cogebanque

simple & possible

ANNUAL REPORT | 2022

SAVINGS ACCOUNTS

1 ACCOUNT
TEGANYA

Enable your monthly savings as you gain a competitive interest rate.

2 ACCOUNT
NTEGANYIRIZA MINUZE

Save for your children's education on a monthly basis and generate interest.

3 ACCOUNT
IYUBAKIRE

Building is adding up a stone to another. Save for your dream house as you receive interest in your savings.

4 ACCOUNT
SHOBORA

Believing is achieving! Unearth your project and start saving as you generate interest.

This year's theme:
"Building a better future through Savings"

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Cogebanque

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Contents

CORPORATE **IDENTITY**

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

ATMs:
36
LOCATIONS

EMPLOYEES
359

BRANCHES
28

19.6% ▼
FRW 139.9bn
NET LOANS 2022

23.7% ▲
FRW 47.35bn
EQUITY 2022

21.8%
RETURN ON EQUITY VERSUS INDUSTRY AVERAGE: 19.9%

FRW 9.056bn
PROFIT AFTER TAX: 2022

3.0%
RETURN ON ASSET

15.8%
INTEREST YIELD

25.75%
CAPITAL ADEQUACY RATIO VERSUS PRUDENTIAL NORM 15%

CHAIRPERSON'S **STATEMENT**

Positioning COGEBANQUE Plc at the centre of the financial services sector of Rwanda, supporting economic transformation.

Mr. Ebenezer
ESSOKA
Chairperson of the Board

Chairperson's Statement

2022 was a mixed year for COGEBANQUE. We faced some headwinds but made good progress in executing our strategy, notwithstanding global uncertainties, which adversely impacted economies worldwide, including Rwanda. It is vital to note that when the strategy was approved, we did not anticipate the Covid-19 pandemic, war in Ukraine, and the resulting supply-side disruptions, as well as the surge in global inflation & interest rates.

Despite the above context, we are pleased to report a solid financial performance. The resilience of our unique domestic footprint, customer base, value propositions, and unmatched knowledge of Rwanda puts us in a pole position to capitalize on future growth opportunities.

FINANCIAL RESULTS

In 2022, we grew our income by 11 percent to FRW 43.3 billion, our highest since the Bank's inception. The underlying profits before tax increased by 66.8 percent to FRW 13.2 billion. Return on Tangible Equity (RoTE) for the year increased to 21.8 percent, 790 basis points higher year-on-year.

Our liquidity position and capital levels remain strong, evidenced by a Common Equity Tier1 (CET1) ratio of 25.75 percent at year-end. Our asset quality and earnings trajectory are good. I would like to take this opportunity to thank the Management team for their leadership, the staff for their commitment and our customers for their loyalty.

OUR AMBITION AND STRATEGIC REVIEW

Our current strategy has yielded some positive results, but conducting a detailed strategic review is imperative to re-establish our source of differentiation. We will, in the process, define the themes to be supported by our refreshed strategy, the opportunities, and the initiatives we will explore. We will thoroughly analyse the capabilities that will be needed and change management strategies to be adopted. The ambition is to redefine a strategy that supports an effective and efficient transition ensuring that we are making a difference where it matters most.

GOVERNANCE AND SHAREHOLDING

We proactively engage with key stakeholders, collaborate with them, and play a considered role in providing solutions to our customers. In the year under review, we made progress in addressing critical issues raised by some stakeholders, including the annual evaluation of the Board, its sub-committees, and the Bank's executive team. Last year, a group of five founding shareholders agreed to cede their shares to a new shareholder, the Government of Rwanda, which now owns 41.67 percent of COGEBANQUE. During the year, we also saw the retirement of long-standing and valued Directors from our Board. I want to thank Mr. Bruno Jean Louis Marie CHARUEL, former Chairman of the Board Risk Committee for his dedication and significant contributions to the Committee and Board.

Chairperson's Statement

- Continued

My thanks also go to Mr. Jotham MAJYALIBU, former Chairman of the Board Assets and Liability Committee, for his dedication, mentoring engagements with the Executive Management, and insightful contributions to the Committee and Board deliberations. He resigned from the Board earlier this year.

LOOKING AHEAD

According to the International Monetary Fund's (IMF)/World Economic Outlook (WEO) update published in April 2023, the World Economic Growth is projected to slow down to 2.8 percent in 2023, from 3.4 percent in 2022. Global headline inflation is projected to fall from 8.7 percent in 2022 to 7 percent in 2023, due to the expected lower commodity prices. Significant uncertainties remain concerning the risk of global recession and the persistence of high inflation. The Board will closely monitor the developments.

We, however, operate in one of the continent's most dynamic and progressive economies with positive growth potential. Rwanda's GDP growth is projected at 6.2 percent in 2023 and 6.7 percent in 2024. This gives reason for optimism, and COGEBANQUE will continue to operate with discipline and create long-term value in the interest of all stakeholders. The Board will proactively execute its oversight responsibilities.

The Board Directors, Management, and Staff are grateful for your ongoing support and look forward to engaging with you more in 2023.

Ebenezer ESSOKA
Chairperson of the Board.

CEO'S **FOREWORD**

Mr. Guillaume
NGAMIJE HABARUGIRA
Chief Executive Officer

CEO's Foreword

Dear valued customers, partners, employees, and shareholders,

I am pleased to present to you the Bank's annual report for the year ended December 31, 2022. Despite the lingering challenges posed by the global pandemic, COGEBANQUE Plc has demonstrated its resilience by delivering a strong performance, and I am proud to share the details with you.

We are pleased to announce that our net profit has increased by 80.8% to 9.05 billion Rwandan francs, which is a testament to our efforts to optimize our operations and provide value to our stakeholders. Our cost savings on budgeted interest expenses, increase in income from placements, decrease in provisional expenses, and net contribution from recoveries were significant drivers of our performance.

Aligned to the above we also made great strides in improving our cost of funds, which has changed from 4.5% in December 2021 down to 3.9% in December 2022. These improvements are a result of our focus on enhancing our efficiency, and we will continue to pursue strategic initiatives to further improve our performance in the years to come.

While we have achieved significant success, we also faced some notable challenges during the year. With the adoption of changes in business model in the year 2022, with major focus on recovery of bad loans and deliberate reduction of risk appetites for some business sectors, our loan book decreased by 19.6% year-on-year. Furthermore, in the view of improving our cost efficiency, the Bank limited very expensive deposits and kept the term deposits that was necessary to support the business for the year, hence a reduction in total deposits by 3.6% year on year.

We will improve on the performance management, with the implementation of a granular Funds Transfer Pricing. This will not only affect positively our cost management, but also give visibility for their individual contribution to our staff.

We will ensure that all vacant key positions are filled up, as the bank looks to increase its competitive presence, and we will also conduct a strategy review exercise together with our customers and other key stakeholders.

At COGEBANQUE Plc, we remain dedicated to delivering the best banking services to our customers, and we have a deep understanding of the local context. We recognize that our employees are our greatest asset, and we are committed to investing in their growth and development.

As we look ahead, we are excited to announce that we are doing the groundwork in the credit process to offer the best services starting in 2023 and beyond. We are confident that with our young, dynamic team, our focus on the customer, and our strong understanding of the local context, we will continue to be a major player in the industry.

In closing, I would like to thank our customers, employees, and shareholders for their continued support. Your trust and confidence in COGEBANQUE Plc are the driving forces behind our success. We remain committed to delivering value and making a positive impact in the communities we serve.

Sincerely,

Guillaume N. HABARUGIRA
Chief Executive Officer.

CORPORATE GOVERNANCE **OVERVIEW**

Corporate Governance Overview

COGEBANQUE Plc's corporate governance principles and framework are shaped by the regulatory requirements and instructions of both the National Bank of Rwanda (NBR), 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 31 December 2022, the Board was comprised of eight (8) non-executive directors, four (4) of whom are independent including both the Chairperson and Vice-Chairperson of the Board of Directors. On the 19th of December 2022, one Independent Non-Executive Director exited the Board, (Mr. Bruno Jean Louis Marie CHARUEL).

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. In summary the committee is responsible for 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) In addition to the oversight of the appointment of external auditors, they review their work on behalf of the Full Board.

Board members who served on the Committee as of end 2022 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 Full Board; and

c) Ensuring that effective procedures are in place to maximize recoveries.

Board members who served on the Committee as of end 2022 were:

Name of Director	Role
Ebenezer ESSOKA	Chairperson
Jotham MAJYALIBU	Member
Bruno CHARUEL	Member
Philippe WATRIN	Member
Robert MAKUZA	Member

• *The Risk Management 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.

Corporate Governance Overview - Continued

Board members who served on the Committee as of end 2022 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 Management Committee (ALCO)*

The Committee is tasked mainly 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 2022 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 2022 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 and ensuring auditing of 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 2022 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, and approved by the National Bank of Rwanda as a regulatory requirement.

By end of financial year 2022, the Board of Directors was composed of eight (8) 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 2022, 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 2022, the Full Board met for four (4) quarterly board meetings and seven (7) extraordinary board meetings.

(4) THE BOARD EVALUATION

The corporate governance regulations of the National Bank of Rwanda require the Board to have annual 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 as per the National Bank Regulations.

BOARD
TEAM

EBENEZER ESSOKA
Chairperson of the Board

Ebenezer Essoka is the 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-Chairperson, Africa in November 2015. He has 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) of 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 UGHE, she worked as the Chief Operating Officer at Southbridge Group, Kigali. Before moving back to 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 of PETROCOM Ltd. Prior to this he was the General Manager of Rwanda Mountain Tea Ltd, and served the role of Financial Director as well in the same company. He also worked in the Accounting and Budget Department in charge of Accounts Reconciliation at the National Bank of Rwanda.

He currently serves on various Boards, including the Chairperson of the Executive Committee at Rwanda Tea Association, Director at the East Africa Tea Trade Association (EATTA), and Chairman of the EATTA Finance and Administration Committee.

He holds a Master's in Business Administration (Finance) degree from the Maastricht School of Management; and Bachelor's degree in Accounting Sciences from the National University of Rwanda.

BRUNO JEAN LOUIS MARIE CHARUEL
Director

Mr CHARUEL Bruno has previously been in charge of trade 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 was also entrusted to be the advisor of Lord Energy SA, a petroleum trading company in 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. He serves as a Chairperson of the Board of Directors in AMEGERWA Ltd, one of the leading furniture and manufacturing companies in Rwanda, and also Chairs the Board of RWANDAFOAM Ltd. He is a Board Member in Rwanda Plastic Industry Ltd and previously served on the Board of Market Shopping Centre Ltd and COGEAR Ltd.

He holds Bachelor degree in Law from Institute of Lay Adventists (Rwanda).

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.

ARLETTE RWAKAZINA

Director

Arlette RWAKAZINA is a person passionate about Digital Finance, Financial inclusion and Digital transformation

She previously worked as 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.

Previous to that she worked at ERICSSON as Senior Solution Architect and Business Analyst for Mobile Financial Services. Among her duties were to engage partners and design Mobile Money solutions that are commercially and technically viable but also ensure a well operating and compliant Mobile Money System for Telecom Operators.

She holds a Master's of Science in Communications, Control and Digital Signal Processing from University of Strathclyde, United Kingdom. She is also a Certified Digital Finance Practitioner from the Digital Frontier Institute in collaboration with Tufts University.

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.

EXECUTIVE MANAGEMENT **TEAM**

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.

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 19 years of experience and he has been in senior managerial capacities within the Rwandan banking industry for the last 16 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.

Prior to the 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.

Through his career development, Emmanuel has gained immense experience in the financial sector, ranging from financial planning and management, treasury management, strategic planning and implementation as well as Audit and risk management.

THEOGENE UWIMPUHWE
Director of operations

Mr. Theogene holds a Bachelor's Degree in Computer Science from the National University of Rwanda, attended numerous professional trainings especially in Banking Operations and Information & Technology. He has more than 19 years of broad IT and Banking Ops. experience and over 10 years in a managerial capacity. He is joining COGEBANQUE's family from Ecobank Rwanda where he was the Country Head of Banking Operations and Technology.

JEAN BOSCO RWELINYANGE

Acting Director of Human Resources 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 in both 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 the Bank to maintain its remarkable growth.

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

A certified HR person, he holds a Bachelor's degree in Administration from Kigali Independent University and has done various executive training 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.

ANGELA PADUA MUTESI

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 14 years. Prior to joining the Bank, she served as the Legal Manager and Company Secretary of Letshego Rwanda Plc, a Pan-African Microfinance. She also worked with the International Criminal Court in Nairobi, Kenya 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 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.

JEAN DAMASCENE MUTABAZI

Credit Director

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.

SONGA RWAMUGIRE
Acting Commercial Director & Head of Corporate Banking

Songa joined COGEBANQUE as the Head of Corporate Banking in August 2017. Before assuming this role, he was Deputy Head of Corporate Banking in a regional bank.

He started his banking career in 2009 and has worked on several corporate deals, giving him profound knowledge of the Rwanda market.

Songa holds a Bachelor's Degree in Economics from the National University of Rwanda, is currently pursuing an MBA from Oklahoma Christian University and has been exposed to numerous training in various fields.

SYLVIO HABINEZA
Head of Compliance and Acting Head Risk & Internal Control

Mr. Sylvio HABINEZA joined COGEBANQUE Plc in 2017. He has 12+ years of financial services experience and worked for 9 years in Senior Compliance, Risk Management and Internal control positions. His knowledge cuts across compliance, fraud, operations, credit, risk management & mitigation and business process. Prior to joining COGEBANQUE Plc, he worked as the Ag, Head Conduct & Compliance and Compliance Advisor at Access Bank Rwanda.

Sylvio holds a Bachelor of Business Administration in Finance from the School of Finance and Banking (SFB). He is a Certified Banker from Lagos School of Excellence, a Certified Compliance Professional by IABFM and has been exposed to several trainings in various fields.

