2021

INTEGRATED REPORT & FINANCIAL STATEMENTS

EQUITY

NAVIGATION

Our core values

- P Professionalism
- I Integrity
- C Creativity and innovation
- T Teamwork
- U Unity of purpose
- R Respect and dignity for the customer
- E Effective corporate governance

Navigating our report

- Online information
- Linked information
- Supplementary information

Our Capitals

- HC Human capital
- SRC Social and relationship capital
- MC Manufactured capital
- FC Financial capital
- NC Natural capital
- IC Intellectual capital

Our strategic focus areas

- FA1 Non-funded income growth
- FA2 Treasury efficiency
- FA3 Geographical expansion and business diversification
- FA4 Balance sheet efficiency, optimisation and agility
- FA5 Business transformation through innovation and digitisation
- FA6 Asset quality, distribution and risk mitigation
- FA7 Efficiency and cost optimisation
- FA8 Impact investment and social brand development

Our stakeholder groups

- S01 Shareholders and investors
- S02 Our customers
- S03 Our employees
- S04 Society and communities
- S05 Regulators and policy-makers

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ABOUT THIS REPORT

Our reporting scope and boundary

Our integrated report is the primary report to the stakeholders of Equity Bank Rwanda Plc, (the ''Bank'') a subsidiary of the Kenya-domiciled Equity Group Holdings Plc. It covers the financial year from 1 January 2021 to 31 December 2021. Our aim in this report is to inform our stakeholders of both our financial and non-financial activities and performance during the year. The report reflects our commitment to our Shareholders, customers, employees, and communities, and it describes our strategy and the way we implement it in order to create value for all our stakeholders.

In presenting the integrated thinking that we apply to our business activities, the report also demonstrates our commitment to the principles of integrated reporting as they align with long-term value creation and the role we play as a financial services organisation in society, in striving to live our purpose of moving Rwanda forward, with adherence to internationally accepted banking standards.

This report therefore outlines matters relating to our operating context, strategy, business model, performance, governance, and the material risks that we have identified in line with our responsible and transparent approach to control, compliance and governance. As such, the report serves as an explanation of the ways in which we create and deliver value in the short-, medium- and long-term, which we define as one year, two years, and five years and beyond, respectively.

Materiality

We consider a material matter to be any issue that has the capacity to affect the Bank's ability to create value. Through both research and analysis, and our engagement with stakeholders, we strive to identify the environmental, social and governance (ESG) issues that present significant risks, and or provide opportunities, to our business, and our ability to create and deliver value for our stakeholders. Our process of determining the material matters that pertain to our activities is thus central in guiding our decision-making, as it provides the basis for a broader understanding of the risks and opportunities inherent in our business while underpinning our strategy.

Key concepts

Defining values

Value creation is the consequence of how we apply and leverage our capitals to deliver financial performance (outcomes) and value (outcomes and outputs) for stakeholders while making trade-offs. Our value creation process is embedded in our purpose and is described as part of our business model and integrated into the way we think and make decisions.

Materiality and material matters

We apply the principle of materiality in assessing which information is to be included in our Integrated Report. This report focuses particularly on those issues, opportunities and challenges that impact materially on the Bank and its ability to be a sustainable business that consistently delivers value to Shareholders, prospective investors and our key stakeholders. Our material matters influence our strategy and inform the content in this report.

The capitals

Our relevance as a Bank today and in the future, and our ability to create long-term value is interrelated. It is fundamentally dependent on the forms of capital available to us (inputs), how we use these capitals (value-adding activities), our impact on them and the value we deliver (outputs and outcomes).

ABOUT THIS REPORT continued

Our approach to the preparation of our integrated report

The intent of our integrated report is to demonstrate to all those impacted by, or with an interest in, who we are and what we do, that we engage in integrated thinking in devising our strategy. We do this in order to enable the realisation of our purpose, inform the quality, relevance and appropriateness of our business decisions, and the creation and delivery of value to our stakeholders.

To this end, regular discussion and prescribed internal reporting among functions, and departments are taken into account, together with the requirements, oversight and approval of the Board. All responsible members of our management team frame and guide the process with drafts, concepts and structures that are systematically reviewed and supported by the ultimate assurance of independent assurance providers.

Our reporting frameworks

Our integrated reporting is guided by the principles and requirements of the International Integrated Reporting Framework, IFRS.

We are a licensee of the National Bank of Rwanda (BNR), and a subsidiary of a cross-listed Group (Equity Group Holdings Plc) on the Rwanda Stock Exchange (RSE). As such, in drawing up our integrated report, we are also guided by, and comply with Law No. 007/2021 of 05/02/2021 (the Act) governing companies, while non-financial information is presented in accordance with regulation No. 28/2019 of 09/09/2019 (the Regulation), relating to publication of financial statements and other disclosures by banks.

Forward-looking statements

This report contains certain forward-looking statements in respect of our strategy, performance, and operations and most particularly with regard to the challenges and ramifications of the Covid-19 pandemic as well as other geopolitical or macro-economic conditions. These forward-looking statements involve risk and uncertainty as they relate to future events and circumstances which are difficult to predict. They are thus by definition beyond the Bank's control, and could cause our actual results, performance, or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Assurance

The Board ensures the integrity of the integrated report through our integrated reporting process, with various approvals and sign-offs by both the management team and the Board, with oversight by the audit committee. These assurances are provided by management and the Board through rigorous internal reporting governed by our enterprise risk management framework (ERMF) and internal audit, with our annual financial statements assured by our external auditors PricewaterhouseCoopers Rwanda Limited.

ABOUT THIS REPORT continued

Directors' statement of responsibility

Our directors have a statutory duty to promote the success of the Bank for the benefit of its stakeholders. In promoting the success of the Bank, directors must have due regard for the long-term consequences of their decisions, the legitimate interests of employees, the need to foster effective business relationships with suppliers, customers and others, the impact of our operations on the community and the environment, and our desire to maintain our reputation for high standards of business conduct.

The Board is committed to ensuring that the Bank complies with all laws, regulations and standards applicable to it. The Board ensures high standards and practices in corporate governance, and more specifically, that the principles, practices and recommendations set out under the Act and the Regulation, are adhered to.

The Board has overall responsibility for ensuring that its governance policies and mechanisms are appropriate to its structure, business and risks, and has established internal procedures and monitoring systems to promote compliance with applicable laws, regulations and standards. The Board is also supported by duly qualified legal and compliance professionals to guide and focus the Bank's compliance efforts.

The Board further believes that this report fairly represents the Bank's material matters and that it offers a balanced view of the Bank's strategy, business model and their implementation. The report was approved by the Board on 15 June 2022.

Col. (Rtd) Eugene Haguma

Chairman

EQUITY BANK RWANDA PLC AT A GLANCE

EQUITY BANK RWANDA

EQUITY BANK RWANDA PLC AT A GLANCE

15
Total number of branches (2020: 14)

3,331
Agent outlets (2020: 2,409)

1,384
Point of sale (POS) outlets (2020: 1,159)

22
ATMs (2020: 21)

852,889
Customers (2020: 739,395)

429
Total employees (2020: 357)

Frw 17.85 billion
Profit before tax (2020: Frw 14.85 billion)

Frw 12.38 billion
Profit after tax (2020: Frw 10.29 billion)

Frw 50.84 billion
Revenue (2020: Frw 42.23 billion)

Frw 329.03 billion
Deposits (2020: Frw 240.04 billion)

Frw 456.97 billion
Total assets (2020: Frw 345.40 billion)

Frw 0.68
Earnings per share (2020: Frw 0.61)

President H.E. Uhuru Kenyatta with (L-R), CS Devolution Eugene Wamalwa; Kenya's Ambassador to DR Congo Dr. George Masafu; CS Foreign Affairs, Amb. Raychelle Omamo; EquityBCDC Managing Director, Célestin Mukeba; Governor of Central Bank of Congo, Déogratias Mutombo; Equity BCDC Non-Executive Chairman, Nestor Ankiba; Equity Group Managing Director and CEO Dr. James Mwangi, and Equity Group Non-Executive Chairman Prof. Isaac Macharia, after unveiling EquityBCDC on 21 April 2021. President Uhuru also toured the towering 18-storey Equity Centre building in Kinshasa, the head office of Equity BCDC.

WHO WE ARE

EQUITY BANK RWANDA

WHO WE ARE

> *Equity Bank Rwanda Plc is the second most profitable bank in Rwanda, and fourth in asset size.*

Our purpose

Transforming lives, giving dignity and expanding opportunities for wealth creation.

Our vision

To be the champion of the socio-economic prosperity of the people of Africa.

Our mission

We offer integrated financial services that socially and economically empower our clients and other stakeholders.

Our positioning statements

Your listening, caring partner.

Our brand promise

Growing together in trust.

Our core values

P I C T U R E

- Professionalism
- Integrity
- Creativity and Innovation
- Teamwork
- Unity of Purpose
- Respect and Dignity for the customer
- Effective Corporate Governance

WHO WE ARE continued

Our capitals

FC	**Financial capital**	Our assets and reserve of funds
HC	**Human capital**	Our employees, together with their individual and collective competencies, abilities, experience and expertise
IC	**Intellectual capital**	Our proprietary procedures and intellectual property (IP), knowledge, policies, vision, mission, purpose and the value of our positioning, brand and reputation
SRC	**Social and relationship capital**	The partnerships and associations we build with third parties, providers and suppliers, our communities and stakeholders, and the mutual benefit that this brings
MC	**Manufactured capital**	Our buildings, properties, vehicles and physical infrastructure that underpin our operations
NC	**Natural capital**	Our social and community projects that help to sustain the environment in which we work and live

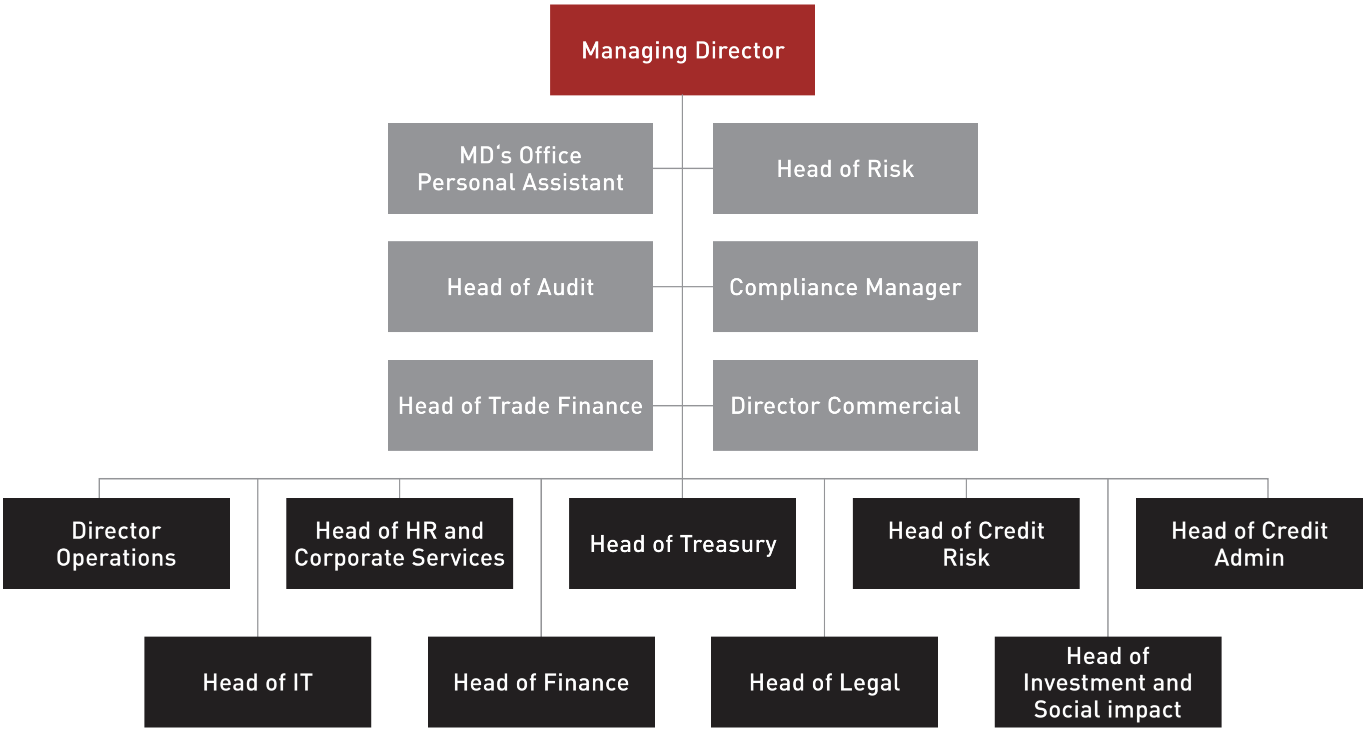
Our four key strategic drivers

FA1	**Continued customer-base growth**	FC SRC
FA2	**Product development**	FC IC
FA3	**Product innovation and digitisation**	FC SRC IC
FA4	**Balance sheet efficiency, optimisation and agility**	FC IC

For more on strategy, see page 21.

WHO WE ARE continued

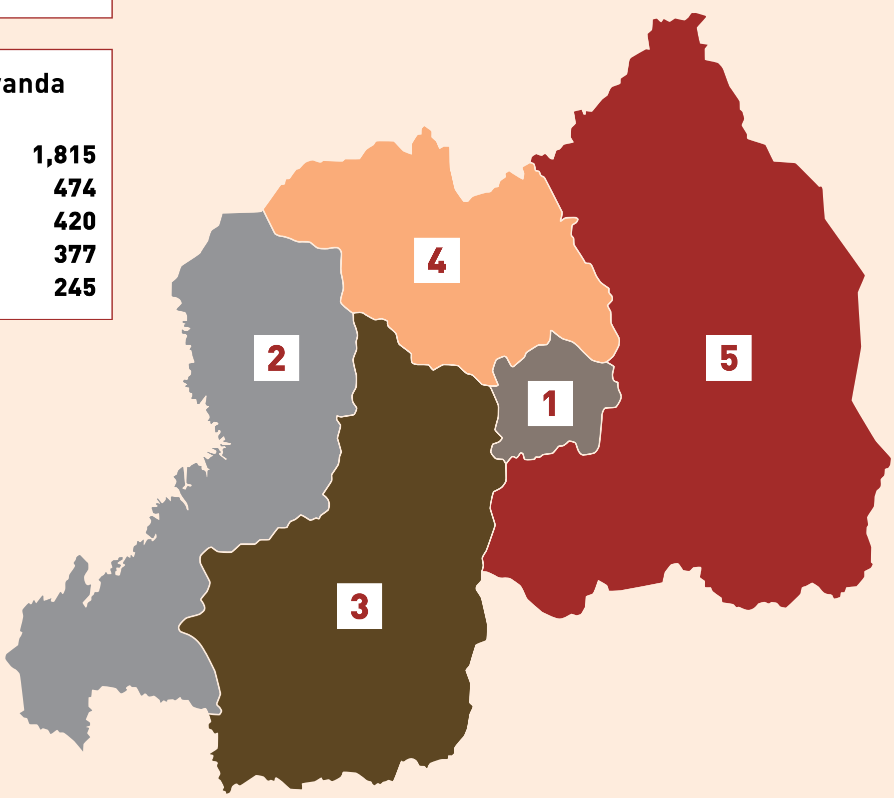
Our business structure



Total Agents (as of 31 December 2021)	**3,331**

Agency distribution Per Rwanda Provinces

1. Kigali	**1,815**
2. West	**474**
3. South	**420**
4. North	**377**
5. Eastern	**245**



WHO WE ARE continued

Our products and services

Deposit products

- Equity Ordinary Account (Isange Konti)
- Business Current Account
- Personal Current Account
- Savings accounts, including Junior Account (Nteganyiriza Konti)
- Social Institutions Account
- Jijenge Account (Intego Konti)
- Call and fixed deposits

Loan products

- Salary advances
- Mortgage and land purchase loans
- Igire na Equity (Loans for women)
- Micro-enterprise loans
- Business and development loan
- Equiloan
- Overdrafts
- Asset and trade finance loans

Payments – The Eazzy banking platform, including:

- **EazzyPay Fasta Fasta** – Direct phone payment for goods, services bills
- **Eazzyloan** – Instant loans
- **EazzyBiz** – A robust, secure and comprehensive cash and liquidity management solution
- **EazzyNet** – A customised internet banking solution
- **Eazzy API** – For app developers, businesses, institutions and payment providers
- **Remittances and Diaspora Banking** – Account opening, online banking, credit facilities, investing at home and easy transfer for diaspora customers
- **EazzyApp** – Hosting a range of functionalities including information-based products and inquiries

Agent banking services

- Kiosks, shops, pharmacies, supermarkets, convenience stores, representing the Bank where there are no branches

Treasury products and services

- Money-market and fixed-income products, foreign exchange products, cash transactions/bureaux de change, telegraphic transfers and EazzyFex, among others

Bancassurance

- One-stop services for insurance products on a brokerage basis

Our competitive environment

The Rwandan banking sector comprises 11 commercial banks, one development bank, one cooperative bank and three microfinance banks. The sector serves its clients through a network of 302 branches*, 12 sub-branches, 164, outlets as well as 7,578 agents providing banking services, 124,373 mobile agents, 337 ATMs, and a total of 54,358 card-based, virtual and mobile point-of-sale (POS) services. (Source: NBR, Financial Stability Directorate)

WHO WE ARE continued

Our stakeholder groups

S01	**Shareholders and investors**	These constitute the initial providers of financial capital, and we disclose to them relevant information to make informed investment decisions as well as seek their perspectives on our financial performance and strategy.
S02	**Our customers**	These constitute the largest source of our deposits, which enable us to fund lending activities, while sustainable banking practices and world-class governance and risk management ensure we maintain the trust.
S03	**Our employees**	These are the motivated and skilled people, who enable us to offer value and quality to our customers, and who, as part of society, contribute materially to the communities in which they live and work.
S04	**Society and communities**	It is society and the communities which make it up, which grant us the trust licence to operate, and, mindful of their interests, we engage with our various communities so as to better understand the role we can play to address their needs.
S05	**Regulators and policymakers**	These constitute a wide spectrum of bodies and people who regulate our industry across the various territories in which we operate, with whose laws, rules and regulations we are committed to comply transparently and openly.

Our operating environment

The global macro-economic environment

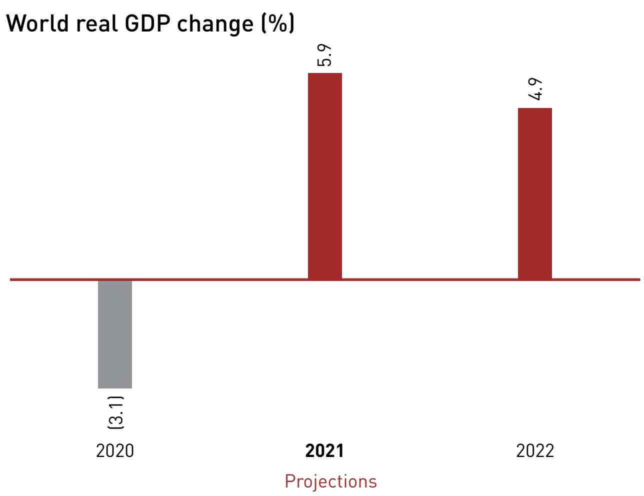
The rapid spread of the Delta variant and the emergence of the Omicron variant, together with the threat of new ones, has increased uncertainty about how quickly the pandemic might be controlled and mitigated.

> *Globally, 2021 saw continued recovery despite a resurgence in Covid-19. The weaknesses revealed by the pandemic appear to be more persistent, with seemingly short-term discrepancies expected to have a lasting impact on performance in the medium-term.*

Policy choices became more problematic during the year, with multidimensional challenges such as supply-chain disruption and subdued employment growth, rising inflation, food insecurity, impediments to the accumulation and recruitment of human capital, and climate change presenting themselves – and leaving little room to devise an appropriate response.

Globally, the year was characterised by rising inflation, reflecting the pandemic-related bottlenecks in the global supply chain, with commodity prices higher, compared to their low base in the prior year.

These developments had a continued impact on the regional environment, with implications for the key industries and economic drivers in the countries within which we operate.

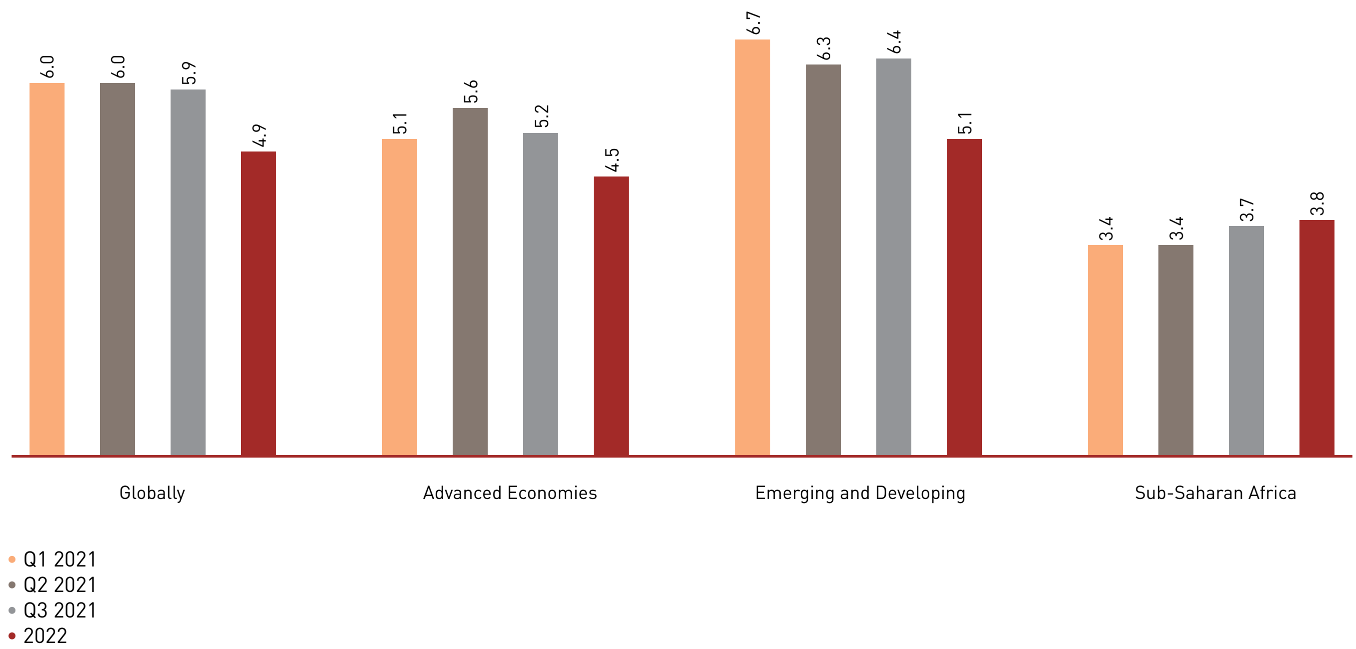


WHO WE ARE continued

Our regional environment

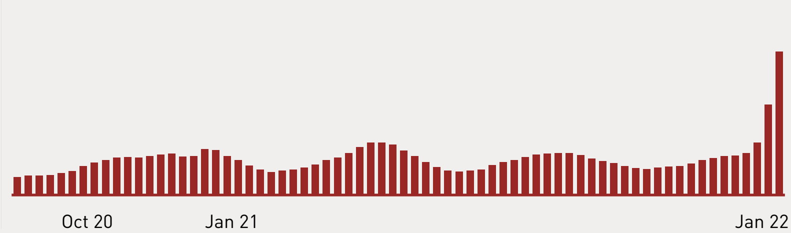
In the face of continued Covid-19 uncertainty the IMF has projected a continued global recovery in the short- to medium-term, although with weakened momentum.

Forecasted GDP growth (%)

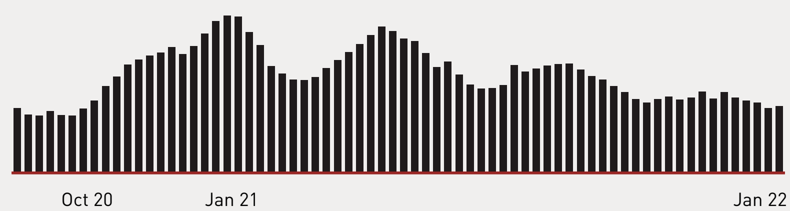


In addition, the number of monthly Covid-19 cases fluctuated in tandem with the emergence of new Covid-19 variants. This was eventually mitigated to some extent by increased access to vaccinations.

Cases in millions



Deaths in thousands



> Weekly confirmed new cases and deaths
> New weekly Covid-19 cases fluctuating in tandem with new Covid-19 wave emergence
> The current variant, Omicron, is proving to be contagious but less severe

World

9.3 bn doses given

3.9 bn fully vaccinated (50% of the population)

Region*

39.8 mn doses given

13.7 mn fully vaccinated (50% of the population)

Africa

341 mn doses given

137 mn fully vaccinated (10% of the population)

Rwanda

22 mn doses given

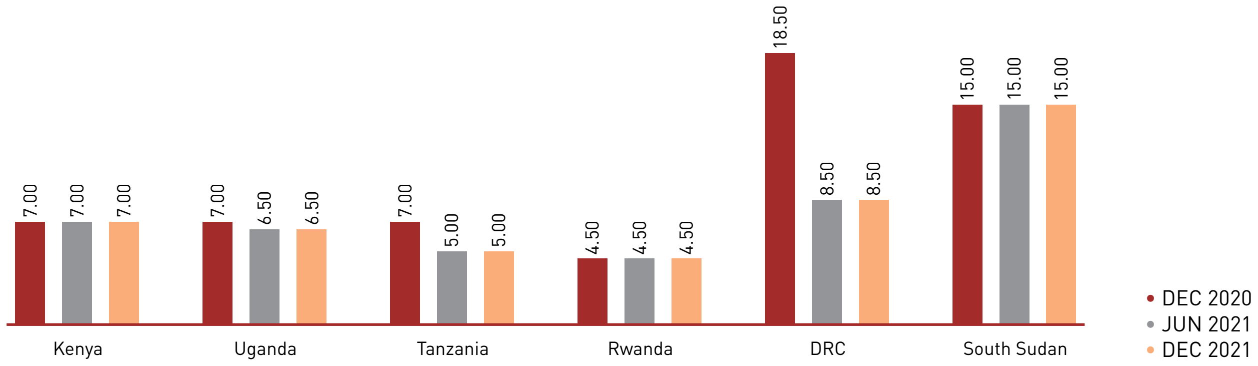
8.6 mn fully vaccinated 4.8 mn booster dose given (about 66% of the population)

** Region – countries where we have operations*
Source: Johns Hopkins, Africa CDC & WHO

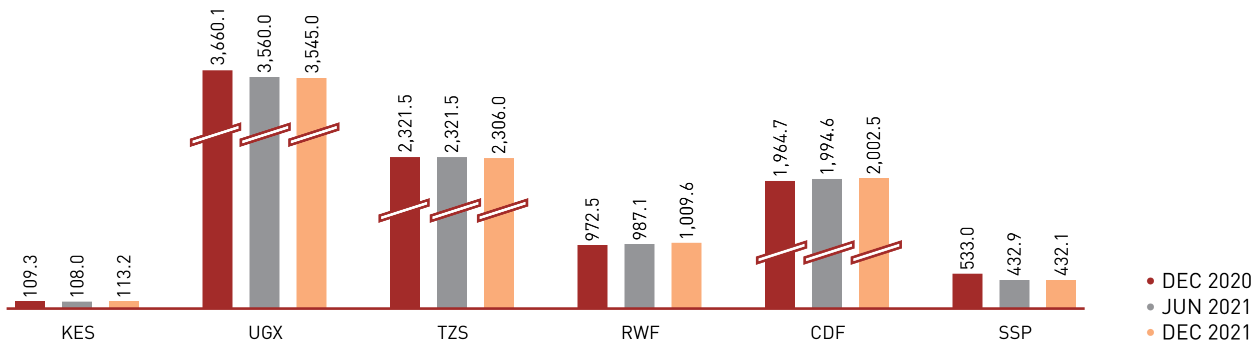
WHO WE ARE continued

Central bank rates remained stable in 2021 as monetary policy focused on stabilising markets in the wake of the 2020 shocks. The Democratic Republic of Congo (DRC) instituted the largest reduction, aimed at encouraging private sector lending.

