143 | 45,378 | 4,034,621 | 121,722 | 3,912,899 | 2,717,721 |
| Mortgage Loans | 15,870,591 | 1,810,011 | 84,346 | 17,764,948 | 139,056 | 17,625,892 | 18,051,477 |
| **Total** | **28,642,288** | **3,591,360** | **523,055** | **32,756,703** | **346,070** | **32,410,633** | **38,337,374** |

**As at 31 December 2020**

| Total | Stage 1 | Stage 2 | Stage 3 | Gross Loans | Impairment allowance | Carrying amount | Fair value of collateral |
|---|---|---|---|---|---|---|---|
| Overdrafts | 19,726,013 | 782,273 | 2,174,701 | 22,682,987 | 524,933 | 22,158,054 | 31,190,865 |
| Treasury Loans | 32,882,925 | 3,002,600 | 1,397,865 | 37,283,390 | 426,269 | 36,857,122 | 74,870,257 |
| Equipment Loans | 9,910,979 | 4,421,294 | 84,821 | 14,417,094 | 316,145 | 14,100,949 | 16,097,275 |
| Consumer Loans | 3,817,672 | 184,143 | 49,796 | 4,051,611 | 121,722 | 3,929,889 | 2,762,676 |
| Mortgage Loans | 76,508,819 | 6,841,722 | 8,140,221 | 91,490,763 | 6,877,975 | 84,612,788 | 114,377,306 |
| **Total** | **142,846,408** | **15,232,032** | **11,847,404** | **169,925,845** | **8,267,043** | **161,658,802** | **239,298,379** |
| Modification gain | 299,729 | 141,804 | 95,097 | **536,630** | - | 536,630 | - |
| Fair valuation loss | (2,221,020) | (2,154,199) | - | **(4,375,219)** | - | (4,375,219) | - |
| **Total** | **140,925,117** | **13,219,637** | **11,942,501** | **166,087,256** | **8,267,043** | **157,820,213** | **239,298,379** |

# Notes to the Financial Statement -Continued

**4. FINANCIAL RISK MANAGEMENT** (continued)

**4.1.7 Credit Risk Exposure** (continued)

***4.1.7.2 Collateral and other credit enhancements*** (continued)

**Fair value of collateral held**

**31-Dec-21**

| Credit impaired assets | Gross Exposure | Impairment allowance | Carrying amount | Fair value of collateral held |
|---|---|---|---|---|
| | Frw'000 | Frw'000 | Frw'000 | Frw'000 |
| Stage I | 120,352,242 | (1,123,516) | 119,228,726 | 143,321,780 |
| Stage II | 57,565,959 | (1,087,902) | 56,478,057 | 98,735,898 |
| Stage III | 4,570,100 | (1,485,855) | 3,084,245 | 11,363,498 |
| Modification gain | 251,430 | - | 251,430 | - |
| Fair valuation loss | (5,052,907) | - | (5,052,907) | - |
| **Total** | **177,686,824** | **(3,697,273)** | **173,989,551** | **253,421,176** |

| **31-Dec-20** | | | | |
|---|---|---|---|---|
| Stage I | 142,891,770 | (802,189) | 142,089,581 | 212,060,615 |
| Stage II | 15,060,246 | (318,149) | 14,742,097 | 18,870,604 |
| Stage III | 11,973,828 | (7,146,705) | 4,827,123 | 8,367,160 |
| Modification gain | 536,630 | - | 536,630 | - |
| Fair valuation loss | (4,375,220) | - | (4,375,220) | - |
| **Total** | **166,087,254** | **(8,267,043)** | **157,820,211** | **239,298,379** |

| **a) Credit risk exposure** | **2021** | **2020** |
|---|---|---|
| **i) Items not subject to collateral:** | **Frw'000** | **Frw'000** |
| Balances with Central Bank | 11,746,742 | 17,684,945 |
| Amounts due from other banks | 14,070,053 | 11,752,410 |
| Due from related parties | - | - |
| Government securities | 61,667,700 | 53,148,321 |
| Other assets | 6,488,325 | 5,394,881 |
| | **93,972,820** | **87,980,557** |
| | | |
| **ii) Off-balance sheet items:** | | |
| Guarantee and performance bonds: | | |
| Book value | 11,294,508 | 13,583,856 |
| Value of collateral | 20,389,310 | 36,134,616 |
| Excess cover | **9,094,802** | **22,550,760** |

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:**

| 2021 | Grade 1 Normal Frw '000 | Grade 2 Watch Frw '000 | Grade 3 Substabdard Frw '000 | Grade 4 Doubtful Frw '000 | Grade 5 Loss Frw '000 | Total Frw '000 |
|---|---|---|---|---|---|---|
| Gross loans | 120,352,242 | 57,565,959 | 1,476,802 | 2,230,612 | 862,687 | 182,488,301 |
| Value of collat-erals | 143,321,780 | 98,735,898 | 4,272,177 | 3,869,785 | 3,221,534 | 253,421,174 |
| **Excess cover** | **22,969,538** | **41,169,939** | **2,795,374** | **1,639,173** | **2,358,847** | **70,932,872** |
| | | | | | | |
| **2020** | | | | | | |
| Gross Loans | 142,846,408 | 15,232,032 | 769,242 | 577,251 | 10,500,910 | 169,925,844 |
| Value of collat-erals | 248,592,802 | 18,125,973 | 2,161,845 | 2,161,845 | 4,668,431 | 275,710,896 |
| **Excess cover** | **105,746,393** | **2,893,941** | **1,392,602** | **1,584,594** | **(5,832,479)** | **105,785,051** |

#### 4.1.8 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;
- Discounts 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).

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:

# Notes to the Financial Statement -Continued

**4. FINANCIAL RISK MANAGEMENT** (continued)

**4.1.8 Loss allowance** (continued)

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

| | 31 December 2021 | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| | **Frw'000** | **Frw'000** | **Frw'000** | **Frw'000** |
| Loss allowance as at 1 January 2021 | **1,129,140** | **469,178** | **6,668,724** | **8,267,043** |
| **Movements with P&L impact** | | | | |
| | | | | |
| Transfers from stage 1 to stage 2 | - | 57,639 | - | 57,639 |
| Transfers from stage 1 to stage 3 | - | - | 218,015 | 218,015 |
| Transfers to stage 2 to stage 1 | (4,212) | - | - | (4,212) |
| Transfers to stage 2 to stage 3 | - | - | 326,270 | 326,270 |
| Transfers from stage 3 | (2,630) | (5,153) | - | (7,783) |
| Exposure without transfer into stages | (239,920) | (135,690) | 41,878 | (333,732) |
| New financial assets originated or purchased | 406,898 | 629,374 | 707,042 | 1,743,314 |
| Changes in PDs/LGDs/EADs | 327,798 | 159,069 | 76 | 486,943 |
| Change in ECL due to derecognition | (72,446) | (18,502) | 3,131,153 | 3,040,205 |
| Changes to model assumptions and methodologies | - | - | - | - |
| **Net movement to profit or loss** | **415,488** | **686,736** | **4,424,435** | **5,526,659** |
| **Other movements with no P&L impact** | | | | |
| Financial asset derecognised | - | - | (10,096,429) | (10,096,429) |
| Loss allowance as at 31 December 2021 | **1,544,628** | **1,155,915** | **996,729** | **3,697,273** |

| | 31 December 2020 | | | |
|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | Frw'000 | Frw'000 | Frw'000 | Frw'000 |
| Loss allowance as at 1 January 2020 | **1,203,477** | **52,959** | **2,901,134** | **4,157,571** |
| **Movements with P&L impact** | | | | |
| | | | | |
| Transfers from stage 1 to stage 2 | - | 178,610 | - | 178,610 |
| Transfers from stage 1 to stage 3 | - | - | 949,180 | 949,180 |
| Transfers to stage 2 to stage 1 | (15,961) | - | - | (15,961) |
| Transfers to stage 2 to stage 3 | - | - | 32,298 | 32,298 |
| Transfers from stage 3 | (1,189) | - | - | (1,189) |
| Exposure without transfer into stages | (386,204) | (3,777) | 3,414,762 | 3,024,780 |
| New financial assets originated or pur-chased | 894,238 | 204,053 | 196,948 | 1,295,239 |
| Changes in PDs/LGDs/EADs | (674,935) | (311,620) | - | (986,555) |
| Change in ECL due to  derecognition | (215,674) | (574) | 408,392 | 192,143 |
| Changes to model assumptions and methodologies | 93,971 | 118,620 | - | 212,590 |
| **Net movement to profit or loss** | **(305,754)** | **185,310** | **5,001,580** | **4,881,136** |
| **Other movements with no P&L impact** | | | | |
| Financial asset derecognised | - | - | (771,663) | (771,663) |
| Loss allowance as at 31 December 2020 | **897,724** | **238,269** | **7,130,731** | **8,267,043** |

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | Frw'000 | Frw'000 | Frw'000 | Frw'000 |
| **Opening ECL January 2021** | **1,129,140** | **469,178** | **6,668,724** | **8,267,043** |
| **Income Statement move-ments:** | | | | |
| ECL on new exposures | 593,540 | 704,719 | 707,042 | 2,005,301 |
| Subsequent changes in ECL | (105,607) | 520 | 495,293 | 390,206 |
| Change in ECL due to derecognition | (72,446) | (18,502) | 3,222,100 | 3,131,153 |
| **Net impairment charges** | **415,488** | **686,736** | **4,424,435** | **5,526,659** |
| Impaired accounts written off | **-** | **-** | **(10,096,429)** | **(10,096,429)** |
| **Closing ECL 31 December 2021** | **1,544,628** | **1,155,915** | **996,729** | **3,697,273** |

# Notes to the Financial Statement -Continued

**4. FINANCIAL RISK MANAGEMENT** (continued)

**4.1.8 Loss allowance** (continued)

Bank has provided different financial asset products. Main assets that are bearing interests are:

- Financial instruments and Money market; by which 100% of all investment was done by the bank with Government. The credit rating of Rwanda is B+ and the risk factor was rated at 0%;
- Loans and Advances: The main activity of the bank that also associated with higher risk of default customers. Probability of default, Exposure at Default and Loss Given at Default are considered.

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | Frw'000 | Frw'000 | Frw'000 | Frw'000 |
| **Opening ECL January 2020** | **1,434,894** | **283,868** | **2,439,432** | **4,158,194** |
| **Income statement movements:** | | | | |
| ECL on new exposures | 313,274 | 94,053 | 196,948 | 604,275 |
| Subsequent changes in ECL | (403,354) | 91,833 | 4,396,240 | 4,084,718 |
| Change in ECL due to derecognition | (215,674) | (574) | 408,392 | 192,144 |
| **Net impairment charges** | **(305,754)** | **185,312** | **5,001,580** | **4,881,137** |
| Impaired accounts written off | **-** | | **(772,288)** | **(772,288)** |
| **Closing ECL 31 December 2020** | **1,129,140** | **469,180** | **6,668,724** | **8,267,043** |

During 2021, the impact of loan and advances impairment charge by product as follows: All figures are in Frw"000"

| Stages | Corporate | Retails | SMEs | Grand Total |
|---|---|---|---|---|
| Stage 1 | 692,135 | 351,003 | 80,378 | 1,123,516 |
| Stage 2 | 379,604 | 110,637 | 597,660 | 1,087,901 |
| Stage 3 | 236,320 | 828,144 | 421,392 | 1,485,856 |
| **Grand Total 31 December 2021** | **1,308,059** | **1,289,784** | **1,099,430** | **3,697,273** |

| Stages | Corporate | Retails | SMEs | Grand Total |
|---|---|---|---|---|
| Stage 1 | 458,674 | 221,584 | 121,932 | 802,190 |
| Stage 2 | 281,391 | 25,874 | 10,883 | 318,148 |
| Stage 3 | 5,423,742 | 130,682 | 1,592,281 | 7,146,705 |
| **Grand Total 31 December 2021** | **6,163,807** | **378,140** | **1,725,096** | **8,267,043** |

Gross loans amount has been reduced by Loan loss provisions. Expected credit loss on loans is associated with much aspect like collateral pledged to hedged risks in case of default; Loan classifications due to days in areas of the clients hold. You will find here Loan loss concentration basing on collaterals and products.