CORPORATE SOCIAL RESPONSIBILITY **FEATURE**

Corporate Social Responsibility Feature

Throughout 2022, the bank concentrated on initiatives oriented towards helping all stakeholders establish a common understanding of COGEBANQUE's brand through unambiguous communication of the bank's positioning as a prominent commercial bank in Rwanda.

The bank invested in bettering internal and external communications throughout the year as a means of enabling the bank to participate in a number of initiatives that aimed to capture the bank's overall economic development impact.
The bank also intensified its efforts in enhancing numerous community engagement initiatives that focus on key thematic areas, including education, health, creating sustainable livelihoods, sports, culture, and acted as a key supporter of the government in the economic transformation.

I. COGEBANQUE Welfare

At COGEBANQUE, we place a high priority on the welfare of our community, and we believe that financial stability is inextricably linked to physical health.

We have joined the Breast Cancer Initiative East Africa (BCIEA) and participated in the Ulinzi Walk with Rwandans to demonstrate our commitment to this belief. The goal of our participation in various activities during the Breast Cancer Awareness Month, also known as The Pink Month, which was observed on October 8th, 2022, was to raise awareness about the disease and promote early screening.

We are proud to have contributed to this cause and will continue to support initiatives that promote the health and well-being of our community.

Corporate Social Responsibility Feature - Continued

II. COGEBANQUE CSR

As a bank, giving back to our community is part of the bank's culture and mandate.
As part of our corporate social responsibility efforts, we provided 500 residents of Nyarugenge District with health insurance premiums through the Mutuelle de Sante community-based health insurance program. Our objective was to secure healthcare services for all and alleviate the financial hardship associated with medical expenses, particularly for individuals from low-income and vulnerable households.

We firmly believe that the wellbeing of our stakeholders and the general public is essential for the sustained economic growth of our country.

III. Commemoration of the 28th Genocide against the Tutsi

1. The commemoration of the Genocide against the Tutsi holds great significance in Rwanda, providing a solemn opportunity to contemplate the heinous acts perpetrated during the 1994 genocide against Tutsi, honor the memory of the innocent lives lost, and underscore the ongoing imperative of pursuing peace and unity.

For the 28th time, COGEBANQUE Plc organized a commemoration event at the Kigali Genocide Memorial site, an event that gathered its staff, Directors and Shareholders, with an aim of paying tribute to the lives lost in the 1994 Genocide against the Tutsi, and to contribute to the Nations efforts towards unity, rebuilding the nation and ensuring that such cruelty will never happen again.

The 2022 commemoration of the Rwandan Genocide against the Tutsi, themed "Remember-Unite-Renew," centered on safeguarding Rwanda's accomplishments over the past 28 years and realizing its transformative vision. Additionally, it emphasized the importance of preserving the legacy of strength, resilience, and unity entrusted to the younger generation.

Corporate Social Responsibility Feature - Continued

III. Commemoration of the 28th Genocide against the Tutsi (continued)

2. COGEBANQUE supports “Our Past” an event during the 28th commemoration of the Genocide against the Tutsi

Our Past’ is a youth-led initiative that aims to educate young people about the Genocide and to inspire them to take the initiative to rebuild the country through poetry, musical performances, drama, dance, theatre, and workshops with leaders. COGEBANQUE supports this campaign to educate young people about the 1994 Genocide against the Tutsis and to underline their importance in helping to restore our country and build a brighter future.

It is essential to educate young people about the 1994 Genocide against the Tutsis so that we can build a more peaceful and just society in Rwanda and the world as a whole.

3. In collaboration with the Kigali Genocide Memorial, COGEBANQUE supported the Rebuilding Lives Programme, which was established in 2005 to help the most vulnerable groups of Tutsi survivors improve their living conditions and give them hope for the future.

IV. COGEBANQUE in Sports

1. Tour Du Rwanda 2022

In the 14th edition of the Tour du Rwanda tournament which kicked off on February 20 till February 27, 2022, we decided it would be best to keep the campaign name because we still abide by this promise when it comes to our clients' needs after the message in last year's edition, "TUGENDANE," was so well received by the audience on a financial and emotional level. In the 2022 edition, we reinforced the Banks message to our diverse audience, that COGEBANQUE is commited to its stakeholders and shall continue to support our clients by providing the with them world class retail banking services that will enable them to grow.

The campaign shades a light on the benefits and accessibility of our digital channels which includes our Mobile Banking (USSD on *505# and Mobile App "Coge mBank"), Internet Banking, MasterCards and Smart cash where people can easily access mobile banking services conveniently at any time and from anywhere without visiting the bank.

Antoine Iyamuremye, Head of Marketing and Product development, said the campaign, 'Tugendane' which is loosely translated as 'let's walk together' purports to communicate to Rwandans that the bank is willing to walk with them towards achieving their financial goals.

As it travels across every corner of the nation and beyond, Tour du Rwanda is the perfect approach to communicate this idea to all of our clients and potential consumers and make it easier for them to access our services.


TUGENDANE
RACING WITH YOU TOWARDS ACHIEVING YOUR FINANCIAL GOALS
TOUR du RWANDA
14Th Edition 2022
PERSONAL BANKING
BUSINESS BANKING
DIGITAL BANKING
AGENCY BANKING
5050
KN 63 St
cogebank@cogebank.com
www.cogebanque.co.rw
Cogebanque
cogebanque
simple & possible

Corporate Social Responsibility Feature - Continued

2. COGEBANQUE Tennis Open 2022

A total of 125 players participated in the 6th edition of the COGEBANQUE Tennis Open tournament organized by CSK Tennis Club in partnership with COGEBANQUE which kicked off Friday, November 25, and concluded Saturday, December 3.

This tournament emphasizes the importance we place on sports and health in general as it promotes equality and inclusion through its various categories of competition namely mixed doubles (amateur and professional), men's professionals, women's professionals, juniors (men and women), and wheelchair classes.

Being involved in this tournament serves as a great opportunity for us to connect with the target market that follows Tennis Sport, build awareness, and deepen the emotional bond with our existing customers.

Corporate Social Responsibility Feature - Continued

V. COGEBANQUE in Education

1. At COGEBANQUE we have a strong attachment to the value of education in promoting a knowledge-based economy, as well as fostering partnerships with other social actors and aligning ourselves with national development priorities.

It is within this line that we provided exercise books, school fees, and literature books to over 300 students. 50 students at Ecole Primaire de Kariyeri and Gisozi II primary school, respectively, and saw 100 pupils at Ecole Primaire de Kariyeri getting school fees. Children are our country's future leaders, and we are committed to joining forces with the government's massive efforts to provide basic education for all.

2. COGEBANQUE Plc awarded the best-performing graduates of University of Lay Adventists of Kigali during the graduation ceremony that gathered over 1012 graduates at its Head quarter.

COGEBANQUE's recognition of the top UNILAK students embodies our contribution to create a more educated and productive workforce, which can drive economic growth and development over the long-term.

Corporate Social Responsibility Feature - Continued

VI. COGEBANQUE in Business and financial literacy

1. From the 3rd to the 7th of October, COGEBANQUE held Customer Service Week 2022 under the theme "Celebrate Service" which aimed at celebrating customer service and staff who serve and support customers on a daily basis and promoting customer service excellence within different institutions across the world.

Throughout Customer Service Week, we talked to our customers and listened to their suggestions; we also engaged with our customers and celebrated our journey from where we started, thereby strengthening our relationship with them and discussing what could be improved.

It was also a time to thank and celebrate the staff who provide excellent services to our clients.

2. COGEBANQUE aspires to be Rwanda's financial center of excellence and a leading provider of innovative financial solutions. It is consistent with the goal of digitizing bank services to provide a seamless banking experience. With digitalization, multiple threats lurk in cyberspace, which is why we must educate our clients and audiences on how to secure their financial data and what to do in the event of a security incident.

Against the above backdrop, COGEBANQUE joined the rest of the world to mark cybersecurity awareness month, October 2022. The month drives collaboration between government and private industry to raise awareness about digital security and empower the public to protect their personal data from digital forms of crime.

It was observed under the theme "Be Safe Online."


COGEBANQUE
TENNIS OPEN
2022
Venue: Cercle Sportif
Dates: 25th Nov -03 rd Dec 2022
5050
KN 63 St
cogebank@cogebank.com
www.cogebanque.co.rw
Cogebanque
cogebanque
simple & possible

FINANCIAL **STATEMENTS**

Statutory Information

The Directors have the pleasure to submit their report together with the audited financial statements for the year ended 31 December 2022, which disclose the state of affairs of Companies Générale de Banque Plc (the "Bank").

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 9,056.9 million an increase of 80.88% compared to Frw 5,007.2 million generated in 2021, and 67% of the profit of the year 2022 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:

Name	Title	Date of Appointment	Date of Resignation	Independance	Inside/ Outside
Mr. Ebenezer ESSOKA	Chairperson	12-Jul-21	-	Independent	Non-executive
Ms. Jeanine MUNYESHULI	Vice chairperson	12-Jul-21	-	Independent	Non-executive
Mr. Pie HABIMANA	Director	12-Jul-21	-	Independent	Non-executive
Ms. Arlette RWAKAZINA	Director	12-Jul-21	-	Independent	Non-executive
Mr. Charuel Bruno Jean Louis Marie	Director	6-Sep-19	16-Dec-22	Independent	Non-executive
Mr. Philippe WATRIN	Director	12-Jul-21	-	Non-Independent	Non-executive
Mr. Robert MAKUZA	Director	12-Jul-21	-	Non-Independent	Non-executive
Ms. Marie Rose UWASE	Director	12-Jul-21	-	Non-Independent	Non-executive
Mr. Jotham MAJYALIBU	Director	24-May-17	9-Feb-23	Non-Independent	Non-executive

SHAREHOLDERS

The shareholders of the Bank as at 31 December 2022 were as follows:

Count	Name	Number of Shares	Bonus shares issued	Total Number of Shares	%
1	Government of Rwanda	29,106	54,233	83,339	41.67%
2	RSSB	21,375	39,828	61,203	30.60%
3	Judith MUGIRASINI	8,855	16,499	25,354	12.68%
4	SANLAM VIE PLC	4,875	9,083	13,958	6.98%

Statistical Information - Continued

SHAREHOLDERS - Continued

Count	Name	Number of Shares	Bonus shares issued	Total Number of Shares	%
5	Edouard RUTERANA	743	1,384	2,127	1.06%
6	Dismas NYAGATARE	713	1,329	2,042	1.02%
7	Philippe MURANGIRA	696	1,297	1,993	1.00%
8	Aloys KABERUKA	510	950	1,460	0.73%
9	Narcisse KALINIJABO	345	643	988	0.49%
10	Assinapol RWIGARA	456	850	1,306	0.65%
11	Victor UWIMANA	337	628	965	0.48%
12	Celestin RUZINDANA	285	531	816	0.41%
13	Andre KATABARWA	220	410	630	0.31%
14	Joseph NSENGIMANA	171	319	490	0.24%
15	Oreste INCIMATATA	171	319	490	0.24%
16	Succ. NKULIKIYIMFURA	171	319	490	0.24%
17	Etienne GAKWAYA	150	279	429	0.21%
18	Tatien NDOLIMANA	150	279	429	0.21%
19	J.B. MUTANGANA	130	242	372	0.19%
20	SICO	100	186	286	0.14%
21	Giovanni MUHIMA	90	168	258	0.13%
22	Others	201	375	576	0.29%
		69,850	**130,150**	**200,000**	**100%**

Government of Rwanda acquired 41.67% of shares from 5 shareholders as listed here bellow:

Names	Number of Shares	%
Egide GATERA	17,463	25.00%
DELFORGE Muriel	6,502	9.31%
MUGABOWINDEKWE Emmanuel	4,770	6.83%
GL Petrol Trading LTD	200	0.29%
Jean Marie MUREKEZI	171	0.24%
Total shares	**29,106**	**41.67%**

The process of the above transactions started by the end of the year 2022 and completed on 31st January 2023.

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 Heliopolis,
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. 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 2022 comprised eight (8) non-executive directors, four (4) 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:

- Audit Committee
- Risk and compliance Committee
- Credit Committee
- Nomination and Remuneration Committee
- Assets and Liabilities Committee (ALCO)
- 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.

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 2022, the main Board met 4 times for ordinary meetings plus 7 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 2022 and their board attendance.

	Category	Full Board	Audit	Risk & Compliance	ALCO	Nomination and Remuneration	IT	Credit	Extraordinary board meetings
Mr. Ebenezer ESSOKA	Chairman	4/4	-	-	-	4/4	4/4	4/4	7/7
Ms. Jeanine MUNYESHULI	Vice Chairperson	4/4	4/4	4/4	-	-	4/4	-	7/7
Mr. Jotham MAJYALIBU	Non-executive	4/4	4/4	-	4/4	4/4	-	4/4	7/7
Mr. Bruno CHARUEL	Non-executive	4/4	-	4/4	3/4	-	-	4/4	7/7
Mr. Robert MAKUZA	Non-executive	4/4	-	4/4	4/4	-	4/4	4/4	6/7
Mr. Pie HABIMANA	Non-executive	4/4	4/4	4/4	-	4/4	-	-	7/7
Mr. Marie Rose UWASE	Non-executive	4/4	4/4	4/4	4/4	-	-	-	7/7
Mr. Arlette RWAKAZINA	Non-executive	4/4	4/4	-	-	4/4	4/4	-	7/7
Mr. Philippe WATRIN	Non-executive	4/4	-	-	2/4	3/4	4/4	4/4	6/7

Report of the Directors

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 2022 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, Treasury activities and corporate Banking services.

2. Results

The results for the year ended 31 December 2022 are set out in the financial statements on page 48.

3. Directors

The Directors who served during the year and up to the date of this report are set out on page 37.