Regional CBR (%)



Regional Currency Depreciation to USD



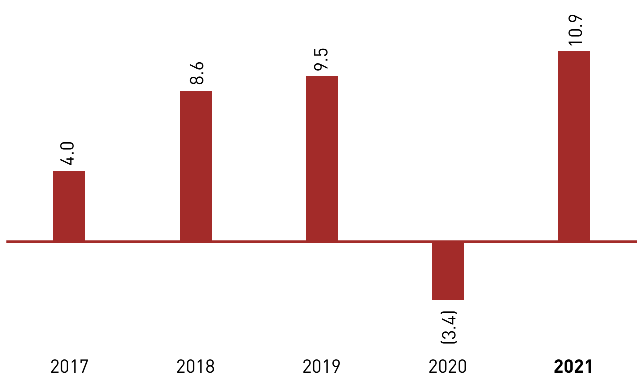
Our domestic environment

Our sub-Saharan economy is projected to recover at a lower rate with a growth of 3.4% in 2021 and a forecast 4.1% in 2022.

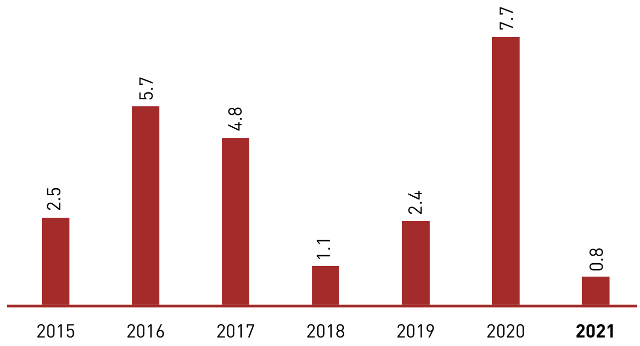
Against that regional background, as a result of sizeable fiscal and monetary policy measures, the Rwandan economy continues to recover gradually from the recession caused by the pandemic. After three consecutive quarters of contraction in the prior year, the first quarter of 2021 showed real GDP growth of 3.5%.

WHO WE ARE continued

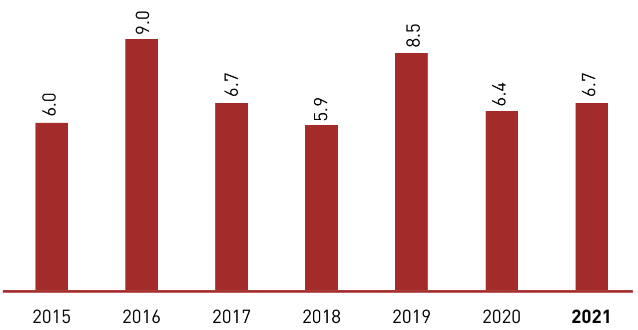
Key Rwandan indicators – 2021



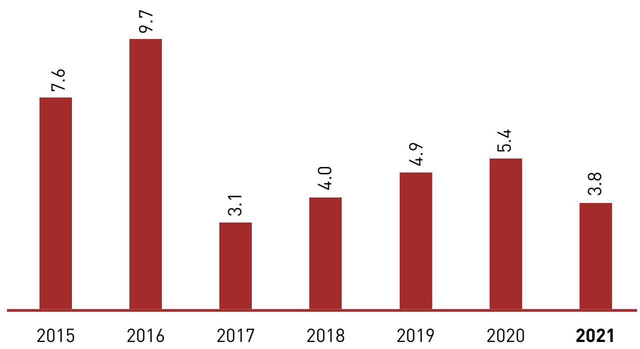
• Rwanda real GDP growth (percent, Y-o-Y)



• Annual average inflation



• Interest rates 91 days T-bill



• Frw exchange rate percent change Y-o-Y

Sectors that drove the recovery include:

> Agriculture, which grew by 6.8% from a decline of 0.5% in 2020 Q1

> Industry, with a growth of 9.7% from 1.9% over the same period

Recovery is expected to continue at a faster pace, as evidenced by the composite Index of Economic Activities – a high frequency economic indicator –which rose by 32.4% in 2021 Q1, from 12.7% 2020 Q1.

MESSAGE FROM THE CHAIRMAN

We believe that the outlook for the Bank is encouraging as we see supply chains being restored to pre-pandemic levels of effectiveness.

Col. (Rtd). Eugene Haguma

Chairman

> *The year under review saw the Bank delivering very commendable results across its various revenue streams, and noticeable improvement in its operations. It was remarkable that this was achieved in the face of the lingering effects of Covid-19, and the ongoing major disruptions to supply chains and the knock-on effect on the wider economy. And perhaps most gratifying of all, was that we were able to expand our work in the social arena, as we continued to strive to improve lives and promote inclusiveness.*

Board changes

This is the first integrated report I have been privileged as the new Chairman of the Board to oversee. I am honoured to be taking over the very capable reins of my predecessor Mrs. Evelyn Rutagwenda, whose rotational retirement has come after nine years of sterling service on the Board, and four as Chairperson. I would like to wish her every success as she continues her service on the Board of Equity Group Holdings and look forward to working together with the Board to uphold the high standards of governance which she has helped strengthen over the years.

MESSAGE FROM THE CHAIRMAN continued

During the course of the year, we welcomed two new members to the Board – Mrs. Anita Dancilla Umuhire and Mrs. Belinda Bwiza – whose skills and experience will be of great assistance as we fulfil our oversight role. At the same time, I would like to thank Mr. Emmanuel Butare and Mr. Robert Bafakulera for their significant contributions and wish them every further success.

Our stakeholders

We were pleased to see many of our business customers getting back on their feet during the year, while greatly regretting the instances where that proved impossible for some businesses in the face of the enormous challenges.

This rebound began gaining momentum towards the middle of the year under review, as people found ways of better adapting to the new normal, significantly assisted by government interventions, the increasing availability of the vaccine, and by signs of wider global recovery.

During this entire trying period we have been ensuring that we continue to innovate in order to better serve our customers, and it is this commitment to innovation that continues to enable us to deliver value to our Shareholders, and to all our stakeholders.

Government is of course a key stakeholder, and the value we contribute adds in important ways to broader economic growth, as the credit and other services we provide facilitates business activity and participation. The loan restructuring and other efforts we have made in accommodating our customers have been fully in line with government initiatives and policy.

For more on our stakeholders, see page 10.

The Board

I am pleased to be able to say that the Board has indeed increased its involvement during the year under review, examining a variety of important matters and providing all the necessary support and guidance for management during what continued to be a volatile time. The extent of transparency and engagement with management has remained at the high level we have established as the norm, and all delegations are made with utmost diligence and within the well-entrenched framework of mutual trust and confidence.

Our committees all performed to the high expectations we are used to, with their insights into, and thorough interrogation of, the matters before them, providing immensely positive inputs into the decision-making, and ultimately, the operations of the Bank.

For more on governance, see page 57.

Induction of new members

Equity Group has a very rich induction process for new Board members, and with our two new members having undergone that process, we have every confidence that their contributions can only have been enhanced.

Our regulatory universe

During the year we saw efforts made to streamline processes for the setting up of mobile networks, with changes made to help clarify the distinction, within the banking space, between mobile networks and banks. This has been a significant development, as it has had implications for pricing, and we continue to carefully adapt our operations to the new regulations, so that our ability to deliver value is not impaired.

For more on our operating environment, see page 10.

Vice-Prime Minister for DRC H.E Eve Bazaiba (2nd right), Cabinet Secretary Kenya Ministry of Industrialization, Industry and Enterprise Development Hon. Betty (2nd left), Equity Group Board Chair Prof. Isaac Macharia (right) and Equity Group Managing Director & CEO Dr. James Mwangi (left) take a group photo with 131 top-performing young scholars who topped the final six secondary school examinations and who are joining EquityBCDC for a two- to six-month paid internship programme under the Equity Leaders Programme (ELP). Also in the picture is EquityBCDC Board Chairman Nestor Ankiba (2nd row right), Kenyan Ambassador to DRC Amb. George Masafu (2nd row, 2nd right), EquityBCDC Managing Director Celestin Muntuabu (3rd row centre) and other dignitaries.

MESSAGE FROM THE CHAIRMAN continued

Risk

Our approach to the governance of risk continued to follow the well-founded principles that have served us so well in the past. Our transparent and diligent examination of existing and new risks has made a significant contribution towards devising and implementing strategy, and enabling positive and cautious decision-making within the Bank.

For more on risk, see page 21.

Looking ahead

We believe that the outlook for the Bank is encouraging as we see supply chains being restored to pre-pandemic levels of effectiveness. Nonetheless, the uncertainty engendered by the Russia-Ukraine war must remain a factor whose ultimate impact is as yet unknown.

Within our region, the recent inclusion of the Democratic Republic of Congo (DRC) in the east African Community (EAC) is a welcome development that will help unlock trade and investment opportunities, which in turn, we anticipate will be a positive factor in the Bank's growth and ability to deliver value.

In the short- to medium-term, we will continue to pursue innovation and improvement in efficiencies, and with our social engine beginning to take shape, we hope, in collaboration with our partners, to make an increasing impact on quality of life in Rwanda.

Acknowledgements

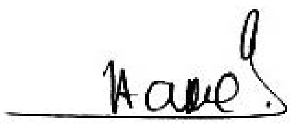
I would like, firstly, to thank our customers. It is their trust in us that reinforces our determination to continue serving them, and putting them at the centre of what we do.

To the management team, I would like to say that without their dedicated and extremely competent executive leadership and hard work the Bank could not have achieved the excellent results that it has. Posting such a good performance is no mean feat, especially in the difficult times we have faced. The Board is very aware of that, and we appreciate their outstanding effort.

Equity Group Holdings provides invaluable support to the Bank, facilitating the innovations that characterise so much of what we are striving to attain. Their sharing of information, provision of frameworks, tools and platforms, as well as the continuous training that they provide, is greatly valued by us, and I would like to thank them for their unstinting involvement.

Finally, I would like to acknowledge, with thanks, the support of government. We never take that support for granted – we recognise that we can thrive through it, and that our mutual interest in growing the economy, and providing inclusiveness to people, benefits greatly from the relationship.

We look forward to a year of continued work with all our stakeholders, as we strive to deliver even greater value, economically, financially, and socially.



Col. (Rtd). Eugene Haguma

Chairman

MESSAGE FROM THE MANAGING DIRECTOR

As the global economy begins to reopen, we believe that increasing investment will lead to the creation of jobs, and the fuller recovery of economic activity.

Hannington Namara

Managing Director

At the beginning of the year, we saw those businesses which had not been forced to close their doors, seeking to turn to new lines of trade, after the most affected sectors such as tourism, hospitality and transport, had come to an almost complete standstill. What had begun as a health crisis, had transmuted into an economic one.

> *The year which we are reviewing in this report was one in which we understood that we would need to maintain our focus on what we had created during the first difficult year of the Covid-19 pandemic. Moreover, while doing so, we understood that we would need to move strategically with developments as recovery gradually began to make itself felt, while at the same time exploring opportunities for growth.*

Customer-centricity

We thus saw that our most important task, in line with our purpose of transforming lives, giving dignity and expanding opportunities for wealth creation, was to continue working with our customers, understanding their needs, and devising solutions.

Our response in the first part of the year was therefore to collaborate with those customers who were branching out into new areas of business, particularly in the health sector, asking how we could support them, while at the same time delivering value for the Bank. This required a move in emphasis from the defensive strategy that had dominated our activities, to an offensive one, where opportunities for both the Bank and our customers could be effectively explored through the requisite support.

Technology and strategy

The implementation of our strategy over the pandemic period, and particularly as recovery has begun to make itself felt, has vindicated our approach, with all our procedures and business continuity management having been put to the test.

Our strategic thrust towards a digital banking offering that had been set in motion some time ago, began to bear fruit, with the advantages of our digital platforms such as the Eazzy suite seeing a marked uptake, and income from money transfers compensating for what had been lost on the credit side during the first year of the pandemic.

MESSAGE FROM THE MANAGING DIRECTOR continued

As part of our offensive initiative, we embarked on finding ways of improving our products and services, ensuring that we make effective and maximal use of technology in pursuing new lines of business while defending existing ones. Our conviction that technology can significantly help to make things better has been borne out in our achievements and results.

An outstanding example of this is our offering of a money transfer platform for importers who previously had to travel to China to purchase merchandise paid for in cash. They saw that they could now, with travel severely curtailed, be put in touch with their suppliers through our services and the auspices of our correspondent bank in that country. They saw that they could radically change not only their way of doing business, but their economic prospects, opening up new, unimagined vistas for them.

Risk

With the exponential growth of technology, there has been a concomitant rise in the nature and threat of the risks we face as a bank. It is the magnitude of these risks that has seen change over the past year, and indeed, since the outbreak of the pandemic. Increased use of digital channels and platforms brings with it the increased risk of fraud, making cybersecurity a critical aspect of both our governance and operations.

Our risk management framework has never been as tested as it has been over the past two years, and I am proud to be able to say that in the year under review, we have been able once again, with great effectiveness and transparency, to identify, prioritise and mitigate the risks we face.

Our business continuity (BC) management committee met weekly throughout the year to assess the impact of our decisions, as well as the impact of regulatory matters and fraud attempts on our systems. With these processes, the wise guidance of our Board, and regular and comprehensive reporting, we believe we have continued to reinforce our approach and method of managing risk.

For more on risk management, see page 21.

Associated with cyber threats, and with so many people constrained to work from home, is the issue of productivity and trust. It is very gratifying to note that our employees have risen to the challenge, and their dedication and determination has enabled us to continue to deliver value with integrity at the level expected by all our stakeholders.

Stakeholders

During the year we continued to work closely with our stakeholders – customers, partners, regulators and importantly, government, as we strove to ease the hardships imposed by Covid-19 and its preventative regulations. In helping our customers who were hardest hit, and with government having put in place phase 2 of its recovery fund, we have been able to contribute to the support of sectors such as manufacturing and agriculture. As the global economy begins to reopen, we believe that increasing investment will lead to the creation of jobs, and the fuller recovery of economic activity.

For more on our stakeholders, see page 10.

Our social engine

Financial inclusion and positively impacting lives continued to occupy our minds during the year. We continued to seek ways of benefitting our customers, and the communities in which they live and work. Providing platforms to enable people to become more independent was one of the ways we could improve our services, and during the year we were able to advise our customers on important procedures such as self-onboarding when opening accounts. This, together with the ability to borrow online, has increasingly capacitated and empowered them.

This initiative involved an education component, which itself helped promote financial inclusion. As a result, around 5,000 women and 1,000 youth received training in digital banking that benefits their communities in two ways – their economic activity has a positive knock-on effect, while our structured input ensured that the recipients of the training could themselves become champions of the new methodologies, and trainers of others.

For more on our social impact, see page 48.

Health

In the realm of health, we signed a Memorandum of Understanding (MoU) with the UN, focused on supporting its initiative in improving quality of life, in line with the United Nations Sustainable Development Goals (UNSDGs), to which we, as a responsible corporate citizen, wholeheartedly subscribe.

MESSAGE FROM THE MANAGING DIRECTOR continued

Conservation

With the sustainability of natural resources very much a part of the global agenda, we are proud to say that we are engaged in promoting and supporting the conservation of water and renewable sources of energy, both to improve the quality of life and health in our communities, and to preserve and value those resources for future generations.

Equity Leaders Programme

The year under review also saw the launch of the Equity Foundation's Equity Leaders Programme in Rwanda. The aim of the programme is to create leaders of the future, and we are extremely pleased to have been able to select and induct our first cohort of 32 top-performing scholars, who were all awarded paid internships at the Bank. In addition, they will be supported with mentorship and coaching throughout their university careers, as well as the opportunity to explore applications to global universities.

For more on our social impact and the Equity Leaders Programme, see page 48 and 49 respectively.

Looking ahead

With social contact gradually being restored, the prevalence and increased distribution of vaccines, and critical aspects of activity such as air travel returning to normal, we believe there is reason for optimism in the macro-economic sphere. Within that, as the effects trickle down to our region, country and industry, and with the Commonwealth Heads of State meeting to be held in June 2022, we anticipate that Rwanda will feature on the world map for tourism and investment in the short- to medium-term.

This bodes well for cross-border trade, agriculture and transport, although the unpredictability of the long-term effects of the war in Ukraine will remain a caveat as we forge a way forward.

Acknowledgements

I would like to express my appreciation to Mrs. Evelyn Rutagwenda, the Chairperson of our Board, who retired from the position through rotation. Mrs. Rutagwenda served on the Board for nine years, with the last four as Chairperson. Her considered, capable and wise leadership has contributed greatly to our success, and the smooth, open and transparent governance of the Bank. On behalf of the management team, I wish her every success as she continues with her service as Vice Chairperson of Equity Group Holdings Plc. At the same time, I would like to welcome Col. (Rtd) Eugene Haguma as the new Non-Executive Chairman of the Board, and wish him well as we work together to realise our purpose and vision.

I would like to thank our customers who have supported us with their trust and loyalty, and with whom we have been able to work so fruitfully in finding solutions to their challenges. My gratitude goes also to our other stakeholders – the regulators and the government, whose input, guidance and interventions have ensured that we maintain a sound service within a sound sector.

Our Board, too, is due sincere thanks for its unstinting and insightful leadership, as is my management team for their commitment and expert input. Without these contributions, we would never have been able to achieve the results that we have.

Finally, my thanks go to all our employees, whose dedication, hard work and adaptability in the face of the pandemic's physical and mental threat, have enabled us to continue to provide our services at the highest level, and to deliver value to our Shareholders.

Hannington Namara

Managing Director

OUR STRATEGIC APPROACH

EQUITY BANK RWANDA

OUR STRATEGIC APPROACH

Our material issues

The ramifications resulting from the imposition of lockdowns, social-distancing requirements, the knock-on impairment caused to many industries such as hospitality and tourism, and the depredations to the manufacturing and food and agriculture sectors caused by supply-chain disruptions, were a major cause of concern.

> *The main material issue in the year under review continued to be the economic and health impact and consequences of the Covid-19 pandemic.*

This underlying material issue continued therefore to have broad macro-economic implications for the Bank as it needed to grapple with related material matters germane to its ability to create and deliver value, such as:

- Substantial uncertainty regarding the duration and extent of the pandemic's impact
- Disparities in access to vaccinations
- Social and political changes
- Business closure and unemployment
- Non-performing loans and loan moratoriums in the credit space
- The need to increase capacity to accommodate a more agile and multi-pronged bouquet of digital services and products
- The resultant widening of the fraud landscape
- The capacity of the Bank to accommodate remote working while maintaining its level of service and function across several jurisdictions with differing conditions, restrictions and constraints

Other important material matters emerging during the year under review included:

- Default risk
- Changes to the regulatory environment
- Cyber risk related to digitisation

All these factors necessitated vigilant and ongoing monitoring from a risk assessment perspective as overseen by the Board and executed by Management. And all of them underlay the Bank's approach to risk management during the year under review.

For more on our operating context, see page 10.

Managing risk IC FC

> *Effective risk management and compliance is fundamental in achieving our strategic objectives. We have therefore adopted a systematic approach to the management of risks so as to enable full and transparent compliance, protect our assets and operations, and safeguard our ability to deliver long-term sustainable value.*

To this end, we have adopted a proactive risk intelligence culture to guide our operations, led by the Board and senior management.

Risk governance structure

For effective risk management, we have developed a risk governance structure that defines the roles and responsibilities of the Board, the Head of risk and risk management function, as well as the independent assessment of the risk governance framework.

The governance structure sets out an integrated and coherent list of sound practices that establish supervisory expectations for the role and responsibilities of the Board as well as the stature, resources, authority and independence of the risk management and internal audit functions, including Board reporting. The governance structure is designed to protect against the erosion of prudent risk management culture and practices, even in the face of challenging business and economic environments.

The Bank Integrated Risk Management Policy

The Bank Integrated Risk Management Policy outlines the risk management framework, risk-appetite setting framework, risk evaluation, scenario management and stress testing process and reporting, while harmonising risk policies across the Bank.

OUR STRATEGIC APPROACH continued

Our risk culture

Underpinning effective risk management, is our risk-intelligent culture, which assists us in achieving the following strategic objectives:

> Limiting potential losses
> Improving profitability and protecting the value and capital generated from business
> Supporting growth
> Increasing the quality of strategic and operational decisions
> Improving stakeholder management

Assurance is provided by the risk and compliance department, internal audit, external audit, BNR onsite and offsite inspection, as well as by credit-rating agency reviews.

For more on stakeholder management and governance, see pages 10 and 57 respectively.

We recognise that "the how" of risk management contributes towards the success or otherwise of risk management initiatives. Our risk culture – the set of individual and corporate values, attitudes, competencies and behaviours that determine our commitment to and style of risk management – thus provides the frame of reference against which our conduct is evaluated.

Our risk culture is founded on four pillars:

Transparency, comprising:

> Level of insight – knowledge of the risks
> Tolerance – how much risk we are willing to accept within the parameters of effective control
> Communication – the purposeful and deliberate sharing of risk events

Acknowledgement, comprising:

> Confidence, stemming from the recognition that we are vulnerable and that risks can materialise
> Challenge, of behaviours not consistent with those prescribed
> Openness, as regards experiences of control failures or weaknesses

Respect, comprising:

> Adherence to rules, following laid down procedures
> Coordination, acknowledging that controls are not self-sufficient

Response, comprising:

> Speed and appropriate reaction
> Diligence, to ensure that weaknesses are effectively addressed

Our aim is to achieve, through our strong risk culture, awareness and competence in managing the risks we identify, and, in so doing, drive consistency in the way we react to them.

This approach emphasises:

> Setting the "Tone at the Top", with the Board and senior management exemplifying our risk-management approach
> The use of data mining and analysis to provide information on progress or otherwise
> Compensation and reward, with good risk behaviour honoured, and the opposite discouraged or punished
> Communication, with the deliberate sharing of lessons learnt in order to shape values and behaviours

To enhance our risk culture, we have developed risk culture policies that define the frameworks for achieving socio-economic transformation of the people of Africa. We also introduced departmental, branch and unit committees to discuss the new emerging risk to further implement the control and always be blessed with up-to-date risk management information and risk register monitoring.

These include our:

> Corporate Responsibility Policy, which articulates our role as a responsible corporate citizen
> Social and Environmental Risk Management framework, which sets our approach in achieving triple bottom line targets
> Consumer Protection Policy, which provides customers with a sense of goodwill and comfort in the Bank's character and integrity as a corporate citizen, enabling us to comply with the regulatory Guidelines on Consumer Protection law and, by extension, cushion the Bank against legal, reputational and liquidity risks, among others

Risk review

The Bank continues to leverage technology and innovation to transform banking from "somewhere you go" to "something you do". This is characterised by including segmentation for focused strategic delivery,

OUR STRATEGIC APPROACH continued

seamless integration of channels to improve experience, and convergence of financial products and services.

Having made significant achievements in digitisation over the years, culminating in the recognition of our business as the most innovative bank, we have focused on opening our financial services and infrastructure to third parties through API integration, a first for any East African bank.

Our regulatory landscape

IT risk and information security

As we undertake the strategic initiatives driven by our Equity 3.0 strategy, the IT risk and information security landscape is changing. Focus on technology by industry players has altered existing information supply chains and created data types and data models that expand the IT infrastructure risk and security perimeter.

Emerging risks emanating from IT programme and change execution as well as IT operational resilience, have joined cybercrime, data security and third-party management as among the most pressing IT risks identified over the recent past.

In 2018, the BNR responded by introducing a guidance note on cybersecurity risk management, which required banks to formulate and implement cyber risk strategies, IT governance, third party risk management, policy, procedures and guidelines, and set minimum standards. We are fully compliant with this guidance note and have responded to the emerging IT risk landscape by developing an IT Risk Management Policy and Information Security Management Framework Policy.

The establishment of an IT Risk function as part of our Integrated Risk Management framework is intended to monitor our IT risk profile and recommend necessary actions. We continue to enhance our IT governance structure for effective risk control.

Impairment of financial instruments

The IFRS 9 financial instrument became effective on 1 January 2018, and provides guidance on the recognition, classification and measurement of financial instruments, while replacing the International Accounting Standard (IAS) 39, which applied an Incurred Credit Loss (ICL) model.

IFRS 9 requires entities to recognise Expected Credit Loss (ECL) rather than incurred losses, and its full adoption has led to an increase in provisioning that has impacted the capital position of the Bank. We continue to engage KPMG and leverage on internal resources to be fully compliant with this standard.

Anti-Money Laundering/Counter-Terrorism Financing (AML/CTF) programme

As a key player in the financial system, we recognise that it is incumbent upon us to adhere to local and international obligations in the management of money laundering, the financing of terrorism, and sanctions risks. Consequently, we have a robust AML/CTF programme which aim to identify, manage and mitigate the money laundering and terrorism financing risks faced by the Bank.

Though AML/CTF falls under the umbrella of our compliance function, the AML/CTF programme is given special focus due to considerable reputational risk that this component holds. The programme comprises three distinct components:

- A customer acceptance and identification programme
- Robust automated information technology solutions
- Reporting and record keeping

As it is now a mandatory requirement, we have begun the process of identifying and maintaining the ultimate beneficial owner of all our customer businesses.

To enable proper execution and compliance, the programme is supported by seven pillars:

- The appointment of an independent reporting officer
- Risk awareness programmes
- Independent assurance
- Internal policies and procedures
- AML/CFT risk assessment
- Transaction monitoring/quality assurance
- Record keeping

The Board has oversight responsibility in ensuring that AML/CTF programmes are implemented in strict adherence to applicable laws, regulations, statutes and internal controls.

In addition, we have in place an approved Anti-Money Laundering Policy, reviewed annually. A structured AML training programme is undertaken by all staff upon induction. To ensure that they remain updated, subsequent trainings for agents and staff are conducted. The responsibility for managing AML/CTF risks rests upon all staff from both our business and support units in order to protect the Bank's assets as well as the interests of our customers and Shareholders.

OUR STRATEGIC APPROACH continued

Internal Capital Adequacy Assessment Process (ICAAP)

ICAAP is a formal process through which a bank identifies, measures, aggregates and monitors material risks to ultimately build a risk profile that becomes a basis for capital allocation, and it estimates capital requirements through an enterprise-wide quasi-quantitative methodology as part of a detailed risk-based business and capital planning process.

ICAAP documents are reviewed by the BNR through a Supervisory Review Process (SREP) which ensures that banks understand the risk that they take or to which they might be exposed.

The Bank has an approved ICAAP policy in line with the BNR's ICAAP directive No. 03/2018 on Internal Capital Adequacy Assessment Process. In FY2021, as per the regulatory requirement, the Bank prepared and submitted the five-year ICAAP plan before 31 March 2022. The Bank will continue to assess its capital requirements on a regular basis.

Our business environment

Liquidity risk

We constantly review the business environment against our strategic objectives, and liquidity management remained a key focus during the year under review, with our liquidity profile regularly monitored. This also involved examining the adequacy of our liquidity contingency plan, and adequate liquidity buffers were maintained. This notwithstanding, we regularly monitored the results of three-day liquidity stress tests to assess resilience in case of a run on deposits. We also monitor and run behavioural liquidity mismatches, as well as contractual liquidity run-offs of 30 days, to ensure that sufficient liquidity is maintained.

For more on finance, see page 67.

Credit risk

Banking industry performance remained subdued in 2021, with the level of industry non-performing assets standing above the prudential limit of 5%. The low growth in credit portfolio and high non-performing assets were occasioned by the impact of Covid-19 that led to lockdown and business closure.

As guided by the BNR, we had provided relief measures to customers affected by the pandemic. Due to Covid-19, our credit risk assessment changed from a business segment analysis to an economic sector-based risk analysis. We nevertheless continued to advance credit based on customised and detailed credit risk assessments as a foundation of sustainable asset growth.

Our strategy in this embraced SME business and support for retail as well as large SMEs and corporates. For large credit exposures and those with strategic implications, the Board is involved in providing guidance. As a result of pandemic impact on the real estate business, we closed the year with a Portfolio at Risk (PaR) above the prudential limit of 5%.

Risk appetite

The Bank sets a risk appetite for various types of businesses and various types of risks. It is our policy to set a more conservative appetite where a regulatory ratio or best practice exists, such as for:

Credit risk, relating to, among others:

- The ratio of non-performing assets
- The concentration of assets per product, sector, currency, counterparty

Market risk, relating to, among others:

- Leverage ratios
- Return on assets (RoA)
- Liquidity
- Value at risk
- Durations on investment securities

Stress testing

The primary objective of stress testing is to assess the impact of "exceptional but plausible" Bank-specific or macro-economic variables on crucial elements of business sustainability, such as liquidity, profitability, and capital adequacy, to ensure that the Bank can withstand such shocks and that mitigating management action preventing business failure, is taken.

Stress testing follows these steps:

- The identification of stress components involving the various types of material risks and stress factors
- The identification of a methodology for the application of stress
- An estimation of the impact of stressed conditions on the profitability, asset quality and capital adequacy
- The identification of remedial plans/actions
- Reporting of the stress test results and identified remedial plans to the Board and regulators

OUR STRATEGIC APPROACH continued

Our risk types

In executing our strategy, we are faced with economic, financial and other types of risk. These risks are interdependent, and we therefore apply a holistic approach to risk management, in which our principal risk types are defined.