Secured and unsecured loans and their Loan loss provisions for every product.

| Loan Types | Secured | Unsecured | Grand Total |
|---|---|---|---|
| Consumer loans | 26,662 | 210,355 | 237,017 |
| Equipment loans | 539,787 | 736 | 540,523 |
| Mortgage loans | 1,184,140 | 579,125 | 1,763,265 |
| Overdrafts | 789,501 | 154,625 | 944,127 |
| Treasury loans | 201,761 | 10,576 | 212,337 |
| **Grand total on balance sheet** | **2,741,851** | **955,417** | **3,697,269** |
| Loan commitments | **-** | **5** | **5** |
| **Grand total on and off-balance sheet_Dec-21** | **2,741,851** | **955,422** | **3,697,273** |

| Loan Types | Secured | Unsecured | Grand Total |
|---|---|---|---|
| Consumer loans | 4,731 | 116,990 | 121,721 |
| Equipment loans | 265,700 | 50,445 | 316,145 |
| Mortgage loans | 2,325,050 | 4,553,063 | 6,878,113 |
| Overdrafts | 172,408 | 352,525 | 524,933 |
| Treasury loans | 287,774 | 138,336 | 426,110 |
| **Grand total on balance sheet** | **3,055,663** | **5,211,359** | **8,267,022** |
| Loan commitments | **-** | **21** | **21** |
| **Grand total on and off-balance sheet_Dec-20** | **3,055,663** | **5,211,380** | **8,267,043** |

# Notes to the Financial Statement -Continued

**4. FINANCIAL RISK MANAGEMENT** (continued)

**4.1.8 Loss allowance** (continued)

Loans types staging and their Loan loss concentration. All figures are in Frw"000"

| Loan category | Stage 1 | Stage 2 | Stage 3 | Grand Total |
|---|---|---|---|---|
| Consumer loans | 142,341 | 8,020 | 86,657 | 237,017 |
| Equipment loans | 69,200 | 200,573 | 270,718 | 540,491 |
| Mortgage loans | 788,019 | 663,022 | 312,137 | 1,763,178 |
| Overdrafts | 104,722 | 199,189 | 640,247 | 944,158 |
| Treasury loans | 19,234 | 17,099 | 176,091 | 212,424 |
| **Grand total on balance sheet** | **1,123,516** | **1,087,903** | **1,485,850** | **3,697,268** |
| Loan commitments | **-** | **-** | **5** | **5** |
| **Grand total on and off-balance sheet_Dec-21** | **1,123,516** | **1,087,903** | **1,485,855** | **3,697,273** |

| Loan category | Stage 1 | Stage 2 | Stage 3 | Grand Total |
|---|---|---|---|---|
| Consumer loans | 87,727 | 9,465 | 24,531 | 121,723 |
| Equipment loans | 63,689 | 196,397 | 56,058 | 316,144 |
| Mortgage loans | 368,106 | 96,645 | 6,413,182 | 6,877,933 |
| Overdrafts | 138,863 | 3,388 | 382,682 | 524,933 |
| Treasury loans | 143,772 | 12,254 | 270,263 | 426,289 |
| **Grand total on balance sheet** | **802,157** | **318,149** | **7,146,716** | **8,267,022** |
| Loan commitments | 16 | - | 5 | 21 |
| **Grand total on and off-balance sheet_Dec-20** | **802,173** | **318,149** | **7,146,721** | **8,267,043** |

### Maximum exposure to credit risk before collateral held

| | 2021 | 2020 |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| Balances with National Bank of Rwanda | 20,849,580 | 23,478,053 |
| Current accounts and placements with other banks | 14,070,053 | 11,752,410 |
| Loans and advances to customers | 173,989,552 | 157,820,211 |
| Government securities at amortized cost | 61,855,306 | 53,148,321 |
| Other assets | 6,488,325 | 7,086,421 |
| Non-Current Assets held for sale | - | 494,000 |
| Credit risk exposures relating to off-balance sheet items: | | |
| - Acceptances and letters of credit | 2,373,641 | 4,628,762 |
| - Guarantees | 8,920,867 | 8,955,094 |
| | **288,547,324** | **267,363,272** |

The above table represents a worst case scenario of credit risk exposure to the Bank as at 31 December 2021 and 2020, without taking into account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on carrying amounts as reported on the statement of financial position. Loans and advances to customers, are secured by collateral in the form of charges over land and buildings and/or plant and machinery or corporate guarantees. Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loan and advances portfolio and debt securities as the Bank exercises stringent controls over the granting of new loans.

No other financial assets are either past due or impaired.

| **Loans and advances are summarized as follows:** | 2021 | 2020 |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| Neither past due nor impaired | 120,352,242 | 142,846,408 |
| Past due but not impaired | 57,565,959 | 15,232,032 |
| Individually impaired | 4,570,100 | 11,847,404 |
| **Gross loans before fair value and Interest in suspense** | **182,488,301** | **169,925,844** |
| Fair value adjustment on low interest loans | (4,801,476) | (3,838,590) |
| **Gross loans After fair value and Interest in suspense** | **177,686,825** | **166,087,254** |
| **Less: provision for impairment of loans and advances** | | |
| Allowance for impairment | (3,697,273) | (8,267,043) |
| **Net loans** | **173,989,552** | **157,820,211** |

# Notes to the Financial Statement -Continued

**4. FINANCIAL RISK MANAGEMENT** (continued)

**4.1.8 Loss allowance** (continued)

**Loans and advances neither past due nor impaired**

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system recommended by the central bank:

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Normal loans (0-30 days) | 120,352,242 | 142,846,408 |

**Loans and advances past due but not impaired**

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. The gross amounts of loans and advances that were past due but not im-paired were as follows:

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Past due 31 – 90 days | 57,565,959 | 15,232,032 |

**Loans and advances individually impaired**

Of the total gross amount of impaired loans, the following amounts have been individually assessed:

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Individually assessed impaired loans and advances | 4,570,100 | 11,847,404 |

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Fair value of collateral held (for NPL) | 18,257,443 | 24,249,958 |

***(i) Credit related commitments***

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

***(ii) Risk limit control and mitigation policies***

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in rela-tion to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent review.

Limits on the level of credit risk by product, and industry sector are approved annually by the Board of Directors. The Board of Directors also approves individual borrower limits above specified amounts. The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:
• Mortgages over residential properties and charges over business assets such as premises, plant and equipment;
• Charges over financial instruments such as debt securities and equities.
Longer-term finance and lending to corporate entities are generally secured.

**4.1.9 Write-off policy**

Bank writes off financial assets, in completely, when its period in arrears has exceeded 720 days or 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 and the recovery continue to do all possible way to return back amount invested.

The outstanding contractual amounts of such assets written off during the year ended 31 December 2021 was Frw 14 billion. The total amount written off includes suspended interest Frw 4 billion of that are subjected to be excluded from written off Amount to find the impact on profit and loss of the Year.

**4.1.10 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.

# **Notes to the Financial Statement** -Continued

**4. FINANCIAL RISK MANAGEMENT** (continued)

**4.1.10 Modification of financial assets** (continued)

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.

**4.1.11 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-Dec-21** | | **31-Dec-20** | |
|---|---|---|---|---|
| | **Frw'000** | **%age** | **Frw'000** | **%age** |
| Large corporate | 113,256,056 | 62.1% | 94,732,992 | 55.7% |
| SMEs | 35,713,804 | 19.6% | 42,436,145 | 25.0% |
| Retail Banking | 33,518,441 | 18.4% | 32,756,707 | 19.3% |
| **Gross loans** | **182,488,301** | **100%** | **169,925,844** | **100%** |

**(b) Liquidity risk**

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

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The National Bank of Rwanda requires that the Bank maintains a cash reserve ratio. In addition, the Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The Treasury department monitors liquidity ratios on a daily basis. Sources of liquidity are regularly reviewed by a separate team in the Treasury department to maintain a wide diversification by provider, product and term.

The table below gives estimated maturities of our financial liabilities and assets.

| At 31 December 2021 | Less than 1 month<br>Frw '000 | 1-3 months<br>Frw '000 | 3-12 months<br>Frw '000 | 1-5 years<br>Frw '000 | Over 5 years<br>Frw '000 | Total<br>Frw '000 |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| Customer deposits | 68,119,350 | 29,001,804 | 63,724,102 | 28,873,766.67 | 1,353,041 | **191,072,064** |
| Deposits from other banks | 3,150,618 | 2,043,521 | 40,950,422 | 17,000 | 10,875,010 | **57,036,571** |
| Other liabilities | - | - | 3,815,258 | - | - | **3,815,258** |
| Lease liabilities | - | - | 508,355 | 692,550 | - | **1,200,905** |
| **Total financial liabilities** | **71,269,968** | **31,045,325** | **108,998,137** | **29,583,317** | **12,228,051** | **253,124,798** |
| **Assets** | | | | | | |
| Cash and balances with balances with National Bank of Rwanda | 20,849,580 | - | - | - | - | **20,849,580** |
| Amounts due from other banks | 14,070,053 | - | - | - | - | **14,070,053** |
| Loans and advances to customers | 4,415,068 | 8,657,220 | 52,657,759 | 62,736,057 | 123,206,350 | **251,672,454** |
| Government securi-ties held to maturity | - | 492,458 | 7,196,035 | 20,622,998 | 33,479,359 | **61,790,850** |
| Other assets | 2,781,303 | 695,326 | 1,390,652 | 5,562,607 | 3,476,629 | **13,906,517** |
| **Total financial assets** | **42,116,004** | **9,845,004** | **61,244,446** | **88,921,662** | **160,162,338** | **362,289,454** |
| **Net liquidity gap** | **(29,153,964)** | **(21,200,321)** | **(47,753,691)** | **59,338,345** | **147,934,287** | **109,164,656** |

# Notes to the Financial Statement -Continued

**4. FINANCIAL RISK MANAGEMENT** (continued)

**(b) Liquidity risk** (continued)

| At 31 December 2020 | Less than 1 month Frw '000 | 1-3 months Frw '000 | 3-12 months Frw '000 | 1-5 years Frw '000 | Over 5 years Frw '000 | Total Frw '000 |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| Customer deposits | 74,027,869 | 39,212,480 | 45,081,195 | 13,923,726 | 641,188 | **172,886,458** |
| Deposits from other banks | 15,295,657 | - | 39,018,553 | - | 2,000,000 | **56,314,210** |
| Other liabilities | - | - | 4,129,067 | - | - | **4,129,067** |
| Lease liabilities | - | - | 375,977 | 1,325,715 | - | **1,701,692** |
| **Total financial liabilities** | **89,323,526** | **39,212,480** | **91,288,929** | **13,923,726** | **2,641,188** | **235,031,427** |
| **Assets** | | | | | | |
| Cash and balances with balances with National Bank of Rwanda | 23,478,053 | - | - | - | - | **23,478,053** |
| Amounts due from other banks | 11,752,410 | - | - | - | - | **11,752,410** |
| Loans and advances to customers | 3,593,595 | 9,818,717 | 34,158,367 | 52,568,368 | 121,200,316 | **221,339,363** |
| Government securi-ties held to maturity | - | 2,373,664 | 13,176,202 | 14,382,526 | 23,215,929 | **53,148,321** |
| Other assets | 289,419 | 1,636,601 | 4,037,885 | 17,520,713 | - | **23,484,618** |
| **Total financial assets** | **39,113,477** | **13,828,982** | **51,372,454** | **84,471,607** | **144,416,245** | **333,202,765** |
| **Net liquidity gap** | **(50,210,049)** | **(25,383,498)** | **(37,232,338)** | **69,222,166** | **141,775,057** | **98,171,338** |

The Bank manages short term liquidity gaps through short term lending from other banks or overnight from Central bank. Negative liquidity gap is due non-contractual fund. Customer and Saving deposits are stable. Bank is in process to acquire an ALM tool that will help to analyse customer behaviour which will help to identify the real mismark maturities into banks funding's.