4. Dividends

The directors proposed to pay out Frw 3 billion which represents 33% of the 2022 net profit, as dividends to the shareholders and the remaining 67% will be added on the retained earnings to strengthen future investments.

Bank has issued bonus shares of Frw 13 billion into paid up capital. This was done for the Bank to comply with the new regulation on the minimum paid up capital issued by the Central Bank, for all commercial banks in Rwanda.

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.

6. Approval of the Annual financial statements

The director has the power to amend and reissue the financial statements approvals. The Financial Statements were approved and authorised for issue by the Directors on 24th March 2023.

BY ORDER OF THE BOARD

....

Company Secretary

Date: **30/03/2023**

Statement of Directors' Responsibility

The Bank's Directors are responsible for the preparation of financial statements, set out on pages 48 to 131 , 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 2022 and the statement of 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 31 December 2022 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 24th March 2023.

....

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 2022, 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 on pages 48 to 131 comprise:

- the statement of financial position as at 31 December 2022;
- 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. 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.	Our audit procedures focused on the significant areas of judgement and estimations that could result in material misstatements in the financial statements. These procedures included: • Evaluating the appropriateness of the Bank's IFRS 9 impairment methodology, against the requirements of IFRS 9;

The key areas where significant judgement has been exercised and therefore, an increased level of audit focus applied, include: • staging of facilities in line with IFRS 9. In particular, the identification of Significant Increase in Credit Risk ("SICR") and Default requires consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether 12-month or lifetime probabilities of default ("PDs") are used. • the appropriateness of forward-looking information used in the model; and • the relevance of forward-looking information used in the models. Due to the significant impact of management judgments applied in calculating the ECL, we designated this as a key audit matter in our audit.	• We tested the staging of facilities by checking how the Bank extracts 'days past due (DPD)' applied in classifying the loan book into the three stages required by IFRS 9. For a sample of loans, we recalculated the DPD applied in the model and compared these to the DPD as per the Bank's IT system and the respective customer files; • Obtained an understanding of the basis used to determine the PDs, LGDs and EADs; • We obtained an understanding of the basis used to determine the probabilities of default. We tested the completeness and accuracy of the historical data used in derivation of PDs and LGDs, and re-calculated the same on a sample basis; • For LGD, for a sample of loans and advances, we tested the assumptions on the timing of the cash flows based on empirical evidence. In addition, for secured facilities, we agreed the collateral values used in the ECL model to external valuer reports; • We tested, on a sample basis, the reasonableness of EAD for both on and off balance sheet exposures;

Other information

Directors are responsible for the other information. The other information comprises Statutory information, Corporate governance overview, Report of the directors, Statement of directors' responsibilities 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.

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.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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

Date: **31/03/2023**

Statement of Comprehensive Income

	Notes	2022	2021
		Frw'000	**Frw'000**
Interest and similar income	6	37,658,101	34,862,134
Interest expense and similar expenses	7	(10,454,494)	(10,706,087)
Net interest income		**27,203,607**	**24,156,047**
Fees and commission income	8(a)	1,768,208	1,860,155
Fees and commission expense	8(b)	(1,553,204)	(966,196)
Net fee and commission income		**215,004**	**893,959**
Other operating income	9(a)	572,267	663,079
Gain/(loss) on fair value on restructured loans	9(b)	(492,152)	(285,200)
Foreign exchange income	10	714,774	1,192,023
		794,889	**1,569,902**
Total operating income		**28,213,501**	**26,619,908**
Impairment losses on financial assets	11	(326,650)	(4,950,726)
		27,886,850	**21,669,181**
Employees benefit	12	(7,639,190)	(6,749,545)
Depreciation and amortization	13	(2,030,233)	(2,235,045)
Other operating expenses	14	(4,863,351)	(4,554,469)
Finance cost	15	(108,312)	(189,882)
Total operating expenses		**(14,641,086)**	**(13,728,941)**
Net profit before taxation		**13,245,763**	**7,940,241**
Income tax expense	16	(4,188,887)	(2,933,058)
Net profit for after taxation		**9,056,877**	**5,007,183**
Other comprehensive income		-	-
Total comprehensive income for the year		**9,056,877**	**5,007,183**

The notes on pages 52 to 131 are an integral part of these financial statements.

Statement of Financial Position

	Notes	2022	2021
		Frw'000	Frw'000
ASSETS			
Cash and balances with the National Bank of Rwanda	17	17,868,526	20,849,580
Amounts due from other Banks	18	13,710,767	14,070,053
Government securities at amortized cost	19	100,678,478	61,855,306
Loans and advances to customers	20	139,908,453	173,989,552
Right-of-use asset	21	502,628	1,029,054
Other assets	22	9,194,801	6,488,325
Intangible assets	23	1,084,803	1,102,660
Property and equipment	24	9,210,656	9,152,256
Investment Property	26	1,705,549	2,622,547
TOTAL ASSETS		**293,864,661**	**291,159,333**
LIABILITIES			
Customer deposits	27	188,317,918	189,115,267
Amounts due to other Banks	28	39,193,170	46,161,562
Loans from Non-commercial Banks	29	10,736,599	9,205,218
Current Income tax	31	880,321	425,624
Government Grant	30	1,757,349	1,836,291
Other liabilities	32	4,006,662	3,815,256
Provision	33	327,626	182,842
Lease liabilities	34	621,664	1,202,463
Deferred tax liabilities	35	672,173	920,508
TOTAL LIABILITIES		**246,513,482**	**252,865,030**
EQUITY			
Share capital	36(a)	20,000,000	6,985,000
Share premium	36(b)	1,373,437	1,373,437
Retained earnings	37	25,977,742	29,935,866
TOTAL EQUITY		**47,351,179**	**38,294,303**
TOTAL EQUITY AND LIABILITIES		**293,864,661**	**291,159,333**

The notes on pages 52 to 131 are an integral part of these financial statements.

Statement of Changes in Equity

	Share capital	Share premium	Proposed divident	Retained earnings	Total
Year ended 31 December 2022	**Frw'000**	**Frw'000**	**Frw'000**	**Frw'000**	**Frw'000**
At start of the year 2022	**6,985,000**	**1,373,437**	**-**	**28,433,711**	**38,294,303**
			-	-	-
Profit for the year	-	-	-	9,056,876	9,056,876
Total comprehensive income	**0**			**9,056,876**	**9,056,876**
Transactions with Owner					
Share bonus issuing	13,015,000			(13,015,000)	**0**
Proposed dividend			3,000,000	(3,000,000)	**0**
Total Transactions with Owner	**13,015,000**		**3,000,000**	**(16,015,000)**	**0**
At end of the year	**20,000,0000**	**1,373,437**	**3,000,000**	**22,977,742**	**47,351,179**

	Share capital	Share premium	Proposed divident	Retained earnings	Total
Year ended 31 December 2021	**Frw'000**	**Frw'000**	**Frw'000**	**Frw'000**	**Frw'000**
At start of the year 2021	**6,985,000**	**1,373,437**	-	**24,928,683**	**33,287,120**
Profit for the year	-	-	-	5,007,183	5,007,183
Release of Credit Risk Reserve	-	-	-	-	-
Total comprehensive income	-	-	-	**5,007,183**	**5,007,183**
Transactions with Owner					
Proposed dividend	-	-	-	-	-
Total Transactions with Owner			**-**	**-**	**-**
At end of the year	**6,985,000**	**1,373,437**	**-**	**29,935,866**	**38,294,303**

The notes on pages 52 to 131 are an integral part of these financial statements.

Statement of Cash Flows

	Notes	12/31/2022	12/31/2021
Cash flows from operating activities		**Frw'000**	**Frw'000**
Profit before income tax		13,245,764	7,940,391
Adjustments for:			
Impairment of financial assets	11	3,573,313	5,704,164
Depreciation on property and equipment	13	1,233,115	1,339,066
Amortisation of intangible assets	13	232,932	336,663
Amortisation of investment property	13	37,761	57,129
Finance cost	15	108,312	189,882
Impairment of other assets	14	172,863	314,257
Provision on Contingent liabilities	14	144,779	113,074
Depreciation on leasing assets	15	526,426	502,187
Gain & loss fair value restructure loan and fair value staff cost		320,213	277,804
Gain on disposal of Non-current asset held for sale		-	(15,613)
Bond premium to be amortized		-	(187,606)
Cash flows from operating activities before changes in operating assets and liabilities		**19,595,478**	**16,571,398**
Changes in operating assets and liabilities:			
- loans and advances		27,556,442	(22,658,887)
- other assets		125,772	841,533
- customer deposits		(7,408,677)	27,858,318
- other liabilities		147,784	(779,531)
Movement in cash reserve requirement		(42,174)	(1,219,011)
income tax paid during the year		(4,410,309)	(1,344,223)
Net cash from/ (used in) operations		**35,564,316**	**19,269,597**
Cash flows from investing activities			
Government securities and other bonds		(38,964,269)	(8,697,079)
Purchase of property and equipment		(412,235)	(222,729)
Purchase of intangible assets		(253,337)	(12,336)
Proceeds from disposal of Non-current assets held for sale		-	325,614
Net cash used in investing activities		**(39,629,841)**	**(8,606,530)**

Statement of Cash Flows - Continued

	Notes	12/31/2021	12/31/2021
		Frw'000	Frw'000
Cash flows from Financing activities			
Lease payments		(689,296)	(680,996)
Loan from BNR/BRD		1,241,903	4,972,219
Equity shares		-	-
Net cash generated/used in financing activities		**552,607**	**4,291,223**
Net increase/decrease in cash and cash equivalents		**(3,512,920)**	**14,954,290**
Cash and cash equivalents at start of year		20,326,581	5,372,291
Cash and cash equivalents at end of year	**22**	**16,813,661**	**20,326,581**

The notes on pages 52 to 131 are an integral part of these financial statements.

Notes to the Financial Statements

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 2022 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) Use of estimates and judgements

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 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.

(d) New and Amended standards issues but not yet effective

Number	Effective Date	Executive Summary
Amendment to IAS 1, "Presentation of Financial Statements" on classification of Liabilities as current or Non-current	Annual periods beginning on or after 1 January 2023	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at end of the reporting period. A number of requirements are required to be met in conjunctions with this amendment.
Amendments to IAS 12, Income Taxes: Differed Tax related to Assets and liabilities arising from a sing transaction	(Published Jan 2020) Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (Published May 2021)	The amendments required companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary difference.
Narrow scope amendments to IAS 1' Presentation of Financial Statements, Practice statement 2 and ISA 8" Accounting policies, Change in Accounting estimates and errors	Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (Published February 2021)	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

3. 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.

Notes to the Financial Statements - Continued

3. SIGNIFICANT ESTIMATES (continued)

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

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 327 million 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 2022, 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 will be conducted in 2023 as all estimated right of use assets is last year (2022). The Bond rate issued for 5 years was considered at 11% and the average monthly rent was estimated to be increased due to inflation rate by 21% from Frw 57.4 million to Frw 67,9 million.

Impact on Balance sheet: when that applies, both Right of use asset and Lease Liabilities would be increased by Frw 3.12 billion and the net annual impact on profit and loss would be a cost of Frw 943.8 million, (Depreciation of Right of use assets Frw 624.72 and Finance Cost of Frw 319.1)

(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.

4.1 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.

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;

Notes to the Financial Statements - Continued

4.1 Credit risk (continued)

4.1.1 Credit risk management (continued)

• 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

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:

	2022		2021	
	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	5,901,807	29,286	22,364,711	152,030
Manufacturing	1,985,351	420	2,610,037	5,019
Service and commerce	23,001,641	319,136	31,475,792	906,274
Agricultures	1,031,934	40,903	1,093,828	24579
Mining	326,542	0	20,845	-
Other Sectors	-	-	747	-
Total	**32,247,275**	**389,746**	**57,565,960**	**1,087,902**

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%.

Notes to the Financial Statements - Continued

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Credit risk (continued)

4.1.1 Credit risk management (continued)

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	
2022	**12- Month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
	Frw'000	**Frw'000**	**Frw'000**	**Frw'000**
Performing	111,232,347	-	-	111,232,347
Watch	-	32,247,275	-	32,247,275
Substandard	-	-	2,291,638	2,291,638
Doubtful	-	-	1,927,130	1,927,130
Loss	-	-	4,228,021	4,228,021
Gross carrying amount	**111,232,347**	**32,247,275**	**8,446,789**	**151,926,410**
ECL allowance	(795,500)	(389,746)	(5,401,518)	(6,586,764)
Modification gain	-	(6,108.52)	(1,991.43)	(8,100)
Fair valuation loss	(4,372,315)	(877,414)	(173,364)	(5,423,093)
Net loans & advances	**106,064,532**	**30,974,007**	**2,869,915**	**139,908,453**
2021				
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**

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

Notes to the Financial Statements - Continued

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Credit risk (continued)

4.1.2 Expected credit loss measurement (continued)

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

- by comparing 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.

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.

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.

- 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
- The 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.

• 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.

Notes to the Financial Statements - Continued

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Credit risk (continued)

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

• 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.

• 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.

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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.

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 2022, 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).

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 2022, 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 2022 and 31 December 2021 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 2022			
Scenario probability weighting	73.9%	13.0%	13.0%
As at 31 December 2021			
Scenario probability weighting	77.4%	4.31%	18.2%

Notes to the Financial Statements - Continued

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Credit risk (continued)

4.1.5 Forward-looking information incorporated in the ECL models (continued)

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 2022 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.