We define as principal risk types, those risks that are inherent in our strategy and business model that, individually or in combination, can materially affect the performance or reputation of the Bank.

Our principal risks and their mitigation

Risk type	Description	Mitigating actions
Credit risk	Our credit management framework is defined by our Integrated Risk Management Policy and Credit Risk Policies. Credit risk is generally evaluated in terms of Portfolio at Risk (PaR) and concentration. The year 2021 was characterised by rising PaR for the industry and loan restructures because of Covid-19. The Bank's PaR deteriorated somewhat due to some accounts affected by the pandemic.	We are closely monitoring our book to ensure that PaR is improved, with the following key measures implemented to monitor the book during the critical pandemic period: > Setting PaR targets at product level > Monthly monitoring of customer business resumption and business turnover > PaR trends monitored monthly, with drivers and possible solutions discussed in Credit Risk and ALCO committees > Evaluation of credit risk conducted at customer, product and sector level > Employing a proactive approach to credit risk management by gathering market trends that inform customer, product or sector credit outlooks > Credit book growth strategies aligned to expectation in the macro-economic environment > Loan diversification to MSME book and reduce the corporate loan concentration > Stress testing management to avoid surprises > Underwriting risks closely managed from branch level to the Board, through credit committees > Leveraging technology in delivery of credit products, with: » Credit scores for retail customers » Comprehensive quarterly qualitative and quantitative model validation power, model stability and concentration » Embarking on automation of micro and SME products to enhance efficiency and service delivery » In pursuing our financial inclusion objective, we undertake continuing investment in solutions and systems to enhance data quality and breadth to improve prediction of default and loss probability, with default and recovery rates provided for both existing and potential customers

OUR STRATEGIC APPROACH continued

Our principal risks and their mitigation

Risk type	Description	Mitigating actions
Market risk	Market risk management is defined in our Integrated Risk Management Policy and customised through Market Risk policies, which together define risk appetite and risk metrics.	Monitoring through: > RoA, reflecting how well assets are managed, remaining largely within target > Liquidity compliance with ratios as stipulated by regulators, and regular comparison of liquidity position against international standards as provided by Basel III > Efficiency evaluated in various ratios, such as the key interest rate spread ratio, where decomposition indicates spread stability > Stop loss limits, ensuring that trade does not proceed if losses being realised exceed set limits > Trader limits, ensuring that Bank traders do not take excessive risks that would expose the Bank > Forex net-open position, where a net open position within regulatory limits is maintained with constant management of the size of the position in light of expected forex volatility > Stress testing to be added as control measure to avoid surprises
Government securities risk	The trading book carries various risks with price volatility reflecting on the consolidated income statement. The trading book should not exceed 10% of the entire government security portfolio.	> Use of PV01 to evaluate trading book risk, with the set PV01 value not to be exceeded > Risk appetite settings > Value at risk (VaR), with the VaR appetite set to ensure that maximum possible loss in a given unit of time is monitored continuously > Maximum period in trading book, where, with trading book items continuously traded, a time limit is set beyond which investment security should not be held > Mark to Market, where for government securities available for sale/ fair value through other comprehensive income, we monitor mark-to-market losses to ensure optimal portfolio management through continuous monitoring of yield curves > Durations, with Market Risk policies defining the appetites for investment securities' duration, and monitored by both the Treasury Middle Office and Market Risk Unit in the enterprise risk department unit > Liquidity contingency management plan, with the Stress Testing Policy aligned to various market risk appetites and conducted with the assumption of a wide range of possibilities; Market risk appetites are reviewed continuously and discussed monthly by both Bank and Group ALCOs

OUR STRATEGIC APPROACH continued

Our principal risks and their mitigation

Risk type	Description	Mitigating actions
Operational and compliance risks	Operational risk management obtains authority from our Integrated Risk Management Policy, customised by the Bank through our Operational Risk Management Policy. The Operational Risk Management Policy was reviewed in 2021, defining governance structures, operational risk department/ unit, role and responsibilities and operational risk appetite. The operational risk and compliance departments have built capacity to carry out their mandate, covering compliance, agency, fraud, systems and products, business process management, AML/CTF and business continuity planning.	Reviewing of Operational Risk Management policy in 2021, defining governance structures, operational risk department/unit, role and responsibilities and operational risk appetite. Capacity building by the operational risk and compliance departments to fulfil their mandate, covering compliance, agency, fraud, systems and products, business process management, AML/CTF and business continuity planning, using: > Measurement and analytical tools, including these key risk indicators: » Risk controls self-assessment tools and frameworks » Risk library » Scenario analysis covering external research, internal loss trends or subjective scenario analysis » Stress testing » Business-process mapping » Capital Computation Framework » Linkage of tools to decision-making and controls » Robust and reliable MIS > Comprehensive compliance toolkits, with: » Guidance through existing policies, laws and regulations for compliance assessments » Risk-based compliance programmes developed to ensure identification of significant rules, policies and regulations where weak enforcement or non-compliance would threaten the Bank's assets » Zero tolerance for regulatory breaches > Business Continuity Planning and Data Recovery (BCP-DR) Policies, incorporating: » Business impact analyses » Recovery strategies » Periodic testing » Communication, training and awareness programmes » Crisis management programmes > BCP-DR policy and processes involving identification of: » Critical business operations » Key internal and external dependencies » Appropriate resilience levels » Continuous assessment of plausible disruptive scenarios for financial, operational and reputational impact

OUR STRATEGIC APPROACH continued

Looking ahead – risk priorities

Our operating environment continues to experience changes that increase downside risk in the short term. The regulatory landscape has become more dynamic with the regulators seeking to improve resilience in banking institutions. International standards on accounting and risk management have set the benchmark higher, not only in corporate governance, but also in systems and processes that enhance performance and improve stability.

For more on our operating environment, see page 10.

Our strategic framework

> *Our strategic thinking forms a fundamental part of our intellectual capital and is developed in line with our mission to offer inclusive, customer-focused financial services that socially and economically empower our clients and other stakeholders and the endeavour to provide the best financial services to business and individuals.*

To this end, we have developed a five-year strategic business plan spanning 2021 to 2025, which is geared towards making financial services accessible and affordable to the vast majority of our target customers who presently do not consume banking and other financial services. We have done this in line with our vision of being the champion of the social–economic prosperity of the people of Africa.

For more on our vision, mission and values, see page 6.

United Nations' Resident Coordinator in Kenya, Dr. Stephen Jackson and Equity Group Managing Director and CEO, Dr. James Mwangi display the UN partnership agreement. Equity Group and Equity Group Foundation together with the United Nations system in Kenya, and its SDG Partnership Platform signed a strategic partnership on 23 June 2021 to accelerate the achievement of the Kenya's Sustainable Development Goals (SDGs) in Kenya by 2030.

OUR STRATEGIC APPROACH continued

Our strategy

Our five-year strategic business plan 2021 to 2025

Based on our key drivers

Continued customer-base growth, through ...

- Expansion of branch network
- Agents and super-agents

Product development

- ATMs
- Point-of-sale (POS)
- Money transfers
- Diaspora banking
- Cheque clearing
- Range of available accounts

Product innovation and digitisation

- Leveraging of mobile/online platforms
- New distribution channels
- Eazzy suite
- USSD
- Insurance
- Financing
- Trade finance
- Treasury

Diversification into various market segments

Micro enterprises

SMEs

Retail

Wholesale

Salaried segments

Corporate segments

Balanced with profitability and control systems utilising:

- A highly automated and efficient ICT platform facilitating continued high business volumes at low margins thereby making 24/7 financial services more accessible to a wider clientele

With these strategic objectives

Projected deposit base of Frw 604 billion in 2025

- An increase in total assets to **Frw 869 billion** in 2025
- An increase in Shareholders' funds to **Frw 137 billion** in 2025, arising mainly from retained earnings
- An increase in net interest income to **Frw 51.3 billion** in 2025, supported by loans and advances and investment securities
- An increase in commissions and other income to **Frw 33.6 billion** in 2025, to be driven by innovations and digitisation
- Total expenses are projected to **Frw 38.5 billion** in 2025
- Profit before tax is anticipated to rise to **Frw 46.5 billion** in 2025, reflecting a growth rate of about 27% per annum

OUR STRATEGIC APPROACH continued

Our value-creating business model

Philosophy of social and economic transformation founded on our four strategic pillars

Social and economic strategic engines	Financial inclusion driving value chain approach	Shared prosperity with stakeholders	Relevant and scalable technology

Driving our

Capital inputs

FC	HC	IC	SRC	MC	NC
> **Frw 18.18 billion** Paid-up and assigned capital > **Frw 2.11** Share premium > **Frw 43.42 billion** Retained earnings	> **429** employees	> Offensive and defensive Bank strategy > Digitisation innovation and initiatives > Business model > Strategically-driven relationship management > Products and services > Legal and corporate governance > Social and environmental awareness	> Employee wellness and well-being > Partnerships and alliances > Health, educational, financial, and social programmes and initiatives > Brand reputation including numerous awards and accolades	> **15** Branches > **3,331** Agent outlets > **22** ATMs > **854** Traditional POS outlets > **7,772** Virtual and mobile POS outlets	> Environmental and energy conservation efforts

Business activities

> Mediated through our purpose of transforming lives, giving dignity, and expanding opportunities for wealth-creation by means of our strategically-driven digitalised activities, channels, and products

OUR STRATEGIC APPROACH continued

Yielding outputs

FC	HC	IC	SRC
> **Frw 329 billion** Deposits > **Frw 65.176 billion** Shareholders' funds > **Frw 45.511 billion** Borrowings > **Frw 220.998 billion** Loans > **Frw 50.840** Total revenue > **Frw 12.379 billion** PAT > **Frw 0.68** EPS	> Minimised exposure to Covid-19 > Requisite investment tools to enable remote working > Reduced internal Covid-19 infections > On-site vaccination drives > Comprehensive salary review > Diversity and inclusion initiatives	> Development of our five-year strategic plan > Ongoing innovation	> **Frw 94 million** Invested in social projects

Producing outcomes

FC	HC	IC	SRC
> **23% growth** in Shareholders' funds	> Motivated, dedicated, resilient, loyal, and committed workforce	> Increased IT and technological capacity	> **32** Equity Leaders Programme children assisted in education
Stakeholders impacted:			
S01 S02	S03	S01 S02	S04 S05

Our approach to stakeholder management SRC

Managing our stakeholders SRC

We recognise that our key stakeholders are those groups who are materially impacted by our business activities. We acknowledge that for us to determine and respond appropriately to their needs and concerns, their interests require ongoing input, insight, commitment and assessment.

> *Our stakeholders form the core component of our social and relationship capital, and it is our positive and productive relationships with them that enable us to guide and tailor our strategy, benefit from the opportunities and understandings that arise from our engagement with them, provide the services, products and regulatory compliance entailed in the expression of their needs and concerns, and manage the risks and challenges that we face.*

Our approach to engaging with our stakeholders

We are committed to open, transparent, and continuous communication with our stakeholders in order to gain the understandings upon which we depend in order to maximise the mutual knowledge and insight inherent in our relationships, and to enable and incorporate feedback that can be translated into the meaningful strategy and intent that inform our business decisions and actions.

Our engagement with our stakeholders is defined by our values and underpinned by our vision of being the champion of the socio-economic prosperity of the people of Africa, and our mission to offer inclusive integrated financial services that socially and economically empower consumers, businesses, and communities. It is the positive and proactive management of those relationships that enable us to realise our purpose of transforming lives, conferring dignity and expanding opportunities for value and wealth creation.

OUR STRATEGIC APPROACH continued

Engaging with our stakeholders in 2021

Key concerns	Communication methods	The value we create
Shareholders and investors		
> Efficient capital allocation as we expand > Sustainable growth and payment of dividends > Sustainability considerations into our business practices > Strong and experienced management team > Transparent reporting and disclosures	> Annual General Meeting > Investor conferences, and meetings > Newspaper publications > Annual financial statements > Investor relations section on the website	> Delivering by increasing net asset value and net earnings > Continuous engagement to ensure full disclosure and open communication to inform their investment decisions > The adherence of management to a disciplined process of capital allocation that ensure we venture into growth markets where our model of shared prosperity will continue to be profitable and sustainable > Payment of dividends, enabled by the growth resulting from our strategic decisions in the prior year > Maintaining a safe balance sheet by holding adequate provisions and keeping a high coverage of non-performing loans
Customers		
> Simple, intuitive, and time-efficient banking solutions > Excellent customer service > Innovative solutions that address growing customer needs	> Contact Centre, branches and online platforms and apps > EBR plc website > Facebook and Twitter platforms	> Safeguarding deposits, investments, and wealth, while growing returns > Providing credit that enables wealth creation, economic development and job creation > Facilitating transactions that are the backbone of economic value exchange > Enabling financial inclusion by providing access to affordable products for the underbanked > Providing financial education and advice > Developing innovative solutions that meet our customers' specific needs
Employees		
> A safe and healthy work environment > Fair remuneration, effective performance management and recognition > Career development and advancement opportunities	> Internal website > Equity newsletter > Employee surveys > Leadership mentorship forums	> Employing citizens in the jurisdictions in which we operate > Rewarding staff for the value they add > Creating job opportunities as we grow > Developing our staff to further their careers and improve our services and products > Promoting transformation into an inclusive society through employment equity and gender equality > Motivating and energising our workforce

OUR STRATEGIC APPROACH continued

Key concerns	Communication methods	The value we create
Society		
> Ethical and social responsibility > Do good and positively transform the economy and society at large	> EGF partnering with communities on various initiatives > Investing in communities through flagship projects such as *Wings to Fly*, Equity Leaders Programme	> Embracing sustainable banking practices and regulatory compliance that enable a safe and stable banking system, and a thriving society > Playing a meaningful part in the broader society as a procurer of goods and services > Making a difference through our corporate social investment activities > Positively transforming economies and society through our activities and lending > Initiating social development initiatives through the Equity Group Foundation with the aim of transforming lives and livelihoods
Regulators and policy makers: > The Central Banks > The Revenue Authorities > The Capital Markets Authority		
> Compliance with legal and regulatory requirements > Being a responsible taxpayer > Active participation and contribution to industry working groups > Establishment and adherence to good corporate governance practices	> Submission of required returns > Engagement through industry consultative bodies > Partnering on key areas of education, health, and resource conservation	> Complying with set rules and regulations to ensure a stable financial sector > Collaboration to deepen financial inclusion > Contributing meaningfully to government budgets through corporate and personal taxes > The buying of government and public-sector bonds

CREATING VALUE

EQUITY BANK RWANDA

CREATING VALUE

Our human capital HC

> *Our human capital comprises all the employees who work alongside each other within the Group and its subsidiaries. It is the resource that we draw upon to fulfil our mission, and the means by which we create and ultimately deliver value for our stakeholders. The management of this critical resource falls within the mandate of the Bank's People Function.*

During the year under review, the People Function continued to focus on enhancing staff productivity, which is a key measure of efficiency, effectiveness, and business continuity. This is in line with our culture of being customer-centric and our strategic intent to perform at a high level in all parameters, guided by our values and purpose. In this respect, our emphasis in the year was on enhancing policies in two areas that support productivity:

> Performance management
> Learning and development

To this end we were able to create a set of standard guidelines, tools for managers and employees to track and reinforce productivity, and to enhance learning and skills development in support of our stakeholders.

Learning and development

Capacity-building through learning and development remains paramount in positioning the Bank to achieve its strategic goals and fulfil its purpose. With this in mind, our revamped learning and development policy provides both for annual training needs analysis and for study-leave for Bank sponsored programmes, as well as ensuring that learning content is competency-based, amongst other provisions.

During the year under review, training on the Bank's products and services and leadership development were undertaken in line with our key strategic objective. In this regard, we continued to adopt virtual learning to enable our employees to access trainings and pursue their learning objectives to support the diverse segments of the business holistically.

Employee retention

We want our employees to be attracted to the Bank due to their resonance with our corporate purpose and philosophy. This is an important aspect of our employee retention approach as we seek to ensure that employment fulfils a greater purpose than the mere need for work.

We are committed to developing our employees and supporting them in achieving their career goals and personal aspirations. We have enhanced our employee value proposition (EVP) by ensuring job security, and providing medical treatment support, beyond our medical cover, for employees and their families. During the year, we offered training to our employees in:

> Common mental health diseases and their prevention
> The impact of mental wellbeing on employees
> The importance of nutrition.

To this end, we conducted workshops for employees of all 15 of our branches.

Leadership

We take leadership seriously and invest in equipping our staff with key leadership skills as a critical requirement for delivering on their tasks. We place extra emphasis on those tasked with leadership positions as we require them to model sound leadership through interpersonal and soft skills, as well as technical knowledge.

During the year under review, in partnership with the Rwanda Bankers Association (RBA), we offered leadership training modules to our employees cutting across different levels.

We will continue to partner with the RBA and other reputable trainers such as Redwoods Leadership, to offer continuous development to our leaders, providing them with the knowledge and skills to direct the Bank.

CREATING VALUE continued

Equity Group Managing Director and CEO Dr. James Mwangi (left) and Equity Group Executive Director Mary Wangari Wamae (right) engage during the Quarter 3 2021 Investor Briefing and release of financial results.

Our intellectual capital IC MC

Comprising the Bank's intangible assets, our intellectual capital can broadly be defined as the collection of all the informational resources that we have at our disposal to drive profits, gain new customers, create new products, or otherwise improve the business. It thus constitutes the sum of employee expertise, organisational processes, and other intangibles that contribute to our bottom line.

Aspects of this intangible value include:

- Technical knowledge
- The value relating to:
  - Relationships
  - Reputation
  - Intellectual property (IP)
  - Proprietary practices
  - Capacity for innovation
- Highly talented human capital
- Cutting-edge technological innovations and digital channels
- Intricately designed systems and processes
- Our heritage brand that resonates with over 800 000 customers in Rwanda and the diaspora

This intellectual capital is invaluable since it creates our most important societal value – trust. We therefore place great emphasis in protecting our intellectual capital and strategically enhancing it.

Information technology (IT) IC MC

> *Information technology forms a key part of our intellectual and manufactured capitals, and it serves to facilitate and promote the Bank's implementation of both its economic and social strategic engines. It helps drive every aspect of our operations and support systems and is a vehicle for our innovation and digitisation agendas and initiatives.*

Technology and innovation

Technology continues to play a pivotal role in driving our growth, performance, and operations, especially following the lessons learned with the onset of the Covid-19 pandemic, where in-person services have had to be reduced.

During the year under review, we continued to make technological changes and innovations to accommodate this new reality, enabling our employees, customers, suppliers, and stakeholders to continue interfacing with the Bank. In this way, the advent of Covid-19 has accelerated the drive towards transforming our organisation into a digital bank with increased emphasis on digital channels rather than physical infrastructure such as branches and ATMs.

The year saw the consolidation of individual applications and systems into one unified platform in line with the One Equity Strategy and our strategic migration from monolith applications to a service-oriented approach. The aim is to make the Bank a technology-driven business that does the basic things well and leverages on partnerships with telcos and other technology partners to deliver world-class value to our stakeholders. Technology is thus a key driver in creating value, ensuring relevance and extending financial inclusion.

CREATING VALUE continued

Customer-centred technology

We remain customer-centred and continue to leverage our strengths in risk management, trusted relationships, the protection of client data and the provision of customer experience that also benefits of the ecosystem and is in the interest of regulators.

To this end, process digitisation has been central in ensuring that we remain available and accessible to customers. During the year under review, this included:

- Customer onboarding
- Individual account opening
- Standing orders processing
- Change of mandates
- Change of signatories
- Dormant account activation
- Lending processes

We ensured that services that are available in branches could also be accessed on digital channels such as USSD, Eazzy App, EazzyBiz and EazzyNet.

For more on our products and services, see page 9.

Innovation

Our IT teams continued to work on various projects to improve technology availability, stability, and optimisation. We have also leveraged artificial intelligence (AI) to allow businesses to obtain insights on the daily operations, thereby enabling them to make data-driven decisions.

Continued innovation and development of our platforms will offer our customers more payment options across the Bank. With the ever-growing and changing market, our goal is to ensure that we constantly innovate around these changes to remain a leader. Our solutions are designed to accommodate the growing number of customers in terms of hardware, software, applications, and network, and all without slowing down operations.

Managing technology

Due to the upsurge in usage of digital channels and technology, there has also been an increase in risks that target technology solutions and clients on these platforms. We continue to enhance cybersecurity so that we are able to repulse attempts on our systems. We have also identified data-driven fraud as a key concern and provide our customers with information and counsel to protect them from social engineering frauds that increasingly have a technology facet.

Looking ahead

Technology is a key enabler in delivering value for our customers and stakeholders. We aim to ensure that our services and products are deeply embedded into the lives of our customers. This will include transforming customer experience through new technologies and features. We remain committed to the transformation of branches to digital experience centres that are not primarily transactional, as well as to the ramping up of security and improved stability.

Digitisation IC

Our strategic migration to digitisation forms part of our intellectual capital. This imperative is about providing customers with a wide variety of product, service and channel options, as well as the high quality of our offering.

Our new self-service channels that enable customers to do banking on their own devices has revolutionised money transfer and payments, providing our customers with greater control and the freedom to manage their bank accounts. Together they deliver a solution that answers our customers' need for a banking service that is integrated into their everyday lives at any time.

During the year under review, we have seen several indicators underlining the success of our digital platforms.

CREATING VALUE continued

Our manufactured capital MC

Our manufactured capital comprises our equipment, physical facilities, and digital channels such as ATMs, applications and operational systems that we make available for the use of our stakeholders, and the provision of our products and services.

Our equipment and facilities primarily provide comfort, convenience and security to our customers and employees. We invest constantly to improve our infrastructure, which is essential for the efficacy and efficiency of our business model. We have created a wide array of channels through which we deliver our services, coupled with a large distribution network both locally and internationally.

During the year under review, our channels continued to experience growth in the volumes of transactions conducted on them and the number of customers using them. There are several indicators that encapsulate the success that is the outcome of this growth:

15
Branches countrywide

22
ATMs countrywide

1,934
Online banking users

3,331
Agents

7,772
Mobile merchants countrywide

1,384
Merchant POS facilities

769,967
Users registered on Eazzy App/USSD

22,621
EazzyBanking App downloads

Equity basketball Head Coach David Maina with the Equity Hawks team during the FIBA Africa Zone 5 Women's Club championship.

DELIVERING COMMERCIAL VALUE

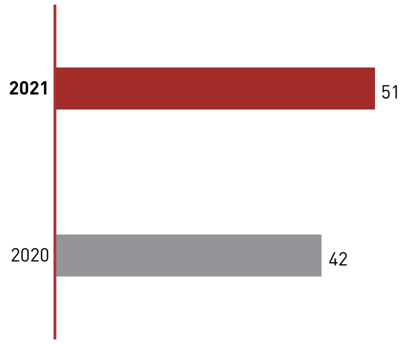
EQUITY BANK RWANDA

DELIVERING COMMERCIAL VALUE

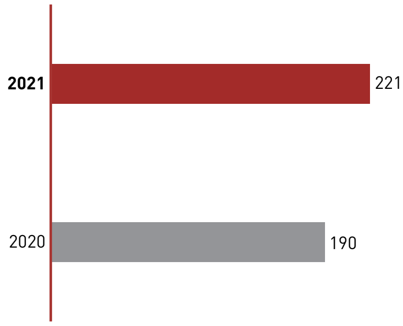
Our performance against our strategic objectives

FY2021 Key financial highlights

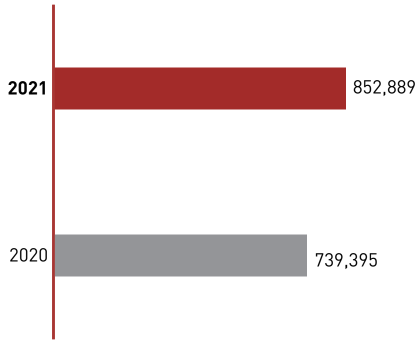
Total revenue (Frw billions)



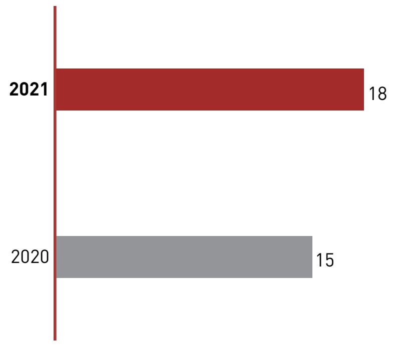
Loans (Frw billions)



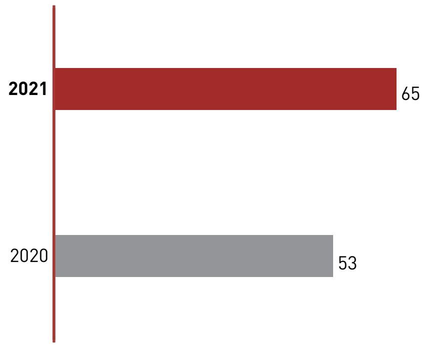
Customer numbers



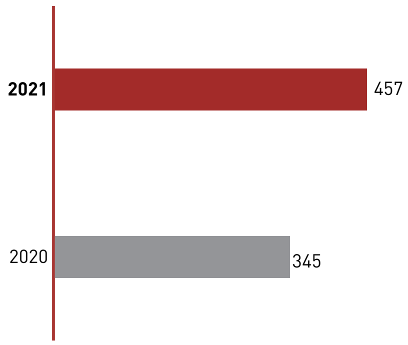
Profit before tax (Frw billions)



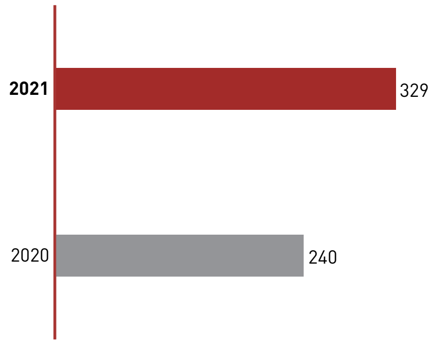
Shareholders funds (Frw billions)



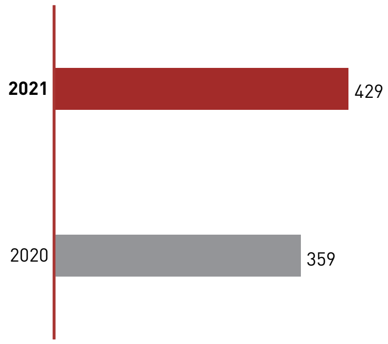
Total assets (Frw billions)



Deposits (Frw billions)



Employee numbers

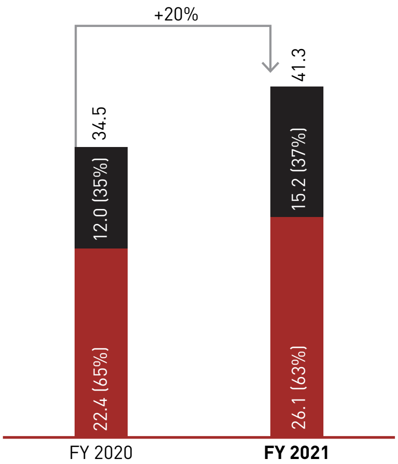


DELIVERING COMMERCIAL VALUE continued

Non-funded income growth

Growth of non-funded income is a foundational aspect of our strategy to diversify our revenue streams, improve our income mix and enhance the quality of earnings. This income stream is vital because it is more sustainable and predominantly involves a variable cost component. Key non-funded income sources include bank charges, transaction fees, service charges, mobile banking fees, SWIFT incomes and trade finance commissions, among others. Alternative channels such as self-service channels and agency account for 94% of all transactions in 2021, an increase from the 92% of all transactions observed in the previous year 2020. Non-funded income for the year was Frw 15.2 billion compared to Frw 12.0 billion in 2020, a 27% growth compared to 2020, and constituting 37% of total income during the year, up from the 35% observed in the previous year.

Non-funded income growth (Frw billion)



- Net interest income
- Non funded income

Treasury efficiency

Treasury continues to be a strategic business function across all areas of the business, adding value to the operating divisions of the Bank. While traditional treasury functions are concerned with balancing and managing the daily cash flow and liquidity of funds within the Bank, we have leveraged technology to extend this mandate to generating returns based on excess liquidity.

By working closer with other business units, we continued to explore and capitalise on areas of collaboration, investment, and cross-selling by offering a full suite of services to customers who require treasury products. Interest income from trading in government securities has been the biggest driver of growth under this pillar.