## (c) Market risk

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility.

The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimising the return on risk. Overall responsibility for managing market risk rests with the Assets and Liabilities Committee (ALCO). The Treasury department is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day to day implementation of those policies.

### *(i) Interest rate risk*

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily. The tables below summarise the Bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Bank does not bear an interest rate risk on off balance sheet items. All figures are in thousands of Rwandan Francs.

| Interest rate risk 2021 | Less than 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| | Frw '000 | Frw '000 | Frw '000 | Frw '000 | Frw '000 | Frw '000 |
| **Liabilities** | | | | | | |
| Customer deposits | 15,074,870 | 28,271,953 | 57,415,055 | 4,393,490 | - | **105,155,368** |
| Deposits from other banks | - | 2,043,521 | 41,116,921 | 17,000 | 10,875,010 | **54,052,452** |
| **Total financial liabilities** | **15,074,870** | **30,315,474** | **98,531,976** | **4,410,490** | **10,875,010** | **159,207,820** |
| **Assets** | | | | | | |
| Placements with other banks | 5,000,000 | - | - | - | - | **5,000,000** |
| Loans and advances to customers | 4,181,060 | 3,871,502 | 3,738,629 | 64,879,344 | 97,319,016 | **173,989,551** |
| Government securities at amortised cost | - | 492,458 | 7,196,035 | 20,622,998 | 33,543,816 | **61,855,307** |
| Other assets | - | - | - | - | - | **-** |
| **Total financial assets** | **9,181,060** | **4,363,961** | **10,934,664** | **85,502,342** | **130,862,832** | **240,844,858** |
| **Interest sensitivity gap** | **(5,893,810)** | **(25,951,514)** | **(87,597,312)** | **81,091,852** | **119,987,822** | **81,637,038** |

# **Notes to the Financial Statement** -Continued

**4. FINANCIAL RISK MANAGEMENT** (continued)

**(c) Market risk** (continued)

***(i) Interest rate risk*** (continued)

| **2020** | **Less than 1 month**<br>**Frw '000** | **1-3 months**<br>**Frw '000** | **3-12 months**<br>**Frw '000** | **1-5 years**<br>**Frw '000** | **Over 5 years**<br>**Frw '000** | **Total**<br>**Frw '000** |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| Customer deposits | 14,827,744 | 39,212,480 | 28,794,040 | 13,923,726 | 641,188 | **97,399,178** |
| Deposits from other banks | 15,295,657 | - | 39,018,553 | - | 2,000,000 | **56,314,210** |
| **Total financial lia-bilities** | **30,123,401** | **39,212,480** | **67,812,593** | **13,923,726** | **2,641,188** | **153,713,388** |
| **Assets** | | | | | | |
| Placements with other banks | 983,560 | - | - | - | - | **983,560** |
| Loans and advances to customers | 9,620,893 | 6,799,039 | 14,932,868 | 61,047,509 | 65,419,901 | **157,820,211** |
| Government securities at amortised cost | - | 2,373,664 | 13,176,202 | 14,382,526 | 23,215,929 | **53,148,321** |
| **Total financial assets** | **10,604,453** | **9,172,703** | **28,109,070** | **75,430,035** | **88,635,830** | **211,952,090** |
| **Interest sensitivity gap** | **(19,518,948)** | **(30,039,777)** | **(39,703,522)** | **61,506,310** | **85,994,641** | **58,238,703** |

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

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates. The bellow are stipulated impact of Banks P&L

| Impact of interest rate sensitivity on P&L 2021 | Outcome |
| --- | --- |
| Our average cost of funds increases by 1% (100 basis point) i.e. from 4.5% to 5.5% | Extra interest expenses we would pay is Frw 2.374Bn i.e. 1.662 Bn net cost |
| - Assume this increase is on the average of 12 months' total borrowings. | YTD profit would decrease from Frw 5.007 Bn to Frw 3.345Bn |
| Our average cost of funds increases by 0.5% i.e. from 4.5% to 5.0% | Extra interest expenses we would pay is Frw 1.187Bn i.e. Frw 831Mn |
| | YTD profit would decrease from Frw 5.007Bn to Frw 4.176Bn |

| Impact of interest rate sensitivity on P&L 2020 | Outcome |
| --- | --- |
| Our average cost of funds increases by 1% (100 basis point) i.e. from 4.9% to 5.9% | Extra interest expenses we would pay is Frw 2.009Bn i.e. 1.469 Bn net cost |
| - Assume this increase is on the average of 12 months' total borrowings. | YTD profit would decrease from Frw 3.838 Bn to Frw 2.369Bn |
| Our average cost of funds increases by 0.5% i.e. from 4.9% to 5.4% | Extra interest expenses we would pay is Frw 1.050Bn i.e. Frw 735Mn |
| | YTD profit would decrease from Frw 3.838 Bn to Frw 3.103Bn |

***(ii) Currency risk***

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily

The tables below summarise the Bank's exposure to foreign currency exchange rate risk at 31 December 2021 and 2020. Included in the table are the Bank's financial instruments, categorised by currency:

# **Notes to the Financial Statement** -Continued

**4. FINANCIAL RISK MANAGEMENT** (continued)

**(c) Market risk** (continued)

***(ii) Currency risk*** (continued)

| At 31 December 2021 | USD<br>Frw '000 | EUR<br>Frw '000 | GBP<br>Frw '000 | UGX<br>Frw '000 | Total<br>Frw '000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and balances with BNR | 4,818,207 | 2,765,176 | 74,205 | 709 | 7,657,588 |
| Placements with other banks | 7,456,321 | 1,564,656 | 20,439 | - | 9,041,416 |
| Loans and advances to customers | 12,559,547 | 5,979 | 393 | - | 12,565,919 |
| Others assets | 527,890 | - | - | - | 527,890 |
| **Total assets** | **25,361,966** | **4,335,811** | **95,037** | **709** | **29,792,814** |
| **Liabilities** | | | | | |
| Customer deposits | 29,791,745 | 4,157,258 | 32,084 | - | 33,981,088 |
| Others liabilities | 171,899 | 35 | - | - | 171,935 |
| **Total liabilities** | **29,963,644** | **4,157,294** | **32,084** | **-** | **34,153,022** |
| **Net on-balance sheet position** | **(4,601,678)** | **178,517** | **62,953** | **709** | **(4,360,208)** |

| At 31 December 2020 | USD<br>Frw '000 | EUR<br>Frw '000 | GBP<br>Frw '000 | UGX<br>Frw '000 | Total<br>Frw '000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and balances with BNR | 3,650,292 | 1,495,797 | 66,093 | 765 | **5,212,946** |
| Placements with other banks | 9,471,491 | 2,268,305 | 3,983 | - | **11,743,779** |
| Loans and advances to customers | 9,391,577 | 3,774 | 8 | - | **9,395,359** |
| Others assets | 57,915 | 67 | - | - | **57,982** |
| **Total assets** | **22,571,275** | **3,767,943** | **70,084** | **765** | **26,410,066** |
| **Liabilities** | | | | | |
| Customer deposits | 26,800,013 | 3,903,885 | 42,101 | - | **30,745,999** |
| Others liabilities | (56,761) | 2,436 | - | - | **(54,325)** |
| **Total liabilities** | **26,743,252** | **3,906,321** | **42,101** | **-** | **30,691,674** |
| **Net on-balance sheet position** | **(4,171,977)** | **(138,378)** | **27,983** | **765** | **(4,281,607)** |

| Impact of Exchange sensitivity on P&L | Outcome |
|---|---|
| **- Exchange rate increasing by 1%**<br>- 31th December position was short of 12.45%<br>- Absolute amount is FRW 4.43 billion = $4.4 million | • Extra exchange net loss would be Frw 31 million |
| - Exchange middle rate 1009.6178<br>- increase, raises the rate to 1019.7140 | • YTD profit would decrease from Frw 5.007 billion to Frw 4.976 billion |
| **- Exchange rate increasing by 5%**<br>- 5% increase, raises the rate to 1060.0987 | • Extra exchange net loss would be Frw 155.2 Million<br>• YTD profit would decrease from Frw 5.007 billion to Frw 4.852 billion |

# Notes to the Financial Statement -Continued

**4. FINANCIAL RISK MANAGEMENT** (continued)

**(d) Financial instruments by category**

| At 31 December 2021 | Mandatorily at FVTPL Frw '000 | Designated at FVTPL Frw '000 | FVOCI -debt instruments Frw '000 | FVOCI -Equity instruments Frw '000 | Amortised Cost Frw '000 | Carrying amount Frw '000 |
|---|---|---|---|---|---|---|
| Cash and balances with BNR | - | - | - | - | 20,849,580 | 20,849,580 |
| Amounts due from other banks | - | - | - | - | 14,070,053 | 14,070,053 |
| Government securities at amortised cost | - | - | - | - | 61,855,306 | 61,855,306 |
| Loans and advances to customers | - | - | - | - | 173,989,552 | 173,989,552 |
| Other assets | - | - | - | - | 6,916,210 | 6,916,210 |
| **Total Financial Assets** | - | - | - | - | **277,680,701** | **277,680,701** |
| Customer deposits | - | - | - | - | 189,115,267 | 189,115,267 |
| Deposits from other banks | - | - | - | - | 55,366,779 | 55,366,779 |
| Export Growth Facility from BRD | - | - | - | - | 2,000,000 | 2,000,000 |
| Economic Recovery Fund | - | - | - | - | 1,836,291 | 1,836,291 |
| Other liabilities | - | - | - | - | 3,815,258 | 3,815,258 |
| **Total Financial Liabilities** | - | - | - | - | **252,133,595** | **252,133,595** |

| At 31 December 2020 | Mandatorily at FVTPL Frw '000 | Designated at FVTPL Frw '000 | FVOCI -debt instruments Frw '000 | FVOCI -Equity instruments Frw '000 | Amortised Cost Frw '000 | Carrying amount Frw '000 |
|---|---|---|---|---|---|---|
| Cash and balances with BNR | - | - | - | - | 23,478,053 | 23,478,053 |
| Amounts due from other banks | - | - | - | - | 11,752,410 | 11,752,410 |
| Government securities at amortised cost | - | - | - | - | 53,148,321 | 53,148,321 |
| Loans and advances to customers | - | - | - | - | 157,820,211 | 157,820,211 |
| Other assets | - | - | - | - | 7,086,421 | 7,086,421 |
| **Total Financial Assets** | - | - | - | - | **253,285,416** | **253,285,416** |
| | | | | | | |
| Customer deposits | - | - | - | - | 172,886,458 | 172,886,458 |
| Deposits from other banks | - | - | - | - | 41,608,651 | 41,608,651 |
| Treasury borrowings | - | - | - | - | 10,500,000 | 10,500,000 |
| Export Growth Facility from BRD | - | - | - | - | 2,000,000 | 2,000,000 |
| Economic Recovery Fund | - | - | - | - | 2,205,559 | 2,205,559 |
| Other liabilities | - | - | - | - | 4,154,720 | 4,154,720 |
| **Total Financial Liabilities** | | | | | **233,355,388** | **233,355,388** |

# **Notes to the Financial Statement** -Continued

**4. FINANCIAL RISK MANAGEMENT** (continued)

**(d) Financial instruments by category** (continued)

**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 table below sets out the carrying amounts of each class of financial assets and liabilities. The carrying amounts are reflected at the approximate fair value. None of the financial assets and liabilities is measured at fair value.