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 0.62% 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

	2022 (Frw'000)		2021 (Frw'000)	
	Loans and advances to customers	**Goverment securities**	**Loans and advances to customers**	**Goverment securities**
Stage I	111,232,347	100,993,916	120,352,242	62,032,812
Stage II	32,247,275	-	57,565,959	-
Stage III	8,446,789	-	4,570,100	-
Gross	**151,926,410**	**100,993,916**	**182,488,301**	**62,032,812**
Less impairment allowances:	(6,586,764)	(315,438)	(3,697,273)	(177,506)
Fair value adjustments	(5,431,193)	-	(4,801,476)	-
	139,908,453	**100,678,478**	**173,989,552**	**61,855,306**

	Corporate				
	2022				2021
	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	60,749,781	-	-	60,749,781	69,982,271
Watch	-	21,845,377	-	21,845,377	42,485,614
Default	-	-	2,222,497	2,222,497	788,170
Gross carrying amount	**60,749,781**	**21,845,377**	**2,222,497**	**84,817,655**	**113,256,056**
Loss allowances	(532,415)	(313,624)	(1,966,695)	(2,812,734)	(2,096,990)
Fair value adjustments	(3,382,343)	(987,981)	-	(4,370,323)	(4,146,141)
Carrying amount	**56,835,023**	**20,543,772**	**255,802**	**77,634,597**	**107,012,925**

	SMEs				
	2022				2021
	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	29,259,214	-	-	29,259,214	22,221,004
Watch	-	9,406,158	-	9,406,158	11,808,576
Default	-	-	4,745,824	4,745,824	1,684,224
Gross carrying amount	**29,259,214**	**9,406,158**	**4,745,824**	**43,411,196**	**35,713,804**
Loss allowances	(93,326)	(71,642)	(2,584,732)	(2,749,700)	(632,370)
Fair value adjustments	(347,511)	(6,109)	(1,991)	(355,610)	(454,052)
Carrying amount	**28,818,378**	**9,328,407**	**2,159,100**	**40,305,885**	**34,627,382**

	Retail				
	2022				2021
	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	21,223,351	-	-	21,223,351	28,148,967
Watch	-	995,739	-	995,739	3,271,769
Default	-	-	1,478,468	1,478,468	2,097,706
Gross carrying amount	**21,223,351**	**995,739**	**1,478,468**	**23,697,559**	**33,518,442**
Loss allowances	(169,759)	(4,480)	(850,150)	(1,024,389)	(967,877)
Fair value adjustments	(529,903)	-	(175,356)	(705,259)	(201,283)
Carrying amount	**20,523,689**	**991,260**	**452,962**	**21,967,911**	**32,349,282**

Notes to the Financial Statements - Continued

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Credit risk (continued)

4.1.7 Credit risk exposure (continued)

4.1.7.1 Maximum exposure to credit risk (continued)

Government securities

	2022				2021
	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	100,993,916	-	-	100,993,916	62,032,812
Gross carrying amount	**100,993,916**	**-**	**-**	**100,993,916**	**62,032,812**
Loss allowances	(315,438)	-	-	(315,438)	(177,506)
Carrying amount	**100,678,478**	**-**	**-**	**100,678,478**	**61,855,306**

Balance with National Bank of Rwanda

	2022				2021
	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	11,462,522	-	-	11,462,522	11,746,742
Expected credit loss	-	-	-	-	-
Carrying amount	**11,462,522**	**-**	**-**	**11,462,522**	**11,746,742**

Balance with other Banks

	2022				2021
	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	13,710,767	-	-	13,710,767	14,070,053
Expected credit loss	-	-	-	-	-
Carrying amount	**13,710,767**	**-**	**-**	**13,710,767**	**14,070,053**

Other Assets

	2022				2021
	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'.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate

Gross loans

Below is a transitional table between stages between 1 January 2022 to 31 December 2022:

	Corporate			
	31-Dec-2022			
	Stage 1	Stage 2	Stage 3	Total
	Frw'000	Frw'000	Frw'000	Frw'000
Gross loans as at 1 January 2022	**61,878,488**	**38,484,699**	**(125,570)**	**100,237,617**
Transfers from stage 1 to stage 2 or 3	(2,861,801)	2,617,331	244,471	-
Transfers from stage 2 to stage 1 or 3	4,190,733	(6,143,162)	1,952,428	-
Transfers from stage 3 to stage 2 or 1	-	-	-	-
Loans paid in full	(19,549,616)	-	(2)	(19,549,618)
New exposures disbursed	636,568	2	23	636,593
Subsequent increase in loans	(4,549,586)	(4,324,610)	(586,755)	(9,460,951)
Net movement in gross loans	**(22,133,702)**	**(7,850,439)**	**1,610,165**	**(28,373,975)**
Financial asset derecognised	-	-	(354,613)	(354,613)
Gross loans as at 31 December 2022	**39,744,786**	**30,634,260**	**1,129,982**	**71,509,029**

Notes to the Financial Statements - Continued

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Credit risk (continued)

4.1.7 Credit risk exposure (continued)

4.1.7.1 Maximum exposure to credit risk (continued)

	SMEs			
	31-Dec-2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	Frw'000	**Frw'000**	**Frw'000**	**Frw'000**
Gross loans as at 1 January 2022	**24,982,019**	**10,172,554**	**2,332,764**	**37,487,337**
Transfers from stage 1 to stage 2 or 3	(4,003,785)	2,638,680	1,365,105	-
Transfers from stage 2 to stage 1 or 3	1,415,717	(3,088,756)	1,673,039	-
Transfers from stage 3 to stage 2 or 1	163,466	155,273	(318,738)	-
Loans paid in full	(3,193,331)	(145,439)	(8)	(3,338,779)
New exposures disbursed	3,017,790	119,711	64,926	3,202,426
Subsequent increase in loans	(2,754,684)	(1,915,918)	(478,478)	(5,149,080)
Net movement in gross loans	**(5,354,828)**	**(2,236,449)**	2,305,844	**(5,285,432)**
Financial asset derecognised	-	-	(1,233)	(1,233)
Gross loans as at 31 December 2022	**19,627,191**	**7,936,105**	**4,637,375**	**32,200,672**

	Retails			
	31-Dec-2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	Frw'000	**Frw'000**	**Frw'000**	**Frw'000**
Gross loans as at 1 January 2022	**33,491,735**	**8,908,706**	**2,362,906**	**44,763,347**
Transfers from stage 1 to stage 2 or 3	(1,089,024)	609,806	479,217	-
Transfers from stage 2 to stage 1 or 3	422,224	(502,056)	79,832	-
Transfers from stage 3 to stage 2 or 1	7,264	16,814	(24,078)	-
Loans paid in full	(3,743,911)	(399,403)	(22,278)	(4,165,592)
New exposures disbursed	8,713,311	218,647	67,329	8,999,287
Subsequent increase in loans	(1,116,675)	(75,545)	(142,390)	(1,334,611)
Net movement in gross loans	**3,193,190**	**(131,738)**	**437,632**	**3,499,084**
Financial asset derecognised	-	-	(45,722)	(45,722)
Gross loans as at 31 December 2022	**36,684,925**	**8,776,968**	**2,754,816**	**48,216,709**

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 Statements - Continued

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Credit risk (continued)

4.1.7 Credit risk exposure (continued)

4.1.7.1 Maximum exposure to credit risk (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**

The table below presents the credit quality of financial instruments:

Maximum exposure to credit risk before collateral held or other credit enhancements	**2022**		**2021**	
	Frw'000	**%**	**Frw'000**	**%**
Balances with National Bank of Rwanda	11,462,522	3.99%	11,746,742	4%
Balances due from other banks	13,710,767	4.78%	14,070,053	5%
Government securities	100,993,916	35.18%	62,032,812	23%
Loans and advances to customers	151,926,410	52.92%	177,686,825	65%
Other assets (Excluding Prepayments)	8,968,835	3.12%	6,618,584	2%
Gross	**287,062,450**	**100%**	**272,155,016**	**100.00%**

Notes to the Financial Statements - Continued

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Credit risk (continued)

4.1.7 Credit risk exposure (continued)

4.1.7.1 Maximum exposure to credit risk (continued)

Credit quality	31 December 2022	31 December 2021
	Frw'000	Frw'000
Balances with National Bank of Rwanda	11,462,522	11,746,742
- Counterparty without credit rating	11,462,522	11,746,742
Government securities	100,678,478	61,855,306
B+	100,678,478	61,855,306
Loans and advances	139,908,453	173,989,552
- Counterparty without credit rating	139,908,453	166,316,276
Other assets	8,968,835	6,488,325
- Counterparty without credit rating	8,968,835	6,488,325

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 2022 is Frw 1,528 million (2021: 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 2022

Corporate

Loan Category	Stage 1	Stage 2	Stage 3	Gross Loans	ECL	Carrying amount	Collateral
Consumer Loans	103,524	-	-	103,524	-	103,524	704,278
Equipment Loans	15,051,187	4,638,456	13,847	19,703,490	232,594	19,470,896	18,573,521
Mortgage Loans	25,308,851	9,315,291	-	34,624,142	408,482	34,215,661	50,077,011
Overdrafts	6,513,144	1,407,867	860,394	8,781,405	996,787	7,784,618	8,808,736
Treasury Loans	13,773,074	6,483,763	1,348,256	21,605,094	1,217,580	20,387,513	19,836,851
Fair value adjustment	(3,382,343)	(987,980.70)	-	(4,370,323)	-	(4,370,323)	0
Total	**57,367,439**	**20,857,396**	**2,222,497**	**80,447,331**	**2,855,443**	**77,591,889**	**98,000,398**

SME

Loan Category	Stage 1	Stage 2	Stage 3	Gross Loans	ECL	Carrying amount	Collateral
Consumer Loans	44,030	4,965	79,106	128,101	76,955	51,146	126,913
Equipment Loans	2,234,296	1,450,177	616,652	4,301,126	527,438	3,773,687	5,045,980
Mortgage Loans	10,867,553	4,387,549	1,162,424	16,417,526	810,681	15,606,845	25,317,914
Overdrafts	2,055,754	458,425	578,562	3,092,740	457,188	2,635,553	7,165,790
Treasury Loans	14,057,581	3,105,042	2,309,080	19,471,703	834,730	18,636,973	29,870,552
Fair value adjustment	(347,511)	(6,109)	(1,991)	(355,610)	-	(355,610)	-
Total	**28,911,704**	**9,400,050**	**4,743,832**	**43,055,586**	**2,706,992**	**40,348,594**	**67,527,148**

Notes to the Financial Statements - Continued

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Credit risk (continued)

4.1.7 Credit risk exposure (continued)

4.1.7.2 Collateral and other credit enhancements (continued)

Retail

Loan Category	Stage 1	Stage 2	Stage 3	Gross Loans	ECL	Carrying amount	Collateral
Consumer Loans	5,378,182	100,662	166,472	5,645,316	229,637	5,415,679	5,317,580
Equipment Loans	438,617	129,234	126,175	694,027	35,212	658,815	1,159,900
Mortgage Loans	9,770,538	477,075	724,198	10,971,812	399,296	10,572,516	12,690,145
Overdrafts	308,299	111,251	287,275	706,825	292,699	414,125	1,438,124
Treasury Loans	5,152,359	177,517	174,349	5,504,225	67,486	5,436,739	7,490,844
Fair value adjustment	(529,903)	-	(175,356)	(705,259)	-	(705,259)	-
Total	**20,693,448**	**995,739**	**1,303,113**	**22,992,300**	**1,024,330**	**21,967,970**	**28,096,593**

As at 31 December 2022

Total	Stage 1	Stage 2	Stage 3	Gross Loans	Impairment allowance	Carrying amount	Fair value of collateral
Overdrafts	5,701,093	105,627	245,577	6,052,297	306,592	5,745,705	6,148,771
Treasury loans	17,724,101	6,217,868	756,673	24,698,642	795,244	23,903,398	24,779,401
Equipment loans	45,946,942	14,179,915	1,886,622	62,013,480	1,618,458	60,395,022	88,085,070
Consumer loans	8,877,197	1,977,542	1,726,232	12,580,970	1,746,675	10,834,295	17,412,650
Mortgage loans	32,983,014	9,766,323	3,831,684	46,581,021	2,119,796	44,461,225	57,198,247
Total	**111,232,347**	**32,247,275**	**8,446,789**	**151,926,410**	**6,586,765**	**145,339,646**	**193,624,139**
Modification gain		(6,109)	(1,991)	(8,100)	-	(8,100)	-
Fair valuation loss	(4,372,315)	(877,414)	(173,364)	(5,423,093)	-	(5,423,093)	-
Total	**106,860,032**	**31,363,752**	**8,271,433**	**146,495,217**	**6,586,765**	**139,908,453**	**193,624,139**

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 Statements - Continued

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Credit risk (continued)

4.1.7 Credit risk exposure (continued)

4.1.7.2 Collateral and other credit enhancements (continued)

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 loans	13,346,463	7,096,204	1,126,085	21,568,752	212,301	21,356,416	37,225,035
Equipment loans	20,222,307	7,911,145	774,659	28,908,111	540,491	28,367,620	25,450,501
Consumer loans	5,402,501	205,621	142,545	5,750,668	237,017	5,513,651	4,936,628
Mortgage loans	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**	**3,697,237**	**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**	**3,697,237**	**173,989,551**	**253,421,176**

Fair value of collateral held

31-Dec-22

Credit impaired assets	Gross Exposure	Impairment allowance	Carrying amount	Fair value of collateral held
	Frw'000	Frw'000	Frw'000	Frw'000
Stage I	111,232,347	(795,500)	110,436,847	145,015,657
Stage II	32,247,275	(389,746)	31,857,529	41,747,147
Stage III	8,446,789	(5,401,518)	3,045,271	6,861,335
Modification gain	(8,100)	-	(8,100)	-
Fair valuation loss	(5,423,093)	-	(5,423,093)	-
Total	**146,495,217**	**(6,586,764)**	**139,908,453**	**193,624,139**

31-Dec-21				
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**

a) Credit risk exposure	**2022**	**2021**
i) Items not subject to collateral:	**Frw'000**	**Frw'000**
Balances with Central Bank	11,462,522	11,746,742
Amounts due from other banks	13,710,767	14,070,053
Government securities	100,993,916	62,032,812
Other assets	8,340,574	6,488,325
	134,507,779	93,972,820
ii) Off-balance sheet items:		
Guarantee and performance bonds:		
Book value	12,905,362	11,294,508
Discounted Value of collateral	18,166,062	20,389,310
Excess cover	**5,260,700**	**9,094,802**