During the year under review the Bank launched EazzyFX, an electronic channel for settling forex transactions and the first of its kind in the Rwandan financial sector. The new platform will give customers the freedom to execute forex requirements in real time in a safe and secure manner from the comfort of their offices or homes without having to visit the branch to initiate forex transactions.

The EazzyFX platform, which is powered by Thomson Reuters's Refinitiv, will allow SMEs and corporates to transact in real time, request quotes for any forex trade amount, deal on streaming rates, enjoy access to a full trade workflow as well as place multiple trade orders, enabling them to have freedom and control over their trading.

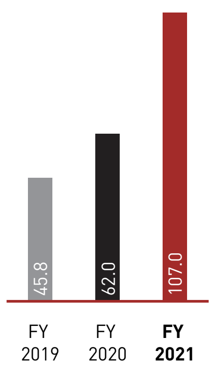
Rwanda, which is rapidly becoming a business and tourist hub, will enjoy an alternative way to access forex currency options and execute forex requirements more efficiently and transparently since real-time prices are displayed on the platform.

Once signed up, customers will enjoy, among others, the best deals and competitive market pricing, real-time streaming of rates across various currency pairs, placing buy and sell orders, getting a history of all forex transactions, viewing settlement accounts set up for forex conversion.

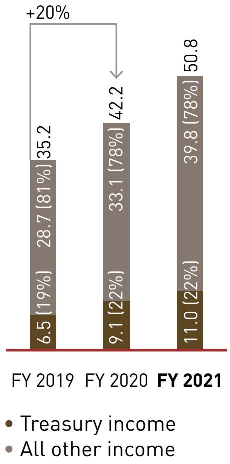
We are also committed to continue offering support to customers through our teams of dedicated and qualified Relationship Managers who will champion the signing up and usage of the platform.

DELIVERING COMMERCIAL VALUE continued

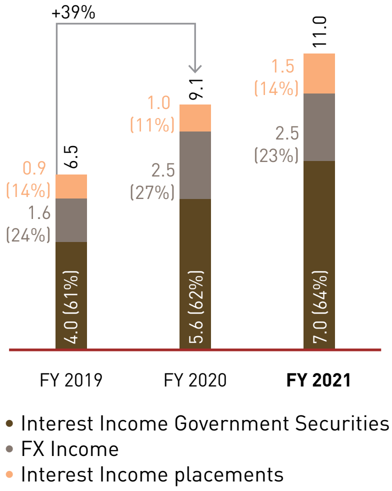
Government securities portfolio (Frw billion)



Treasury gross income contribution (Frw billion)

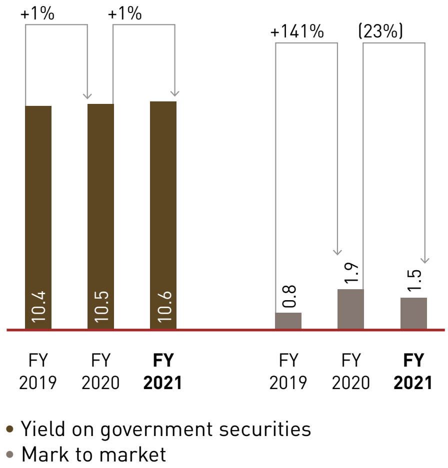


Treasury income mix (Frw billion)



Yield on government securities and capital gains (%)

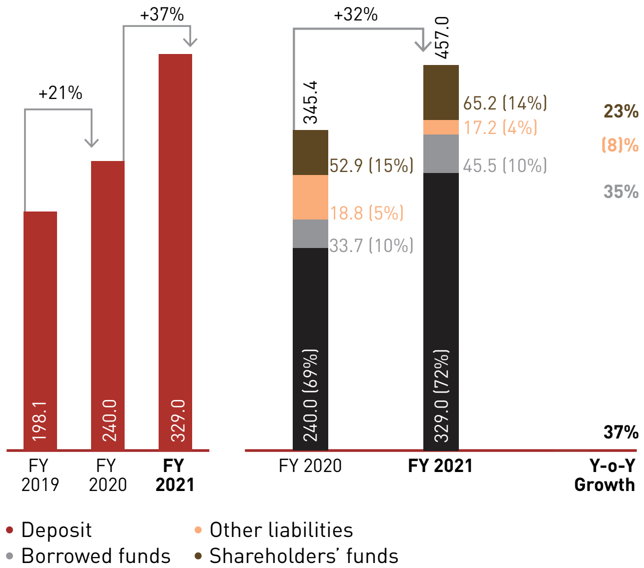
Slight improved on Government securities yields, mark-to-market gains declining Y-o-Y driven by Eurobond Portfolio



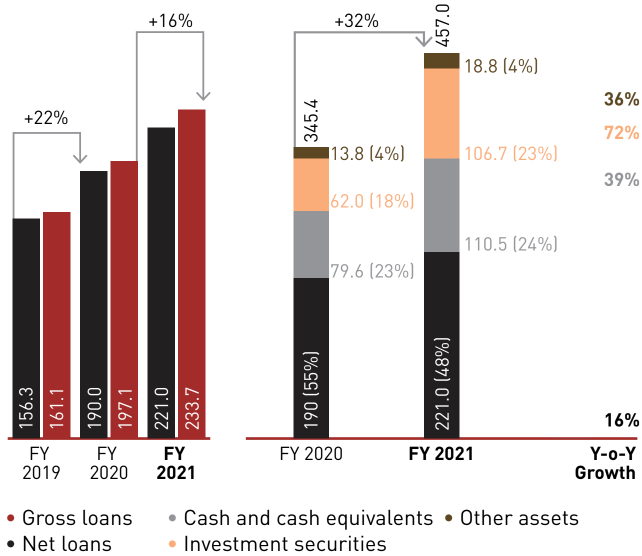
Balance-sheet efficiency, optimisation and agility

Our balance sheet remains agile, enabling us to invest excess liquidity as opportunities arise. During the year we allocated to government securities Frw 107 billion. Our liquidity coverage ratios averaged 312%. Added to this strong liquidity, our Tier 2 capital offers additional financial capabilities that we intend to deploy in lending, particularly in support of the MSME sector. The Bank will therefore focus on growing the loan book as liquidity moves from defensive purposes to a more assertive stance focused on private sector credit.

Funding structure and leverage (Frw billion)

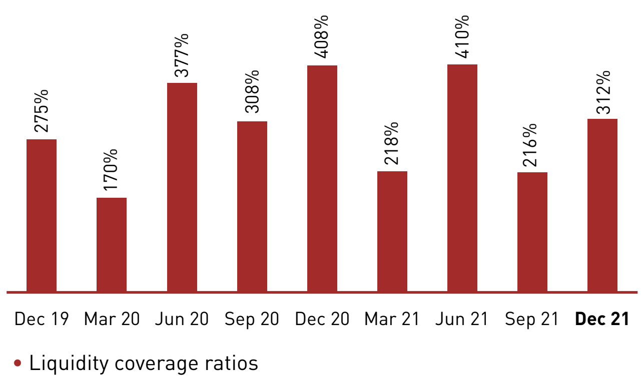


Asset mix (Frw billion)

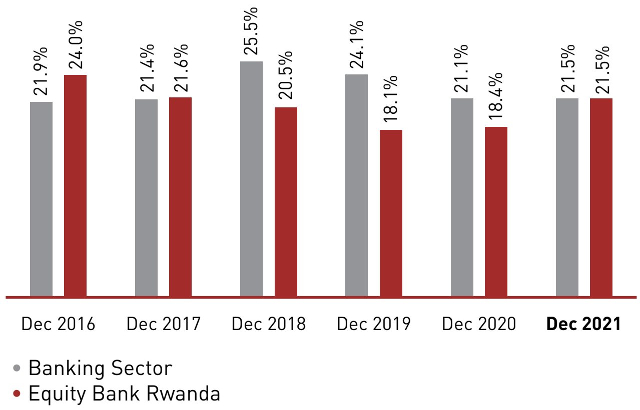


DELIVERING COMMERCIAL VALUE continued

Liquidity coverage ratios



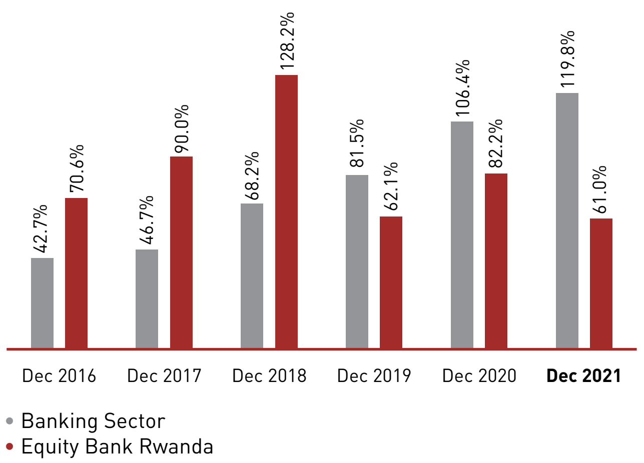
Total CAR (min 15%)



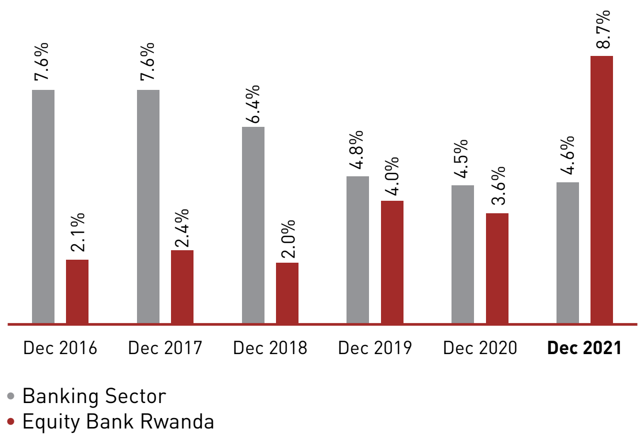
Asset quality, distribution and risk mitigation

We closed the year with an NPLs ratio of 8.7% against an industry average of 4.6%. This has been occasioned by the effects of Covid-19, which mainly impacted a portion of our real estate portfolio that slipped to NPL. The Bank continues with proactive customer relationships and engagement to ensure that affected customers can rebound and resume servicing their loans. Nevertheless, the affected facilities are adequately covered by securities.

Provisions/NPLs



Asset quality



Business transformation – innovation and digitisation

Our business model is heavily reliant on innovation and digital channels to deliver cutting-edge products and services to customers. We continue to see strong growth in transaction volumes and values across all our variable cost channels such as internet banking, our EazzyBanking App, agency network and merchants.

E-commerce has been a key focus area for us as we continue to collaborate through third-party infrastructure to bring value added services to our customers. Under diaspora banking, we have added new remittance partners such as Ria, and this has seen the value of remittance values continue to grow Y-o-Y.

During the year under review, we launched a best-in-class, mobile payment solution called Pay with Equity Fasta Fasta. This innovative solution allows customers to make seamless mobile payment and transfer services for goods and services directly from their bank accounts by dialling *555*1*1*Till Number*amount#, at zero charge. This solution enables all merchants in Rwanda to receive instant and secure payments from millions of potential clients at no cost, further supporting our digitisation strategy.

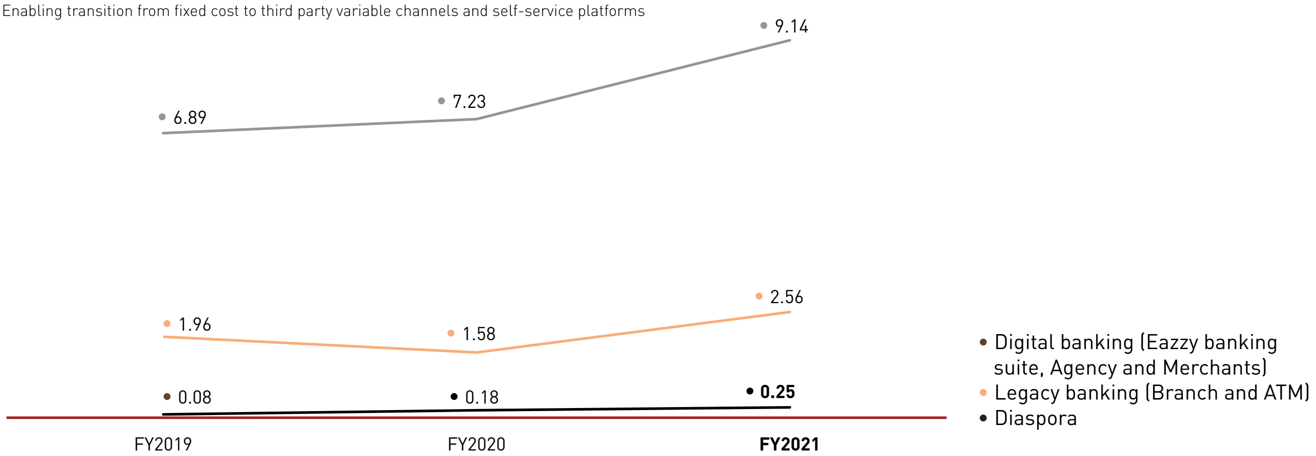
DELIVERING COMMERCIAL VALUE continued

This initiative was born out of the urgent need to democratise digital payments and accelerate the experience of merchant payments following the Covid-19 pandemic which has a rethink as to how business is done. It is gratifying to lead the rallying call by the Government of Rwanda to enable digital payments and make them accessible for all, while eliminating the barrier of cost.

Innovation and digitisation together thus form part of our strategic imperative to transform banking from a place you go to, to something you do, with digitised banking the means of moving from fixed-cost to variable-cost delivery infrastructure.

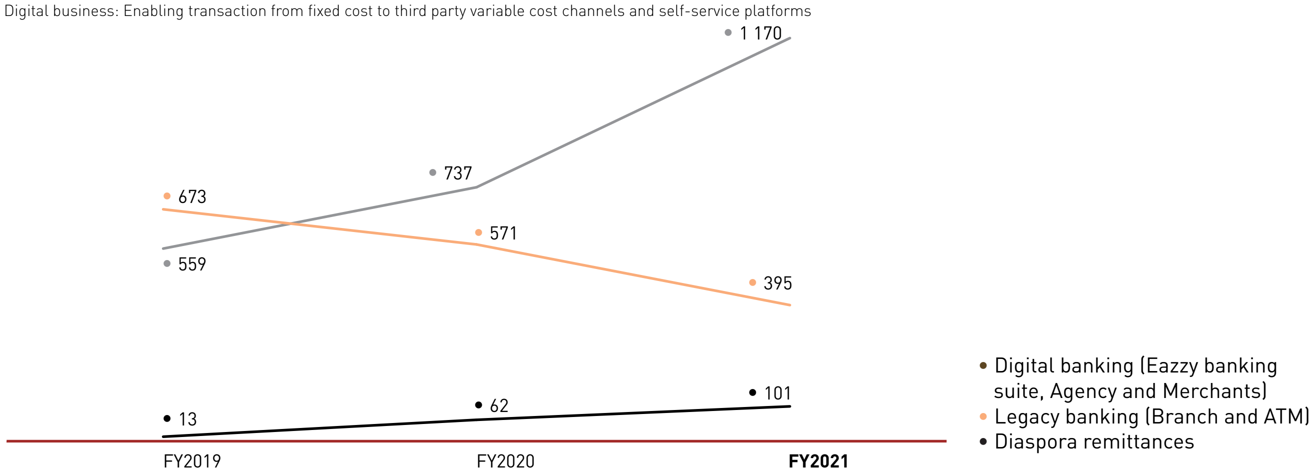
Transaction numbers in millions

Enabling transition from fixed cost to third party variable channels and self-service platforms

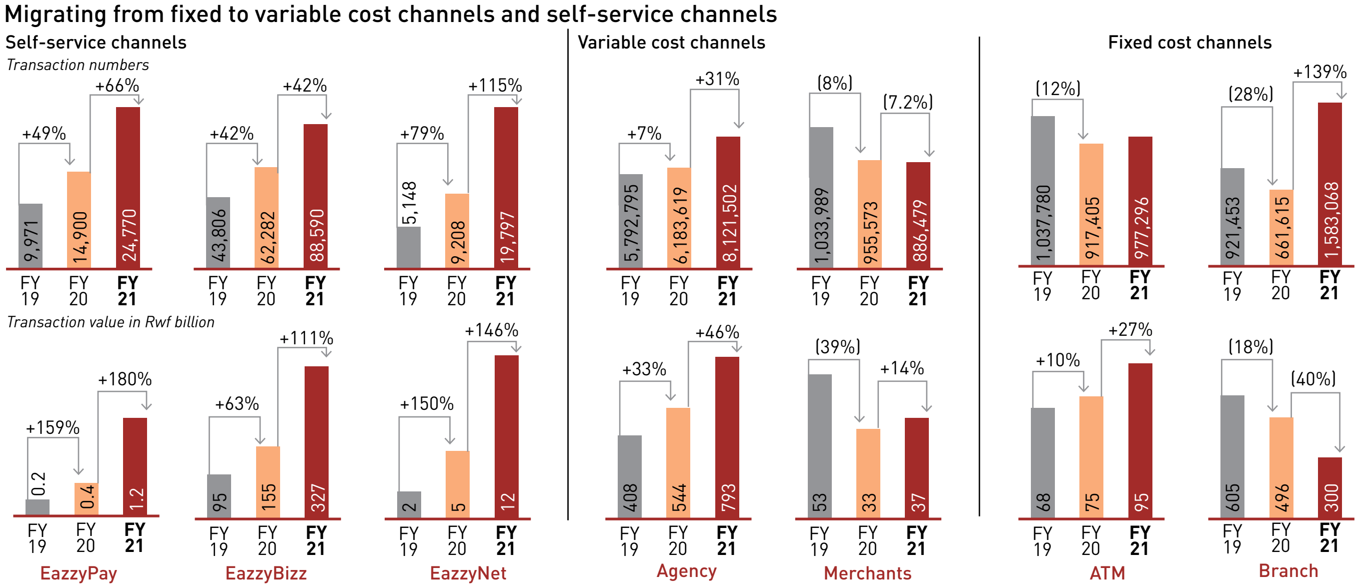


Transaction volumes in Frw millions

Digital business: Enabling transaction from fixed cost to third party variable cost channels and self-service platforms

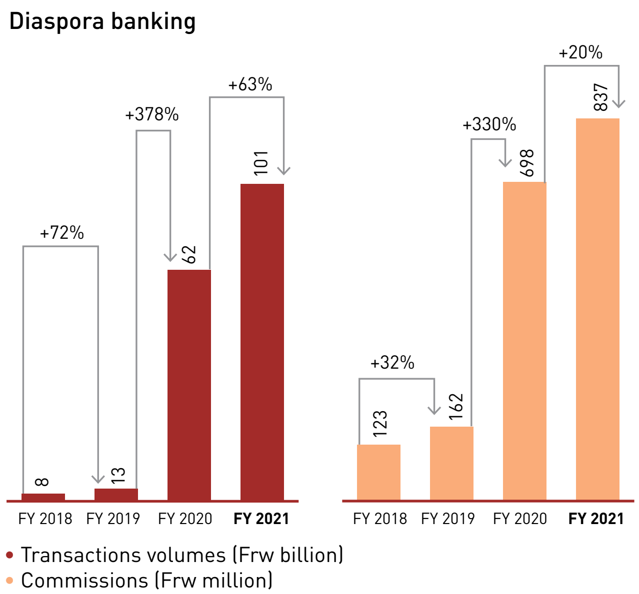


DELIVERING COMMERCIAL VALUE continued



Diaspora banking offers financial solutions to individuals working and living abroad. By leveraging technology, we make our local offerings and expertise available in a global setting.

Through EazzyNet-online banking, the Eazzy Banking App, and several partnerships with global remittance service providers, we have grown the number of accounts opened, and expanded our offering of portfolio of services from simple banking and remittances to investment solutions and credit facilities. Diaspora remittances have increased by 63% to Frw 1 billion, and income generated grew by 20% to Frw 837 million.



Cards and merchants

We have a widely recognised range of card-based payment products, including debit cards, credit cards and prepaid cards, as cash-free payment solutions. Our debit and credit cards can also be used for online e-commerce transactions. As an integrated feature of our savings product, the debit card can be used on various channels, including at the branch, or through ATM and POS networks.

We have partnered with key payment companies to ensure our customers have a variety of choices. The range of products and services that are linked to debit cards and various facilities are regularly reviewed and enhanced in accordance with advances in the market.

We offer a variety of card products with attractive programmes suited to different customer lifestyles and consumption needs. These include VISA Infinite, Signature, Platinum and Gold cards.

DELIVERING COMMERCIAL VALUE continued

Our 1,384 POS merchants and 7,772 EazzyPay merchants, offer:

> Stand-alone POS terminals which enable businesses to securely accept debit and credit card payments

> Integrated retail solutions (pin-pads) which are suitable for businesses with several pay-points or tills such as medium to large supermarkets, hospitals, and high traffic retail points

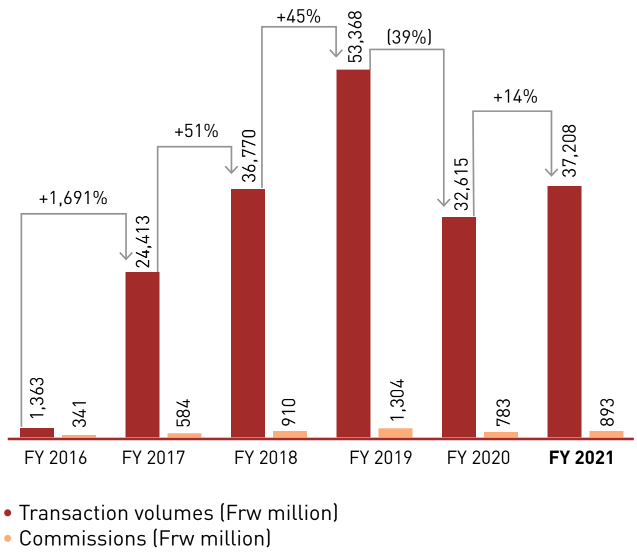
> E-commerce payment gateways that enable businesses to accept secure online payments cards for both domestic and international card transactions through their websites

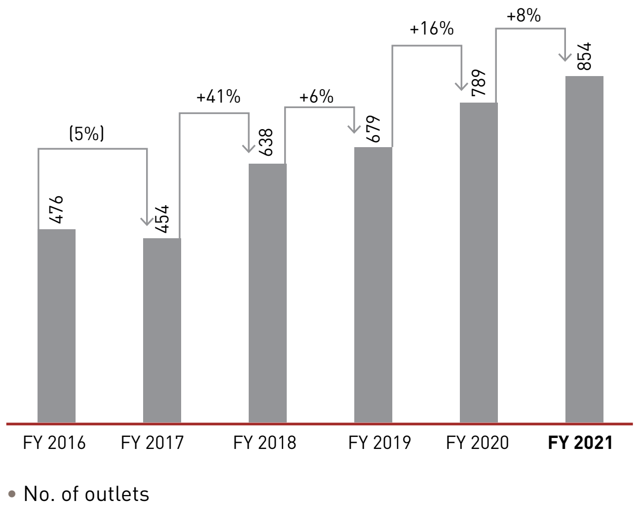
> Mobile payment solution called Pay with Equity Fasta Fasta that enables all Equity merchants in Rwanda to receive payments direct into their Equity Accounts

With the re-opening of the economy following the Covid-19 restrictions, that severely affected the hospitality sector, merchant turnovers during the year under review totalled Frw 37.2 billion, a 14% growth from the previous year's Frw 32.6 billion, with merchants' commission correspondingly growing from Frw 783 million to Frw 893 million.

We also accelerated the recruitment of additional merchants to facilitate a cashless payments solution which saw an additional 65 new merchants added.

No. of outlets





Agency banking

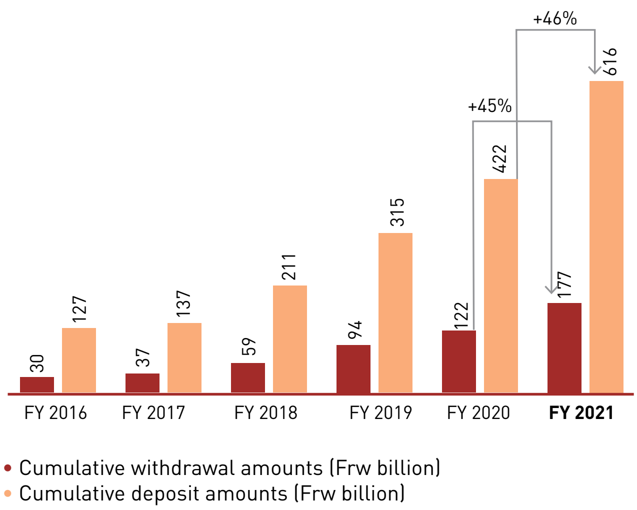
Agency banking seeks to bring banking services closer to our customers. It also enables financial inclusion by offering services in areas where banking services are unavailable or not easily accessible. It creates business opportunities for service providers allowing them to diversify their revenue sources, creating income and employment where it is most needed. Moreover, agents earn agency commissions and provide additional products and services for our partners.

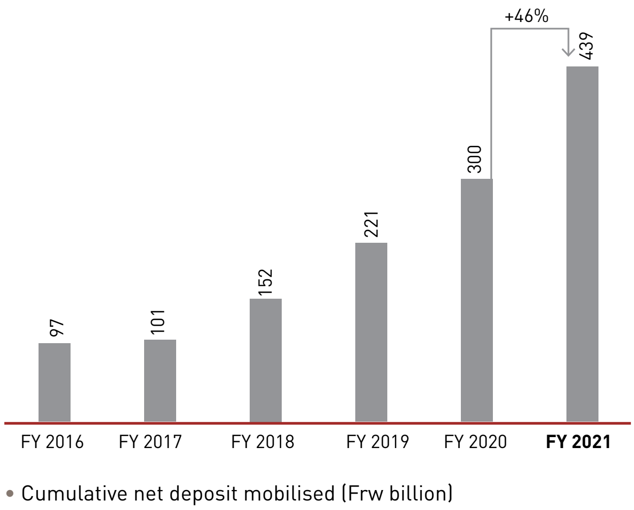
Agency banking	Dec 20	Dec 21	Growth
Number of agent	2,409	3,331	38%
Monthly transactions	515,302	676,792	31%
Monthly value of transactions	45.36bn	66.04bn	46%
Monthly agent commissions (gross)	52.83mn	80.61mn	53%

Agency cumulative deposits recorded a 46% Y-o-Y growth, while cumulative agency withdrawals recorded a 45% Y-o-Y growth while mobile net deposits recorded a 46% Y-o-Y growth. This demonstrated the increasing role of our Agency Banking in offering banking services closer to the public, thereby further supporting financial inclusion.

DELIVERING COMMERCIAL VALUE continued

Agency banking





During the year under review, agency banking dominated, constituting 51% of all transactions. Volumes in FY2021 grew from 42% and 33% in 2020 and 2019, respectively. Brick and mortar (branches and ATMs) transacted 25% of all volumes in FY2021, a drop from the 44% and 55% observed in 2020 and 2019 respectively.

Equity Bank Rwanda Plc received an International Standards Certification – ISO/IEC 20000-1:2018 – for IT Service Security Management Systems from the British Standards Institution (BSI). This certification cements our commitment to prioritising customer safety and satisfaction. ISO 20000 is proof that our service management system is robust enough in the delivery of all IT-related services and is also aligned with our current and future needs, particularly in respect of appropriate governance in safeguarding customer privacy and security.

Other goals for ISO 20000 on service management include protecting revenue flow into the business by providing stable IT services, and meeting the Bank's obligations to stakeholders, including its customers, regulators, Shareholders, and suppliers, with IT ultimately a business enabler.

While ensuring the Bank has better-defined and better-aligned services, increased visibility and control, the service management system also provides a structured framework for setting IT service management objectives and processes, while at the same time outlining responsibilities for key stakeholders.

For more on IT, see page 36.

Efficiency and cost optimisation

Our strategy focuses on disciplined operational efficiency with a key emphasis on cost optimisation. Overall, our intent is to transform our cost structure to manage discretionary costs and incur costs that enhance value for stakeholders and the business.

We therefore analyse our costs monthly to ensure greater discipline and adherence to our cost optimisation agenda. We have also focused on our delivery channels, aiming to move transactions to our variable cost channels such as our digital channels, which provide us with a preferable cost structure compared to fixed-cost channels like branches. In addition, digitisation and automation of processes and operations continue to enable us to reduce our operational cost.

All these efforts have led to a cost-to-income ratio of 43%, without loan loss provisions. Total operating cost without provisions grew by 3% to Frw 17.99 billion from Frw 17.3 billion. The Bank continues to roll out the digitisation and automation of processes and operations to maintain containment of costs.