| 2021 | Level 1 | Level 2 | Level 3 | Financial assets at amortized coset |
|---|---|---|---|---|
| | Frw'000 | Frw'000 | Frw'000 | Frw'000 |
| **Assets** | | | | |
| Cash and balances with BNR | - | 20,849,580 | - | 20,849,580 |
| Amounts due from other banks | - | 14,070,053 | - | 14,070,053 |
| Government securities and other bonds | - | 61,855,306 | - | 61,855,306 |
| Loans and advances to customers | - | 173,989,552 | - | 173,989,552 |
| Other assets | - | 6,488,325 | - | 6,488,325 |
| **Total financial assets** | **-** | **277,252,816** | **-** | **277,252,816** |

| 2020 | Level 1 | Level 2 | Level 3 | Financial assets at amortized coset |
|---|---|---|---|---|
| | Frw'000 | Frw'000 | Frw'000 | Frw'000 |
| **Assets** | | | | |
| Cash and balances with BNR | - | 23,478,053 | - | 23,478,053 |
| Amounts due from other banks | - | 11,752,410 | - | 11,752,410 |
| Government securities and other bonds | - | 53,148,321 | - | 53,148,321 |
| Loans and advances to customers | - | 157,820,211 | - | 157,820,211 |
| Other assets | - | 7,086,421 | - | 7,086,421 |
| **Total financial assets** | **-** | **253,285,416** | **-** | **253,285,416** |

| 2021 | Level 1 | Level 2 | Level 3 | Financial assets at amortized cost | Other financial liabilities |
|---|---|---|---|---|---|
| | Frw'000 | Frw'000 | Frw'000 | Frw'000 | Frw'000 |
| **Liabilities** | | | | | |
| Customer deposits | - | 189,115,267 | - | - | 189,115,267 |
| Deposits from other banks | - | 57,203,070 | - | - | 57,203,070 |
| Other liabilities | - | 3,815,258 | - | - | 3,815,258 |
| **Total financial liabilities** | **-** | **250,133,595** | **-** | **-** | **250,133,595** |
| | | | | | |
| **2020** | | | | | |
| **Liabilities** | | | | | |
| Customer deposits | - | 172,886,458 | - | - | 172,886,458 |
| Deposits from other banks | - | 56,314,210 | - | - | 56,314,210 |
| Other liabilities | - | 4,129,046 | - | - | 4,129,046 |
| **Total financial liabilities** | **-** | **233,329,714** | **-** | **-** | **233,329,714** |

## 5. CAPITAL MANAGEMENT

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the balance sheet, are:

- to comply with the capital requirements set by the National Bank of Rwanda;
- to safeguard the Bank's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain a strong capital base to support the development of its business.

The Bank's regulator National Bank of Rwanda (BNR) sets and monitors capital requirements for the Bank as a whole. In implementing current capital requirements, BNR, requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital consists only of Tier 1 capital, which includes ordinary share capital, retained earnings, revaluation reserves and statutory reserves.

The Bank's policy is to maintain a strong capital base 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 recognised and the Bank recognises 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 Tier 1 capital expressed as a percentage of risk-weighted assets is set out below. The regulatory capital met the minimum required ratio of 10% and the bank has complied with all externally imposed capital requirements throughout the period.

# **Notes to the Financial Statement** -Continued

**5. CAPITAL MANAGEMENT** (continued)

| | 2021 | 2020 |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| Ordinary share capital | 6,985,000 | 6,985,000 |
| Share premium | 1,373,437 | 1,373,437 |
| **Reserves:** | | |
| Retained earnings | 25,730,020 | 22,492,859 |
| Profit for the year (50%) | 2,503,591 | 1,911,390 |
| Total tier 1 capital | **36,592,048** | **32,762,686** |
| | | |
| Regulatory adjustments applied in the calculation of CET1 Capital | (1,102,660) | (1,393,997) |
| | | |
| Total Tier 1 Capital | **35,489,389** | **31,368,689** |
| | | |
| Loan/financing loss provision (include Max 1.25% of RWA) | 2,266,741 | 1,865,013 |
| Total Capital | **37,756,130** | **33,233,702** |
| Risk-weighted assets | 185,352,397 | 175,920,838 |
| **Capital adequacy ratio (Tier 1)** | **19.15%** | **17.831%** |
| **Capital adequacy ratio (Total capital)** | **20.37%** | **18.891%** |

Tier 1 capital is expressed as a percentage of risk-weighted assets Based on BNR regulation n°11/2009 on capital adequacy ratio, the bank's total CAR is 20.37% against 15% required.

**6. INTEREST INCOME**

| | 2021 | 2020 |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| Loans and advances | 26,699,264 | 23,386,980 |
| Credit related fees and commissions | 1,672,797 | 1,630,044 |
| Government securities | 6,245,139 | 4,768,832 |
| Placements with other banks | 244,934 | 301,866 |
| | **34,862,134** | **30,087,722** |

## 7. INTEREST EXPENSE

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Customer deposits | (6,876,885) | (7,234,147) |
| Placements from other banks | (3,829,202) | (3,164,264) |
| | **(10,706,087)** | **(10,398,411)** |

## 8. FEES AND COMMISSIONS

| **(a) Fee and commission income** | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Current account ledger fees | 523,484 | 433,236 |
| Local and international cash transfers | 541,337 | 463,928 |
| EMP fees & MasterCard | 182,831 | 136,719 |
| Other Electronic banking product | 337,367 | 231,677 |
| Other fees and commissions | 275,136 | 236,594 |
| | **1,860,155** | **1,502,154** |
| **(b) Fee and commission expense** | | |
| EMP fees & MasterCard | (646,970) | (529,439) |
| Other Electronic banking product | (138,521) | (101,414) |
| Fees on Cheque book request | (87,431) | (82,307) |
| Fees on bank agent | (93,274) | (48,390) |
| | **(966,196)** | **(761,550)** |
| **Net fee and commission income** | **893,959** | **740,604** |

## 9. (a) Other operating income

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Rental income | 439,745 | 308,519 |
| Recoveries on amounts previously written off | 753,438 | 1,008,355 |
| Other incomes | 223,334 | 124,253 |
| | **1,416,517** | **1,441,127** |

# **Notes to the Financial Statement** -Continued

### 9. (b) Gain on fair value on restructured loans

| | 2021 | 2020 |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| Gain on fair value on restructured loans | (256,991) | 556,747 |
| Release of loan modification gain | (28,209) | (20,117) |
| | **(285,200)** | **536,630** |

During 2021, a significant number of loans which were under moratorium due to covid-19 reached the end of their grace period and were restored back to normal payment schedules. This action resulted into a reduction of gains on fair valuation that had been recognised in the prior year, since the amount and number of loans taken into account for fair valuation were significantly lower in 2021. The loans considered in the current year, are those that were still under moratorium due to covid-19 impact.

### 10. FOREIGN EXCHANGE INCOME

| | 2021 | 2020 |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| Net Gain on USD | 840,206 | 845,151 |
| Net Gain on EUR | 317,433 | 580,055 |
| Net Gain on GBP | 34,331 | 23,431 |
| Net Gain on UGS | 52 | 550 |
| | **1,192,023** | **1,449,187** |

### 11. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

| | 2021 | 2020 |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| Impairment on loans and advances | (9,261,197) | (8,609,165) |
| Reductions in provisions due to improvement in performance status | 3,734,544 | 3,728,053 |
| **Net Credit Loss on loans and advances** | **(5,526,653)** | **(4,881,112)** |
| Impairment of off-balance sheet items and other assets | (5) | (25) |
| **Net Credit Loss on credit related item** | **(5,526,658)** | **(4,881,137)** |
| Impairment on Government Securities | (177,506) | - |
| **Total Impairments losses of financial assets** | **(5,704,164)** | **(4,881,137)** |

For the ECL on government securities, the Bank applied Rwanda's sovereign rating as a proxy for BNR's credit rating (since the latter is not rated). As per the August 2020 credit rating from S&P which is the latest published updates, Rwanda's credit rating was B+ with a negative outlook. This translates into a PD of 1.48%. For the exposure at default, given that this is a revolving balance, we have estimated this at 100% since this is a current account The LGD has been estimated based on the expected loss rate for central African states of 20% as per S&P.

### 12. EMPLOYEE BENEFITS EXPENSE

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Salary and wages | 5,409,006 | 5,205,479 |
| Contribution to staff solidarity fund | 50,000 | 35,000 |
| Employer's contributions to RSSB | 261,737 | 255,528 |
| Mileage allowances | 71,428 | 66,571 |
| Other personnel costs | 6,635 | 78,677 |
| Other staff allowances | 142,764 | 316,207 |
| Staff leave entitlement | 380,266 | 396,420 |
| Staff life insurance | 41,300 | 22,290 |
| Staff loan discount | (11,634) | 276,185 |
| Staff meals | 150,299 | 144,012 |
| Staff medical costs | 239,895 | 232,080 |
| Training costs | 7,849 | 48,151 |
| | **6,749,545** | **7,076,600** |

Cogebanque plc staff are entitled to loans like any other client, however staff of Cogebanque plc are given preferential rates different from the market rates. During the year ended 31 December 2021, loans were given to staff at rates ranging from 6% to 9% depending on the loan product.

According to IFRS 9 Financial instruments, a long term loan or receivable that carries no interest or given at a rate below the prevailing market rate should be recognised at fair value measured as the present value of all future cash receipts discounted using the prevailing market rate(s) for a similar instrument with a similar credit rating. By this Cogebanque had to revalue its outstanding loan balances with its staff at the market rate and this resulted into loss on the fair value of Frw' 153.9 million and this will be unwound over the tenure of these staff loans. The results above continuously on unwound that has been done during 2021.

### 13. DEPRECIATION AND AMORTIZATION

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Amortization of intangible assets (Note 25) | (336,663) | (281,637) |
| Depreciation charge on property and equipment (Note 26(a)) | (1,339,066) | (1,475,209) |
| Depreciation on Investment property (Note 26(b)) | (57,129) | (57,129) |
| Depreciation of finance lease right-of-use asset | (502,187) | (526,426) |
| | **(2,235,045)** | **(2,340,401)** |

# Notes to the Financial Statement -Continued

## 14. OTHER OPERATING EXPENSES

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Advertising costs | 350,574 | 400,938 |
| ATM maintenance costs | 93,734 | 83,008 |
| BNR supervision fees | 102,020 | 113,488 |
| Cash in transit expense | 226,577 | 130,346 |
| Cleaning expenses | 83,111 | 94,668 |
| Directors' fees and allowances | 372,167 | 329,596 |
| District (decentralized) taxes | 66,675 | 67,423 |
| Donations and gifts | 7,050 | 132,326 |
| Equipment repairs and maintenance costs | 399,046 | 350,478 |
| Fines and penalties | 118,770 | 57,971 |
| Fuel and oil costs | 41,854 | 45,229 |
| Provisions on contingent liabilities | 113,074 | - |
| Provisions on operational risk | 178,018 | - |
| Impairment on other assets | 184,000 | - |
| Insurance expenses | 207,013 | 191,321 |
| Mission expenses | 29,561 | 41,480 |
| Other administrative expenses | 303,767 | 244,876 |
| Other banking expense | 45,871 | 69,802 |
| Other board expenses | 41,675 | 64,045 |
| Printing and office supplies | 92,867 | 105,202 |
| Professional fees | 212,002 | 265,659 |
| Reuters fees | 31,360 | 28,856 |
| Security costs | 382,597 | 330,185 |
| Swift fees and leased line | 330,659 | 301,215 |
| Telephone call fees | 130,948 | 127,084 |
| Temporary staff payment | 28,951 | 27,057 |
| Vehicle maintenance cost | 20,847 | 29,372 |
| Water and electricity | 359,681 | 347,127 |
| | **4,554,469** | **3,978,752** |

The provisions for other assets are predominantly composed of provisions set for Non-current assets held for sale (acquired by the Bank through public auction) that have been on balance sheet for more than one year, and as per Central Bank, such an asset has to be fully provided for. There are also provisions made for receivables that have lasted for more than a year.

During the year of 2021, some customers and former employees filed court cases against the Bank. In this regard, the Bank has reasonably estimated a contingent liability totalling to Frw 113 million.