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:

2022	**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	111,232,347	32,247,275	2,291,638	1,927,130	4,228,021	**151,926,410**
Value of collat-erals	236,297,113	65,058,690	4,304,267	6,036,019	4,390,618	**316,086,707**
Excess cover	**125,064,766**	**32,811,416**	**2,012,629**	**4,108,889**	**162,596**	**164,160,297**
2021						
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**

Notes to the Financial Statements - Continued

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Credit risk (continued)

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 2022:

Below is a transitional table between stages between 1 January 2021 to 31 December 2022:

	31 December 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	Frw'000	**Frw'000**	**Frw'000**	**Frw'000**
Loss allowance as at 1 January 2022	**1,544,628**	**1,155,915**	**996,731**	**3,697,273**
Movements with P&L impact				
Transfers from stage 1 to stage 2	(29,634)	29,634	-	-
Transfers from stage 1 to stage 3	(470,309)	-	470,309	-
Transfer from stage 2 to Stage 1	(78,175)	78,175	-	-
Transafer from stage 2 to stage 3	-	(2,658,553)	2,658,553	-
Transfer from stage 3 to stage 1 and 2	(36,565)	(37,386)	73,951	-
Exposure without transfer into stages	(82,360)	(570,033)	918,527	266,134
New financial assets originated or purchased	226,164	232,384	640,741	1,099,290
Change in ECL due to derecognition	(552,319)	(255,578)	2,733,592	1,925,695
Changes to model assumptions and methodologies	-	-	-	-
Net movement to profit or loss	**(1,023,199)**	**(3,181,357)**	**7,495,674**	**3,291,119**
Other movements with no P&L impact				
Financial asset derecognised	-	-	(401,628)	(401,628)
Loss allowance as at 31 December 2022	**521,429**	**(2,025,442)**	**8,090,777**	**6,586,764**

	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
Transfer from stage 2 to Stage 1	(4,212)	-	-	(4,212)
Transafer from stage 2 to stage 3	-	-	326,270	326,270
Transfer from stage 3 to stage 1 and 2	(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**

	Stage 1	**Stage 2A**	**Stage 2B**	**Stage 3**	**Total**
	Frw'000	**Frw'000**	**Frw'000**	**Frw'000**	**Frw'000**
Opening ECL January 2022	**1,544,628**	**573,751**	**582,163**	**996,731**	**3,697,273**
Income Statement movements:					
ECL on new exposures					
Subsequent changes in ECL	226,164	29,962	202,422	640,741	**1,099,290**
Change in ECL due to derecognition	(197,101)	(589,257)	11,471	4,047,389	**3,272,503**
Net impairment charges	(437,578)	(246,718)	(1,108)	(395,270)	**(1,080,674)**
Impaired accounts written off	**(408,515)**	**(806,013)**	**212,786**	**4,292,861**	**3,291,119**
Closing ECL 31 December 2021	**-**	**-**	**-**	**(401,628)**	**(401,628)**
	1,136,113	**(232,262)**	**794,950**	**4,887,963**	**6,586,764**

Notes to the Financial Statements - Continued

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Credit risk (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 2021	**1,129,140**	**469,178**	**6,668,724**	**8,267,043**
Income statement movements:				
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 2020	**1,544,628**	**1,155,915**	**996,729**	**3,697,273**

During 2022, 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	532,415	169,759	93,326	795,500
Stage 2	313,624	4,480	71,642	389,746
Stage 3	1,966,695	850,150	2,584,672	5,401,517
Grand Total 31 December 2022	**2,812,734**	**1,024,389**	**2,749,640**	**6,586,764**

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**

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.

Row Labels	Secured	Unsecured	Grand Total
Consumer loans	51,854	254,738	306,592
Equipment loans	763,160	32,084	795,244
Mortgage loans	1,244,256	374,202	1,618,458
Overdrafts	619,278	1,127,397	1,746,675
Treasury loans	896,814	1,222,981	2,119,795
Grand total on and off-balance sheet_Dec-22	**3,575,361**	**3,011,402**	**6,586,764**

Loan Types	Secured	Unsecured	Grand Total
Consumer loans	26,662	210,355	237,017
Equipment loans	539,787	705	540,491
Mortgage loans	1,184,140	579,038	1,763,178
Overdrafts	789,501	154,625	944,127
Treasury loans	201,761	10,699	212,460
Grand total on and off-balance sheet_Dec-21	**2,741,851**	**955,422**	**3,697,273**

Notes to the Financial Statements - Continued

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Credit risk (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 2A	Stage 2B	Stage 3	Grand Total
Consumer loans	86,177	2,154	385	217,875	306,592
Equipment loans	12,356	-	232,760	550,129	795,244
Mortgage loans	497,653	54,753	28,738	1,037,314	1,618,458
Overdrafts	125,674	3,753	10,644	1,606,604	1,746,675
Treasury loans	73,641	28,223	28,335	1,989,596	2,119,795
Grand total on and off-balance sheet	**795,500**	**88,884**	**300,862**	**5,401,517**	**6,586,764**

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	176,127	212,460
Grand total on and off-balance sheet_Dec-21	**1,123,516**	**1,087,903**	**1,485,856**	**3,697,273**

Maximum exposure to credit risk before collateral held

	2022	2021
	Frw'000	**Frw'000**
Balances with National Bank of Rwanda	11,462,522	11,462,522
Current accounts and placements with other banks	13,710,767	13,710,767
Loans and advances to customers	151,926,410	151,926,410
Government securities at amortized cost	100,993,916	100,993,916
Other assets	8,340,574	8,340,574
Non-Current Assets held for sale		
Credit risk exposures relating to off-balance sheet items:		
- Acceptances and letters of credit	2,699,241	2,699,241
- Guarantees	10,206,120	10,206,120
	299,339,550	**299,339,550**

The above table represents a worst-case scenario of credit risk exposure to the Bank as at 31 December 2022 and 2021, 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.

Loans and advances are summarized as follows:	**2022**	**2021**
	Frw'000	**Frw'000**
Stage 1	111,232,347	120,352,242
Stage 2	32,247,275	57,565,959
Stage 3	8,446,789	4,570,100
Gross loans before fair value and Interest in suspense	**151,926,410**	**182,488,301**
Fair value adjustment on low interest loans	(5,431,193)	(4,801,476)
Gross loans After fair value and Interest in suspense	**146,495,217**	**177,686,825**
Less: provision for impairment of loans and advances		
Expected credit losses	(6,586,764)	(3,697,273)
Net loans	**139,908,453**	**173,989,552**

Notes to the Financial Statements - Continued

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Credit risk (continued)

4.1.8 Loss allowance (continued)

No other financial assets are either past due or impaired.

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:

	2022	2021
	Frw'000	Frw'000
Normal loans (0-30 days)	111,232,347	120,352,242

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 impaired were as follows:

	2022	2021
	Frw'000	Frw'000
Past due 31 – 90 days	32,247,275	57,565,959

Loans and advances individually impaired

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

	2022	2021
	Frw'000	Frw'000
Individually assessed impaired loans and advances	8,446,789	4,570,100

	2022	2021
	Frw'000	Frw'000
Fair value of collateral held (for NPL)	14,730,904	18,257,443

(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 maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(ii) Risk limit control and mitigation policies

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

Limits on the level of credit risk by product, and industry sector are approved annually by the Board of Directors. The Board of Directors also 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 2022 was Frw 815 million. The total amount written off includes suspended interest Frw 413.6 million 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.

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.

Notes to the Financial Statements - Continued

4. FINANCIAL RISK MANAGEMENT (continued)

4.1 Credit risk (continued)

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-22		31-Dec-21	
	Frw'000	**%age**	**Frw'000**	**%age**
Large corporate	84,817,655	55.83%	113,256,056	62.1%
SMEs	43,411,196	28.57%	35,713,804	**19.6%**
Retail Banking	23,697,559	15.60%	33,518,441	**18.4%**
Gross loans	**151,926,410**	**100%**	**182,488,301**	**100%**

4.2 Liquidity risk

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

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

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

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

liquidity Sensitivity

At 31 December 2022	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	83,329,749	45,714,437	27,397,005.27	32,090,304	1,619,464	**190,150,960**
Deposits from other banks	7,865,268	7,538,268	18,270,969	5,653,701	12,493,948	**51,822,635**
Other liabilities	-	-	3,090,410	3,090,410	-	**6,180,820**
A. Cash Outflows from Liabilities	**91,195,017**	**53,252,705**	**48,758,384**	**40,834,415**	**14,113,412**	**248,154,415**
Assets						
Cash and balances with balances with National Bank of Rwanda	17,868,526	-	-	-	-	**17,868,526**
Amounts due from other banks	13,710,767	-	-	-	-	**13,710,767**
Loans and advances to customers	3,343,897	7,810,675	40,413,864	86,596,164	58,661,091	**196,825,690**
Government securi-ties held to maturity	-	4,913,921	7,046,543	25,469,542	63,248,472	**100,678,478**
Other assets	4,339,687	1,084,922	2,169,844	8,679,375	5,424,609	**21,698,437**
B. Cash Inflows from Assets	41,014,159	17,784,021	67,930,286	167,098,134	196,863,752	**350,781,899**
Off Balance sheet Commitments						
LC/Guarantees given	2,324,528	1,753,556	8,719,530	-	-	**12,797,615**
C. Cash flows from Off Balance Sheet Commitments	2,324,528	1,753,556	8,719,530	-	-	**12,797,615**
Net liquidity gap	(50,180,858)	(35,468,683)	19,171,901	114,117,623	194,895,953	**102,627,483**
NET ADJUSTED MISMATCH	(47,856,329)	(33,715,128)	27,891,432	114,117,623	194,895,953	**115,425,098**

Notes to the Financial Statements - Continued

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Liquidity risk (continued)

liquidity Sensitivity

At 31 December 2021	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	68,119,350	29,001,804	63,724,102	28,873,767	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**
A. Cash Outflows from 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	123,206,350.00	**251,672,454**
Government securities 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**
B. Cash Inflows from Assets	42,116,004	9,845,004	61,244,446	88,921,662	160,162,338	**362,289,454**
Off Balance sheet Commitments						
LC/Guarantees given	2,042,671	1,541,641	7,659,853	-	-	**11,244,165**
C. Cash flows from Off Balance Sheet Commitments	**2,042,671**	**1,541,641**	**7,659,853**	**-**	**-**	**11,244,165**
Net liquidity gap	**(29,153,964)**	**(21,200,321)**	**(47,753,691)**	**59,338,345**	**147,934,287**	**109,164,656**
NET ADJUSTED MISMATCH	**(27,111,293)**	**(19,658,680)**	**(40,093,838)**	**59,338,345**	**147,934,287**	**120,408,822**

The Bank manages short term liquidity gaps through short term lending from other Banks or overnight from Central Bank. Negative liquidity gap is due high non-maturity funds that are categorised as short term due to their nature while looking at behaviour of customer Demand and Saving deposits are stable. Bank is in process to acquire an ALM tool that will help to analyse customer behaviour which will improve the categorisation the real mismatch maturities into Banks funding's.

4.3 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 2022	**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	24,998,925	13,714,331	8,219,102	9,627,091	485,839	57,045,288
Deposits from other banks	6,188,905	5,861,905	18,270,969	17,799,797	348,334	48,469,909
Total financial liabilities	31,187,829	19,576,236	26,490,071	27,426,888	834,173	**105,515,197**
Assets						**-**
Placements with other banks	13,710,767	-	-	-	-	13,710,767
Loans and advances to customers	1,751,282	3,974,504	18,300,036	46,353,053	69,529,579	139,908,453
Government securities held to maturity	-	4,913,921	7,046,543	25,469,542	63,248,472	100,678,479
Total financial assets	**15,462,049**	**8,888,425**	**25,346,578**	**71,822,595**	**132,778,051**	**254,297,698**
Off Balance sheet Commitments						
LC/Guarantees given	2,324,528	1,753,556	8,719,530	-	-	**12,797,615**
C. Cashflows from Off Balance Sheet Commitments	**2,324,528**	**1,753,556**	**8,719,530**	**-**	**-**	**12,797,615**
Interest sensitivity gap	**(15,725,780)**	**(10,687,811)**	**(1,143,493)**	**44,395,707**	**131,943,878**	**148,782,501**
NET ADJUSTED MISMATCH	**(13,401,252)**	**(8,934,255)**	**7,576,038**	**44,395,707**	**131,943,878**	**161,580,116**

Notes to the Financial Statements - Continued

4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

(i) Interest risk (continued)

Interest rate risk 2021	**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	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 held to maturity	-	492,458	7,196,035	20,622,998	33,543,816	**61,855,307**
Total financial assets	**9,181,060**	**4,363,961**	**10,934,664**	**85,502,342**	**130,862,832**	**240,844,859**
Off Balance sheet Commitments						
LC/Guarantees given	2,042,671	1,541,641	7,659,853	-	-	**11,244,165**
C. Cashflows from Off Balance Sheet Commitments	**2,042,671**	**1,541,641**	**7,659,853**			**11,244,165**
Interest sensitivity gap	**(5,893,810)**	**(25,951,514)**	**(87,597,312)**	**81,091,852**	**119,987,822**	**81,637,039**
NET ADJUSTED MISMATCH	**(3,851,139)**	**(24,409,872)**	**(79,937,459)**	**81,091,852**	**119,987,822**	**92,881,204**

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 2022	**Outcome**
In case avarege cost of funds increases by 1% (100 basis point) i.e., from 3.9% to 4.9%	Extra interest expenses we would pay is Frw 2.608Bn i.e., 1.826 Bn net cost
- Assume this increase is on the average of 12 months' total borrowings.	YTD profit would decrease from Frw 9.05 Bn to Frw 7.23Bn
In case avarege cost of funds increases by 5% i.e., from 3.9% to 4.4%	Extra interest expenses we would pay is Frw 1.304Bn i.e., Frw 913Mn
	YTD profit would decrease from Frw 9.05Bn to Frw 8.143Bn