DELIVERING SOCIAL VALUE

EQUITY BANK RWANDA

DELIVERING SOCIAL VALUE

> SRC *The social engine of our strategy is founded on our social and relationship capital. The positive social impact we strive to attain is mediated through our purpose of transforming lives, giving dignity and expanding opportunities for wealth creation, as well as our vision of being the champion of the socio-economic prosperity of the people of Africa. We implement our activities through initiatives, projects and partnerships among the communities in which we operate and which we serve, and with the relevant United Nations Sustainable Development Goals (UNSDGs) in mind.*

During the year under review, we undertook several projects aimed at uplifting and improving the lives and prospects of people and promoting social consciousness.

Equity leaders programme

As a bank, we champion prosperity based on six socio-economic pillars:

- Education and Leadership Development
- Energy and Environment
- Enterprise Development
- Financial Inclusion
- Food and Agriculture
- Health and Social Protection

These pillars represent the strategic intent of the Equity Group as a purpose-led business with a unique shared-value model that pursues a mission that is both founded on both profit and social impact. The pillars are mapped against the Group's values and the United Nations Sustainable Development Goals.

Through Equity Group Foundation (EGF), the Group's social impact engine, and with our purpose of transforming lives, giving dignity and expanding opportunities for wealth creation, we have therefore extended our social impact contribution through the implementation of a mentorship and leadership development programme. Known as the Equity Leaders Programme (ELP), it is a rigorous leadership, development initiative designed to benefit top performing senior six boys and girls, starting in the 2021 academic year.

The ELP was founded in 1998 and has scaled up over time to benefit 17,140 scholars in Kenya, where the paid internship component of the programme admits the top performing boy and girl in the secondary level final exams from each district where Equity Bank has a branch.

In addition to the skills training, the ELP aims to empower young, academically gifted scholars through mentorship and leadership development. It is also focused on spurring personal and professional development, creativity and innovation and community engagement amongst the scholars, thereby moulding them into forward-thinking young professionals with a heart for giving back to the community.

The paid internship runs for the three to six months between secondary school completion and the beginning of university studies. Accordingly, in November 2021, under our leadership pillar, we undertook a scaling up of the various programmes already being implemented through the EGF, with the launch of the ELP in Rwanda.

The launch began with the selection of 32 top-performing male and female students from the various districts where Equity Bank Rwanda has a branch presence.

The scholars who were selected based on their Senior Six National Leaving Examination results obtained from the National Examination and Schools Inspection Authority (NESA). As the first cohort of ELP beneficiaries in Rwanda, they will bring the total number of beneficiaries within East Africa to 17,072 since the inception of the programme. This includes graduates from Equity's bespoke secondary school scholarship programme, *Wings to Fly*.

DELIVERING SOCIAL VALUE continued

The ELP model seeks to develop scholars in four programme areas

1 → Personal and professional development to enable scholars to identify their unique talents and strengths and to match their individual interests with meaningful career opportunities.

2 → Global exposure to encourage scholars to expand their horizons and become world class leaders who can compete and succeed in a global marketplace.

3 → Creativity and innovation to empower scholars to think creatively about providing solutions to the challenges and opportunities facing communities around the world.

4 → Community Engagement to inspire scholars to use their scholars to use their abilities for good and to make a positive impact on society.

The 32 scholars, having concluded a one-week induction process proceeded to join Equity Bank for a three-month paid-internship programme, where each scholar receives a monthly stipend and experiences on-the-job training and mentorship within various Bank departments. At the conclusion of the internship period, the mentorship and coaching engagement with the scholars is maintained for the period they attend university.

The ELP has been uniquely designed to offer the 32 scholars an opportunity to apply for admission and full financial aid at global universities, through admission into the College Counselling Programme, which runs for three months and is aimed at exposing the beneficiaries to global university admissions processes.

The Bank sees the launch of the ELP in Rwanda as part of its commitment to impacting lives and livelihoods in the country by implementing efficient and productive programmes that can sustainably create change. The aim is to leverage on our banking infrastructure to connect youth, farmers, MSMEs, women and communities to educational, health and economic opportunities, tools and technologies that will promote personal progress and wealth creation.

In addition to the skills training it offers, the ELP aims to empower young academically gifted scholars through mentorship and leadership development and is also engaged in spurring personal and professional development, creativity, innovation, and community engagement, with the objective of moulding them into forward-thinking young professionals with an ethical focus on giving back to their communities.

New agri-lending products

In April 2021, we launched a series of new loan products for the agriculture sector, targeting Rwandan agri-businesses and farmers in eight value chains: maize, Irish potatoes, rice, coffee, tea, dairy, beans and horticulture.

The development of these new agri-lending products was supported by UKAid through its IMSAR programme, which is helping improve market systems for agriculture in Rwanda. IMSAR's support has helped the bank to develop, trial and roll out tailored financial products to reach farmers and agri-businesses across the country. The partnership aims to facilitate greater access to finance, a major impediment to the growth of agriculture in Rwanda.

The Bank sees the partnership initiative as part of its goal of promoting financial access for smallholder farmers and agri-businesses at scale. In targeting and lending support to the agriculture sector, in recognition of the fact that Rwandan farmers do not simply grow crops, but that in doing so, they help feed and grow the nation.

Donation to the Kigali Genocide Memorial

During their visit in June 2021 to pay homage at the place where over 250,000 victims of the genocide against the Tutsi are laid to rest at the Kigali Genocide Memorial, Equity Bank employees donated Frw 3 million as a contribution towards the ongoing fight against genocide and to support the welfare of survivors. The team also laid wreaths at the mass graves.

The tour was aimed at helping our employees understand how the 1994 genocide was prepared and carried out, with the extermination of over a million in lives in just 100 days.

The aim of the donation was to help mitigate the effects of the genocide and to help entrench a culture of giving among Rwandans of all walks of life.

Support for Women-owned Micro, Small and Medium Sized Enterprises (MSMEs)

In March 2021, Equity Bank bolstered its support for SMEs across Kenya, Uganda, Rwanda and the DRC, with a USD75 million Women Guarantee Fund, through the African Guarantee Fund (AGF). The agreement with the AGF is aimed at supporting Equity Bank in its drive to scale up its lending activities to women-owned and -managed MSMEs, to ensure that women are able to

DELIVERING SOCIAL VALUE continued

access credit at affordable interest at a time when such access is most needed.

With the Covid-19 pandemic continuing to impact negatively on businesses, we saw women-owned and -managed MSMEs as key players in driving livelihoods for the majority of families and communities, as well as for growth in the economy. The Guarantee Fund will mitigate the credit risk to which Equity is exposed, enabling our ongoing assistance for women-owned and -managed MSMEs as they navigate through uncertain times and keep the lights of the economy on.

The fund will help ensure that livelihoods and opportunities within the economy continue to accelerate as we work to revitalise economic activities to enable the economy to bounce back. This is part of our commitment to continue financing MSMEs as they recover and thrive, and where necessary, transform and adapt their businesses to the changing environment to seize new business opportunities.

PROTECTING AND PRESERVING VALUE

EQUITY BANK RWANDA

OUR LEADERSHIP TEAM

Our Board

Col. (Rtd) Eugene Haguma Murashi
Non-Executive Chairman

Hannington Namara
Managing Director

Dr. Patrick Uwizeye
Non-Executive Director

James Mutuku
Non-Executive Director

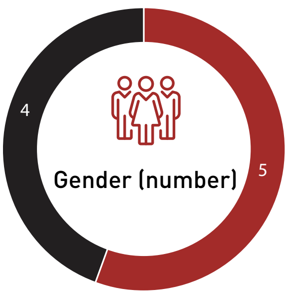
Amb. George William Kayonga
Non-Executive Director

Mrs. Mary Wamae
Non-Executive Director

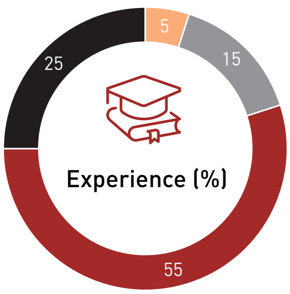
Anita Umuhire
Non-Executive Director

Belinda Bwiza
Non-Executive Director

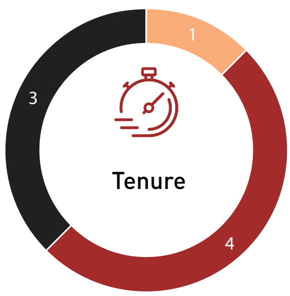
Ms. Lydia Ndirangu
Company Secretary



• Male • Female



• Law
• Strategy
• Business Administration
• Technology



• 1–2 years
• 3–4 years
• 5–6 years
• 7+ years

OUR LEADERSHIP TEAM continued

Name	Executive/Non-Executive		Qualifications	Age	Year of appointment	Nationality
Col. (Rtd) Eugene Haguma Murashi	Non-Executive Chairman, Equity Bank Rwanda Plc	Col. Murashi has served in leadership positions both in the public and private sector. He was the Permanent Secretary, Ministry of Defence in Rwanda from 2002 to 2005 before being posted as Defence Attaché to the Republic of South Africa from 2005 to 2010. He joined Horizon Group Rwanda as CEO from 2010 until 2018. Since retiring from the Rwanda Defence Force, he worked as a private consultant.	MSc in Financial Management (University of London); BCom (Marketing) (Makerere University-Kampala); Chartered Financial Analyst (CFA) charter holder; Certified Sustainable Investment Professional (John Molson Business School, Concordia University, Canada)	54	August 2020; as Chairman: 2021	Rwandese
Hannington Namara	Managing Director, Equity Bank Rwanda Plc	Mr. Namara is a Fellow of the Africa Leadership Initiative-East Africa and a member of the Aspen Global Leadership Network. He has over 20 years work experience in banking and private sector development, with extensive knowledge of, and a track record in strategic leadership, banking and finance, management and communications. He has held various leadership positions while working with various reputable organisations including TradeMark East Africa, Rwanda Private Sector Federation, Commercial Bank of Rwanda (BCR), Rwanda Investment Export Promotion Agency (RIEPA – now known as Rwanda Development Board). Mr. Namara holds several positions of responsibility on boards of corporates and parastatals.	Business Administration (Finance) (Makerere University Business School); Graduate of Advanced Management Programme (Strathmore Business School)	44	2016	Rwandese
Dr. Patrick Uwizeye	Non-Executive Director, Equity Bank Rwanda Plc	A member of the institutes of CPA in both Kenya and Rwanda, Dr. Uwizeye is a Certified Member of the Institute of Risk Management (CMIRM), UK and Associate Member of Kenya Institute of Management. He has over 28 years of experience in business management and has worked for MTN Rwanda and AACC in Nairobi. He is currently the President of the Institute of CPA Rwanda, and a board member of the Pan Africa Federation of Accountants (PAFA). Dr. Uwizeye currently serves as the Managing Director of BPU Consulting Ltd, a company he founded more than seven years ago.	Doctor of Business Administration (DBA) (Heriot-Watt University, UK); MSc in Strategic Planning (Heriot-Watt University, UK); MBA in Financial Management (University of Hull, UK); Master's in Communications Management (MCM) (Coventry University, UK); Certified Public Accountant (CPA)	66	2016	Rwandese
James Mutuku	Non-Executive Director, Equity Bank Rwanda Plc	Mr. Mutuku has over 20 years of experience in treasury business having worked as a treasury dealer for Co-operative Bank of Kenya, Head of Money Markets and Fixed Income at KCB Kenya and the East Africa Head of Asset Liability Management (ALM), for Standard Chartered Bank Kenya. Before joining Equity Bank in 2016, he was the immediate country Head of Financial Markets for Standard Chartered Bank Uganda, where he also doubled up as Co-Head SCB Uganda Wholesale Bank. He brings a wealth of experience in balance sheet management, fixed income trading and general treasury management.	BA in Economics and Sociology (Egerton University)	50	2018	Kenyan
Amb. George William Kayonga	Non-Executive Director, Equity Bank Rwanda Plc	Amb. Kayonga is an independent trade and development consultant, and alongside his membership of the Equity Bank Rwanda Board, he is a member of the Governing Board of One Acre Fund. He has had a 16-year career in the Public Service as High Commissioner of Rwanda to Kenya, Non-Resident Ambassador to Somalia, Permanent Representative of Rwanda to UNEP and UNHABITAT, Permanent Secretary Ministry of East African Community and CEO of the National Agricultural Export Development Board. Mr. Kayonga has also had a 12-year career in the private sector, managing own supply-chain and logistics companies.	Master's degree in Diplomacy and International Studies (University of Nairobi, Kenya); BCom – Finance (University of Makerere, Uganda)	53	2020	Rwandese

OUR LEADERSHIP TEAM continued

Name	Executive/Non-Executive		Qualifications	Age	Year of appointment	Nationality
Mrs. Mary Wamae	Non-Executive Director, Equity Bank Rwanda Plc	Mrs. Wamae is a Certified Public Secretary (Kenya) and member of The Institute of Certified Secretaries of Kenya (ICPSK), the Law Society of Kenya, Women Corporate Directors and the Kenya Section of the International Commission of Jurists. She is an Advocate of the High Court of Kenya and has over 15 years' experience in private legal practice. She is the overall winner of the 2021 Angaza Award: Women to Watch in Banking and Finance, as well as overall winner of the 2021 Women on Board Award held by the Women on Board Network. Mrs. Wamae has been recognised for her efforts in demonstrating purpose, authenticity, resilience, innovation, and sustainable contribution in economic and social-impact initiatives. Mrs. Wamae also serves as Non–Executive Director, Equity Bank (Kenya) Limited, Equity Bank South Sudan Limited, Equity Bank Rwanda Plc, Equity Bank Uganda Limited, Equity Bank Tanzania Limited, Finserve Africa Limited, Equity Investment Bank Limited, Equity Bancassurance Intermediary Limited, and the Equity Group Foundation.	Master's in Leading Innovation and Change (York St. John University); LLB (University of Nairobi); Diploma in Law (Kenya School of Law); Graduate of the Advanced Management Programme (Strathmore – IESE Business School, Barcelona, Spain) and the Advanced Management Programme (Harvard Business School); Post-graduate Diploma in Gender and Development	53	2017	Kenyan
Anita Umuhire	Non-Executive Director, Equity Bank Rwanda Plc	Ms. Umuhire is a member of the South African Institute of Chartered Accountants and the Institute of Certified Public Accountants of Rwanda. She has completed CFA, Level 1 and is working towards Level 2. As a Chartered Accountant, she has over 15 years of experience in finance, gained in various sectors, including: banking, audit, not-for-profit and the Fast-Moving Consumer Goods (FMCG) industry, across South Africa, Rwanda, and Kenya. She is currently the Deputy MD of Inyange Industries and has previously served in senior management positions at KCB Bank Rwanda; the Regional Centre on Small Arms (RECSA), Kenya; Urwego Opportunity Bank; Guaranty Trust Bank (GTB) Rwanda (ex. FINA Bank); FINA Bank Rwanda (now GBT) and Ernst & Young, South Africa. Ms Umuhire presently holds board positions in CIMERWA, Intare Investments Ltd and Giheke Dairy Ltd.	MBA in Leadership and Sustainability (University of Cumbria – Robert Kennedy College, UK); Higher Diploma in Accountancy, BCom (University of The Witwatersrand, South Africa)	36	2021	Rwandese
Belinda Bwiza	Non-Executive Director, Equity Bank Rwanda Plc	Mrs. Bwiza is currently the Deputy Country Director at One Acre Fund Rwanda and has previously served as General Manager at Sawa Citi Ltd., Kigali. Previously, She served as a Senior Financial Analyst at the Ministry of Training, Colleges and Universities, Toronto, Ontario. Prior to that she served for over five years in the financial services sector as Supervisor – Investor Relations at Citco Fund Services, Toronto, and Senior Client and Advisor Specialist at CIBC Mellon Global Securities Services, Toronto. Mrs. Bwiza presently holds board positions at the Rwanda National Investment Trust as Chairperson, and at EarthEnable as a member.	Bachelor of Business Administration, Finance (Brock University, St. Catharines, Ontario); MBA and a Chartered Professional Accountant Designation (Wilfrid Laurier University, Toronto)	38	2021	Rwandese

OUR LEADERSHIP TEAM continued

Senior Management Team

Hannington Namara
Managing Director

Adalbert Rutaisire
Director Operations

Jean Claude Gaga
Director of Commercial

Fernand Kamanzi
Head of Treasury

Chantal Mukandoli
Head of Credit Administration

Felix Ngio
Head of Credit Risk

Jean Bizimungu
Head of Risk and Compliance

Joseph Mutuma
Head of Finance

Dianah Mukundwa
Head of Strategy, Investment and Social Impact

Aline K Mutambuka
Head of HR and Corporate Services

Jean Paul Ngabonziza
Head of Internal Audit

Carole Karema Jeni
Head of IT and Projects

Loyce K. Bamwine
Head of Legal

Athanasie Niragira
Head of Marketing and Customer Experience

PROTECTING AND PRESERVING VALUE

Our governance structures FC HC IC SRC

> *Our corporate governance forms a critical part of our financial, human, intellectual and social and relationship capitals, and impacts every aspect of the Bank's structure and operations. The Board recognises that sound corporate governance principles are the foundation upon which stakeholder trust is built. Board members therefore take their responsibility for the corporate governance agenda within the Bank and Equity Group Holdings Plc, (the Group) seriously and continue to focus on maintaining the highest standards of corporate governance and business ethics in the Bank's operations in order to meet the needs and objectives of, and create value for, the various stakeholders.*

As a subsidiary of the Group, Equity Bank Rwanda Plc is bound by the Group's Corporate Governance Framework which sets out a schedule of matters with the objective of ensuring effective governance across the Group and furthering the value of the common brand.

During the year under review, the Bank complied with all aspects of the various principles and requirements on corporate governance under the National Bank of Rwanda (BNR) Regulation No. 01/2018 of 24/01/2018 on corporate governance for banks.

Board operations and control

The Bank observes the various principles set out in:

- Law No. 47/2017 of 23/09/2017 governing the organisation of banking and all prudential guidelines and directions given by the National Bank of Rwanda
- Law No. 007/2021 of 05/02/2021 governing companies and its implementing orders/directives
- BNR Regulation No. 01/2018 of 24/01/2018 on corporate governance for banks

In addition, we adhere to other applicable laws and regulations governing the various lines of businesses in which we are engaged. The Board further ensures compliance of the Bank with all relevant laws, orders, regulations, directives, governance practices, accounting, and auditing standards and that the Bank adheres to its rules, codes and standards, with regard to Board operations and control, with regard to the areas outlined below:

Risk management framework

The Bank seeks to socially and economically transform lives and livelihoods by availing modern, inclusive financial services that maximise people's opportunities. It has developed a risk intelligent culture to help manage risks. The Bank's risk culture is founded on:

- The Bank's core values
- Risk-based incentives
- Bank risk governance structure

Risk management tools and framework and accountability

In the context of the prevailing regulatory and economic environment, the Bank assumes various kinds of risks in its business and support activities in pursuit of attainment of its strategic objectives. The Bank recognises that sound risk management contributes to its long-term financial stability. Moreover, the Bank has an independent risk management function with sufficient authority, stature, independence, resources and access to the Board.

For more on risk management, see page 21.

Internal control functions

The Board has set up an effective internal audit department, staffed with qualified personnel to perform internal audit functions. Additionally, there exists an independent Risk and Compliance Function that, among other things, routinely monitors compliance with laws, regulations, codes, and policies to which the Bank is subject, and ensures that deviations are reported to an appropriate level of management and, in case of material deviations, to the Board.

By the same token, the Board regularly reviews the processes and procedures to ensure the effectiveness of its internal systems of control, so that its decision-making capability and the accuracy of its reporting and financial results are always maintained at a high level.

PROTECTING AND PRESERVING VALUE continued

As part of its broader risk management structure, the Bank has established an independent compliance function that provides assistance to the Board and management in complying with applicable laws, rules, codes and standards. To ensure independence, the Bank's Heads of Risk and Compliance report functionally to the Board Risk Committee, and administratively to the Bank's Managing Director.

The Bank's operational structure

The Board and senior management clearly understand the structure and the organisation of the Bank and the formal and informal links and relationships between Management and the Board. There is a clear distinction between the role of Chairperson and that of Managing Director.

The Chairperson

The Board is led by an Independent Non-Executive Chairperson to bolster the Board's independent oversight. The Chairperson provides leadership to the Board. It is the role of the Chairperson to ensure that effective corporate governance practices and processes are embedded in the organisation and that the Board is functioning as required and playing its role effectively.

The Board Chairperson has the responsibility for chairing Board meetings and is responsible for ensuring effective succession planning for the Board. The Chairperson is available to provide guidance to the Bank's Managing Director and acts as the liaison between the Board and senior management. The Chairperson also ensures that there is effective engagement between the Bank and its stakeholders.

The Managing Director

The Bank's Managing Director (MD) is an executive member of the Board and is responsible for the operations and management of day-to-day affairs of the Bank, ensuring that the Bank remains purpose-driven and achieves the strategic objectives set by the Bank Board.

The MD provides leadership to senior management and staff, implementing the decisions of the Bank Board. The MD ensures the preparation of annual budgets and business plans for approval by the Bank Board and establishes appropriate risk management frameworks and internal controls, ensuring that the Bank's operations are consistent with the Bank's risk appetite.

The MD is tasked with implementing a system of employment that is fair, safe, challenging and rewarding and building a culture of trust, team spirit, integrity, collaboration, excellence and accountability as well as with implementing appropriate processes for staff succession planning.

Disclosure requirements

The Bank has maintained timely balanced disclosure of all material information concerning the company. The Bank publishes important company information on its website.

Policy on conflict of interest

The Bank recognises that it is not possible to foresee every situation that could give rise to real, apparent or potential conflict of interest. Consequently, the Bank Board has established a Conflict-of-Interest Policy (CIP) to offer guidance on how to mitigate the risk of activities and access to information that may lead to actual or potential conflicts of interest between the interests of the Bank and those of its relevant persons.

The Policy identifies the activities which may compete or conflict with the Bank's interests and outlines the steps to manage conflict of interest, should it arise. As a support to the CIP, the Board has established procedures to address conflict-of-interest situations and ensures that senior management implement policies to identify, prevent or appropriately manage and disclose potential conflict-of-interest situations that may arise.

Speak up policy and procedure (Whistle-blowing Policy)

The purpose of the Whistle-blowing Policy is to foster an environment and culture of information-sharing, positive or negative, without the fear of retaliation. The policy and procedure manual is designed, among others, to enable stakeholders to speak up on their experiences, observations and opinions on products, service delivery, expectations, and challenges.

It also encourages employees and other relevant stakeholders to report any perceived act of impropriety which should not be based on mere speculation, rumours and gossip but on knowledge of facts.

PROTECTING AND PRESERVING VALUE continued

Policy on procurement

The Board has developed a Bank Procurement Policy in order to:

- Promote best practice, transparency and professionalism in all acquisition processes within the Equity Bank fraternity
- Ensure that suppliers of goods and services are subjected to a competitive tendering process in order to achieve quality, price competitiveness and reliability
- Ensure that all expenditure is in accordance with prior approved budget and procurement plans
- Ensure compliance with applicable regulations and legislation

Code of Ethics and Conduct

We have established a Code of Ethics and Conduct, in terms of which the Bank has adopted 12 principles to ensure that business is conducted according to the highest ethical standards, and in compliance with all applicable laws and regulations governing the financial services industry in the jurisdictions within which we operate. We have a zero-tolerance policy for all forms of corruption, bribery, fraudulent conduct, unethical behaviour and unfair business practices. The Code of Ethics and Conduct is available on the Group's website.

For more on our values, see page 6.

Ethics and social responsibility

We believe that corporate governance is not just about ensuring that the Bank complies with applicable laws, regulations, codes and the highest standards of corporate governance, but is dependent upon doing so in a transparent and ethical manner.

The Bank is run by an effective and ethical Board that exercises diligence, integrity and good judgement in directing the Bank's operations. The Bank acts in the best interests of its stakeholders in a manner that is responsible, accountable, honest, fair and transparent.

The Board thus recognises that it is in the interest of the Bank to operate within the mandate entrusted to it by society and remain socially responsible. For this reason, the Bank undertakes its business in a manner that does not harm, and is respectful to, its beneficiaries and customers.

We ensure that the Bank does not exploit the community's labour, pollute the environment, fail to conserve resources, neglect the needs of the local community or engage in other anti-social practices.

Board evaluation

The Board undertakes an annual assessment of its own performance, the performance of the Chairperson, that of its committees, individual members, the Bank's Managing Director and the Company Secretary.

Following the evaluation exercise, led by an independent consultant, the Board deliberates on the evaluation results and subsequently implements its recommendations. The FY2021 Board evaluation was conducted, with the results noted for action, and the report filed with the BNR.

Appointment of a new Chairman

In August 2021 Col. (Rtd) Eugene Haguma Murashi was appointed as the new Non-Executive Chairman of the Board, taking over from Mrs. Evelyn Rutagwenda, who retired through rotation, having served on the Board for nine years, four of which she served as Chairperson. Mrs. Rutagwenda will continue to serve on the Board of Equity Group Holdings Plc as Vice-Chairperson. Col. (Rtd) Haguma brings with him a wealth of leadership experience, having previously served in senior leadership positions in both the private and public sectors.

Board meetings

Board meetings were held on a quarterly basis in the months of February, April, July and November. During the year under review, there was one *ad hoc* meeting in, July 2021.

The key areas of focus during the Board meetings were:

- The macro-economic environment and developments in the banking industry;
- Financial and management performance and approval of accounts;
- The Bank Corporate Governance Framework;
- The Business Continuity management in view of the Covid–19 pandemic;
- The Board Evaluation Report;
- The Bank's performance; and
- Bank strategy and strategic initiatives.

PROTECTING AND PRESERVING VALUE continued

Board meeting attendance FY 2021

	24 February 2021	23 April 2021	23 July 2021	1 November 2021
Mrs. Evelyn Rutagwenda *Chairperson*	✓	✓	✓	✗
Mr. Hannington Namara *Managing Director*	✓	✓	✓	✓
Mr. Emmanuel Butare *Member*	✓	✓	✗	✗
Dr. Patrick Uwizeye *Member*	✓	✓	✓	✓
Mr. Robert Bafakulera *Member*	✓	✓	✗	✗
Mrs. Mary Wamae *Member*	✓	✓	✓	✓
Mr. Steven Mutabazi *Member*	✓	✓	✓	✓
Amb. George William Kayonga *Member*	✓	✓	✓	✓
Col. (Rtd) Eugene Haguma Murashi *Member*	✓	✓	✓	✓
Mr. James Mutuku *Member*	✓	✓	✓	✓
Mrs. Christine Browne *Company Secretary and Group Director, Legal*	✓	✓	✗	✗
Ms. Lydia Ndirangu *Company Secretary*	✗	✗	✓	✓
Ms. Belinda Bwiza *Member*	✗	✗	✗	✓
Ms. Anita Umuhire *Member*	✗	✗	✗	✓

Our Board Committees

The Board has established Board Committees, governed by charters and aligned with the Bank's vision and mission. The secretary of each Board Committee is the head of the relevant function within the Bank and Company. The Board Committees were reconstituted following changes in the composition of the Board during the year under review.

The Board has appointed six committees which support it in discharging its responsibilities:

> Audit Committee
> Assets and Liabilities Management Committee (ALCO)
> Credit Committee
> Risk and Compliance Committee
> Governance, Nominations and Compensation Committee
> IT and Innovations Committee

The Audit Committee

The committee derives its mandate from the Board, and is responsible for providing independent oversight on the:

> Integrity of the financial statements of the Bank
> Effectiveness of the Bank's financial reporting, internal control, and risk management systems
> Effectiveness of the Bank internal audit function
> External auditors' qualifications, independence, and performance
> Results of examinations conducted by external auditors, and regulatory agencies, and makes recommendations to the Board for consideration

The Committee is currently composed of three independent and non-executive directors, one of whom is a Certified Public Accountant.