### 15. LEASE RELATED EXPENSES

| | 2021 | 2020 |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| Interest expense on lease liabilities | (189,884) | (223,738) |
| Depreciation expense on right-of-use assets | (502,186) | (526,426) |
| | **(692,070)** | **(750,164)** |

### 16. INCOME TAX EXPENSE

| **a) Income tax expense** | 2021 | 2020 |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| Current income tax expense | 3,197,732 | 1,641,455 |
| Deferred income tax credit (Note 16 (b)) | (264,674) | (123,388) |
| | **2,933,058** | **1,518,067** |

**b) Reconciliation of theoretical to actual tax expense**

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 | 2021 | 2020 |
|---|---|---|---|
| | **Tax rate** | **Frw'000** | **Frw'000** |
| **Profit before income tax** | | **7,940,241** | **5,356,231** |
| Tax calculation at the statory income tax rate of 30% | 30% | (2,382,072) | (1,606,869) |
| Tax effect of : | | | |
| Expenses not deductible for tax purposes | **11%** | 837,537 | 142,174 |
| Income not subjected to tax | **(1%)** | (72,998) | (166,929) |
| Prior year under/overprovision | | - | (64,067) |
| **Total income tax expense and effective tax** | **(37%)** | **(2,933,058)** | **(1,518,067)** |

# Notes to the Financial Statement -Continued

## 17. CASH AND BALANCES WITH NATIONAL BANK OF RWANDA

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Cash in hand | 9,102,837 | 5,793,108 |
| Balances with the National Bank of Rwanda (BNR): | | |
| - Cash reserve ratio | 9,874,370 | 8,655,359 |
| - Other current accounts | 1,872,000 | 9,029,586 |
| **Total balances with BNR** | 11,746,742 | 17,684,945 |
| | **20,849,580** | **23,478,053** |

Cash in hand balances and balances with the National Bank of Rwanda are classified as current assets. Balances with the National Bank of Rwanda are non-interest earning and include reserve requirement.

For the purposes of the statement of cash flows, cash and cash equivalents consists of the following:

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Cash in hand | 9,102,837 | 5,793,108 |
| Balances with the National Bank of Rwanda | 1,872,372 | 9,029,586 |
| Due from banks | 14,070,053 | 11,752,410 |
| 3 months treasury bills (Note 19) | 491,517 | 492,653 |
| | **25,536,779** | **27,067,757** |

Due to comply with BNR reserve requirement the 4% of customer deposits is not considered as a cash and Cash equivalent. According to the central bank regulation, banks are required to maintain a prescribed minimum cash balance with the National Bank of Rwanda that is not available to finance the Bank's day-to- day activities. The amount is determined as 4% of the average outstanding customer deposits over a cash reserve cycle period of one month.

## 18. AMOUNTS DUE FROM OTHER BANKS

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Current accounts with other banks | 9,068,201 | 10,762,568 |
| Placements with other banks | 5,001,852 | 989,842 |
| | **14,070,053** | **11,752,410** |

All amounts due from other financial institution are classified as current assets.

## 19. GOVERNMENT SECURITIES AT AMORTISED COST

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Treasury bills issued by the Government of Rwanda | 7,087,402 | 9,671,842 |
| Treasury bonds issued by the Government of Rwanda | 54,945,410 | 43,476,479 |
| Expected credit losses | (177,506) | - |
| | **61,855,306** | **53,148,321** |
| **Treasury bills maturing:** | | |
| - within 91 days from date of acquisition | 491,517 | 492,653 |
| - 91 days and above from date of acquisition | 6,575,879 | 9,179,189 |
| | **7,067,396** | **9,671,842** |
| **Treasury bonds maturing:** | | |
| - Less than 1 year T-bonds issued by the Government of Rwanda | 605,985 | 5,878,024 |
| - 1 year and above T-bonds issued by the Government of Rwanda | 53,994,318 | 37,598,455 |
| | **54,787,910** | **43,476,479** |
| | **61,855,306** | **53,148,321** |

## 20. (a) Loans and advances to customers

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Mortgage loans | 97,023,837 | 74,723,616 |
| Equipment loans | 14,444,806 | 18,104,343 |
| Consumer loans | 5,359,399 | 3,771,325 |
| Treasury loan | 42,416,227 | 35,483,828 |
| Other loans and advances | 18,442,556 | 34,004,142 |
| **Gross loans and advances before revaluation** | **177,686,825** | **166,087,254** |
| | | |
| **Less:** | (3,697,273) | (8,267,043) |
| - Allowance for expected credit losses-Loans and Advances | **173,989,552** | **157,820,211** |

All loans are carried at their estimated recoverable amount. The Bank accrues interest on impaired loans and records it under interest in suspense.

# Notes to the Financial Statement -Continued

### 20. (b) Movements in provisions for impairment of loans and advances are as follows

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| **At start of year** | 8,267,043 | 4,157,570 |
| Additional provision (Note 11) | 9,261,197 | 10,147,153 |
| Recoveries on provisions (Note 11) | (3,734,543) | (5,266,040) |
| Written off | (10,096,424) | (771,640) |
| **At end of year** | **3,697,273** | **8,267,043** |

Detailed disclosure of IFRS 9 impairment per Stage is documented under Note 4 (a). The total amount written off was 14 billion but the cumulative impact on profit and loss was 10 billion of principal amount and 4 billion of Accrued interests. All accrual interest on non-performing loans are not booked into Profit and loss accounts according to the central bank regulation and it is not taken into account during loan loss provisioning.

### 21. NON-CURRENT ASSETS HELD FOR SALE

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| **Opening balance as at 1 January-** | 494,000 | 94,000 |
| Mortgage acquired by realization of guarantee during the year | - | 494,000 |
| Mortgage acquired by realization of guarantee sold | (310,000) | - |
| Impairment of assets held for sale | (184,000) | (94,000) |
| **Closing balance as at 31 December** | **-** | **494,000** |

### 21. NON-CURRENT ASSETS HELD FOR SALE (continued)

In 2021, the Bank had two properties that were acquired in 2020 through the auction process for recovery.  One property was sold during the year for Frw 325 million with Frw 15 million recorded as a gain on the asset. The remaining asset worth Frw 184 million was fully provided for in order to comply with BNR requirements.

### 22. (a) Income tax assets

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| **Opening balance as at 1 January** | 1,691,540 | 1,691,540 |
| Tax Allowance used to reduce cash flow | (1,691,540) | - |
| **Closing balance as at 31 December** | **-** | **1,691,540** |

Cogebanque has claimed investment allowances from 2018 after construction of the head office building where the income tax act allows 50% of the investment cost to be deductible on income tax. RRA has conducted audits for the years 2018 and 2019 resulting in a credit note of Frw 1,532 million and Frw 26 million related to 2015. Cogebanque was not allowed to use this allowance before getting Credit Tax note regarding the above claimed allowance which was approved in 2021 and used to offset the current income tax of 2021.

### 22. (b) Income tax payable

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| **At 1 January** | 25,674 | 1,455,631 |
| Current income tax for the year | 3,197,732 | 1,641,455 |
| Tax paid during the year | (1,344,223) | (3,071,412) |
| Capital allowance 2018 | (1,453,559) | - |
| **At 31 December** | **425,624** | **25,674** |

### 23. RIGHT-OF-USE ASSETS

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Balance as at 1 January | 1,531,241 | 2,057,666 |
| Depreciation charge | (502,187) | (526,425) |
| **Balance as at 31 December** | **1,029,054** | **1,531,241** |

In 2019, the bank started implementation of IFRS 16 Leases. The standard requires all leases to be classified as finance lease except when the lease term is for less than 12 months or if the leased asset is of low value. The Bank is required to recognise right-of-use assets equivalent of present value of lease payments that are not yet paid at that date and its corresponding lease liability. Subsequently the Bank apply the depreciation requirements in IAS 16 Property, plant and equipment in depreciating the right-of-use assets. The right-of-use assets relate to the Bank's leased branches.

### 24. OTHER ASSETS

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Cheque clearing accounts | 668,175 | 211,639 |
| Office consumables | 285,222 | 300,363 |
| VAT recoverable | 42,604 | 70,558 |
| Prepayments | 158,900 | 188,156 |
| Due from employees | 7,213 | 7,327 |
| Others | 428,558 | 409,897 |
| ERF and staff loans prepayments that were given at lower interest rates | 5,027,912 | 4,206,941 |
| Expected credit losses held for other assets | (130,259) | - |
| | **6,488,325** | **5,394,881** |

# Notes to the Financial Statement -Continued

### 25. INTANGIBLE ASSETS

| Year ended 31 December 2021 | core banking system | Other software | Work in progress | Total |
|---|---|---|---|---|
| | Frw'000 | Frw'000 | Frw'000 | Frw'000 |
| Net book value at 1 January 2021 | 242,787 | 595,739 | 555,470 | 1,393,997 |
| Additions | 6,574 | - | 38,753 | 45,327 |
| Transfers from WIP | - | - | - | - |
| Amortization charge | (172,436) | (164,227) | - | (336,663) |
| **Net book value at 31 Decem-ber 2021** | **76,925** | **431,512** | **594,222** | **1,102,660** |
| **At 31 December 2021:** | | | | |
| Cost | 1,448,349 | 1,433,026 | 594,430 | 3,475,805 |
| Accumulated amortization | (1,371,423) | (1,001,722) | - | (2,373,145) |
| **Net book amount** | **76,926** | **431,304** | **594,430** | **1,102,660** |

Work in progress relates to the software (POS and electronic cards for transportation and financial services) development project under way whose completion is expected to be in 2022.

| Year ended 31 December 2020 | core banking system | Other software | Work in progress | Total |
|---|---|---|---|---|
| | Frw'000 | Frw'000 | Frw'000 | Frw'000 |
| Net book value at 1 January 2020 | 367,145 | 322,891 | 487,538 | 1,177,574 |
| Additions | 37,524 | 64,839 | 395,697 | 498,060 |
| Transfers from WIP | - | 327,765 | (327,765) | - |
| Amortisation charge | (161,881) | (122,044) | - | (283,925) |
| Write off | - | 2,288 | - | 2,288 |
| **Net book value at 31 December 2020** | **242,788** | **595,739** | **555,470** | **1,393,997** |
| At 31 December 2020: | | | | |
| Cost | 1,441,775 | 1,178,063 | 555,470 | 3,175,308 |
| Accumulated amortisation | (1,198,988) | (582,324) | - | (1,781,312) |
| **Net book amount** | **242,787** | **595,739** | **555,470** | **1,393,997** |

Intangible assets relate to core banking software and other applications.

## 26. (a) Property and equipment

| | Freehold land | Furniture & equipment | Motor vehicles | Computer hardware | Work in progress | Total |
|---|---|---|---|---|---|---|
| | Frw'000 | Frw'000 | Frw'000 | Frw'000 | Frw'000 | Frw'000 |
| **As at January 2021** | | | | | | |
| Opening net book amount | 8,401,472 | 1,121,331 | 249,698 | 430,638 | 96,145 | 10,299,284 |
| Additions | - | 142,347 | - | 46,609 | 3,082 | 192,039 |
| Transfer from WIP | - | - | - | - | - | - |
| Depreciation | (514,001) | (515,498) | (83,630) | (225,936) | - | (1,339,066) |
| **Closing net book amount** | **7,887,471** | **748,180** | **166,068** | **251,311** | **99,227** | **9,152,257** |
| **As at 31 December 2021** | | | | | | |
| Cost or valuation | 10,557,368 | 4,711,597 | 965,022 | 1,381,165 | 99,227 | 17,714,379 |
| Accumulated Depreciation | (2,669,897) | (3,963,417) | (798,954) | (1,129,855) | - | (8,562,123) |
| **Net book value** | **7,887,471** | **748,180** | **166,068** | **251,310** | **99,227** | **9,152,256** |

| | Freehold land | Furniture & equipment | Motor vehicles | Computer hardware | Work in progress | Total |
|---|---|---|---|---|---|---|
| | Frw'000 | Frw'000 | Frw'000 | Frw'000 | Frw'000 | Frw'000 |
| **As at January 2020** | | | | | | |
| Opening net book amount | 8,933,637 | 1,660,813 | 213,115 | 282,814 | 88,860 | 11,179,239 |
| Additions | 41,826 | 70,428 | 129,419 | 346,296 | 7,285 | 595,254 |
| Depreciation | (573,991) | (609,910) | (92,836) | (198,472) | - | (1,475,209) |
| **Closing net book amount** | **8,401,472** | **1,121,331** | **249,698** | **430,638** | **96,145** | **10,299,284** |
| **As at 31 December 2020** | | | | | | |
| Cost or valuation | 10,557,368 | 4,607,369 | 965,022 | 1,296,646 | 96,145 | 17,522,550 |
| Accumulated Deprecia-tion | (2,155,896) | (3,486,038) | (715,324) | (866,008) | - | (7,223,266) |
| **Net book value** | **8,401,472** | **1,121,331** | **249,698** | **430,638** | **96,145** | **10,299,284** |

## 26. (b) Investment property

| Non-current assets at cost: | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| **As at January 2021** | | |
| Opening net book amount | 2,679,676 | 2,736,805 |
| Depreciation | (57,129) | (57,129) |
| **Closing net book amount** | **2,622,547** | **2,679,676** |
| **As at 31 December 2021** | | |
| Cost | 2,892,330 | 2,892,330 |
| Accumulated depreciation | (269,783) | (212,654) |
| **Net book value** | **2,622,547** | **2,679,676** |

# Notes to the Financial Statement -Continued

***(i) Amounts recognised in the statement of profit or loss***

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

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Rental income from operating leases | 308,519 | 202,183 |
| Depreciation charge of investment properties | 57,129 | 57,129 |
| Direct operating expenses from property that generated rental income | 21,547 | 21,526 |
| Direct operating expenses from property that did not generate rental income | 10,262 | 10,105 |

***(ii) Leasing arrangements***

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease income from operating leases where the Bank is a lessor is recognised in income on a straightline basis over the lease term.

Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the Bank may obtain bank guarantees for the term of the lease. Although the Bank is exposed to changes in the residual value at the end of the current leases, the Bank typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

Minimum lease payments receivable on leases of investment properties are as follows:

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Within 1 year | 47,598 | 36,562 |
| Between 1 and 2 years | - | - |
| Between 2 and 3 years | - | - |
| Between 3 and 4 years | - | - |
| Between 4 and 5 years | - | - |
| Later than 5 years | - | - |
| | **47,598** | **36,562** |

**27. CUSTOMER DEPOSITS**

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Current and demand deposits | 114,792,685 | 104,731,502 |
| Term deposits | 50,828,429 | 47,308,130 |
| Savings accounts & others | 23,494,153 | 20,846,826 |
| | **189,115,267** | **172,886,458** |

## 28. DEPOSITS FROM OTHER BANKS AND OTHER FACILITIES

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Call money borrowings | - | 10,500,000 |
| Deposits from other banks | 5,211,139 | 21,695,464 |
| Deposits from SACCOs | 40,950,423 | 18,844,570 |
| **Total financial institution deposits** | **46,161,562** | **51,040,034** |

## 29. BORROWINGS FROM NON-COMMERCIAL BANKS

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Export growth facility from BRD | 2,003,616 | 2,000,000 |
| Government of Rwanda through BNR | 6,963,360 | 1,068,617 |
| Amount paid during the period | (19,390) | - |
| Accrual payable interests | 257,632 | - |
| | **9,205,218** | **3,068,617** |

Export growth facility is a loan from Development Bank of Rwanda to promote export at a rate of 8% to be paid within a period of 10 years. Economic Recovery fund was granted by Central Bank to commercial banks at 0% rate to refinance Hotel, Public transport and Education to be repaid within a period of 15 years whereas Working capital financing was at 2% rate, with a tenor of 3 to 5 years.

## 30. GOVERNMENT GRANT

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Loan advanced by BNR | 8,921,394 | 3,274,176 |
| Fair value of the loan on initial recognition | (6,963,360) | (1,068,617) |
| Unwind government grant | (121,743) | - |
| **Government grant** | **1,836,291** | **2,205,559** |

## 31. NET DEBT RECONCILIATION

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

| **Net debt** | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Balances due from other banks | 14,070,053 | 11,752,410 |
| Long term debt | 9,205,218 | 3,068,617 |
| Lease liabilities | 1,202,463 | 1,701,692 |
| Government grant | 1,836,291 | 2,205,559 |
| Net debt | **26,314,025** | **18,728,278** |

# Notes to the Financial Statement -Continued

### 31. NET DEBT RECONCILIATION (continue)

| Net debt as at 1 January 2020 | Borrowings | Cash and equivalents | Total |
|---|---|---|---|
| | Frw'000 | Frw'000 | Frw'000 |
| Cash flows | 18,728,278 | 17,026,586 | 1,701,692 |
| Net debt as at 31 December 2020 | **18,728,278** | **17,026,586** | **1,701,692** |
| Cash flows | 26,314,025 | 25,111,562 | 1,202,463 |
| Net debt as at 31 December 2021 | **26,314,025** | **25,111,562** | **1,202,463** |

### 32. (a) Other liabilities

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Cheque clearing accounts | 556,346 | - |
| Deferred income | 317,863 | 542,873 |
| Interest et commissions capitalizes | 813,334 | 1,535,203 |
| Staff leave accrual | 361,057 | 304,918 |
| Target bonus | 386,148 | 427,651 |
| Bills payable | 780,155 | 683,485 |
| VAT payable | 76,522 | 81,207 |
| Withholding tax payable | 95,123 | 151,021 |
| PAYE payable | 231,384 | 210,495 |
| RSSB Contribution | 61,299 | 56,171 |
| Directors benefit | 136,022 | 136,022 |
| Provision for off balance sheet | 5 | 21 |
| **Total other liabilities** | **3,815,258** | **4,129,067** |

### 32. (b) Movement in the provisions for off balance sheet

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| IFRS 9 provision as at 1 January | 21 | 24 |
| Additional provision taken for the year | - | 69 |
| Write back for the year | (16) | (72) |
| IFRS 9 provision as at 31 December | **5** | **21** |

### 32. (c) Movement in provisions for litigations

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Provisions for contingent liabilities as at 1 January | 22,009 | 22,009 |
| Additional provisions for contingent liabilities | 160,833 | - |
| Provisions for contingent liabilities as at 31 December | **182,841** | **22,009** |

Additional provisions relate to claims from customers and employees that are still making their way through the court process. Management estimates that the possible amount that Cogebanque Plc can pay is about Frw 113 million while the other Frw 47 million was due to theft by former employee.

### 33. LEASE LIABILITIES

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Balance as at 1 January | 1,701,692 | 2,167,065 |
| Lease payment | (689,112) | (689,111) |
| Interest expense | 189,882 | 223,738 |
| **Balance as at 31 December** | **1,202,462** | **1,701,692** |

### 34. LEASES

This note provides information for leases where the Bank is a lessee. For leases where the Bank is the lessor, see note 35. 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:

| Right-of-use assets: | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Buildings | 1,029,054 | 1,531,241 |
| Motor vehicles | - | - |
| | **1,029,054** | **1,531,241** |

| **Lease liabilities** | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Current | 508,355 | 375,977 |
| Non-current | 694,107 | 1,325,715 |
| | **1,202,462** | **1,701,692** |

# **Notes to the Financial Statement** -Continued

***(iii) Amounts recognised in the statement of profit or loss***

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

| **Lease liabilities** | **2021** | **2020** |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| Depreciation charge of right-of-use assets | 502,187 | 526,426 |
| Interest expense (included in interest expense) | 189,882 | 223,738 |
| Expense relating to short-term leases (included in administrative expenses) | - | - |

The total cash outflow for leases in 2021 was Frw 680.9 million (2020: Frw 689.1 million).

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

The Bank leases several commercial buildings. 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.

***(v) Variable lease payments***

There are no variable payment terms in the leases.

***(vi) 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.

## 35. DEFERRED TAX LIABILITIES

| | **2021** | **2020** |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| At start of year | 1,317,384 | 1,440,772 |
| Capital Allowance | (264,674) | (84,665) |
| Other temporally differences | - | (38,723) |
| Adjustment credit tax 2018 | (132,202) | |
| **At end of year** | **920,508** | **1,317,384** |

# Notes to the Financial Statement -Continued

**35. DEFERRED TAX LIABILITIES** (continued)

Following the accelerated depreciation which was implemented by the bank in the financial year 2019 which is spread over the lifetime of the building in question, the closing balance of deferred tax liability recorded in the previous year was Frw 1,317,385. In the year of 2021, the deferred tax liability was debited by Frw 264,674.

Deferred income tax assets and liabilities in the profit and loss statement are attributable to the following items:

| **Year ended 31 December 2021:** | **1-Jan** | **Credit SOCI** | **31-Dec** |
|---|---|---|---|
| | **Frw'000** | **Frw'000** | **Frw'000** |
| **Deferred income tax assets / (liability)** | | | |
| Property, plant and equipment: | (178,662) | (121,669) | (300,330) |
| Capital allowance | 1,496,045 | (143,005) | 1,353,040 |
| Prior year understatement | (132,202) | - | (132,202) |
| Provisions | - | - | - |
| Other deductible temporary differences | - | - | - |
| | **1,185,181** | **(264,674)** | **920,508** |

| **Year ended 31 December 2020:** | **1-Jan** | **Credit SOCI** | **31-Dec** |
|---|---|---|---|
| | **Frw'000** | **Frw'000** | **Frw'000** |
| **Deferred income tax assets / (liability)** | | | |
| Property, plant and equipment: | (139,939) | (38,723) | (178,662) |
| Capital allowance | 1,580,711 | (84,666) | 1,496,045 |
| Provisions | - | - | - |
| Prior year understatement | - | - | - |
| Other deductible temporary differences | - | - | - |
| | **1,440,772** | **(123,388)** | **1,317,384** |

**36. SHARE CAPITAL AND SHARE PREMIUM**

**a) Share capital**

| | **2021** | **2020** |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| Authorised share capital of Frw 100,000 each | 7,000,000 | 7,000,000 |
| **Issued and fully paid up** | | |
| At 1 January | 6,985,000 | 6,985,000 |
| Issue of shares | - | - |
| Balance at 31 December | **6,985,000** | **6,985,000** |

The shareholding structure of the bank is as follows:

| | No. of Shares | Par Value<br>Frw | Value<br>Frw'000 | % |
|---|---|---|---|---|
| Individual shareholders | 43,600 | 100,000 | 4,360,000 | 62,42% |
| Saham Vie Assurance Rwanda Ltd | 4875 | 100,000 | 487,500 | 6.98% |
| Rwanda Social Security Board (RSSB) | 21,375 | 100,000 | 2,137,500 | 30.60% |
| ***TOTAL*** | **69,850** | 100,000 | **6,985,000** | **100%** |

The total authorized number of ordinary shares is 70,000 with a par value of Frw 100,000. The numbers of shares fully paid for at the year ended are 69,850.

The holders of Ordinary shares are entitled to dividends when declared; and one vote per share during annual general meeting

**b) Share premium**

The share premium arose from the purchase of shares in excess of the nominal value. The existing share premium was taken in 2008; during this year 2021; movement was nil.

**c) Retained earnings**

| | 2021<br>Frw'000 | 2020<br>Frw'000 |
|---|---|---|
| At start of the year | 24,928,683 | 21,090,519 |
| Profit and total comprehensive income for the year | 5,007,183 | 3,838,164 |
| At year end | **29,935,866** | **24,928,683** |

**37. RELATED PARTY TRANSACTIONS**

The bank's shareholders are listed on page 1. The bank enters into transactions, arrangements, and agreements involving directors, senior management and their related parties in the ordinary course of business. Related-party transactions during the year, outstanding balances at the year-end, and relating expense and income recognised during the year are as follows:

**(a) Deposits from related parties**

| | 2021<br>Frw'000 | 2020<br>Frw'000 |
|---|---|---|
| Deposits from senior management | 230,189 | 258,254 |
| Deposits from directors | 14,093 | 65,447 |
| Shareholders and other related parties | 40,958 | 46,681 |
| Cash collateral (deposits) | - | 23,705 |
| | **285,240** | **394,087** |

# Notes to the Financial Statement -Continued

**37. RELATED PARTY TRANSACTIONS** (continued)

**(a) Deposits from related parties** (continued)

During the year ended 31 December 2021, the bank paid Frw 3.895 billion (2020: 3.595 billion) to Shareholders and their affiliated entities mainly due to RSSB that had 98.3% of this through their Fixed and Remunerated current accounts.