Impact of interest rate sensitivity on P&L 2021	**Outcome**
In case avarege 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 2.37Bn 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
In case avarege cost of funds increases by 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 5.007 Bn to Frw 4.176Bn

(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 2022 and 2021. Included in the table are the Bank's financial instruments, categorised by currency:

Notes to the Financial Statements - Continued

4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

(i) Interest risk (continued)

At 31 December 2021	USD Frw '000	EUR Frw '000	GBP Frw '000	UGX Frw '000	Total Frw '000
Assets					
Cash and balances with BNR	3,391,106	1,871,123	1,871,123	0	**7,133,352**
Placements with other banks	6,219,389	3,442,513	39,972	0	**9,701,874**
Loans and advances to customers	11,458,219	3,782	478	0	**11,462,479**
Others assets	362,198	0	0	0	**362,198**
Total assets	**21,430,912**	**5,317,418**	**1,911,573**	**0**	**28,659,902**
Liabilities					
Customer deposits	28,323,683	5,129,014	35,938	0	**33,488,635**
Others liabilities	1,205,652	35	0	0	**1,205,687**
Total liabilities	**29,529,335**	**5,129,049**	**35,938**	**0**	**34,694,322**
Net on-balance sheet position	**(8,098,423)**	**188,368**	**1,875,635**	**0**	**(6,034,420)**

At 31 December 2021	USD Frw '000	EUR Frw '000	GBP Frw '000	UGX Frw '000	Total 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)**

Impact of Exchange sensitivity on P&L	Outcome
- Exchange rate increasing by 1% **- 31 December position was short of 14.68%** - Absolute amount is FRW 5.717 billion = $5.3 million - Exchange middle rate 1,070.71 - increase, raises the rate to 1081.42	• Extra exchange net loss would be Frw 40 million • YTD profit would decrease from Frw 9.056 billion to Frw 9.016 billion
-Exchange rate increasing by 5% -5% increase, raises the rate to 1124.25	• Extra exchange net loss would be Frw 200.1 Million • YTD profit would decrease from Frw 9.056 billion to Frw 8.856 billion

(iii) Financial instruments by category

At 31 December 2022	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	-	-	-	-	17,868,526	17,868,526
Amounts due from other banks	-	-	-	-	13,710,767	13,710,767
Government securities at amortised cost	-	-	-	-	100,678,478	100,678,478
Loans and advances to customers	-	-	-	-	139,908,453	139,908,453
Other assets	-	-	-	-	9,697,429	9,697,429
Total Financial Assets	-	-	-	-	**281,863,653**	**281,863,653**
Customer deposits	-	-	-	-	188,317,918	188,317,918
Deposits from other banks	-	-	-	-	39,193,170	39,193,170
Export Growth Facility from BRD	-	-	-	-	4,010,630	4,010,630
Economic Recovery Fund	-	-	-	-	8,483,318	8,483,318
Other liabilities	-	-	-	-	5,214,609	5,214,609
Total Financial Liabilities	-	-	-	-	**245,219,645**	**245,219,645**

Notes to the Financial Statements - Continued

4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

(iii) Financial instruments by category (continued)

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**

(iv) 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.

2022	**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	-	17,868,526	-	17,868,526
Amounts due from other banks	-	13,710,767	-	13,710,767
Government securities and other bonds	-	100,678,479	-	100,678,479
Loans and advances to customers	-	139,908,453	-	139,908,453
Other assets	-	9,194,801	-	9,194,801
Total financial assets	**-**	**281,361,025**	**-**	**281,361,025**

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**

Notes to the Financial Statements - Continued

4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

(iv) Valuation hierarchy (continued)

2022	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	-	187,463,692	-	-	187,463,692
Deposits from other banks	-	51,687,118	-	-	51,687,118
Other liabilities	-	3,968,017	-	-	3,968,017
Total financial liabilities	**-**	**243,118,827**	**-**	**-**	**243,118,827**

2021					
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**

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.

	2022	2021
	Frw'000	**Frw'000**
Ordinary share capital	20,000,000	6,985,000
Share premium	1,373,437	1,373,437
Reserves:		
Retained earnings	16,920,864	25,730,020
Profit for the year (50%)	4,528,438	2,503,591
Total tier 1 capital	**42,822,739**	**36,592,048**
Regulatory adjustments applied in the calculation of CET1 Capital	(1,084,803)	(1,102,660)
Total Tier 1 Capital	**41,737,936**	**35,489,389**
Loan/financing loss provision (include Max 1.25% of RWA)	1,192,865	2,266,741
Total Capital	**42,930,801**	**37,756,130**
Risk-weighted assets	166,700,832	185,352,397
Capital adequacy ratio (Tier 1)	**25.04%**	**19.15%**
Capital adequacy ratio (Total capital)	**25.75%**	**20.37%**

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 25.75% against 15% required.

6. INTEREST INCOME

	2022	2021
	Frw'000	**Frw'000**
Loans and advances	26,674,442	26,699,264
Credit related fees and commissions	1,529,046	1,672,797
Government securities	8,533,795	6,245,139
Placements with other banks	920,818	244,934
	37,658,101	**34,862,134**

7. INTEREST EXPENSE

	2022	2022
	Frw'000	**Frw'000**
Customer deposits	(6,168,518)	(6,876,885)
Placements from other banks	(4,285,976)	(3,829,202)
	(10,454,494)	**(10,706,087)**

Notes to the Financial Statements - Continued

8. FEES AND COMMISSIONS

(a) Fee and commission income	2022	2021
	Frw'000	Frw'000
Current account ledger fees	478,383	523,484
Local and international cash transfers	519,730	541,337
EMP fees & MasterCard	222,672	182,831
Other Electronic banking product	213,390	337,367
Other fees and commissions	334,033	275,136
	1,768,208	**1,860,155**
(b) Fee and commission expense		
EMP fees & MasterCard	(958,567)	(646,970)
Other Electronic banking product	(181,783)	(138,521)
Fees on Cheque book request	(87,966)	(87,431)
Fees on bank agent	(324,887)	(93,274)
	(1,553,204)	**(966,196)**
Net fee and commission income	**215,004**	**893,959**

9. (a) Other operating income

	2022	2021
	Frw'000	Frw'000
Rental income	418,194	439,745
Other incomes	154,072	223,334
	572,267	**663,079**

The recoveries on written off loans was significantly supported the bank's performance mainly due to few loan that where recovered through auction.

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

	2022	2021
	Frw'000	Frw'000
Gain on fair value on restructured loans	203,063	(256,991)
Release of loan modification gain	(695,215)	(28,208)
	(492,152)	**(285,200)**

During 2022, 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 2022.

10. FOREIGN EXCHANGE INCOME

	2022	2021
	Frw'000	**Frw'000**
Net Gain on USD	300,019	840,206
Net Gain on EUR	391,940	317,433
Net Gain on GBP	22,805	34,331
Net Gain on UGS	10	52
	714,774	**1,192,023**

11. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2022	2021
	Frw'000	**Frw'000**
Impairment on loans and advances	(12,043,970)	(9,261,202)
Reductions in provisions due to improvement in performance status	8,754,235	3,734,543
Recoveries on amounts previously written off	3,131,098	753,438
Net Credit Loss on loans and advances	**(158,638)**	**(4,773,221)**
Impairment of off-balance sheet items and other assets	(1,383)	-
Net Credit Loss on credit related item	**(160,021)**	**(4,773,221)**
Impairment on Government Securities	(166,629)	(177,505.72)
Total Impairments losses of financial assets	**(326,650)**	**(4,950,727)**

The recoveries on written off loans significantly supported the bank's performance during the period.

Notes to the Financial Statements - Continued

12. EMPLOYEE BENEFITS

	2022	2021
	Frw'000	**Frw'000**
Salary and wages	5,810,634	5,409,006
Contribution to staff solidarity fund	89,608	50,000
Employer's contributions to RSSB	285,416	261,737
Mileage allowances	70,338	71,428
Other personnel costs	197,212	6,635
Other staff allowances	197,246	142,764
Staff leave entitlement	41,056	41,300
Staff life insurance	431,806	380,266
Staff loan discount	0	(11,634)
Staff meals	222,727	150,298
Staff medical costs	236,951	239,895
Training costs	56,196	7,849
	7,639,190	**6,749,545**

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 2022, 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 Plc 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 171.9 million and this will be unwound over the tenure of these staff loans.

13. DEPRECIATION AND AMORTIZATION

	2022	2021
	Frw'000	**Frw'000**
Amortization of intangible assets (Note 25)	(232,932)	(336,663)
Depreciation charge on property and equipment (Note 26(a))	(1,233,115)	(1,339,066)
Depreciation on Investment property (Note 26(b))	(37,761)	(57,129)
Depreciation of finance lease right-of-use asset	(526,426)	(502,187)
	(2,030,233)	**(2,235,045)**

14. OTHER OPERATING EXPENSES

	2022	2021
	Frw'000	Frw'000
Advertising costs	(360,288)	(350,574)
ATM maintenance costs	(93,748)	(93,734)
BNR supervision fees	(104,361)	(102,020)
Cash in transit expense	(340,524)	(226,577)
Cleaning expenses	(98,919)	(83,111)
Directors' fees and allowances	(410,457)	(372,167)
District (decentralized) taxes	(86,627)	(66,675)
Donations and gifts	(35,275)	(7,050)
Equipment repairs and maintenance costs	(403,634)	(399,046)
Fines and penalties	(54,859)	(118,770)
Fuel and oil costs	(56,746)	(41,854)
Provisions on contingent liabilities	(144,779)	(113,074)
Impairement on operational risk	(172,863)	(178,018)
Impairment on other assets	-	(184,000)
Insurance expenses	(231,241)	(207,013)
Mission expenses	(63,031)	(29,561)
Other administrative expenses	(233,814)	(277,911)
Other banking expense	(78,444)	(45,871)
Other board expenses	(66,744)	(41,675)
Printing and office supplies	(132,563)	(92,867)
Professional fees	(508,173)	(212,002)
Reuters fees	(33,983)	(31,360)
Rental costs	(13,646)	(25,857)
Security costs	(251,597)	(382,597)
Swift fees and leased line	(336,283)	(330,659)
Telephone call fees	(119,681)	(130,948)
Temporary staff payment	(59,998)	(28,951)
Vehicle maintenance cost	(34,266)	(20,847)
Water and electricity	(336,807)	(359,681)
	(4,863,351)	**(4,554,469)**

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 144.7 million.

Notes to the Financial Statements - Continued

15. LEASE RELATED EXPENSES

	2022	2021
	Frw'000	Frw'000
Interest expense on lease liabilities	(108,312)	(189,884)
Depreciation expense on right-of-use assets	(526,426)	(502,187)
	(634,738)	**(692,070)**

16. INCOME TAX EXPENSE

a) Income tax expense	2022	2021
	Frw'000	Frw'000
Current income tax expense	4,437,221	3,197,732
Deferred income tax credit (Note 16 (b))	(248,334)	(264,674)
	4,188,887	**2,933,058**

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 Tax rate	2022 Frw'000	2021 Frw'000
Profit before income tax		**13,245,763**	**7,940,241**
Tax calculation at the statory income tax rate of 30%	30%	(3,973,729)	(2,382,072)
Tax effect of :			
Expenses not deductible for tax purposes	12.1%	(480,586)	(837,530)
Income not subjected to tax	(0.4%)	17,094	21,870
Prior year under/overprovision		-	-
Total income tax expense and effective tax	(33%)	**(4,437,221)**	**(3,197,732)**

17. CASH AND BALANCES WITH NATIONAL BANK OF RWANDA

	2022	2021
	Frw'000	Frw'000
Cash in hand	6,406,004	9,102,837
Balances with the National Bank of Rwanda (BNR):		
- Cash reserve ratio	9,911,075	9,874,370
- Other current accounts	1,551,447	1,872,373
Total balances with BNR	**11,462,522**	**11,746,743**
Total cash and balance with BNR	**17,868,526**	**20,849,580**

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:

	2022	2021
	Frw'000	**Frw'000**
Cash in hand	6,406,004	9,102,837
Balances with the National Bank of Rwanda	1,551,447	1,872,373
Due from banks	13,710,767	14,070,053
3 months treasury bills (Note 19)	(4,854,558)	(4,718,681)
	16,813,661	**20,326,582**

Due to comply with BNR reserve requirement the 5% 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 5% of the average outstanding customer deposits over a cash reserve cycle period of one month.

18. AMOUNTS DUE FROM OTHER BANKS

	2022	2021
	Frw'000	**Frw'000**
Current accounts with other banks	9,139,542	9,068,201
Placements with other banks	4,571,225	5,001,852
	13,710,767	**14,070,053**

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

19. GOVERNMENT SECURITIES AT AMORTISED COST

	2022	2021
	Frw'000	**Frw'000**
Treasury bills issued by the Government of Rwanda	7,877,934	7,087,402
Treasury bonds issued by the Government of Rwanda	93,115,982	54,945,410
Expected credit losses	(315,438)	(177,506)
	100,678,478	**61,855,306**
At 31 December:		
Treasury bills maturing:		
- within 91 days from date of acquisition	4,911,771	491,517
- 91 days and above from date of acquisition	2,940,054	6,575,879
	7,851,825	**7,067,396**
Treasury bonds maturing:		
- Less than 1 year T-bonds issued by the Government of Rwanda	4,103,393	609,117
- 1 year and above T-bonds issued by the Government of Rwanda	88,723,260	54,178,793
	92,826,653	**54,787,910**
	100,678,478	**61,855,306**

Notes to the Financial Statements - Continued

19. GOVERNMENT SECURITIES AT AMORTISED COST (continued)

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 2022 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 0.62%. 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 55% as per S&P.