PROTECTING AND PRESERVING VALUE continued

Audit Committee

Ms. Anita Umuhire	Chairperson from 1 November 2021
Dr. Patrick Bugabo Uwizeye	Member
Ms. Belinda Bwiza	Member

The Audit Committee met four times during the year under review, and its key areas of focus were:

> Status of issues identified in Previous Internal Audit reports
> Status of issues identified in BNR onsite and offsite examination reports
> Status of Issues identified in previous External Auditors management letters
> Review of Significant Internal Audit findings in the Quarter
> Consideration and recommendation of Board Audit Committee Charter
> Approval of Internal Audit Charter,
> Approval of Internal audit plan for 2022
> Consideration and recommendation of audited financial statements for the period ended 31 December 2021
> Banking industry performance comparatives

Audit Committee meeting attendance

	24 February 2021	23 April 2021	23 July 2021	1 November 2021
Col. (Rtd) Eugene Haguma Murashi	✓	✓	✓	✗
Ms. Anita Umuhire	✗	✗	✗	✓
Dr. Patrick Bugabo Uwizeye	✓	✓	✓	✓
Mr. Emmanuel Butare	✓	✓	✗	✗
Mr. Robert Bafakulera	✓	✓	✗	✗
Mrs. Mary Wamae	✗	✗	✓	✗
Ms. Belinda Bwiza	✗	✗	✗	✓
Mr. Jean Paul Ngabonziza Secretary	✓	✓	✓	✓

Assets and Liabilities Management Committee (ALCO)

ALCO derives its authority from the Board and is responsible for:

> Reviewing capital structure and adequacy of the Bank
> Reviewing and reporting on the risk-weighted assets of the Bank
> Monitoring, reporting and presenting monthly and quarterly management accounts
> Setting and observing the loans-to-deposit ratio, as well as other key performance ratios
> Identifying all regulatory requirements governing the capital/funding and investment mix
> Ensuring adherence to these regulatory requirements
> Reviewing, reporting and managing risks associated with assets and liabilities, and conducting stress tests on the key factors of liquidity, interest rate, currency risk and credit risk to evaluate the Bank's exposure to, and ability to respond to, changes in key risk factors

PROTECTING AND PRESERVING VALUE continued

The Committee is composed of four members, three of whom are independent members.

Mr. James Mutuku	Chairperson (Feb–July 2021)
Ms. Belinda Bwiza	Chairperson (From Nov 2021)
Mr. Steven Mutabazi	Member
Ms. Anita Umuhire	Member

ALCO met four times during the year under review, and its key areas of focus were:

> Update on the macro economy
> Assets and Liability Management (ALM)
> Securities maturity profile and yield on securities
> Committee Charter

ALCO meeting attendance

	24 February 2021	23 April 2021	23 July 2021	1 November 2021
Mr. James Mutuku	✓	✓	✓	✓
Dr. Patrick Uwizeye	✓	✓	✓	✗
Mrs. Evelyn Rutagwenda	✓	✓	✓	✗
Col. (Rtd) Eugene Haguma Murashi	✓	✓	✓	✗
Mr. Steven Mutabazi	✗	✓	✓	✓
Ms. Belinda Bwiza	✗	✗	✗	✓
Ms. Anita Umuhire	✗	✗	✗	✓
Mr. Fernand Kamanzi Secretary	✓	✓	✓	✓

Credit Committee

The Credit Committee derives its authority from the Board, and is responsible for:

> Evaluating and reviewing loans and advances, subject to specified approval limits
> Serving as a forum for members to discuss credit matters extensively to form the basis for a proper evaluation and consideration of all issues related to loans, thereby providing appropriate safeguards for arriving at credit or credit-related decisions

The Committee is composed of four (4) members, three (3) of whom are Independent Non-Executive Directors.

Amb. William Kayonga	Chairman
Mrs. Mary Wamae	Member
Mr. Hannington Namara	Member
Ms. Belinda Bwiza	Member
Col. (Rtd) Eugene Haguma	Member

The Credit Committee met four times during the year under review, and its key areas of focus were:

> Review of credit portfolios
> Review of top 20 borrowers
> Review of top 20 non-performing borrowers
> Challenges facing the credit unit and proposed solutions
> Annual strategies progress
> Approval of the Credit Committee charter
> Approval and or ratification of credit decisions

PROTECTING AND PRESERVING VALUE continued

Credit Committee meeting attendance

	24 February 2021	23 April 2021	23 July 2021	1 November 2021
Amb. William Kayonga	✓	✓	✓	✓
Col. (Rtd) Eugene Haguma	✓	✓	✓	✓
Mr. Robert Bafakulera	✓	✓	✗	✗
Mrs. Mary Wamae	✓	✓	✓	✓
Mr. Hannington Namara	✓	✓	✓	✓
Ms. Belinda Bwiza	✗	✗	✗	✓
Mr. Felix Ngio Secretary	✓	✓	✓	✓

Risk and Compliance Committee

The Risk and Compliance Committee derives its authority from the Board and is responsible for:

- Reviewing and assessing the quality, reliability and integrity of risk management
- Ensuring that risk is adequately managed
- Ensuring the optimisation of the Bank's assets and liabilities
- Ensuring compliance with statutory and legal requirements as well as with the Bank's policies and procedures
- Reviewing on an annual basis the effectiveness of the Bank's risk management practices

The committee is composed of three members, all of whom are Independent Non-Executive Directors.

Dr. Patrick Bugabo Uwizeye	Committee Chairperson
Mr. James Mutuku	Member
Mr. Steven Mutabazi	Member

The Risk and Compliance Committee met four times during the year under review, and its key areas of focus were:

- Enterprise risk report
- Compliance risk report
- Consideration and approval of policies
- ICAAP and ILAAP reports

Risk and Compliance Committee meeting attendance

	24 February 2021	23 April 2021	23 July 2021	1 November 2021
Dr. Patrick Uwizeye Committee	✓	✓	✓	✓
Mr. Emmanuel Butare	✓	✓	✗	✗
Mr. James Mutuku	✓	✓	✓	✓
Mr. Steven Mutabazi	✓	✓	✓	✓
Mr. Robert Bafakulera	✓	✓	✗	✗
Mr. Jean Nepomuscene Bizimungu Secretary	✓	✓	✓	✓

PROTECTING AND PRESERVING VALUE continued

Governance, Nominations and Compensation Committee

The Committee derives its mandate from the Board is responsible for:

- Recommending to the Board the remuneration packages offered to its Non-Executive Directors
- Recommending to the Board the remuneration packages offered to its Executive Directors, including bonuses, deferred awards and long-term incentive awards, pension rights and any compensation arrangements, taking account of the Bank's compensation and risk framework and appraisal structures
- Recommending general staff remuneration and human resource related practices
- Periodically reviewing the completeness and effectiveness of the Bank's corporate governance initiatives and policies
- Regularly reviewing the required mix of skills and experience, to determine the effectiveness of the Board and making recommendations to the Board for new appointments

The committee is composed of four members, three of who are Independent Non-Executive Directors. All Committee members have extensive experience in key positions in business management and have adequate understanding of the impact of compensation practices on the Bank's risk profile.

Amb. William Kayonga	Chairman
Mrs. Mary Wamae	Member
Mr. Hannington Namara	Member
Ms. Belinda Bwiza	Member
Col. (Rtd) Eugene Haguma Murashi	Member

The Nominations and Compensation Committee met four times during the year under review, and its key areas of focus were:

- Staff Demographics
- Staff Productivity
- Employee Engagement
- Leadership
- HR initiatives for Ql-2022

Governance, Nominations and Compensation Committee meeting attendance

	24 February 2021	23 April 2021	23 July 2021	1 November 2021
Mr. Robert Bafakulera	✓	✓	✗	✗
Mrs. Mary Wamae Member	✓	✓	✓	✓
Amb. William Kayonga Member	✓	✓	✓	✓
Mr. Hannington Namara Member	✓	✓	✓	✓
Col. (Rtd) Eugene Haguma Murashi Member	✗	✗	✗	✓
Mrs. Evelyn Rutagwenda Member	✓	✓	✓	✗
Ms. Aline K. Mutambuka Secretary	✓	✓	✓	✓

PROTECTING AND PRESERVING VALUE continued

IT and Innovations Committee

The IT and Innovations Committee derives its authority from the Board, and is responsible for:

> Reviewing emerging technology innovations, advances and trends which could apply in the Bank, and which are consistent with the Board's approved risk appetite and accordingly advising the Bank
> Ensuring that the Bank fosters a culture of innovation
> Overseeing appropriate mergers and acquisitions that would introduce new technology and business models to the Bank
> Maintaining focus on key strategic issues in relation to IT and innovation
> Ensuring that the Bank's IT, information-, cybersecurity- and innovation-related activities are adequately governed and that these activities are effectively and efficiently evaluated, directed, monitored, communicated and assured in order to provide proper alignment of IT and information security with business strategy and objectives
> Assisting the Board in fulfilling its corporate governance and oversight responsibilities for the Bank's investments, operations and strategy in relation to digital, technology and information systems, as well as cybersecurity and data privacy risk management, to ensure that the Bank remains innovative

The IT and Innovations Committee is composed of four members, all of whom are independent Non-Executive Members:

Mr. Steven Mutabazi Chairperson

Col. (Rtd) Eugene Haguma Member

Dr. Patrick Bugabo Uwizeye Member

Amb. William Kayonga Member

The Committee met four times during the year under review, and its key areas of focus were:

> IT performance report
> IT business projects report
> IT risk, compliance and audit report
> Information security and cybersecurity reports
> Strategic initiatives and implementation status report
> OPEX and CAPEX need to support IT

IT and Innovations Committee meeting attendance

	24 February 2021	23 April 2021	23 July 2021	1 November 2021
Mr. Steven Mutabazi	✓	✓	✓	✓
Col. (Rtd) Eugene Haguma	✓	✓	✓	✗
Dr. Patrick Bugabo Uwizeye	✓	✓	✓	✓
Amb. William Kayonga	✓	✓	✓	✓
Ms. Belinda Bwiza	✗	✗	✗	✓
Mrs. Carole Karema Secretary	✓	✓	✓	✓

PROTECTING AND PRESERVING VALUE continued

Our Company Secretary

Mandate and role

Our Company Secretary is Ms. Lydia Ndirangu, and she assists the Board as a suitably qualified, competent and experienced Company Secretary who is not a member of the Board.

The Company Secretary is appointed by the Board for the term of service, at the remuneration and on the conditions that the Board deems fit. During the year under review, the Company Secretary remained at all times in good professional standing in accordance with applicable laws, regulations and professional requirements.

The principal duties of the Company Secretary include:

> Providing guidance to the Board and Board members individually on their duties, responsibilities and powers, in particular on compliance with applicable laws and, if applicable, stock exchange requirements, and how these should be exercised in the best interest of the Bank

> Ensuring that Board procedures are followed and reviewed regularly and that the Board complies with applicable laws, rules, regulations and government policies

> Assisting the Chairman and the Managing Director in organising general meetings and Board activities, including providing information, preparing agendas, issuing notices and preparing for meetings, Board evaluations, governance audits, Board induction and development programmes, Board succession planning, regularly reviewing the Board and the Bank's governance processes with a view to ensuring that they are fit-for-purpose and recommending or developing initiatives to strengthen the governance of the Bank

> Providing secretarial services to the Board, including ensuring that the Board Work Plan is prepared and adhered to, circulating Board papers in advance of meetings, keeping a record of attendance at meetings, keeping safe custody of the seal and a record of its usage, ensuring that the minutes of the Board and its Committees are promptly prepared and circulated, updating the Board and Committee charters and ensuring that relevant returns are promptly filed with the relevant authorities

> Ensuring governance regulatory compliance including the filing of any required returns, the updating of statutory registers and Articles of Association as well as ensuring adherence to continuous listing requirements

> Facilitating effective communication between the Bank and Shareholders and coordinating the publication and distribution of the annual report and financial statements

> Arranging and managing the process of conducting the AGM or extraordinary general meetings and advising of concerns to be raised at the Board meetings for Shareholder's support and vote

> Monitoring share movements on the Register of Shareholders to identify any apparent "stake-building" in the Bank's shares, including making appropriate enquiries of Shareholders as to the beneficial ownership of holdings

FINANCIALS

EQUITY BANK RWANDA

GROUP AND COMPANY INFORMATION

REGISTERED OFFICE

3rd Floor, Grand Pension Plaza Building
KN 4 Avenue de la Paix,
PO Box 494
Kigali, Rwanda

LAWYERS

FK Advocates Ltd
Frank Karemera/Managing Partner
KN Avenue 65 Street, Nyarugenge
Monnie House, 2nd Floor
PO Box 6963 Kigali, Rwanda

BANKERS

National Bank of Rwanda
KN6 Avenue 4
PO Box 531
Kigali, Rwanda

AUDITOR

PricewaterhouseCoopers Rwanda Limited
Blue Star House, 5th Floor
35 KG 7 Avenue
PO Box 1495
Kigali, Rwanda

COMPANY SECRETARY

Lydia N. Ndirangu
9 Floor, Equity Centre
PO Box 75104-00200
Nairobi, Kenya

DIRECTORS' REPORT

1. PRINCIPAL ACTIVITY

Equity Bank (Rwanda) Plc (the "Bank"/"Company") is engaged in the business of banking and is licenced under the Law No. 47/2017 of 23/9/2017 governing the organisation of Banking.

2. RESULTS

The results for the year ended 31 December 2021 are set out on page 76. The Directors do not recommend dividend payment for the year 2021. (2020: Nil).

3. DIRECTORS

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

Names	Title	Nationality
Col. (Rtd) Eugene Haguma Murashi*	Board Chairperson	Rwandan
Mr. Hannington Namara**	Managing Director	Rwandan
Dr. Patrick Uwizeye*	Director	Rwandan
Mrs. Mary Wamae*	Director	Kenyan
Mr. James Mutuku*	Director	Kenyan
Mr. Steven Mutabazi Luzima*	Director	Rwandan
Amb. George William Kayonga*	Director	Rwandan
Mrs. Anita Dancilla Umuhire*	Director Appointed on 1 June 2021	Rwandan
Mrs. Belinda Bwiza*	Director Appointed on 1 June 2021	Rwandan
Mrs. Evelyn Rutagwenda*	Board Chairperson Retired on 12 July 2021	Rwandan
Mr. Emmanuel Butare*	Director Retired on 23 April 2021	Rwandan
Mr. Robert Bafakulera*	Director Retired on 23 April 2021	Rwandan

** Non-Executive Director*

*** Executive Director*

STATEMENT AS TO DISCLOSURE TO THE BANK'S AUDITOR

With respect to each Director at the time this report was approved:

a) there is, so far as the Director is aware, no relevant audit information of which the Bank's auditor is unaware; and

b) the Director has taken all the steps that the Director ought to have taken as a Director so as to be aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

TERMS OF APPOINTMENT OF THE AUDITOR

The auditors, PricewaterhouseCoopers Rwanda Limited have expressed their willingness to continue in office in accordance with the Law No. 007/2021 of 05/02/2021 governing companies.

The Directors monitor the effectiveness, objectivity, and independence of the auditor. The Directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

By order of the Board

Ndirangu

Lydia N. Ndirangu
Company Secretary
22 March 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Company's Directors are responsible for the preparation of financial statements that give a true and fair view of Equity Bank (Rwanda) Plc (the "Bank"/"Company")'s financial statements comprising the statement of financial position as at 31 December 2021, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Law No. 007/2021 of 05/02/2021 governing companies.

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

The Directors have made an assessment of the ability of the Company 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 the financial statements give a true and fair view in accordance with the International Financial Reporting Standards, the requirements of the Law No. 007/2021 of 05/02/2021 governing companies.

APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company from pages 76 to 149 were approved for issue by the Board of Directors on 22 March 2022 and signed on its behalf by:

Anita D. Umuhire
Chair Board Audit Committee

Dr. Patrick Uwizeye
Director

Hannington Namara
Managing Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EQUITY BANK (RWANDA) PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

Equity Bank (Rwanda) Plc's financial statements as set out in pages 76 to 149 comprise:

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

Basis for opinion

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code).

Key audit matters

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

Expected credit losses on loans and advances at amortised cost	How 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 judgement in the assumptions that are applied in the models used to calculate ECL.	Our audit procedures focused on the significant areas of judgement and estimations that could result in material misstatements in the financial statements.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EQUITY BANK (RWANDA) PLC continued

Key audit matters continued

Expected credit losses on loans and advances at amortised cost	How key audit matter was addressed in the audit
Changes to the assumptions and estimates used by management could generate significant fluctuations in the Bank's financial results and materially impact the valuation of the portfolio of loans and advances. In addition, the evolving economic impact of the Covid-19 pandemic has heightened the general risk of credit default and significant increase in credit risk, increasing the uncertainty around the management judgements and estimation process. The policies for estimating ECL are explained in note 2(h) of the financial statements. The key areas where significant judgement has been exercised and therefore, an increased level of audit focus applied, include: › the judgements made to determine the categorisation (staging) of individual loan and advances accounts in line with IFRS 9. In particular, the identification of Significant Increase in Credit Risk (SICR) and Default requires consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether a 12-month or lifetime PD is used; › the assumptions applied in deriving the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD) for the various segments of loans and advances, including any adjustments in relation to Covid-19 overlays; and › the appropriateness of forward-looking information used in the model; › the conceptual logic, soundness and accuracy of the expected credit losses models used by the entities in the Bank › the relevance of forward-looking information used in the models; and › Due to the significant impact of management judgements applied in calculating the ECL, we designated this as a key audit matter in our audit.	These procedures included: › We evaluated the Bank's methodology for determining ECL and evaluated this against the requirements of IFRS 9; › We tested how the Bank extracts "days past due (DPD)" applied in classifying the loan book into the three stages required by IFRS 9. For a sample of loans, we recalculated the DPD applied in the model and agreed these to the DPD as per the Bank's IT system and the respective customer files; › We evaluated judgements applied in the staging of loans and advances; › Obtained an understanding of the basis used to determine the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD) and the Covid-19 impact overlays; › For LGD, we tested the assumptions on the timing of the cash flows based on empirical evidence. In addition, for secured facilities, we agreed the collateral values used in the ECL model to external valuer reports; › We tested the completeness and accuracy of the historical data used in derivation of PDs, LGDs and EADs, and re-calculated the outcomes on a sample basis. For LGD, we tested the assumptions on the timing of the cash flows based on historical empirical evidence. In addition, for secured facilities, we agreed the collateral values used in the ECL model to external valuer reports; › We tested, on a sample basis, the reasonableness of EAD for both on and off balance sheet exposures; › For forward-looking assumptions used in the ECL calculations, we corroborated the assumptions using publicly available information; › We assessed whether the disclosures in the financial statements on the key judgements and assumptions were adequate.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EQUITY BANK (RWANDA) PLC continued

Other information

The Directors are responsible for the other information. The other information comprises Directors' Report and Statement of Directors' Responsibilities which we obtained prior to the date of this auditors 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 for the financial statements

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

In preparing the financial statements, Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EQUITY BANK (RWANDA) PLC continued

Auditor's responsibilities for the audit of the financial statements continued

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EQUITY BANK (RWANDA) PLC continued

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 Equity Bank (Rwanda) Plc. As indicated in our report on the financial statements, we have complied with the required ethical requirements. These are the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) which includes comprehensive independence and other requirements.

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

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

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

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

For PricewaterhouseCoopers Rwanda Limited, Kigali,

Moses Nyabanda
29 March 2022
Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 Frw'000	2020 Frw'000
Interest income	5	36,730,654	31,525,295
Interest expense	6	(8,591,529)	(7,327,907)
Net interest income		**28,139,125**	**24,197,388**
Credit impairment losses	10	(6,403,787)	(2,648,710)
Net interest income after Credit impairment losses		**21,735,338**	**21,548,678**
Fee and commission income	7 (a)	10,385,958	7,963,882
Fee and commission expense	7 (b)	(2,909,483)	(2,112,118)
Net fee and commission income		**7,476,475**	**5,851,764**
Net foreign exchange income	8	2,481,412	2,458,633
Other operating income	9	1,242,850	277,414
Net operating income		**32,936,075**	**30,136,489**
Employee benefits	11	(6,142,614)	(6,075,171)
Depreciation and amortisation	13	(1,132,283)	(1,184,332)
Depreciation of right of use assets	13	(862,854)	(783,845)
Short-term operating lease expenses	12	(72,952)	(92,900)
Other operating expenses	14	(6,875,767)	(7,149,835)
Operating expenses		**(15,086,470)**	**(15,286,083)**
Profit before income tax		17,849,605	14,850,406
Income tax expense	15	(5,470,364)	(4,562,991)
Profit for the year		**12,379,241**	**10,287,415**
Statement of other comprehensive income			
Other comprehensive income			
Items that will be reclassified to profit or loss:			
FVOCI investment securities			
Fair value gain/(loss)	18	(87,113)	1,213,000
Deferred income tax	23	26,134	(363,900)
Total other comprehensive income for the year		**(60,979)**	**849,100**
Total comprehensive income		**12,318,262**	**11,136,515**

The notes on pages 80 to 149 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	2021 Frw'000	2020 Frw'000
Assets			
Cash, deposits, and balances due from financial institutions	16	95,760,367	70,056,498
Restricted cash with Central Bank of Rwanda	16(b)	14,710,000	9,561,958
Investment securities at amortised cost	18	6,402,874	15,046,737
Investment securities at FVOCI	18	100,336,119	46,999,001
Due from related parties	30(d)	69,598	29,426
Loans and advances to customers	17	220,998,847	189,955,663
Other assets and prepaid expenses	19	11,446,062	8,131,827
Current income tax	23	696,499	–
Property and equipment	21	2,899,253	2,577,892
Intangible assets	22	214,698	233,297
Right-of-use assets	20	3,433,276	2,220,602
Deferred income tax	23	–	586,877
Total assets		**456,967,593**	**345,399,778**
Liabilities			
Deposits from customers	24	301,067,056	215,876,054
Deposits from banks	24	27,967,919	24,162,066
Due to related parties	30(d)	773,519	481,258
Borrowed funds	26	45,511,581	33,718,963
Other liabilities and deferred income	25	12,852,680	14,487,539
Lease liabilities	20(b)	3,557,175	2,237,593
Current income tax	15	–	1,578,361
Deferred tax liabilities	23	61,457	–
Total liabilities		**391,791,387**	**292,541,834**
Equity			
Share capital	27(a)	18,175,000	18,175,000
Share premium	27(a)	2,112,690	2,112,690
FVOCI reserve	27(b)	1,465,408	1,526,387
Retained earnings		43,423,108	31,043,867
Total equity		**65,176,206**	**52,857,944**
Total liabilities and equity		**456,967,593**	**345,399,778**

The notes on pages 80 to 149 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital Frw'000	Share premium Frw'000	Retained earnings Frw'000	FVOCI reserve Frw'000	Total equity Frw'000
At 1 January 2020		18,175,000	2,112,690	20,756,452	677,287	41,721,429
Profit for the year		–	–	10,287,415	–	10,287,415
Fair value gains on FVOCI investments	27(a)	–	–	–	1,213,000	1,213,000
Deferred tax on fair value gain on FVOCI investments	23	–	–	–	(363,900)	(363,900)
Total comprehensive income for the year		**–**	**–**	**10,287,415**	**849,100**	**11,136,515**
At 31 December 2020		**18,175,000**	**2,112,690**	**31,043,867**	**1,526,387**	**52,857,944**
Year ended 31 December 2021						
At 1 January 2021		18,175,000	2,112,690	31,043,867	1,526,387	52,857,944
Profit for the year		–	–	12,379,241	–	12,379,241
Fair value gains on FVOCI investments	27(a)	–	–	–	(87,113)	(87,113)
Deferred income tax on fair value gains on FVOCI investments	23	–	–	–	26,134	26,134
Total comprehensive income for the year		**–**	**–**	**12,379,241**	**(60,979)**	**12,318,262**
At 31 December 2021		**18,175,000**	**2,112,690**	**43,423,108**	**1,465,408**	**65,176,206**

The notes on pages 80 to 149 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Notes	2021 Frw'000	2020 Frw'000
Operating activities			
Profit before income tax		17,849,605	14,850,406
Adjustments for:			
Depreciation on property and equipment	21	1,039,056	1,098,792
Depreciation on right-of-use assets	20	862,854	783,845
Amortisation of intangible assets	22	93,227	85,540
Interest expense on lease liability		210,884	179,316
Profit/Loss on disposal of property and equipment		26,577	7,418
Interest expense on term borrowings		2,850,087	2,224,647
Provision for impairment losses on loans and advances	10	6,403,787	2,825,329
Net foreign exchange gain on cash and cash equivalents	8	(2,469,217)	(2,457,733)
Operating profit before changes in operating assets and liabilities		**26,866,860**	**19,597,560**
Loans and advances		(37,446,971)	(36,481,757)
Other assets		(3,314,235)	(5,175,847)
Right-of-use assets		(2,075,528)	(505,736)
Non-current assets held for sale		–	245,000
Deposits from customers		85,191,002	31,698,582
Deposit from Banks		3,805,853	10,248,321
Due from related party balances		(40,171)	88,078
Due to related party balances		292,260	226,166
Other liabilities		(1,634,859)	11,019,496
Lease liabilities		2,104,851	427,197
Deferred tax assets		586,877	(586,877)
Deferred tax liabilities		61,457	(171,192)
Movement in restricted cash balances	16(b)	(5,148,042)	1,878,484
Cash generated from operations		**69,249,354**	**32,507,475**
Income taxes paid	15	(7,745,223)	(5,123,791)
Net cash from operating activities		**61,504,131**	**27,383,684**
Investing activities			
Purchase of property and equipment	21	(1,394,961)	(662,431)
Purchase of intangible assets	22	(74,629)	(43,900)
Proceeds from sale of property and equipment		7,967	–
Purchase of investment securities	18	(96,686,196)	(57,900,890)
Sale of investment securities	18	51,931,962	42,508,936
Net cash used in investing activities		**(46,215,857)**	**(16,098,285)**
Financing activities			
Long-term borrowings		444,500,558	133,647,799
Repayment of long-term borrowings		(432,934,757)	(127,871,437)
Interest paid on borrowed funds		(2,623,270)	(2,064,586)
Principal elements of lease payments		(996,153)	(841,043)
Net cash used in financing activities		**7,946,378**	**2,870,733**
Net increase/(decrease) in cash and cash equivalents		**23,234,652**	**14,156,132**
Movement in cash and cash equivalents			
At start of year	16(a)	70,056,498	53,442,633
Net foreign exchange gain on cash and cash equivalents	8	2,469,217	2,457,733
At end of year	16	**95,760,367**	**70,056,498**

The notes on pages 80 to 149 form an integral part of these financial statements.

NOTES

1. GENERAL INFORMATION

Equity Bank (Rwanda) Plc (the "Bank") is incorporated in Rwanda in accordance with Law No. 007/2021 of 05/02/2021 governing companies.as a public limited Company. The Bank is also licenced under the Law No. 47/2017 of 23/9/2017 governing the organisation of Banking.

The Bank is domiciled in Rwanda and the address of its registered office is:

3rd Floor, Grand Pension Plaza Building
KN 4 Avenue de la Paix,
PO Box 494
Kigali, Rwanda

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except for fair value through other comprehensive income investments, derivative financial assets and the loan note at fair value through profit or loss which have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

i. **New standards, amendments and interpretations adopted by the Bank**

The following standards, amendments and interpretations are effective for the first time for annual reporting periods ending on 31 December 2021 and have been applied by the Bank:

Covid-19-related Rent Concessions – Amendments to IFRS 16

As a result of the Covid-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions. The relief was originally limited to reduction in lease payments that were due on or before 30 June 2021.

However, the IASB subsequently extended this date to 30 June 2022. If a lessee already applied the original practical expedient, it is required to continue to apply it consistently, to all lease contracts with similar characteristics and in similar circumstances, using the subsequent amendment.

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

a. Basis of preparation continued

Changes in accounting policy and disclosures continued

i. New standards, amendments and interpretations

Covid-19-related Rent Concessions – Amendments to IFRS 16 continued

If a lessee did not apply the original practical expedient to eligible lease concessions, it is prohibited from applying the expedient in the 2021 amendment. However, if a lessee has not yet established an accounting policy on applying (or not) the practical expedient to eligible lease concessions, it can still decide to do so.

Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.

The Phase 2 amendments provide the following reliefs:

> When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement.

> The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

The LIBOR transition risk spans the economic risk of client portfolios, operational risk, funding risk, conduct risk, and legal risk. Given the importance of LIBOR across the financial services industry, the LIBOR transition poses significant transition risk if not addressed in a timely and comprehensive manner.

The Bank has put in place the following strategic planning and risk mitigation initiatives.

i A LIBOR transition program with clear terms of reference and executive committee oversight.

ii Business impact analysis done, and all contracts identified and the exposure quantified.

iii Identification of risks and timely implementation of risk mitigation. These risks included operational risks and legal risks. Mitigation measures in place include:

> proposed timely communication with clients ;

> revision of all LIBOR linked contracts and including legal advice; and

> training of all key stakeholders within the LIBOR ecosystem.

The above changes have not had a significant impact on the Bank's financial statements.