The following are the deposit transactions with shareholders and directors. Others are representing sum of deposit from related parties holding less than 0.1% of the total deposit from them.

| Shareholders & Board Directors | Relationship with Cogebanque | Affiliated entity | Deposits balance Frw '000 | Interest Expenses |
|---|---|---|---|---|
| RSSB | Shareholders | RWANDA SOCIAL SECURITY BOARD-RSSB | 22,075,851 | 2,260,106 |
| RSSB | Shareholders | RSSB-MEDICAL | 12,000,000 | 1,528,415 |
| Egide GATERA | Shareholders | RWANDA MOUNTAIN TEA | 4,498,914 | 6,489 |
| Celestin RUZINDANA | Shareholders | RUZINDANA CELESTIN | 462,766 | 21,250 |
| Egide GATERA | Shareholders | IDEAL TRANSPORT & TRADING COMPANY | 403,054 | 3,184 |
| Egide GATERA | Shareholders | SOCIETE PETROLIERE LTD | 265,060 | - |
| Victor UWIMANA | Shareholders | VICTOR NDUWUMWAMI UWIMANA | 258,109 | - |
| Succ. NKULIKIYIMFURA | Shareholders | NKULIKIYIMFURA SILIDION/ UMU-LISA NKULIKIYIMFURA XA | 235,273 | 1,494 |
| Joseph NSENGIMANA | Shareholders | JOSEPH NSENGIMANA | 209,103 | - |
| Aloys KABERUKA | Shareholders | KABERUKA ALOYS | 168,340 | - |
| Oreste INCIMATATA | Shareholders | ORESTE INCIMATATA | 123,828 | - |
| Egide GATERA | Shareholders | RUBAYA -NYABIHU TEA COMPANYLTD (R.N.T.C LTD | 70,118 | 2,916 |
| Prosper HIGIRO | Shareholders | PROSPER HIGIRO | 51,919 | - |
| Jean Marie KAREKIZI | Shareholders | JEAN MARIE KAREKEZI | 48,871 | - |
| SAHAM Assurance vie Rwanda | Shareholders | SORAS VIE | 33,554 | - |
| Judith MUGIRASONI | Shareholders | AMEGERWA " BRIQUETTERIE" | 15,848 | - |
| Egide GATERA | Shareholders | PETROCOM | 14,083 | - |
| Philippe MURANGIRA | Shareholders | MURANGIRA PHILIPP | 7,024 | - |
| Jacques RUSIRARE | Shareholders | RUSIRARE JACQUES | 4,655 | - |
| Raphael RUKERIKIBAYE | Shareholders | RUKERIKIBAYE RAPHAEL | 2,984 | - |

| Shareholders & Board Directors | Relationship with Cogebanque | Affiliated entity | Deposits balance Frw '000 | Interest Expenses |
|---|---|---|---|---|
| SAHAM Assurance vie Rwanda | Shareholders | GEMECA PETROLEUM LTD | 1,927 | - |
| Eduard RUTERANA | Shareholders | EDOUARD RUTERANA | 1,690 | - |
| Egide GATERA | | SOCIETE PETROLIERE AVIATION (SP AVIATION) LTD | 1,442 | - |
| Narcisse KALINIJABO | Shareholders | NARCISSE KALINIJABO | 1,246 | - |
| Jean Damascene RURANGIRWA | Shareholders | JEAN DAMASCENE RURANGIRWA | 1,037 | - |
| Judith MUGIRASONI | Shareholders | MAKUZA IRENE | 983 | - |
| Jean Bosco MUTANGANA | Shareholders | KARONGI TEA FACTORY | 405 | - |
| Dismas NYAGATARE | Shareholders | DISMAS NYAGATARE | 263 | - |
| Dismas NYAGATARE | Shareholders | JEAN LUC NYAGATARE | 89 | - |
| Etienne GAKWAYA | Shareholders | GAKWAYA ETIENNE | 28 | - |
| Judith MUGIRASONI | Shareholders | TOP LEX MARK | 16 | - |
| Judith MUGIRASONI | Shareholders | MAKUZA YVONNE | 1 | - |
| | | | **40,958,481** | **3,823,854** |

**(b) Loans and advances to related parties**

| | 2021 | 2020 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Loans and advances to senior management | 4,128,572 | 4,126,834 |
| Loans and advances to shareholders, directors and their related companies | 6,250,360 | 3,919,282 |
| | **10,378,932** | **8,046,116** |

# Notes to the Financial Statement -Continued

**37. RELATED PARTY TRANSACTIONS** (continued)

**(b) Loans and advances to related parties** (continued)

Loans and advances to staff were issued at an interest rate of between 6% and 9% and were all performing as at 31 December 2021. Loans and advances to shareholders, Directors and related companies were issued at an interest rate of between 16% and 18% and were all performing as at 31 December 2021 except One shareholder who has non-performing loans totalling to Frw 625 million. During the year ended 31 December 2021, the bank earned Frw 324.9 million (2020: 433.3 million) from Shareholder, Directors and their affiliated entities through the loans they had with the bank.

Adequate provisions have been recognised in respect of loans given to related parties.

The loans and advances to shareholders and their related companies are broken down as shown in the table below:

| | 2021 | 2020 |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| On balance sheet | 4,557,215 | 3,702,331 |
| Off balance sheet | 1,693,145 | 206,133 |
| | **6,250,360** | **3,908,464** |

As per IAS 24 Related party disclosures, an entity is required to disclose the related party transactions for a particular period and therefore below is the detailed list of shareholders, Board Directors and their affiliated entities

| Shareholders & Board Directors | Relationship with Cogebanque | Affiliated entity | Loan balance Frw '000 | Interest income |
|---|---|---|---|---|
| Egide GATERA | Shareholders | SOCIETE PETROLIERE LTD | 2,160,357 | 574 |
| Egide GATERA | Shareholders | PETROCOM | 1,506,774 | 880 |
| Assinapol RWIGARA | Shareholders | PREMIER TOBACCO COMPANY LTD | 625,047 | 59,985 |
| Oreste INCIMATATA | Shareholders | INITIATIVES DON BOSCO ONG | 552,432 | 78,994 |
| Jean Baptiste MUTANGANA | Shareholders | KARONGI TEA FACTORY | 543,625 | 84,899 |
| Jean Baptiste MUTANGANA | Shareholders | SOCIETE RWANDAISE DE BATTERIES LTD | 240,638 | 29,914 |
| Egide GATERA | Shareholders | RWANDA MOUNTAIN TEA | 109,366 | 1,605 |
| Judith MUGIRA-SONI | Shareholders | RWANDA FOAM | 108,945 | 2,010 |
| Philip MURANGIRA | Shareholders | URBAN LEGAL COMPANY LTD | 9,994 | 21,192 |
| Prosper HIGIRO | Shareholders | ALLEANZA LTD | 84,444 | 9,712 |
| Eduard RUTERANA | Shareholders | EDOUARD RUTERANA | 82,066 | 20,612 |
| Judith MUGIRASONI | Shareholders | AMEGERWA "ATELIER" | 51,530 | 0 |

| Shareholders & Board Directors | Relationship with Cogebanque | Affiliated entity | Loan balance Frw '000 | Interest income |
|---|---|---|---|---|
| Judith MUGIRASONI | Shareholders | MAKUZA YVONNE | 41,936 | 7,145 |
| Dismass NYAGATARE | Shareholders | AUTOREC MOTORS SARL | 19,237 | 6,719 |
| SAHAM Assurance vie Rwanda | Shareholders | SORAS VIE | 11,092 | 16 |
| Egide GATERA | Shareholders | MIG | 7,878 | 3 |
| Judith MUGIRASONI | Shareholders | MAKUZA IRENE | 2,485 | 681 |
| Judith MUGIRASONI | Shareholders | BERTIN MAKUZA | 2,000 | - |
| Assinapol RWIGARA | Shareholders | ASSINAPOL RWIGARA | 495 | 59 |
| Egide GATERA | Shareholders | SOCIETE PETROLIERE AVIATION (SP AVIA-TION) LTD | 20 | - |
| Egide GATERA | Shareholders | RUBAYA -NYABIHU TEA COMPANY LTD (R.N.T.C LTD) | - | - |
| | | | **6,250,360** | **324,999** |

### (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 | 2020 |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| Short term employee benefits | - | 50,149 |
| Post-employment pension (defined contribution) | 261,737 | 255,528 |
| Terminal benefits | | |
| | **261,737** | **305,677** |

### (d) Directors' remuneration

| | 2021 | 2020 |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| Sitting allowances | 239,946 | 193,575 |
| Other payments | 132,221 | 136,021 |
| | **372,167** | **329,596** |

# **Notes to the Financial Statement** -Continued

### 38. ANALYSIS OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE STATEMENT OF CASH FLOWS

| | 2021 | 2020 |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| Cash and balances with National Bank of Rwanda | 20,849,580 | 23,478,053 |
| Less: cash reserve requirement | (9,874,370) | (8,655,359) |
| | **10,975,209** | **14,822,694** |
| Balances with other banks | 14,068,201 | 11,752,410 |
| Deposits from other banks | (4,722,298) | (21,202,813) |
| | **20,326,581** | **5,372,291** |

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days' maturity including on acquisition: cash and balances with Banks, treasury bills and other eligible bills, and amounts due from other banks.

Cash and cash equivalents exclude the cash reserve requirement held with the National Bank of Rwanda; the amount is determined as 4 % of the average outstanding total deposits over a cash reserve cycle period of one month.

### 39. OFF BALANCE SHEET FINANCIAL INSTRUMENTS, CONTINGENT LIABILITIES AND COMMITMENTS

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

| | 2021 | 2020 |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| Acceptances and letters of credit | 2,373,641 | 4,628,762 |
| Guarantees | 8,920,867 | 8,955,094 |
| | **11,294,508** | **13,583,856** |

**Nature of off balance sheet**

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The bank expects most acceptances to be presented, and reimbursement by the customer is normally immediate. Letters of credit commit the bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

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

**Nature of commitments**

Commitments to lend are agreements to lend to a customer in future subject to certain conditions. Such commitments are normally made for a fixed period. The bank may withdraw from its contractual obligation for the undrawn portion of agreed overdraft limits by giving reasonable notice to the customer.

The Bank is also party to claims worth Frw 336 million of contingent liabilities for which no provision has been made. This is because, in management's judgement, the probability of paying out is considered remote.

## 40. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' or 'interest expense' in the statement of comprehensive income using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.

### (b) Fees and commission income

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

### (c) Foreign currency translation

#### *(i) Functional and presentation currency*

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Statements are presented in Rwanda Francs ("Frw") which is the Bank's functional currency.

#### *(ii) Transactions and balances*

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

### (d) Financial instruments

A. Initial recognition

#### *i) Recognition and initial measurement*

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

# Notes to the Financial Statement -Continued

**40. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(d) Financial instruments** (continued)

***ii) Classification***

**Financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPL
- A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**Business model assessment**

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Bank's business comprises primarily loans to customers that are held for collecting contractual cash flows. The Bank doesn't sales its loans. Certain debt securities are held by the Bank in a separate portfolio for long-term yield.

These securities may be sold, but such sales are not expected to be more than infrequent. The Bank considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows. Certain other debt securities are held by the Bank in separate portfolios to meet everyday liquidity needs. The Bank seeks to minimise the costs of managing these liquidity needs and therefore actively manages the return on the portfolio. That return consists of collecting contractual cash flows as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value. The Bank considers that these financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

**Assessment of whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument.

This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features and prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Equity instruments have contractual cash flows that do not meet the SPPI criterion. Accordingly, all such financial assets are measured at FVTPL unless the FVOCI option is selected

**Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

**ii) Derecognition**

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.
The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions. When assets are sold to a third party with a concurrent total return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Bank retains all or substantially all of the risks and rewards of ownership of such assets. In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

**Financial liabilities**

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

***iv) Modifications of financial assets and financial liabilities***

**Financial assets**

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see (iii)) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

# **Notes to the Financial Statement** -Continued

**40. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(d) Financial instruments** (continued)

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the f financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method or management may elect to present it as a separate item on the statement of profit and other comprehensive income.