20. (A) LOANS AND ADVANCES TO CUSTOMERS

	2022	2021
	Frw'000	**Frw'000**
Mortgage loans	59,002,594	97,023,837
Equipment loans	24,302,656	14,444,806
Consumer loans	5,777,331	5,359,399
Treasury loan	45,177,648	42,416,227
Other loans and advances	12,234,988	18,442,556
Gross loans and advances	**146,495,217**	**177,686,825**
Allowance for Impairments	(6,586,764)	(3,697,273)
Gross loans and advances	**139,908,453**	**173,989,552**

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

20. (B) MOVEMENTS IN PROVISIONS FOR IMPAIRMENT OF LOANS AND ADVANCES ARE AS FOLLOWS

	2022	2021
	Frw'000	**Frw'000**
At start of year	3,697,273	8,267,043
Additional provision (Note 12)	12,045,294	9,261,197
Recoveries on provisions (Note 12)	(8,754,235)	(3,734,543)
Written offs	(401,568)	(10,096,424)
At end of year	**6,586,765**	**3,697,273**

Detailed disclosure of IFRS 9 impairment per Stage is documented under Note 4 (a). The total amount written off was 875 million but the cumulative impact on profit and loss was 401 million of principal amount and 413 million 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. RIGHT-OF-USE ASSETS

	2022	2021
	Frw'000	Frw'000
Balance as at 1 January, 2022	1,029,054	1,531,241
Depreciation charge	(526,426)	(502,187)
Balance as at 31 December, 2022	**502,628**	**1,029,054**

There were no additions to the right of use assets during the year. The Bank does not have any right-of-use assets that would meet the definition of investment property. Extension options are included in a number of property leases. These terms are used to maximize operational flexibility in terms of managing contracts. Most of the extension and termination options held are exercisable only by the Bank and not by the respective lessor.

Discount rate

The single incremental borrowing cost of 11.15% to all branches and head office lease over the remaining lease term.

22. OTHER ASSETS

	2022	2021
	Frw'000	Frw'000
Cheque clearing accounts	26,402	91,789
Office consumable	123,437	285,222
Due from government	468,345	42,604
Prepayments	225,964	158,900
Due from personnel	15,302	7,213
E-Banking product	2,393,779	446,127
Others	806,481	428,558
Prepayments of ERF and Staff loans that were given at lower rates	5,135,089	5,027,912
	9,194,800	**6,488,325**

	core banking system	Other software	Work in progress	Total
	Frw'000	Frw'000	Frw'000	Frw'000
Net book value at 1 January 2022	76,926	431,304	594,430	1,102,660
Additions	36,064	0	217,273	253,337
Transfers from WIP	122,592	0	(160,854)	(38,262)
Amortization charge	(71,982)	(160,950)	0	(232,932)
Net book value at 31 Decem-ber 2022	**163,600**	**270,354**	**650,848**	**1,084,803**
At 31 December 2022:				
Cost	1,448,349	1,591,682	650,848	3,690,880
Accumulated amortization	(1,443,405)	(1,162,672)	0	(2,606,077)
Net book amount	**4,944**	**429,011**	**650,848**	**1,084,803**

Notes to the Financial Statements - Continued

23. INTANGIBLE ASSETS (continued)

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 2023.

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**

Intangible assets relate to core Banking software and other applications

24. (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 2022						
Opening net book amount	**7,887,471**	**748,387**	**166,068**	**251,103**	**99,228**	**9,152,256**
Additions	51,920	136,657	-	80,667	142,991	412,235
Transfer from WIP	-	-	-	-	-	-
Transfer from Property Investment	879,237	-	-	-	-	879,237
Depreciation	(531,154)	(481,549)	(82,489)	(175,683)	0	(1,270,876)
Transfer from Property Investment	37,761					37,761
Closing net book amount	**8,325,235**	**403,495**	**83,578**	**156,086**	**242,220**	**9,210,613**
As at 31 December 2022						
Cost or valuation	11,613,594	4,848,212	900,231	1,461,832	242,220	19,066,088
Accumulated Depreciation	(3,288,359)	(4,444,717)	(816,652)	(1,305,746)	-	(9,855,474)
Net book Value	**8,325,235**	**403,495**	**83,578**	**156,086**	**242,220**	**9,210,613**

	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**

25. INVESTMENT PROPERTY

	2022	2021
	Frw'000	Frw'000
As at January 2022		
Opening net book amount	2,622,547	2,679,676
Transfer to Fixed Assets	(879,237)	-
Depreciation	(37,761)	(57,129)
Closing net book amount	**1,705,549**	**2,622,547**
As at 31 December 2022		
Cost or valuation	1,888,024	2,892,330
Accumulated Depreciation	(182,475)	(269,783)
Net book Value	**1,705,549**	**2,622,547**

Investment property value was determined basing on the space for tenant. The total building has 17,157 square meter and the space to be rented valued at 3,814 square meter which represents 22.23%.

Notes to the Financial Statements - Continued

25. INVESTMENT PROPERTY (continued)

(i) Amounts recognized in the statement of profit or loss

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

	2022	2021
	Frw'000	Frw'000
Rental income from operating leases	308,519	202,183
Depreciation charge of investment properties	37,761	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.

27. CUSTOMER DEPOSITS

	2022	2021
	Frw'000	Frw'000
Current and demand deposits	139,801,514	114,792,685
Term deposits	25,517,250	50,828,429
Savings accounts & others	22,999,154	23,494,154
	188,317,918	**189,115,267**

28. DEPOSITS FROM OTHER BANKS AND OTHER FACILITIES

	2022	2021
	Frw'000	Frw'000
Deposits from other Banks	4,854,558	5,211,139
Deposits from SACCOs	34,338,612	40,950,422
Total financial institution deposits	**39,193,170**	**46,161,562**

29. BORROWINGS FROM NON-COMMERCIAL BANKS

	2022	2021
	Frw'000	Frw'000
Export growth facility from BRD	4,010,630	2,003,616
Government of Rwanda through BNR	9,109,432	8,921,394
Government grant	(2,030,948)	(1,958,034)
Amount paid during the period	(965,527)	(19,390)
Accrual payable interests	613,012	257,632
	10,736,599	**9,205,218**

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

	2022	2021
	Frw'000	Frw'000
ERF Loan advanced by BNR	9,109,432	8,921,394
Fair value of the loan on initial recognition	(7,200,277)	(6,963,360)
Unwind government grant	(151,806)	(121,743)
Government grant	**1,757,349**	**1,836,291**

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	2022	2021
	Frw'000	Frw'000
Balances due from other banks	39,193,170	46,161,562
Long term debt	10,736,599	9,205,218
Lease liabilities	621,664	1,202,463
Government grant	1,757,349	1,836,291
Net debt	**52,308,782**	**58,405,534**

Net debt as at 1 January 2022	**Borrowings**	**Cash and equivalents**	**Total**
	Frw'000	Frw'000	Frw'000
Cash flows	52,308,782	16,859,702	35,495,121
Net debt as at 31 December 2022	**52,308,782**	**16,859,702**	**35,495,121**
Cash flows	58,405,534	20,326,581	38,078,953
Net debt as at 31 December 2021	**58,405,534**	**20,326,581**	**38,078,953**

Notes to the Financial Statements - Continued

31. CURRENT INCOME TAX

	2022	2021
	Frw'000	Frw'000
At 1 January	425,624	25,674
Current income tax for the year	4,437,221	3,197,732
Tax paid during the year	(4,410,309)	(1,344,223)
Capital allowance	-	(1,453,559)
At 31 December	**880,321**	**425,624**

32. OTHER LIABILITIES

	2022	2021
	Frw'000	Frw'000
Cheque clearing accounts & Other	1,103,152	556,346
Spread interest	286,344	317,863
Capitalised interests and Commissions	257,714	813,334
Staff leave accruals	381,873	361,057
Target bonus	464,215	386,148
Bill payable	795,944	780,155
VAT collected payable	37,621	76,522
Withholding tax payable	86,256	95,123
PAYE payable	250,865	231,384
RSSB Contribution	68,870	61,299
Directors benefits and dividends	136,022	136,022
PAYE payable	137,785	-
Total other Liabilities	**4,006,662**	**3,815,253**

33. MOVEMENT IN PROVISIONS

	2022	2021
	Frw'000	Frw'000
Provisions for contingent liabilities as at 1 January	182,842	22,009
Additional provisions for contingent liabilities	144,784	160,828
IFRS 9 provision as at 31 December	-	5
Provisions for contingent liabilities as at 31 December	**327,626**	**182,842**

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 327.6 million.

34. LEASE LIABILITIES

	2022	2021
	Frw'000	Frw'000
Balance as at 1 January	1,202,463	1,701,692
Lease payment	(689,111)	(689,111)
Interest expense	108,312	189,882
Balance as at 31 December	**621,664**	**1,202,463**

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

(i) Amounts shown in the statement of financial position

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

Right-of-use assets:	2022	2021
	Frw'000	Frw'000
Buildings	502,628	1,029,054
Motor vehicles	-	-
	502,628	1,029,054

Lease liabilities	2022	2021
	Frw'000	Frw'000
Current	262,816	508,355
Non-current	358,848	694,107
	621,664	**1,202,462**

(iii) Amounts recognized in the statement of profit or loss

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

Lease liabilities	2022	2021
	Frw'000	Frw'000
Depreciation charge of right-of-use assets	526,426	502,187
Interest expense (included in interest expense)	108,312	223,738
Expense relating to short-term leases (included in administrative expenses)	-	-

The total cash outflow for leases in 2022 was Frw 680.9 million (2021: Frw 689.1 million).

Notes to the Financial Statements - Continued

(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 (vi) 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.

DEFERRED INCOME TAX LIABILITIES

	2022	2021
	Frw'000	Frw'000
At start of year	920,508	1,317,384
Capital Allowance	(248,335)	(264,674)
Other temporally differences	-	-
Adjustment credit tax	-	(132,202)
At end of year	**672,173**	**920,508**

Following the accelerated depreciation which was implemented by the Bank in the financial year 2018 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 920,508. In the year of 2022, the deferred tax liability was debited by Frw 248,335.

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

Year ended 31 December 2022:	**1-Jan**	**Credit to SOCI**	**31-Dec**
	Frw'000	**Frw'000**	**Frw'000**
Deferred income tax assets / (liability)			
Property, plant and equipment:	(300,330)	248,335	(548,665)
Capital allowance	1,353,040	-	1,353,040
Prior year understatement	(132,202)	-	(132,202)
Other deductible temporary differences	-	-	-
	920,508	**(264,674)**	**672,173**
Year ended 31 December 2021:			
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)
Other deductible temporary differences	-	-	-
	1,185,181	**(264,674)**	**920,508**

Notes to the Financial Statements - Continued

36. SHARE CAPITAL AND SHARE PREMIUM

a) Share capital

	2022	2021
	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	13,015,000	13,015,000
Balance at 31 December-22	**20,000,000**	**20,000,000**

The bonus shares issued on 31/12/2022 totalling to 130,150 shares were primarily to enable the bank comply with minimum capital requirement.

The shareholding structure of the bank is as follows:

	No. of Shares	Share Bonus	Total No. of Shares	%	Price/ Share	Share Capital
Individual shareholders	14,494	27,006	41,500	20.75%	100,000	4,150,036
Gouvernement of Rwanda	29,106	54,233	83,339	41.67%	100,000	8,333,858
Rwanda Social Security Board (RSSB)	21,375	39,828	61,203	30.60%	100,000	6,120,258
Sanlam Vie Assurance Rwanda Ltd	4,875	9,083	13,958	6.98%	100,000	1,395,848
TOTAL	**69,850**	**130,150**	**200,000**	**100%**	**100,000**	**20,000,000**

The total number of ordinary shares is 200,000 with a par value of Frw 100,000. They are all fully paid for, and as elaborated above, some were paid for through issuance of bonus shares while other by cash.

The holders of Ordinary shares are entitled to dividends when declared; and one vote per share during the 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 2022; movement was nil.

c) Retained earnings

	2022	2021
	Frw'000	**Frw'000**
At start of the year	24,928,683	24,928,683
Share bonus	(13,015,000)	-
Profit and total comprehensive income for the year	9,056,877	5,007,183
At year end	**25,977,743**	**29,935,866**

d) Proposed dividends

The directors proposed to pay out Frw 3 billion represents 33% of the 2022 annual profit as dividends to the shareholders.