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

a. Basis of preparation

Changes in accounting policy and disclosures continued

ii. Standards, interpretations and amendments issued but not effective and have not been early adopted by the Bank

Title	Key requirements	Effective date
Reference to the Conceptual Framework – Amendments to IFRS 3	Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	The following improvements were finalised in May 2020: > IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. > IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. > IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. > IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.	1 January 2022

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

a. Basis of preparation continued

Changes in accounting policy and disclosures continued

ii. **Standards, interpretations and amendments issued but not effective and have not been early adopted by the Bank continued**

Title	Key requirements	Effective date
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the "settlement" of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.	1 January 2023 (deferred from 1 January 2022)
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is "material accounting policy information" and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	1 January 2023
Definition of Accounting Estimates – Amendments to IAS 8	The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	1 January 2023

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

a. Basis of preparation continued

Changes in accounting policy and disclosures continued

ii. Standards, interpretations and amendments issued but not effective and have not been early adopted by the Bank continued

Title	Key requirements	Effective date
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with: > right-of-use assets and lease liabilities; and > decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.	1 January 2023

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

a. Basis of preparation continued

Changes in accounting policy and disclosures continued

ii. Standards, interpretations and amendments issued but not effective and have not been early adopted by the Bank continued

Title	Key requirements	Effective date
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business" (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively. *** In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.*	n/a **

Management is in the process of assessing the impact of the above standards on the Bank's financial statements. The standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

b. 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 in thousands (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 or valuations where items are re-measured. 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 income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within "finance income or cost". All other foreign exchange gains and losses are presented in profit or loss within "other income or expenses".

c. Recognition of interest income and interest expense

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Interest income and expense are recognised in profit or loss on the accrual basis. Interest income and expense presented in the statement of profit or loss and other comprehensive income include:

Interest on financial assets and liabilities measured at amortised cost and debt instruments classified as FVOCI, calculated using the effective interest rate (EIR). The calculation takes into account all of the contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. When the recorded value of a financial asset or a Group of similar financial assets has been reduced by an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

d. Fee and commission income and expense

Fees and commissions charged for services provided or received by the Bank are recognised as the services are provided or received, for example on completion of an underlying transaction.

e. Net foreign exchange income

Net foreign exchange income arises from both the sale and purchase of investment securities, margins which are achieved through market-making and customer business and from changes in fair value caused by movements in interest and exchange rates and other market variables.

Gains or losses on assets or liabilities are included in profit or loss under net foreign exchange income.

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

f. Leases

The Bank leases various properties. Rental contracts are typically made for fixed periods between five and 10 years. 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, but leased assets may not be used as security for borrowing purposes. Leases are recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability 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. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Bank's incremental borrowing rate.

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 lease, the following factors are normally the most relevant:

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

Otherwise, the Company 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 been included in the lease liability, because of the associated significant costs and disruption to business that non-renewal would cause.

As at 31 December 2021, all potential future cash outflows have been included in the lease liability because it is reasonably certain that the lease will be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company 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 by five years have been included in the lease liability and right-of-use asset.

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

f. Leases continued

Determining the lease term continued

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 Bank is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Payments associated with short-term leases 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.

Extension and termination options are included in a number of property and equipment leases across the Bank. 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 respective lessor.

g. Income tax expense

i. Current income tax

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

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. The Directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii. Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred 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 nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets 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.

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

h. Financial assets and liabilities

i. Classification and subsequent measurement

Financial assets

Except for trade receivables that do not have a significant financing component, at initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Trade receivables that do not have a significant financing component are measured at their transaction price.

The Bank classifies its financial assets into three principal classification categories based on the cash flow characteristics of the asset and the business model assessment:

- Measured at amortised cost;
- FVOCI; and
- FVTPL.

Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Bank recognises cash, deposits and balances due from financial institutions including items in the course of collection, amounts due from related parties, loans and advances to customers, certain investment securities, and other assets at amortised cost.

Fair Value through Other Comprehensive Income (FVOCI) – Debt

A financial asset which is a debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Bank classifies certain investments it has in government securities at FVOCI.

Fair Value through Other Comprehensive Income (FVOCI) – Equity

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. The Bank currently has no equity investments held at FVOCI.

Fair Value through Profit or Loss (FVTPL)

All financial assets not classified as measured at amortised cost or FVOCI as described above are 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.

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

h. Financial assets and liabilities continued

i. Classification and subsequent measurement continued

Fair Value through Profit or Loss (FVTPL) continued

The Bank shall classify certain investments in government securities held for trading, derivative financial assets, and loan notes at FVTPL. As at year end, the Bank had not securities at FVTPL.

A financial asset is classified into one of these categories on initial recognition. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI)

To determine whether a financial asset should be classified as measured at amortised cost or FVOCI, an entity assesses whether the cash flows from the financial asset represent, on specified dates, solely payments of principal and interest on the principal amount outstanding – i.e. the SPPI criterion. A financial asset that does not meet the SPPI criterion is always measured at FVTPL, unless it is an equity instrument for which an entity may apply the OCI election.

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. The definition of principal reflects the economics of the financial asset from the perspective of the current holder. This means that an entity assesses the asset's contractual cash flow characteristics by comparing the contractual cash flows to the amount that it actually invested.

"Interest" is defined as consideration for the time value of money, 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 a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considered the contractual terms of its financial assets. The Bank, through the Credit, Finance and Treasury departments will from time to time review the contractual terms of existing instruments and also review contractual terms of new products the Bank develops or invests in going forward. This includes assessing whether the financial asset contained 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 shall consider:

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

Contractual features that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, give rise to contractual cash flows that do not meet the SPPI criterion.

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

h. Financial assets and liabilities continued

i. Classification and subsequent measurement continued

Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI) continued

Interest rates on loans made by the Bank are based on the prevailing interest rate which currently are referenced to the Central Bank Rate. The prevailing rates are generally based on a Central Bank rate and also include a discretionary spread (Margin). In these cases, the Bank will assess whether the discretionary feature is consistent with the SPPI criterion by considering a number of factors, including whether:

- The borrowers are able to prepay the loans without significant penalties;
- The market competition ensures that interest rates are consistent between banks; and
- Any regulatory or customer protection framework is in place that requires banks to treat customers fairly.

Some of the Bank's loans may contain prepayment features. A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

De minimis

A contractual cash flow characteristic may not affect the classification of a financial asset if it could have only a *de minimis* effect on the financial asset's contractual cash flows. To make this determination, the Bank considers the possible effect of the contractual cash flow characteristic in each reporting period and cumulatively over the life of the financial asset.

Business model assessment

The Bank makes an assessment of the objective of the business model in which a financial 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, including 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 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 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 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.

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

h. Financial assets and liabilities continued

i. Classification and subsequent measurement continued

Business model assessment continued

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be 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. The table below summarises the key features of each type of business model and the resultant measurement category:

Business model	Key features	Category
Held to collect	The objective of the business model is to hold assets to collect contractual cash flows. › Sales are incidental to the objective of the model. › This model typically involves the lowest level of sales in comparison with other business models (in frequency and volume).	Amortised cost[1]
Both held to collect and for sale	Both collecting contractual cash flows and sales are integral to achieving the objective of the business model. › This model typically has more sales (in frequency and volume) than the held-to-collect business model.	FVOCI[1]
Other business models, including: Trading, managing assets on a fair value basis and maximising cash flows through sale	› The business model is neither held-to-collect nor held to collect and for sale. › The collection of contractual cash flows is incidental to the objective of the model.	FVTPL[2]

Notes

1. Subject to meeting the SPPI criterion.

2. The SPPI criterion is irrelevant – i.e. assets in all business models are measured at FVTPL.

Financial liabilities

The Bank classifies all financial liabilities as subsequently measured at amortised cost. Deposits from customers, borrowed funds and other liabilities are also classified at amortised cost.

Reclassification

The Bank only reclassifies financial assets when management changes the business model for managing the financial assets. In that instance all affected financial assets are reclassified. Such changes are expected to be very infrequent, and are determined by the Bank's senior management as a result of external or internal changes.

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

h. Financial assets and liabilities continued

i. Classification and subsequent measurement continued

Derecognition and contract modification

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability. However, when the modification of a financial instrument not measured at FVTPL does not result in de-recognition, the Bank will recalculate the gross carrying amount of the financial asset (or the amortised cost of the financial liability) by discounting the modified contractual cash flows at the original effective interest rate and recognise any resulting adjustment as a modification gain or loss in profit or loss.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. 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. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

Write-off

The Bank writes off financial assets, in whole or part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery including:

> Ceasing enforcement activity where the Company's recovery method is foreclosing on collateral and the value of the collateral is such there is no reasonable expectation of recovering in full.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal 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, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

Modifications

When the contractual cash flows of a POCI asset are modified and the modification does not result in de-recognition, the calculation of the modification gain or loss is the difference between:

- the gross carrying amount of the asset before the modification; and
- the recalculated gross carrying amount.

The recalculated gross carrying amount is the present value of the estimated future cash payments or receipts through the expected life of the modified financial asset discounted using the credit-adjusted effective interest rate before the modification.

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

h. Financial assets and liabilities continued

ii. Impairment – financial assets, loan commitments and financial guarantee contracts

IFRS 9 replaced the previous "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" model. The new impairment model applies to the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments – this applies to the Bank's loans and advances to customers, Investment in Government securities measured at amortised cost and FVOCI, balances due to Group companies and other assets;
- lease and trade receivables – this applies to the Bank's finance lease and trade receivables; and
- loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 Provisions, Contingent Liabilities and Contingent Assets) – this applies to the Bank's off balance sheet exposures where credit intervention is not required for the counterparty to access the credit facility.

No impairment loss is recognised on equity investments and financial assets measured at FVTPL.

The Bank recognises loss allowance at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The Bank will recognise loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- Debt investment securities that are determined to have low credit risk at the reporting date. The Bank will consider a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment-grade" and investments in Government securities; and
- Other financial instruments (other than trade and lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade and lease receivables will always be measured at an amount equal to lifetime ECLs. The impairment requirements of IFRS 9 are complex and require management judgement, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into the measurement of ECLs.

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

h. Financial assets and liabilities continued

ii. Impairment – financial assets, loan commitments and financial guarantee contracts continued

Stage 1 – For credit exposures where there have not been significant increases in credit risk since initial recognition, an entity is required to provide for 12-month ECLs, i.e., the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12 months after the reporting date (12-month ECL as per formula below).

ECL12m = PD12m x LGD12m x EAD12m x D12m

Stage 2 – For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis, a loss allowance is required for lifetime (LT) ECLs, i.e., ECLs that result from all possible default events over the expected life of a financial instrument (ECL LT as per formula below).

ECL LT = LT∑T=1 PDt x LGDt x EADt x Dt

Stage 3 – For credit exposures that are credit impaired and in default. Similar to stage 2 assets a loss allowance is required for lifetime ECLs, however, the probability of default for these assets is presumed to be 100% less any determined recovery and cure rate.

The table below shows the link between the BNR risk classifications and the IFRS 9 stage allocation for assets:

BNR guidelines	Days past due	Stage allocation
Normal	0–30	1
Watch	31–90	2
Substandard	91–180	3
Doubtful	181–365	3
Loss	Over 365 or considered uncollectable	3

Definition of default

The Bank will consider a financial asset to be in default when:

- the borrower is unlikely to pay their credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is more than 90 days past due on any material credit obligation to the Bank. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the Bank; or
- if it meets the definition of the local regulator of default, if in the future the local regulator prescribe the criteria of default for IFRS 9 purposes.

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

h. Financial assets and liabilities continued

ii. Impairment – financial assets, loan commitments and financial guarantee contracts continued

Definition of default continued

This definition is largely consistent with the Central Bank of Rwanda definition that will be used for regulatory purposes. In assessing whether a borrower is in default, the Bank will consider indicators that are:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract – e.g. a default or past-due event;
- a lender having granted a concession to the borrower – for economic or contractual reasons relating to the borrower's financial difficulty – that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The Bank will not rebut the 90 Days Past Due (DPD) rule for identifying defaults.

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 past due – this is in line with the IFRS 9 30 DPD rebuttable presumption;
- an exposure has been restructured in the past due to credit risk related factors or which was NPL and is now regular (subject to the regulatory cooling off period); or
- by comparing an exposures:
  - credit risk quality at the date of reporting; with
  - the credit risk quality on initial recognition of the exposure.

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

The Company has not followed an overall blanket approach to the ECL impact of Covid-19 (where Covid-19 is seen as a significant increase in credit risk (SICR) trigger that will result in the entire portfolio of advances moving into their respective next staging bucket). With the Bank undertaking loan restructures on 39% of the loan book (see the section "Restructuring" below), the Bank incorporated qualitative factors to assess significant increase in credit risk on these loans as below:

- All loans whose business activity, in our assessment, was significantly lower than the pre-Covid period as at 31 December 2021, was considered to have a significant increase in credit risk and downgraded to Stage 2.
- Loans in high risk industry segments (see the section "Restructuring" below) were assessed for significant increase in credit risk.

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

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

h. Financial assets and liabilities continued

ii. Impairment – financial assets, loan commitments and financial guarantee contracts continued

Credit risk classification

The Bank allocates each exposure to a credit risk classification based on the regulatory requirements of the Central Bank which requires the prediction of the risk of default and applying experienced credit judgement. The Bank shall use these classifications in identifying significant increases in credit risk under IFRS 9. The risk classifications are defined using the regulator's guidance, days past due, management assessment, qualitative and quantitative factors that are indicative of the risk of default.

These factors may vary depending on the nature of the exposure and the type of borrower. The Bank shall undertake a thorough credit appraisal process and determine the credit quality of each exposure on initial recognition based on available information about the borrower. Exposures will be subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk classification.

Determining whether credit risk has increased significantly

The Bank shall establish a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework shall align with the Bank's internal credit risk management process. The criteria for determining whether credit risk has increased significantly will vary by portfolio and will include a backstop based on delinquency (30 DPD presumption).

Quantitative factors

The Bank deems the credit risk of a particular exposure to have increased significantly since initial recognition based on a loan being in arrears for a period of 31 to 90 days in accordance with IFRS 9 paragraph 5.5.11. The Bank will develop an internal rating model going forward and movement in rating grades between the reporting period and initial recognition date/the date of initial application of IFRS 9 of the loan will form the basis of significant increase in credit risk.

Qualitative factors

In certain instances, using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis. The management view and judgement will include the following assessments:

- Uncollateralised bullet loan: Any uncollateralised bullet repayment loan should be classified as a Stage 2 exposure.
- Classification of exposures by any other banks and financial institutions or local Credit Reference Bureau (CRB).
- Unavailable/inadequate financial information/financial statements;
- Qualified report by external auditors;
- Significant contingent liabilities;
- Loss of key staff in the organisation;
- Increase in operational risk and higher occurrence of fraudulent activities;
- Continued delay and non-cooperation by the borrower in providing key relevant documentation; and
- Deterioration in credit worthiness due to factors other than those listed above.

As a backstop, and as required by IFRS 9, the Bank will presumptively consider that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Bank will determine days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

h. Financial assets and liabilities continued

ii. Impairment – financial assets, loan commitments and financial guarantee contracts continued

SICR at transition to IFRS 9

Under IFRS 9, assessment of SIICR requires comparison of default risk at the reporting date with the risk at origination or initial recognition of the asset. However the standard also states that if the Bank cannot measure default risk at initial recognition for SIICR purposes without undue cost or effort, then it should recognise lifetime ECL on that instrument. The Bank at transition will use past due information to determine whether there have been significant increases in credit risk since initial recognition.

Backward transitions

Backward transitions define the criteria for moving a financial asset back from Stage 2 to Stage 1 or Stage 3 to Stage 2. The Bank applies the considerations of the Central Bank prudential guidelines to determine whether a financial asset should be upgraded from Stage 3 to Stage 2 and then Stage 1. Where an account in Stage 3 is regularised (i.e. all past due principal and interest is repaid in full) it may be upgraded to Stage 2 subject to observation of the cooling off period as defined by the Prudential Guidelines. A facility which meets the above condition and has been classified as Stage 2 may be reclassified to Stage 1 if a sustained record of performance is maintained for a period of six (6) months.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value. Under IFRS 9, when the terms of a financial asset are modified and the modification does not result in de-recognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of the borrower's initial credit risk assessment and the current assessment at the point of modification.

Restructuring

The Bank renegotiates loans to customers in financial difficulties (referred to as "restructuring") to maximise collection opportunities and minimise the risk of default. Under the Bank's restructuring policy, loan restructuring is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. The Bank's Credit Committee regularly reviews reports on restructuring activities.

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.

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

h. Financial assets and liabilities continued

ii. Impairment – financial assets, loan commitments and financial guarantee contracts continued

Restructuring continued

However, on the onset of the Covid-19 pandemic, the impact of the containment measures on the economy made it imperative for the Bank to support its customers. The Bank's view is that the economic impacts of the pandemic will be felt for a period of three to five years before there is full recovery. The Bank therefore accommodated its customers to cushion them from the economic downturn by rescheduling their loan facilities for a period of six 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.

The accommodation given to customers was given due to a macro-economic issue that was facing customers in impacted industries. This was not an issue of an individual customer exhibiting significant increase in credit risk or default. These accommodations were therefore exempted from the general policy of a restructure being necessarily an indicator of significant increase in credit risk or default. This is fully compliant with the requirements of IFRS 9 and the Central Bank prudential guidelines. These loans are however monitored under a more stringent credit risk framework and judgemental factors are considered in the IFRS 9 provision methodology for these loans.

The Bank applies the requirements of the Central Bank prudential guidelines where an account in Doubtful or Sub-standard category (Stage 3) will be upgraded to Watch if principal and interest payments are fully regularised at the point of restructure, the account is re-classified to Watch (Stage 2) and observed for six (6) months. Where the account continues to perform appropriately for an additional six (6) months the account is upgraded to normal and the Bank reverts to measuring 12-month ECLs. Where the account is restructured with the customer having not regularised overdue principal and interest, the account shall remain in Substandard for six (6) months or if in Doubtful category, twelve (12) months for observation. If the restructured account performs as per the new contract during the observation period, the account can be then upgraded to Watch (stage 2) and observed for another six (6) months where it can be further upgraded to Normal (stage 1) if good performance is sustained. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for determining whether a significant increase in credit risk has occurred. However, the Company also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on de-recognition. If the terms are not substantially different, the renegotiation or modification does not result in de-recognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR.

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

h. Financial assets and liabilities continued

ii. Impairment – financial assets, loan commitments and financial guarantee contracts continued

ECL model

Segmentation

In order to determine the ECL by modelling the PD, LGD and EAD for different loan accounts, the Bank has segmented the loan book into 12 segments namely Building and construction, Energy and water, Financial services, Food and agriculture, ICT and telecommunication, Manufacturing, Mining and quarrying, Personal household, Real estate, Tourism and hospitality, Trade, Transport and logistics.The PDs are determined at segment level, LGD at customer or segment level (based on collateral and collections respectively) and EAD at account level. Where a borrower has been in several segments historically the Bank uses the borrower's current segmentation.

In addition to the on-balance sheet facilities, the Bank considered treasury products (investment securities and placements with other banking institutions) and the off balance sheet facilities offered by the Bank such as guarantees, letters of credit, overdrafts and credit cards where an exposure is present. The EAD for these facilities is based on whether there is a commitment by the Bank to fund a customer and the rate of conversion of such facilities (Credit Conversion Factor – CCF).

Risk parameters in measurement of ECLs

The key inputs into the measurement of ECLs are likely to be the term structures of the following variables:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure at Default (EAD).

These parameters will be derived from internally developed statistical models and other historical data that leverage regulatory models. They will be adjusted to reflect forward-looking information as described below.

Probability of default

Probability of Default (PD) refers to the likelihood of a default occurring and is a measure of the risk of default. In order to calculate IFRS 9 PD, there is a need to develop a PD term structure for calculating ECL (forward-looking and lifetime PDs). PD estimates for loans and advances are estimates at a certain date, which will be calculated based on statistical migration matrices that model the chance of an exposure transitioning to default over time and will be assessed at portfolio level for portfolios of assets that have similar characteristics. PDs will be estimated based on the theory of Markov Chain process.

The method requires information regarding transitions among credit states. Credit states are defined by rating classes. The Bank reviews and updates the portfolio PDs on an annual basis. The Bank draws a yearly transition matrix of ratings to compute a value or transaction-based PD over the one-year horizon for the past three to five years. (The Bank builds data to five years and updates every year thereafter for new data). The PDs are approved by the relevant Board committees for them to take effect. Transition probabilities are determined from the actually observed number of transitions over the observed period of time. These PDs are classified as per stage 1 and 2 which is driven by the Central Bank risk classifications, management view and DPD. This rating migration captures the movement of obligors into default at yearly intervals. An average default rate of five years is used. Based on the transitions of counterparties within the stages in value terms, the default estimation is done by the transition matrix.

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

h. Financial assets and liabilities continued

ii. Impairment – financial assets, loan commitments and financial guarantee contracts continued

Probability of default continued

PD estimates for other exposures are estimates at a certain date, which are calculated based on statistical rating tools and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between ratings classes, then this leads to a change in the estimate of the associated PD. Lifetime PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. Lifetime PDs are calculated using the Matrix Multiplication method utilising the Markov Chain method.

LGD

LGD is the forecast of the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on collateral available for secured debt instruments against exposures and the history of recovery rates of claims against defaulted counterparties for unsecured portfolios.

LGD by collateral

The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. The Bank considers the eligibility of collateral. Collateral is eligible if the following can be demonstrated:

- Legal certainty and enforceability
- History of enforceability and recovery

LGD estimates are calibrated for different collateral types. To reflect possible changes in property prices, the forced sale value (FSV) is considered for all collateral types.

No Haircuts are applied to the FSV. The collateral values to consider are calculated on a discounted cash flow basis using the effective interest. The table below highlights the Bank's acceptable collateral types:

No.	Collateral type
1	Cash Under Lien
2	Corporate Guarantees
3	Debenture/Land
4	Government Guarantee
5	Hire Purchase Agreement
6	Land & Buildings – Commercial
7	Land & Buildings – Residential
8	Logbooks
9	Shares
10	Treasury Bonds/Bills

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

h. Financial assets and liabilities continued

ii. Impairment – financial assets, loan commitments and financial guarantee contracts continued

LGD by collections

For the purpose of LGD estimation on its non-collateralised portfolio, the Bank computes LGD based on actual recoveries on its defaulted portfolio over a period of at least three to five years prior to the assessment date. To determine this recovery rate, the Bank identifies the point in time when accounts first go into default in half-year periods, filter out any non-performing loan (NPL) accounts that cure and for the remaining accounts obtain data on amounts collected. The difference between the value of the NPL accounts that do not cure and the collections from these accounts as a percentage of the original NPL accounts (NPL accounts that cured and did not cure) is determined as the LGD.

Exposure at default (EAD)

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is measured as:

EAD = Outstanding exposure + (CCF*Undrawn portion)

For lending commitments and financial guarantees, the EAD considers the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which are estimated based on behavioural study of historical patterns and forward-looking forecasts.

For revolving off-balance sheet positions, the CCF to be applied to the undrawn commitments is derived from a behavioural study of historical patterns. In the case of undrawn commitments (i.e. undrawn portions of the Bank's commitments for off-balance sheet items), if the terms of the contract clearly state that the commitment is unconditionally cancellable for any reason, the committed amounts for such arrangements ware not considered as EAD.

Term of loan in calculating Lifetime ECL and determining the EAD

As described previously in this document, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECLs considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank will consider a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee. For overdrafts, guarantee facilities and other revolving facilities that include both a loan and an undrawn commitment component, the Bank measures ECLs over a period of one year unless the expected life of the exposure can be reasonably determined.

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

h. Financial assets and liabilities continued

ii. Impairment – financial assets, loan commitments and financial guarantee contracts continued

Forward-looking information

Under IFRS 9, the Bank incorporates forward-looking information in its measurement of ECLs. The Bank formulates a "base case" view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on advice from the Bank's Executive Risk Committees and economic experts and consideration of a variety of external actual and forecast information. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information may include economic data and forecasts published by governmental bodies and monetary authorities in East Africa, supranational organisations such as the World Bank and the International Monetary Fund, and selected private sector and academic forecasters. The base case represents a most-likely outcome and be aligned with information used by the Bank for other purposes, such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. These key drivers include, among others, inflation rates, GDP forecasts, balance of trade, unemployment rates and interest rates. Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets are developed based on analysing historical data over the previous five years. The economic scenarios used are approved by the Bank's Credit and Risk Committees.

i. Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand and bank balances held with the Central Bank of Rwanda and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

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

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash and balances with banks, unrestricted balances with Central Bank of Rwanda and money market placements.

j. Property and equipment

i. Recognition and measurement

Items of property and equipment are initially recognised at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost includes any other costs directly attributable to bringing the asset to a working condition for its intended use and the present value of the estimated costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

After initial recognition, property and equipment is measured at cost less accumulated depreciation.

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

j. Property and equipment continued

ii. Subsequent costs

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

iii. Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment in order to write down the carrying amount over its useful life to its residual value. Freehold land is not depreciated.

The annual rates of depreciation (2.5%–33.3%) in use are as follows:

	Period	Rate
Freehold land Leasehold improvements	Shorter of the lease term or estimated useful lives	Nil
Motor vehicles	4	25%
Office equipment, furniture and fittings	8	12.5%
Computer hardware	3	33.3%
Software	5	20%
ATM machines and core banking hardware	5	20%

Leasehold improvements are written off over their estimated useful life or the lease period, whichever is shorter.

The assets' residual values, useful lives and methods of depreciation are reassessed at each financial year end and adjusted prospectively, as a change in an estimate, if appropriate.

Property and equipment are derecognised on disposal or when no future economic benefits are expected from its use.

Any gain or loss arising on de-recognition of an asset is recognised in other operating income in profit or loss in the year the asset is derecognised.

k. Intangible assets

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

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

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

k. Intangible assets continued

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be finite or indefinite. Intangible assets with finite lives are amortised over the useful lives. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. The intangible assets have a maximum useful life of ten years.

l. Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, are reviewed at each reporting date to determine whether there is any indication that an asset may be impaired. If any such indication exists, then the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value-in-use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For all assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

m. Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement.

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

m. Provisions continued

Defined contribution plans

The Bank contributes to the Rwanda Social Security Board (RSSB), a statutory defined contribution scheme. Contributions to the RSSB are as per statutory requirements per employee. The Bank's obligations to the staff retirement schemes are charged to profit or loss as they fall due. Unpaid contributions are recorded as a liability. The Bank does not operate a defined benefit plan.

ii. Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus and leave if the Bank has a present obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

n. Sale and repurchase agreements

Securities purchased from the Central Bank of Rwanda under agreement to resell (reverse repos), are disclosed as treasury bills as they are held to maturity after which they are resold and are not negotiable or discounted during the tenure.

o. Deposits from customers

Deposits from customers are recognized and accounted for on receipt basis as liabilities. Interest expense is accrued on the deposits on a daily basis.

p. Work in progress

Work-in-progress includes assets paid for but are not yet ready for the intended use and include software, computers, and equipment. These are not depreciated and are capitalised when they get in the location and condition necessary for them to be capable of operating in the manner intended by management.

q. Derivative financial assets and liabilities

The Bank enters derivatives (currency forwards and swaps) for trading purposes. At their inception, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration. The Bank may take positions with the expectation of profiting from favourable movement in prices, rates or indices. The Bank's exposure under derivative contracts is closely monitored as part of the overall management of its market risk. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in net trading income.

The Bank uses the following derivative instruments:

Currency forwards

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. The Bank has credit exposure to the counterparties of forward contracts. Forward contracts are settled gross and result in market risk exposure.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as a foreign currency rate. In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency.

NOTES continued

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

q. Derivative financial assets and liabilities continued

Spots

Spot contracts are contractual agreements between two parties to exchange streams with immediate settlement (payment and delivery) on the spot date, which is normally two business days after the trade date.

r. Comparatives

Except otherwise required, all amounts are reported or disclosed with comparative information. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

s. Financial guarantee contracts and loan commitments

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

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

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

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a. Measurement of expected credit loss allowance

The measurement of expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

NOTES continued

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

a. Measurement of expected credit loss allowance continued

The impairment requirements of IFRS 9 require management judgement, estimates and assumptions, particularly in the following areas:

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

The ECL allowance on loans and advances is disclosed in more detail in Notes 4,10 and 17 (b).

b. Valuation of financial assets held at fair value

As per IFRS 13, where the Bank measures a financial instrument at fair value, the fair value should represent the price that would be received to sell an asset in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Fair value is a market-based measurement, which uses the assumptions that market participants would use when pricing an asset or liability under current market conditions.

The Bank holds government securities that are measured at fair value through other comprehensive income. For these, fair value is determined using estimates from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the statement of financial position.