**Financial liabilities**

The Bank derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.  Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

**Interest rate benchmark reform**

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Bank updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:
• change is necessary as a direct consequence of the reform; and
• the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Bank first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Bank applies the policies on accounting for modifications set out above to the additional changes.

***v) Offsetting***

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS Standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

### vi) Fair value measurement

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of/ the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price. Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure.

Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio. The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

### vii) Impairment

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL: financial assets that are debt instruments; and lease receivables; financial guarantee contracts issued; and loan commitments issued.  No impairment loss is recognised on equity investments. The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL: debt investment securities that are determined to have low credit risk at the reporting date; and other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. 12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure.  Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired. Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

# **Notes to the Financial Statement** -Continued

**40. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(d) Financial instruments** (continued)

***vii) Impairment*** (continued)

**Measurement of ECL**

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: 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 f lows that the Bank expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

**Restructured financial assets**

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows. If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset. If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition.

This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Here down is the fair value on restructured Loans:

| **Gain on restructured loans** | **2021** | **2020** |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| Present value of cash flows of restructured loans | 8,432,300 | 58,126,576 |
| Carrying amount of restructured loans | 8,152,661 | 57,570,009 |
| | **279,639** | **556,567** |

**Credit-impaired financial assets**

At each reporting date, the Bank assesses whether financial assets carried at amortised cost, debt financial assets carried at FVOCI and finance lease receivables are credit impaired (referred to as 'Stage 3 financial assets'). 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.

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

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

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

- The market's assessment of creditworthiness as reflected in bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

**Presentation of allowance for ECL in the statement of financial position**

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

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; loan commitments and financial guarantee contracts: generally, as a provision; and

where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

**Write off**

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are recognised when cash is received and are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

# **Notes to the Financial Statement** -Continued

**40. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(d) Financial instruments** (continued)

***viii) Designation at fair value through profit or loss***

**Financial assets**

On initial recognition, the Bank has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, that would otherwise arise.

**Financial liabilities**

The Bank has not designated any financial liabilities as at FVTPL.

**(e) Property and equipment**

Net Book Value —the net value of any asset will be determined by “cost/revaluation less depreciation”.
Revaluation — management may decide to revalue certain assets, and, in that case, revaluation will be done in conformity with the IFRSs.
In case decision on valuations opted; Land and building will be conducted by external independent values, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalue amount of the asset. All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as other reserves in shareholders’ equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the statement of comprehensive income.

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

| Asset Category | Useful Life | Rate |
|---|---|---|
| Building | 50 years | 2% |
| Leasehold | 10 years | 10% |
| Furniture and Fittings | 7 years | 14.29% |
| All Chairs | 3 years | 33.33% |
| Motor vehicles | 5 years | 20% |

| Asset Category | Useful Life | Rate |
|---|---|---|
| IT Equipments | 3 years | 33.33% |
| Other Equipments | 5 years | 20% |
| Safe | 10 years | 10% |
| Note | 2 years | 50% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The Bank assesses at each reporting date whether there is any indication that any item of property and equipment is impaired. If any such indication exists, the Bank estimates the recoverable amount of the relevant assets. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining profit.

**(f) Investment property**

All investment properties are stated at historical cost less depreciation for non-land property. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. Land is not depreciated. Depreciation on buildings under investment properties is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, which is 20 years. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in profit or loss.

**(g) Intangible assets**

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

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

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use it;
- There is an ability to use the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured

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

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

Computer software development costs recognised as assets are amortised over their estimated useful lives, not exceeding five years for other software and ten years for core banking system.

# **Notes to the Financial Statement** -Continued

**40. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(h) Current and deferred income tax**

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the profit and loss account 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.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Rwandan Income Tax Act. Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

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

***(i) 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 payments 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 group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

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

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.

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

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

***Lease contracts***

For the purpose of this exercise, all leased premises for the Bank's operations are considered as lease contracts. These include leased premises for branches, standalone ATMs and archives. The rationally is that, behaviourally, the Bank has never leased any premises for a period less than or equal to 12 months.

***Lease term***

All lease contracts for COGEBANQUE are normally 5 years, and also when management forecasts for its near future operations, there are no signals of intending to close any branch or terminate the internal lease contract within the next five years. It is on this basis that the Bank has determined the lease term to be five years, for the purpose of these calculations.

***Discount factor***

The rate considered as a discounting factor for this exercise is the risk free rate which is the 3-year bond rate recently issued by the central Bank (BNR) and this is 11.5%.

**(j) Cash and cash equivalents**

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

**(k) Employee benefits**

***(i) Retirement benefit obligations***

The Bank and all its employees also contribute to the Social Security Fund of Rwanda, which is a defined contribution scheme. A defined contribution plan is a retirement benefit plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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

***(ii) Other entitlements***

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

**(l) Deposits**

Deposits from customers are measured at amortised cost using the effective interest rate method.

**(m) Share capital**

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

**(n) Dividends payable**

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared/ approved by the annual general meeting of the bank.

**(o) Acceptances and letters of credit**

Acceptances and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

**(p) Non-current assets held for sale**

In certain circumstances, property is repossessed following the foreclosure on loans that are in default. Repossessed properties are measured at the lower of carrying amount and fair value less costs to sell and reported within 'Non-Current Assets held for sale'.

**(q) Government grants**

Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Receipt of a grant does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled.

# **Notes to the Financial Statement** -Continued

### 40. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

**(q) Government grants** (continued)

Grants received are treated as unexpended grants payable and credited to the statement of comprehensive income when all conditions attaching to the grants are met. When the grant relates to an expense item, (revenue grant) it is recognised as income over periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, (capital grant) it is recognised in the Statement of Comprehensive Income on a systematic basis over the expected useful life of the relevant asset. During there year, as part of COVID 19 response measures, the Bank received a zero-interest rate loan to support Transport, Hotel and Education business and loan on 2% of interest on working capital from the National Bank of Rwanda (BNR) and onward lent the amounts to customers in specified sectors.

The Bank determined the benefit as the difference between the fair value of the loan provided from BNR and the actual cash received. This Benefit was recognized as a government grant in the Financial Statements of the Bank.

**(r) Statutory credit risk reserve**

This reserve records the excess of impairment provision required by Regulation N°12/2017 of 23/11/2017 on credit classification and provisioning to those that are required by the International Financial Reporting Standards (IFRSs).

**(s) Comparatives**

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

**(t) Legal claims**

Litigation is a common occurrence in the financial services industry due to the nature of the business undertaken. Cogebanque Plc has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, Cogebanque Plc makes adjustments to account for any adverse effects which the claims may have on its financial standing. At period end, Cogebanque Plc is party to various legal proceedings for a total amount of Frw 182 million (2020: Frw 22 million) Having assessed the legal advice received, the directors are of the opinion that these legal proceedings will not give rise to significant liabilities; however, the amount has been fully provided for in these financial statements.

### 41. EVENTS AFTER REPORTING DATE

There is no event happened after the reporting period.

# Appendix 1: Statutory disclosures

| Item | | Amount in Frw'000 /Ration/Number | | | | |
|---|---|---|---|---|---|---|
| **I. Capital Strength** | | | | | | |
| **1.** | Core Capital (Tier 1) | 35,489,389 | | | | |
| **2.** | Supplementary Capital (Tier 2) | 2,266,741 | | | | |
| **3.** | Total Capital | 37,756,130 | | | | |
| **4.** | Total risk weighted assets | 185,352,397 | | | | |
| **5.** | Core capital/ Total risk weighted assets ratio (Tier 1 Ratio) | 19.15% | | | | |
| **6.** | Tier 2 Ratio | 1.22% | | | | |
| **7.** | Total Capital/Risk weighted assets Ratio | 20.37% | | | | |
| **8.** | Leverage Ratio | 11.4% | | | | |
| **II. Credit Risk** | | | | | | |
| **1** | **Total gross credit risk exposures: after accounting offsets and without taking into account credit risk mitigation;** | | | | | |
| **2** | **Average gross credit exposure, broken down by mojor types of credit exposure:** | | | | | |
| | **a)** Loans, commitments and other non-derivative off-balance sheets exposures; | | | | | |
| | **b)** debts securities | | | | | |
| | **c)** OTC Derivatives | | | | | |
| **3** | **Regional or Geographic distribution of exposures, broken down in significant areas by major types of credit exposure;** | **Kigali City** | **Eastern** | **North** | **South** | **Western** |
| | a) Overdraft; | 13,835,515 | 705,981 | 510,713 | 507,211 | 436,224 |
| | b) Consumer; | 3,020,759 | 919,171 | 316,278 | 757,068 | 658,059 |
| | c) Treasury; | 34,854,095 | 3,190,039 | 1,630,551 | 2,942,923 | 1,347,295 |
| | d) Mortgage; | 79,733,070 | 3,821,530 | 821,247 | 3,638,252 | 1,338,350 |
| | e) Equipment. | 26,706,703 | 475,347 | 268,077 | 273,373 | 583,973 |
| **4** | **Sector distribution of exposure, broken down by major types of credit exposure and aggregated in the following areas:** | | | | | |
| | a) Government; | | | | | - |
| | b) Agricultures; | | | | | 35,157,030 |
| | c) Mining; | | | | | 1,698,794 |
| | d) Manufacturing; | | | | | 8,724,195 |
| | e) Infrastructure and construction; | | | | | 68,130,783 |
| | f) Service and commerce | | | | | 69,515,921 |
| | g) Other | | | | | 65,080 |
| **5** | **Off-balance sheets items** | | | | | 11,294,508 |

# **Appendix 1: Statutory disclosures** -Continued

| | | |
|---|---|---|
| **II. Credit Risk (Continued)** | | |
| **6** | **Non-Performing loans indicators** | - |
| | a) Non-performing loans (NPL) | 5,438,420 |
| | b) NPL Ratio | 2.8% |
| **7** | **Related parties** | |
| | a) Loans to directors, shareholders and subsidiaries | 6,250,360 |
| | b) Loans to employees | 4,128,572 |
| **5** | **Restructured Loans** | |
| | a) Number of Borrowers | 364 |
| | b) Amount outstanding (Frw"000") | 82,927,795 |
| **7** | c) Provisions thereon (Frw"000") | 596,571 |
| | d)Restructured Loans as % of Gross loans | 45.24% |
| **III. Liquidity Risk** | | |
| | **a) Liquidity Coverage** | |
| | High Quality Liquid Assets-HQLA | 82,419,147 |
| | Total deposit liabilities | 235,280,445 |
| | Liquidity Coverage ratio | 238.85% |
| | **b) Net stable Funding** | |
| | Available Stable Funding (ASF) | 296,654,072 |
| | Required Stable Funding (RSF) | 305,681,817 |
| | NSFR ratio (NSFR) | 118.41% |

| | | | |
|---|---|---|---|
| **IV. Operational Market** | | | 69,515,921 |
| **Number and types of frauds and their corresponding amount** | **Types** | **Number** | **Amount** |
| | Theft | 1 | 47,759 |
| | - | - | - |

| | | |
|---|---|---|
| **V. Market Risk** | | |
| 1 | Interest rate risk | - |
| 2 | Equity position risk | - |
| 3 | Foreign exchange risk | 531,015 |
| **VI. Country Risk** | | |
| 1 | Credit exposure abroad | - |
| 2 | Other assets held abroad | 9,068,201 |
| 3 | Liabilities to abroad | - |

| **VII. Management and board composition** | | |
| --- | --- | --- |
| 1 | Number of Board members | 9 |
| 2 | Number of independent directors | 5 |
| 3 | Number of non-independent directors | 4 |
| 4 | Number of female directors | 3 |
| 5 | Number of male directors | 6 |
| 6 | Number of Senior Managers | 10 |
| 7 | Number of females Senior Managers | 1 |
| 8 | Number of males senior Managers | 9 |


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