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:

	2022	2021
	Frw'000	Frw'000
Deposits from senior management	230,189	258,254
Deposits from directors	14,093	65,447
Shareholders and other related parties	18,588,438	46,681,468
Cash collateral (deposits)	-	23,705
	18,878,438	**47,228,874**

(a) Deposits from related parties
During the year ended 31 December 2022, the Bank paid Frw 4.21 billion (2021: 3.895 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. Other 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	10,873,780	2,739,199
RSSB	Shareholders	RSSB-MEDICAL	6,162,962	1,508,798
Celestin RUZINDANA	Shareholders	RUZINDANA CELESTIN	484,417	-
Victor UWIMANA	Shareholders	VICTOR NDUWUMWAMI UWIMANA	18,204	-
Succ. NKULIKIYIMFURA	Shareholders	NKULIKIYIMFURA SILIDION/ UMULISA NKULIKIYIMFURA XA	298,290	1,898
Joseph NSENGIMANA	Shareholders	JOSEPH NSENGIMANA	61,724	-
Aloys KABERUKA	Shareholders	KABERUKA ALOYS	116,663	-
Oreste INCIMATATA	Shareholders	ORESTE INCIMATATA	226,185	-
Prosper HIGIRO	Shareholders	PROSPER HIGIRO	63,508	-
Jean Marie KAREKIZI	Shareholders	JEAN MARIE KAREKEZI	69,054	-
SAHAM Assurance vie Rwanda	Shareholders	SORAS VIE	50,740	-
Judith MUGIRASONI	Shareholders	AMEGERWA " BRIQUETTERIE"	99,630	-
Philippe MURANGIRA	Shareholders	MURANGIRA PHILIPP	385	-
Jacques RUSIRARE	Shareholders	RUSIRARE JACQUES	36,638	-

Notes to the Financial Statements - Continued

37. RELATED PARTY TRANSACTIONS (continued)

(a) Deposits from related parties (continued)

Shareholders & Board Directors	Relationship with COGEBANQUE	Affiliated entity	Deposits balance Frw '000	Interest Expenses
Raphael RUKERIKIBAYE	Shareholders	RUKERIKIBAYE RAPHAEL	23	-
SAHAM Assurance vie Rwanda	Shareholders	GEMECA PETROLEUM LTD	7	-
Eduard RUTERANA	Shareholders	EDOUARD RUTERANA	15,602	-
Narcisse KALINIJABO	Shareholders	NARCISSE KALINIJABO	361	-
Jean Damascene RURANGIRWA	Shareholders	JEAN DAMASCENE RURANGIRWA	1,037	-
Judith MUGIRASONI	Shareholders	MAKUZA IRENE	1,805	-
Jean Bosco MUTANGANA	Shareholders	KARONGI TEA FACTORY	1,526	-
Dismas NYAGATARE	Shareholders	DISMAS NYAGATARE	1,061	-
Dismas NYAGATARE	Shareholders	JEAN LUC NYAGATARE	89	-
Etienne GAKWAYA	Shareholders	GAKWAYA ETIENNE	28	-
Judith MUGIRASONI	Shareholders	TOP LEX MARK	4,282	-
Judith MUGIRASONI	Shareholders	MAKUZA YVONNE	3	17
			18,588,004	**4,249,912**

(b) Loans and advances to related parties

	2022	2021
	Frw'000	**Frw'000**
Loans and advances to senior management	4,648,722	4,128,572
Loans and advances to shareholders, directors and their related companies	2,136,513	6,250,360
	6,785,235	**10,378,932**

Loans and advances to staff were issued at an interest rate of between 6% and 9% and were all performing as at 31 December 2022. 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 2022.

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:

	2022	2021
	Frw'000	**Frw'000**
On balance sheet	2,078,273	4,557,215
Off balance sheet	58,240	1,693,145
	2,136,513	**6,250,360**

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 2022	Loan balance Frw '000 2021
Egide GATERA	Shareholders	SOCIETE PETROLIERE LTD	N/A	2,160,357
Egide GATERA	Shareholders	PETROCOM	N/A	1,506,774
Assinapol RWIGARA	Shareholders	PREMIER TOBACCO COMPANY LTD	-	625,047
Oreste INCIMATATA	Shareholders	INITIATIVES DON BOSCO ONG	1,057,423	552,432
Jean Baptiste MUTANGANA	Shareholders	KARONGI TEA FACTORY	486,509	543,625
Jean Baptiste MUTANGANA	Shareholders	SOCIETE RWANDAISE DE BATTERIES LTD	185,931	240,638
Egide GATERA	Shareholders	RWANDA MOUNTAIN TEA	N/A	109,366
Judith MUGIRASONI	Shareholders	RWANDA FOAM	240,008	108,945
Philip MURANGIRA	Shareholders	URBAN LEGAL COMPANY LTD	-	9,994
Prosper HIGIRO	Shareholders	ALLEANZA LTD	53,902	84,444
Eduard RUTERANA	Shareholders	EDOUARD RUTERANA	6,568	82,066
Judith MUGIRASONI	Shareholders	AMEGERWA "ATELIER"	51,530	51,530
Judith MUGIRASONI	Shareholders	MAKUZA YVONNE	38,097	41,936
Dismass NYAGATARE	Shareholders	AUTOREC MOTORS SARL	-	19,237
SAHAM Assurance vie Rwanda	Shareholders	SORAS VIE	-	11,092
Egide GATERA	Shareholders	MIG	N/A	7,878
Judith MUGIRASONI	Shareholders	MAKUZA IRENE	13,842	2,485
Judith MUGIRASONI	Shareholders	BERTIN MAKUZA	2,000	2,000
Assinapol RWIGARA	Shareholders	ASSINAPOL RWIGARA	703	495
Egide GATERA	Shareholders	SOCIETE PETROLIERE AVIATION (SP AVIATION) LTD	N/A	20
			2,136,513	**6,250,360**

The decrease of loans granted to shareholders in 2022, was due to some borrowers who ceased to be shareholders of the bank after selling their shares equivalent to 41.67% to the Government of Rwanda. These shareholders include GATERA Egide who had big loans and his related parties in 2021.

Notes to the Financial Statements - Continued

37. RELATED PARTY TRANSACTIONS (continued)

(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:

	2022 Frw'000	2021 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

	2022 Frw'000	2021 Frw'000
Sitting allowances	276,255	193,575
Other payments	136,202	136,021
	410,457	**329,596**

(e) Investment Securities with government of Rwanda

	2022		2021	
	Balance	**Interest income**	**Balance**	**Interest income**
Treasury Bills	7,851,825	650,440	7,067,396	809,230
Treasury Bonds	92,826,653	7,883,355	54,787,910	5,435,910
	100,678,478	**8,533,795**	**61,855,306**	**6,245,139**

The government of Rwanda became the effective controlling party just before the end of December 2022. The above are the investment done with the bank and the related interest income that was generated.

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

	2022 Frw'000	2021 Frw'000
Cash and balances with National Bank of Rwanda	17,868,526	20,849,580
Less: cash reserve requirement	(9,911,075)	(9,874,370)
	7,957,451	**10,975,209**
Balances with other banks	13,710,767	14,068,201
Deposits from other banks	(4,854,558)	(4,722,298)
	16,813,661	**20,326,581**

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 5 % 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.

	2022	2021
	Frw'000	Frw'000
Acceptances and letters of credit	2,699,241	2,373,641
Guarantees	10,206,120	8,920,867
	12,905,362	**11,294,508**

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 144 million of contingent liabilities for which no provision has been made in 2022. 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.

Notes to the Financial Statements - Continued

40. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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).

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 expired.

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.

Notes to the Financial Statements - Continued

40. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instruments (continued)

iv) Modifications of financial assets and financial liabilities (continued)

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.

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 f 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.

Notes to the Financial Statements - Continued

40. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instruments (continued)

vii) Impairment (continued)

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.

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.

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.

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:

Notes to the Financial Statements - Continued

40. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property and equipment (continued)

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.

(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 realized, 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.

Notes to the Financial Statements - Continued

40. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases (continued)

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

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 (2021: 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

During the time of Audit; the bank has acquired 2 guarantee pledged on written off loans through auction Equivalent 3.1 billion. The bank will keep the assets as held for sale in 2023 and continue to look for better buyers to reduce the loss on the total outstanding balance that has been written off.

Appendix 1: Statutory disclosures

Item		Amount in Frw'000 /Ration/Number				
I. Capital Strength						
1.	Core Capital (Tier 1)	41,737,937				
2.	Supplementary Capital (Tier 2)	1,192,865				
3.	Total Capital	42,930,802				
4.	Total risk weighted assets	166,700,832				
5.	Core capital/ Total risk weighted assets ratio (Tier 1 Ratio)	25.04%				
6.	Tier 2 Ratio	0.72%				
7.	Total Capital/Risk weighted assets Ratio	25.75%				
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;**	153,259,610				
2	**Average gross credit exposure, broken down by mojor types of credit exposure:**					
	a) Loans, commitments and other non-derivative off-balance sheets exposures;	183,496,564				
	b) debts securities	76,712,377				
	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;	13,181,876	924,570	285,000	466,904	746,294
	b) Consumer;	3,227,045	882,001	327,839	814,484	691,404
	c) Treasury;	36,571,967	2,880,725	1,758,519	2,918,201	1,518,289
	d) Mortgage;	52,244,462	3,893,272	1,141,542	3,421,924	1,032,325
	e) Equipment.	22,837,172	613,648	169,976	157,441	547,073
4	**Sector distribution of exposure, broken down by major types of credit exposure and aggregated in the following areas:**					
	a) Government;					-
	b) Agricultures;					28,515,054
	c) Mining;					1,750,283
	d) Manufacturing;					8,131,984
	e) Infrastructure and construction;					53,940,569
	f) Service and commerce					60,900,746
	g) Other					15,319
5	**Off-balance sheets items**					11,294,508

II. Credit Risk (Continued)				
6	**Non-Performing loans indicators**			
	a) Non-performing loans (NPL)			9,844,583
	b) NPL Ratio			5.9%
7	**Related parties**			
	a) Loans to directors, shareholders and subsidiaries			2,136,513
	b) Loans to employees			4,648,722
5	**Restructured Loans**			
	a) Number of Borrowers			323
	b) Amount outstanding (Frw"000")			50,224,056
7	c) Provisions thereon (Frw"000")			3,458,290
	d)Restructured Loans as % of Gross loans			32.7%
III. Liquidity Risk				
	a) Liquidity Coverage			
	High Quality Liquid Assets-HQLA			118,924,780
	Total deposit liabilities			235,280,445
	Liquidity Coverage ratio			213%
	b) Net stable Funding			
	Available Stable Funding (ASF)			295,111,417
	Required Stable Funding (RSF)			306,851,435
	NSFR ratio (NSFR)			145%

IV. Operational Market			
Number and types of frauds and their corresponding amount	**Types**	**Number**	**Amount**
	Theft	2	11,200
	-	-	-

V. Market Risk		
1	Interest rate risk	-
2	Equity position risk	-
3	Foreign exchange risk	738,687
VI. Country Risk		
1	Credit exposure abroad	-
2	Other assets held abroad	9,701,874
3	Liabilities to abroad	-
VII. Management and board composition		
1	Number of Board members	8
2	Number of independent directors	4
3	Number of non-independent directors	4
4	Number of female directors	3
5	Number of male directors	5
6	Number of Senior Managers	9
7	Number of females Senior Managers	1
8	Number of males senior Managers	8

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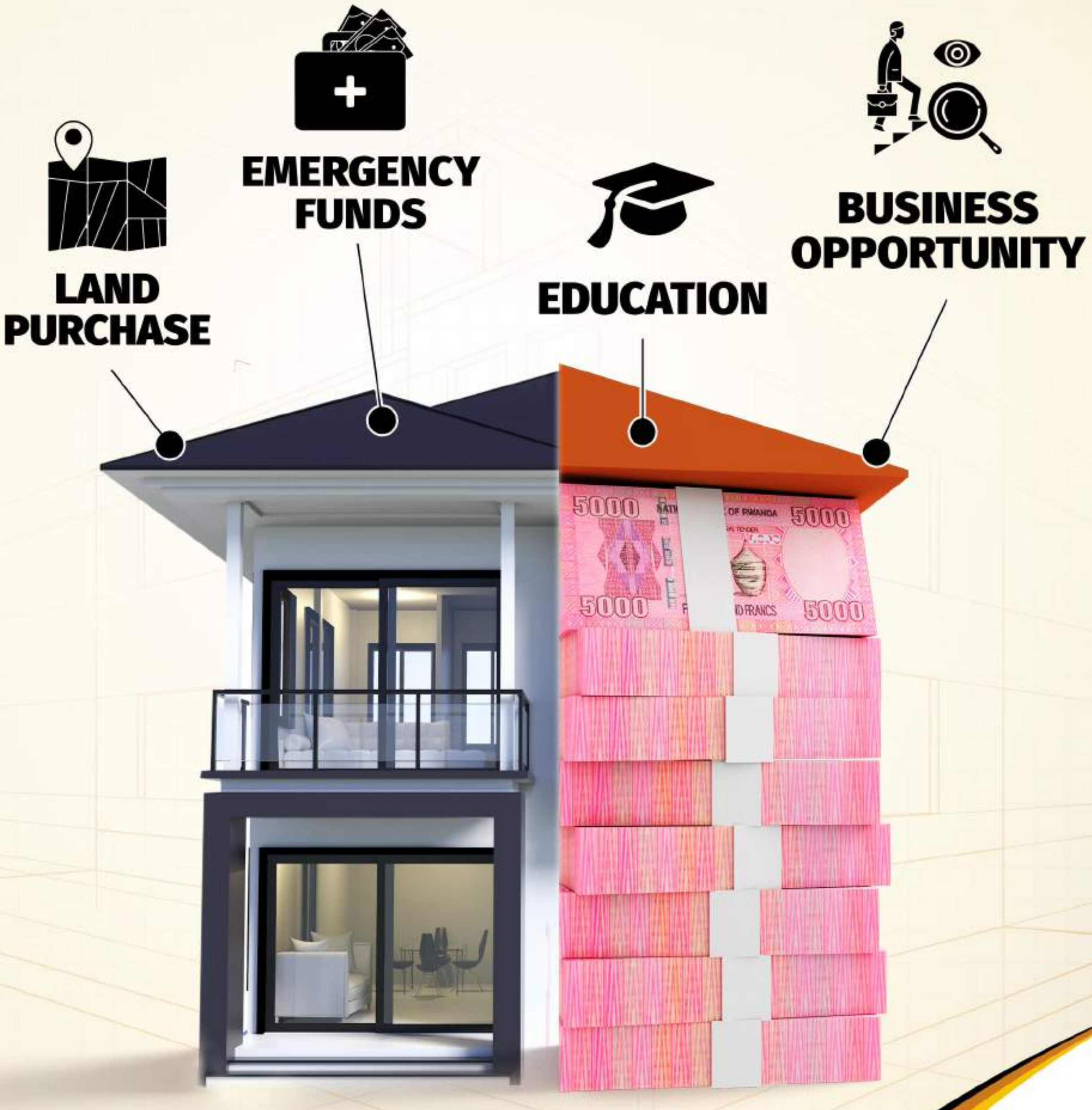

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