4. FINANCIAL RISK MANAGEMENT

a. Introduction and overview

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risks

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies, and processes for measuring and managing risk, and the Bank's management of capital. There were no changes in the risk and capital management policies during the current financial period.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Board Risk Management Committee, which is responsible for developing and monitoring the Bank's risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities. The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

NOTES continued

4. FINANCIAL RISK MANAGEMENT CONTINUED

a. Introduction and overview continued

Risk management framework continued

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

b. Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to the Bank's management through the Managing Director. Management has delegated this responsibility to head office and branch credit committees as prescribed in the Bank's Credit Charter. A separate Bank credit committee, reporting to the Managing Director, 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 authorisation structure* for the approval and renewal of credit facilities. Authorisation limits are allocated to head office and branch credit committees as stipulated in the Bank's Credit Charter.
- *Reviewing and assessing credit risk*. The Bank Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the branch 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 categorise 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. The responsibility for setting risk grades lies with the final approving executive/committee as appropriate. Risk grades are subject to regular reviews by Bank's credit risk department.
- *Reviewing compliance* of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to the Bank's Credit department on the credit quality of local portfolios and appropriate corrective action is taken.
- *Providing advice, guidance and specialist skills* to branches to promote best practice throughout the Bank in the management of credit risk.

NOTES continued

4. FINANCIAL RISK MANAGEMENT CONTINUED

b. Credit risk continued

Management of credit risk continued

Each branch is required to implement Bank's credit policies and procedures, with credit approval authorities delegated from the Bank's credit committee. Each branch has a credit risk manager who reports on all credit-related matters to local management and the Bank's credit committee.

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 subjects to central approval.

Regular audits of branches and Bank's credit processes are undertaken by internal audit.

The Bank's maximum exposure to credit risk for the components of the statement of financial position at 31 December is their carrying amount as illustrated in the table below:

Credit exposures	Note	2021 Frw'000	%	2020 Frw'000	%
On-balance sheet items					
Balances and deposits due from financial institutions	16	91,395,677	21.53%	59,251,629	19%
Investment securities	18	106,738,993	25.15%	62,045,738	19%
Due from related parties	30	69,598	0.00%	29,426	0.01%
Loans and advances to customers at amortised cost	17	220,998,847	52.06%	189,955,663	59%
Other assets	19	5,613,916	1.32%	8,131,827	2.55%
		424,817,031		**319,414,283**	
Off-balance sheet items					
Guarantees and standby letters of credit	28	41,908,495	82%	46,788,545	90%
Letters of credit, acceptances and other credits	28	9,077,572	18%	5,090,423	10%
		50,986,067		**51,878,968**	
		475,803,098		**371,293,251**	

Balances and deposits due from financial institutions excludes cash at hand as disclosed under Note 16 (a) as this does not pose a credit risk.

The credit risk on balances and deposits due from financial institutions, investment securities and derivative financial assets is limited as the counterparties are all recognised financial institutions with good reputation.

Other assets are made up of settlement and clearing accounts, refundable deposits and other receivable balances. The balances are settled no more than 12 months after the reporting date. All the balances are non-interest-bearing and no impairment has been recognised against them at 31 December 2021.

None of the other assets and balances due from related parties are past due or impaired. Management has established a related entity risk management framework including mandatory credit checks with counter parties.

Letters of credit, acceptances, guarantees and performance bonds are issued by the Bank, on behalf of customers, to guarantee performance by customers to third parties. The Bank will only be required to meet these obligations in the event of default by the customers.

NOTES continued

4. FINANCIAL RISK MANAGEMENT CONTINUED

b. Credit risk continued

Exposure to credit risk

Amortised cost	2021 Stage 1 12-month ECL Frw'000	2021 Stage 2 Lifetime ECL Frw'000	2021 Stage 3 Lifetime ECL Frw'000	2021 Total Frw'000	2020 Total Frw'000
Individually and collectively impaired					
Grade 3: Substandard	–	–	12,487,015	12,487,015	1,492,480
Grade 4: Doubtful	–	–	3,677,812	3,677,812	610,808
Grade 5: Loss	–	–	1,472,937	1,472,937	3,590,206
Gross amount	**–**	**–**	**17,637,764**	**17,637,764**	**5,620,836**
Provision for impairment losses	–	–	(5,885,730)	(5,885,730)	(3,957,837)
Carrying amount	**–**	**–**	**11,752,034**	**11,752,034**	**1,662,999**
Grade 1: Normal	163,894,604	–	–	163,894,604	171,107,320
Grade 2: Watch	–	48,931,559	–	48,931,559	18,980,374
Gross amount	**163,894,604**	**48,931,559**	**–**	**212,826,163**	**190,087,694**
Provision for impairment losses	(1,108,086)	(2,471,263)	–	(3,579,349)	(1,795,030)
Carrying amount	**162,786,518**	**46,460,295**	**–**	**209,246,813**	**188,292,664**
Total gross loans	**163,894,604**	**48,931,559**	**17,637,764**	**230,463,927**	**195,708,530**
Total provision	**(1,108,086)**	**(2,471,263)**	**(5,885,730)**	**(9,465,079)**	**(5,752,867)**
Total carrying amount	**162,786,518**	**46,460,295**	**11,752,034**	**220,998,847**	**189,955,663**

Grade 1 and grade 2, represent loans and advances that are not impaired. Grade 3, grade 4 and grade 5 refer to the impaired loans and advances that have been impaired as per the Bank's credit policy and internal model. These represent the loans and advances that the Bank cannot collect according to contractual terms of the loan agreements.

Impaired loans

Impaired loans are loans for which the Bank determines that it is probable 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, 4 and 5 in the Bank's internal credit risk grading system.

Past due but not impaired loans

These are loans where contractual interest or principal payments are past due, but the Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank.

NOTES continued

4. FINANCIAL RISK MANAGEMENT CONTINUED

b. Credit risk continued

Exposure to credit risk LCs and Guarantees

Amortised cost	2021 Stage 1 12-month ECL Frw'000	Stage 2 Lifetime ECL Frw'000	Stage 3 Lifetime ECL Frw'000	Total Frw'000	2020 Total Frw'000
Individually and collectively impaired					
Grade 3: Substandard	–	–	–	–	–
Grade 4: Doubtful	–	–	190,818	190,818	–
Grade 5: Loss	–	–	3,320	3,320	–
Gross amount	**–**	**–**	**194,138**	**194,138**	**–**
Provision for impairment losses	–	–	(3,320)	(3,320)	–
Carrying amount	**–**	**–**	**190,818**	**190,818**	**–**
Individually and collectively impaired					
Grade 1: Normal	50,747,817	–	–	50,748,117	47,420,489
Grade 2: Watch	–	44,112	–	44,112	4,458,480
Gross amount	**50,747,817**	**44,112**	**–**	**50,792,229**	**51,878,969**
Provision for impairment losses	(507,481)	(1,323)	–	(508,805)	(515,458)
Carrying amount	**50,240,036**	**42,789**	**–**	**50,283,424**	**51,363,510**
Total gross loans	**50,748,117**	**44,112**	**194,138**	**50,986,367**	**51,878,968**
Total provision	**(463,496)**	**(1,323)**	**(3,320)**	**(468,139)**	**(515,458)**
Total carrying amount	**50,284,021**	**42,789**	**190,818**	**50,518,228**	**51,363,510**

Exposure to credit risk LCs and Guarantees

Amortised cost	2020 Stage 1 12-month ECL Frw'000	Stage 2 Lifetime ECL Frw'000	Stage 3 Lifetime ECL Frw'000	Total Frw'000	2019 Total Frw'000
Individually and collectively impaired					
Grade 3: Substandard	–	–	–	–	–
Grade 4: Doubtful	–	–	–	–	–
Grade 5: Loss	–	–	–	–	–
Gross amount					
Provision for impairment losses	–	–	–	–	–
Carrying amount	**–**	**–**	**–**	**–**	**–**
Grade 1: Normal	47,420,489	–	–	47,420,489	–
Grade 2: Watch	–	4,458,480	–	4,458,480	–
Gross amount	**47,420,489**	**4,458,480**	**–**	**51,878,968**	**–**
Provision for impairment losses	(501,450)	(14,007)	–	(515,458)	–
Carrying amount	**46,919,039**	**4,444,473**	**–**	**51,363,510**	**–**
Total gross loans	**47,420,489**	**4,458,480**	**–**	**51,878,968**	**–**
Total provision	**(501,450)**	**(14,007)**	**–**	**(515,458)**	**–**
Total carrying amount	**46,919,039**	**4,444,473**	**–**	**51,363,510**	**–**

NOTES continued

4. FINANCIAL RISK MANAGEMENT CONTINUED

b. Credit risk continued

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for Groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Bank writes off a loan balance when the credit department determines that the loans are uncollectable. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral have failed to cover the entire facility outstanding. For smaller balance standardised loans, write-off decisions are generally based on a product specific past due default history.

Collateral on loans and advances

The Bank routinely obtains collateral and security to mitigate credit risk. The Bank ensures that any collateral held is sufficiently liquid, legally effective, enforceable and regularly reassessed.

Before attaching value to collateral, business holding approved collateral must ensure that they are legally perfected devoid of any encumbrances. Security structures and legal covenants are subject to regular review, to ensure that they remain fit for purpose and remain consistent with accepted local market practice.

The principal collateral types held by the Bank for loans and advances are:

- Mortgages over residential properties.
- Charges over business assets such as premises, inventory and accounts receivable.
- Charges over financial instruments such as debt securities and equities.

Valuation of collateral taken will be within agreed parameters and will be conservative in value. The valuation is performed only on origination or in the course of enforcement actions. Collateral for impaired loans is reviewed regularly to ensure that it is still enforceable and that the impairment allowance remains appropriate given the current valuation.

The Bank will consider all relevant factors, including local market conditions and practices, before any collateral is realised.

NOTES continued

4. FINANCIAL RISK MANAGEMENT CONTINUED

b. Credit risk continued

Loans and advances to customers

The Bank has considered all relevant factors, including local market conditions and practices, before any collateral is realised.

The collateral held by the Bank against loans and advances is as below:

	2021 Frw'000	2020 Frw'000
Against stage 1 & 2 loans		
Property	314,781,481	397,045,599
Other	58,483,912	66,966,449
Against stage 3 loans		
Property	405,751,825	155,750,222
Other	1,305,239	1,150,150
Against past due but not impaired		
Property	35,725,731	10,506,648
Other	5,683,803	1,011,509
Total	**821,746,222**	**632,430,577**

Other includes logbooks, cash cover, letter of comfort and government guarantees or corporate guarantees.

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

	2021 Frw'000	2020 Frw'000
Concentration by sector		
Building and construction	17,163,308	8,441,496
Energy and water	5,831,928	5,553,400
Financial services	299,291	–
Food and agriculture	9,472,107	7,581,109
ICT and telecommunication	13,481,048	6,564,306
Manufacturing	13,592,740	11,907,585
Mining and quarrying	480,466	636,754
Personal household	68,710,083	42,108,755
Real estate	40,332,433	40,509,628
Tourism and hospitality	32,992,815	34,185,057
Trade	17,324,245	22,875,081
Transport and logistics	10,783,463	15,345,360
	230,463,927	**195,708,530**

c. Liquidity risk

The definition of liquidity risk is the risk that the Bank is unable to meet its obligations as they fall due as a result of a sudden, and potentially protracted, increase in net cash outflows. Such outflows would deplete available cash resources for client lending, trading activities and investments. These outflows could be principally through customer withdrawals, wholesale counterparties removing financing, collateral posting requirements or loan draw-downs. This risk is inherent in all banking operations and can be affected by a range of Bank-specific and market-wide events which can result in: (i) an inability to support normal business activity; and (ii) a failure to meet liquidity regulatory requirements.

During periods of market dislocation, the Bank's ability to manage liquidity requirements may be impacted by a reduction in the availability of wholesale term funding as well as an increase in the cost of raising wholesale funds.

NOTES continued

4. FINANCIAL RISK MANAGEMENT CONTINUED

c. Liquidity risk continued

Asset sales, balance sheet reductions and the increasing costs of raising funding will affect the earnings of the Bank. In illiquid markets, the Bank may decide to hold assets rather than securitising, syndicating or disposing of them. This could affect the Bank's ability to originate new loans or support other customer transactions as both capital and liquidity are consumed by existing or legacy assets.

The efficient management of liquidity is essential to the Bank in retaining the confidence of the financial markets and ensuring that the business is sustainable. Liquidity risk is managed through the Liquidity Risk Framework, which is designed to meet the following objectives:

- maintain liquidity resources that are sufficient in amount and quality and a funding profile that is appropriate to meet the liquidity risk framework as expressed by the Board;
- maintain market confidence in the Bank's name;
- set limits to control liquidity risk within and across lines of business;
- accurately price liquidity costs, benefits and risks and incorporate those into product pricing and performance measurement;
- set early warning indicators to identify immediately the emergence of increased liquidity risk or vulnerabilities including events that would impair access to liquidity resources;
- project fully over an appropriate set of time horizons cash flows arising from assets, liabilities and off-balance sheet items; and
- maintain a contingency funding plan (CFP) that is comprehensive and proportionate to the nature, scale and complexity of the business and that is regularly tested to ensure that it is operationally robust.

Management of liquidity risk

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

To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk.

This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required. The Bank maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Bank also has lines of credit that it can access to meet liquidity needs.

In accordance with the Bank's policy, the liquidity position is assessed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. Net liquid assets consist of cash, short-term bank deposits and liquid debt securities available for immediate sale, less deposit for banks and other issued securities and borrowings due to mature within the next month.

The Bank stresses the importance of current accounts and savings accounts as sources of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a percentage of core customer current and savings accounts, together with term funding with a remaining term to maturity in excess of one year.

NOTES continued

4. FINANCIAL RISK MANAGEMENT CONTINUED

c. Liquidity risk continued

Management of liquidity risk continued

Treasury maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the bank as a whole. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by Board Risk Management Committee.

Exposure to liquidity risk

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

Details of the reported Bank ratios of net liquid assets to deposits at the reporting date and during the reporting period were as follows:

	2021	2020
At 31 December		
Average for the year	**346%**	267%
Maximum for the year	**499%**	392%
Minimum for the year	**216%**	149%
Minimum statutory requirement	**100%**	100%

Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities as at 31 December.

31 December 2021	**Less than 3 months Frw'000**	**3–6 months**	**6–12 months Frw'000**	**1–5 years Frw'000**	**More than 5 years Frw'000**	**Total Frw'000**
Financial assets						
Cash balances and deposits in financial institutions	43,026,492		14,019,236	38,702,016	14,722,625	110,470,368
Loans and advances to customers	12,952,926	1,884,479	6,015,254	74,872,116	125,274,072	220,998,847
Investment securities	3,821,253	4,624,044	4,592,865	12,292,051	81,408,780	106,738,993
Due from related parties	69,598	–	–	–	–	69,598
Other assets	5,574,272		301,338	1,506,691	2,193,283	9,575,584
Total financial assets	**65,444,541**	**6,508,523**	**24,928,693**	**127,372,874**	**223,598,760**	**447,853,390**
Financial liabilities						
Deposits from customers and banks	279,044,455	39,206,188	9,718,006	1,066,326	–	329,034,975
Borrowed funds	–	–	–	38,535,005	6,976,575	45,511,580
Balance due to related parties	773,519	–	–	–	–	773,519
Other liabilities	5,156,630	–	372,874	1,864,368	5,458,812	12,852,682
Lease liabilities	907,138				2,650,037	3,557,175
Total financial liabilities	285,881,741	**39,206,188**	**10,090,879**	**41,465,699**	**15,085,424**	**391,729,931**
Liquidity gap 31 December 2021	**(220,437,200)**	**(32,697,665)**	**14,837,814**	**85,907,175**	**208,513,336**	**56,123,459**

NOTES continued

4. FINANCIAL RISK MANAGEMENT CONTINUED

c. Liquidity risk continued

Analysis of financial assets and liabilities by remaining contractual maturities continued

The table below summarises the maturity profile of the undiscounted cash flows of the Bank's financial assets and liabilities as at 31 December.

31 December 2020	Less than 3 months Frw'000	3–6 months	6–12 months Frw'000	1–5 years Frw'000	More than 5 years Frw'000	Total Frw'000
Financial assets						
Cash balances and deposits in financial institutions	40,877,465		9,724,750	19,449,500	9,566,741	79,618,456
Loans and advances to customers	15,935,062	2,440,368	7,217,722	65,552,654	98,809,857	189,955,663
Investment securities	6,158,421	2,914,063	7,840,982	25,455,323	19,676,948	62,045,737
Due from related parties	29,426	–	–	–	–	29,426
Other assets	8,131,827	–	–	–	–	8,131,827
Total financial assets	**71,132,202**	**5,354,431**	**24,783,454**	**110,457,477**	**128,053,546**	**339,781,110**
Financial liabilities						
Deposits from customers and banks	224,392,562	5,904,048	9,687,872	53,637	–	240,038,119
Borrowed funds	–	–	9,892,041	–	23,826,923	33,718,963
Balance due to related parties	481,258	–	–	–	–	481,258
Other liabilities	10,970,021	–	–	–	3,079,307	14,049,328
Lease liabilities					2,237,593	2,237,593
Total financial liabilities	**235,843,842**	**5,904,048**	**19,579,913**	**53,637.20**	**29,143,822**	**290,963,475**
Liquidity gap at 31 December 2020	**(164,711,640)**	**(549,617)**	**5,203,541**	**10,403,840**	**98,909,724**	**49,255,848**

31 December 2021	0–3 months Frw'000	3–6 months Frw'000	6–12 months Frw'000	1–5 Years Frw'000	Total Frw'000
Guarantees and standby letters of credit	12,287,092	5,689,062	10,110,352	13,821,989	41,908,495
Letters of credit, acceptances and other documentary credits	96,444	8,981,128	–	–	9,077,572
Capital commitments	269,813	853,327	342,028	–	1,465,168
Loans approved but not disbursed	–	–	–	2,269,855	2,269,855
Total commitments and guarantees	**12,653,349**	**15,523,518**	**10,452,379**	**16,091,844**	**54,721,090**
31 December 2020					
Guarantees and standby letters of credit	13,816,771	4,449,639	4,770,214	23,751,921	46,788,545
Letters of credit, acceptances and other documentary credits	5,090,423	–	–	–	5,090,423
Capital commitments	1,128,600	–	59,400	–	1,188,000
Loans approved but not disbursed	–	–	662,569	1,453,253	2,115,822
Total commitments and guarantees	**20,035,794**	**4,449,639**	**5,492,183**	**25,205,175**	**55,182,791**

The Bank has developed internal control processes and contingency plans for managing liquidity risk including maturity gaps that incorporates an assessment of expected cash flows. The Bank maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. In accordance with the Bank's policy, the liquidity position is assessed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank.

NOTES continued

4. FINANCIAL RISK MANAGEMENT CONTINUED

d. Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Market risk comprises of:

Non-traded market risk

The risk of the Bank being unable to hedge the interest rate risk in the banking book, primarily in retail, business banking and corporate portfolios.

Non-traded market risk: The risk of the Bank being exposed to interest rate risk arising from loans, deposits and similar instruments held for longer term strategic purposes rather than for the purpose of profiting from changes in interest rates. Non-trading portfolios also consist of foreign exchange and price risks arising from the Bank's held-to-maturity and available-for-sale financial assets.

Management of market risk

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk. The Bank's Treasury is responsible for the development of detailed risk management policies and for day-to-day implementation of those policies.

Furthermore it includes the protection and enhancement of the statement of financial position and statement of comprehensive income and facilitating business growth within a controlled and transparent risk management framework.

All foreign exchange risk within the Bank is managed by the treasury department. Accordingly, the foreign exchange position is treated as part of the Bank's trading portfolios for risk management purposes.

Overall authority for market risk management is vested in the Board Risk Management Committee. The finance and treasury departments in collaboration with the Risk Management department are responsible for the development of detailed risk management policies (subject to review and approval by Board Risk Management Committee) and for the day-to-day review of their implementation. The Bank does not bear any interest rate risk on off balance sheet items.

Exposure to interest rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. The Board Risk Management Committee is the monitoring body for compliance with these limits and is assisted by treasury back office and finance department in the day-to-day monitoring activities, while Risk Management Department carries out regular reviews.

NOTES continued

4. FINANCIAL RISK MANAGEMENT CONTINUED

d. Market risk continued

A summary of the Bank's interest rate gap position on non-trading portfolios is as follows:

Interest rate risk table

31 December 2021	Carrying amount Frw'000	Non-interest-bearing Frw'000	Less than 3 months Frw'000	3–6 months Frw'000	6–12 months Frw'000	1–5 years Frw'000	More than 5 years Frw'000	Total Frw'000
Assets								
Cash and cash equivalents	95,760,367	4,364,691	95,760,368	–	–	–	–	95,760,367
Restricted cash with Central Bank of Rwanda	14,710,000	14,710,000	-	–	–	–	14,710,000	14,710,000
Loans and advances to customers	220,998,847		12,952,926	1,884,479	6,015,254	74,872,116	125,274,072	220,998,847
Investment securities	106,738,993		3,821,253	4,624,044	4,592,865	12,292,051	81,408,780	106,738,993
	438,208,207	**19,074,691**	**112,534,547**	**6,508,523**	**10,608,119**	**87,164,167**	**221,392,852**	**438,208,207**
Liabilities								
Deposits from customers and banks	329,034,975	301,067,056	279,044,455	39,206,188	9,718,006	1,066,326	–	329,034,975
Borrowed funds	3,557,175		907,138				2,650,037	3,557,175
Lease liabilities	45,511,581		–	–	–	38,535,005	6,976,575	45,511,580
	378,103,731	301,067,056	279,951,593	39,206,188	9,718,006	39,601,331	9,626,612	378,103,730
Interest rate sensitivity gap at 31 December 2021	**60,104,477**	**(281,992,365)**	**(167,417,046)**	**(32,697,665)**	**890,113**	**47,562,836**	**211,766,240**	**60,104,477**

31 December 2020	Carrying amount Frw'000	Non-interest-bearing Frw'000	Less than 3 months Frw'000	3–6 months Frw'000	6–12 months Frw'000	1–5 years Frw'000	More than 5 years Frw'000	Total Frw'000
Assets								
Cash and cash equivalents	70,056,498	10,794,879	70,056,498	–	–	–	–	70,056,498
Restricted cash with Central Bank of Rwanda	–	9,561,958	–	–	–	–	9,561,958	9,561,958
Loans and advances to customers	189,955,663	–	15,935,062	2,440,368	7,217,722	65,552,654	98,809,857	189,955,663
Investment securities	62,045,738	–	6,158,421	2,914,063	7,840,982	25,455,323	19,676,948	62,045,737
	322,057,899	**20,356,837**	**92,149,981**	**5,354,431**	**15,058,704**	**91,007,977**	**128,048,763**	**331,619,856**
Liabilities								
Deposits from customers and banks	240,038,119	215,876,054	224,392,562	5,904,048	9,687,872	53,637	–	240,038,119
Borrowed funds	33,718,963	–	–	–	9,892,041	–	23,826,923	33,718,963
Lease liabilities	2,237,593	–	644,119	–	–	–	1,593,474	2,237,593
	275,994,675	**215,876,054**	**225,036,681**	**5,904,048**	**19,579,913**	**53,637**	**25,420,397**	**275,994,675**
Interest rate sensitivity gap at 31 December 2020	**46,063,224**	**(195,519,217)**	**(132,886,700)**	**(549,617)**	**(4,521,209)**	**90,954,340**	**102,628,366**	**55,625,181**

Sensitivity to profit or loss is the effect of the assumed change in interest rates on interest-bearing assets and liabilities. The above sensitivity analysis is unrepresentative of the interest rate risk exposure for the Bank as interest-bearing liabilities are fixed within the next one year.

NOTES continued

4. FINANCIAL RISK MANAGEMENT CONTINUED

d. Market risk continued

During the year, a 2% increase/decrease (2020: 2%) of the annual interest rate would have the following effect on the profit or loss and equity:

	Sensitivity	Impact on profit or loss Frw'000	Impact on equity Frw'000
2021	**+/-2%**	**+/- 1.3%**	**+/-4,206,706**
2020	+/-2%	+/- 0.9%	+/-2,845,803

Exposure to other market risks – non-trading portfolios

Credit spread risk (not relating to changes in the obligor's/issuer's credit standing) on debt securities held by Treasury and price risk is subject to regular monitoring by Board Risk Management Committee. Currently, the exposure to other market risks on non-trading portfolio is not significant in relation to the overall results and financial position of the Bank.

e. Foreign currency exposure

	US$ Frw'000	GBP Frw'000	Euro Frw'000	Others Frw'000	Total Frw'000
31 December 2021					
Assets					
Cash and cash equivalents	66,643,539	611,228	5,004,736	107,942	72,367,445
Loans and advances to customers	18,312,635	17	(1,393)	–	18,311,259
Investment securities	39,212,542	–	–	–	39,212,542
Due from Group companies	64,601	489	2,924	433	68,447
Other assets	1,012,864	212	1	–	1,013,077
Total assets	**125,246,181**	**611,946**	**5,006,268**	**108,375**	**130,972,770**
Liabilities					
Customer deposits	127,320,730	411,826	4,943,076	–	132,675,632
Borrowed funds	–	–	–	–	–
Due to Group companies	738,308	–	–	16,518	754,826
Other liabilities	684,883	189,807	–	–	874,690
Total liabilities	**128,743,921**	**601,633**	**4,943,076**	**16,518**	**134,305,148**
Net financial position	**(3,497,740)**	**10,313**	**63,192**	**91,857**	**(3,332,378)**

NOTES continued

4. FINANCIAL RISK MANAGEMENT CONTINUED

e. Foreign currency exposure continued

	US$ Frw'000	GBP Frw'000	Euro Frw'000	Others Frw'000	Total Frw'000
31 December 2020					
Assets					
Cash and cash equivalents	65,220,254	546,291	3,739,262	5,883	69,511,691
Loans and advances to customers	23,581,010	157	58	–	23,581,225
Investment securities	9,620,128	–	–	–	9,620,128
Due from Group companies	26,694	–	–	526	27,220
Other assets	2,831,161	–	(1,080)	–	2,832,241
Total assets	**101,279,247**	**546,448**	**3,740,400**	**6,409**	**105,572,504**
Liabilities					
Customer deposits	96,180,623	455,773	3,668,268	–	100,304,663
Borrowed funds	–	–	–	–	–
Due to Group companies	440,595	–	–	30,461	471,056
Other liabilities	7,360,117	95,467	–	–	7,455,584
Total liabilities	**103,981,334**	**551,240**	**3,668,268**	**30,461**	**108,231,303**
Net financial position	**(2,702,088)**	**(4,792)**	**(72,133)**	**(24,052)**	**(2,658,799)**

The analysis below calculates the effect of a reasonably possible movement of the foreign currency rates against the Rwandan Francs (all other variables being constant) on the Bank's profit or loss and equity. Changes in foreign currencies will result to the below exposure:

	2021			2020		
	Change in currency	Effect on profit before income tax Frw'000	Effect on equity Frw'000	Change in currency	Effect on profit before income tax Frw'000	Effect on equity Frw'000
USD	+/- 4%	(139,910)	(37,601)	+/- 4%	(27,021)	(8,376)
GBP	+/- 5%	825	222	+/- 5%	(383)	(119)
EUR	+/- 5%	4,423	1,189	+/- 5%	5,049	1,565
Others	+/- 4%	3,674	987	+/- 4%	(962)	(298)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board of Directors has set limits on foreign currency positions. The foreign currency positions are monitored on daily basis and strategies used to ensure that positions are maintained within the established limits.

NOTES continued

4. FINANCIAL RISK MANAGEMENT CONTINUED

f. Capital management

Capital risk is the risk that the Bank is unable to maintain adequate levels of capital which could lead to an inability to:

- support business activity;
- a failure to meet regulatory requirements; and
- changes to credit ratings, which could also result in increased costs or reduced capacity to raise funding.

The primary objectives of the Bank's capital management policy are to ensure that the Bank complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise Shareholder value. This is done by the Board of Directors. The Bank's Board manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank Board may adjust the amount of dividend payment to Shareholders, return capital to Shareholders or issue capital securities.

Primary objectives and core practices are:

- Provide a viable and sustainable business offering by maintaining adequate capital to cover the Bank's current and forecast business needs and associated risks;
- Meet minimum regulatory requirements;
- Ensure the Bank maintains adequate capital to withstand the impact of the risks that may arise under the stressed conditions;
- Perform internal and regulatory stress tests;
- Maintain capital buffers over regulatory minimum;
- Develop contingency plans for severe (stress management actions) to support the Bank's growth and strategic options; and
- Maintain a capital plan on a short-term and medium-term basis aligned with strategic objectives.
- The National Bank of Rwanda sets and monitors capital requirements for the banking industry as a whole.
- In implementing current capital requirements, The National Bank of Rwanda requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.
- The Bank's regulatory capital is analysed into two tiers:
  - Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
  - Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.
- Various limits are applied to elements of the capital base; qualifying tier 2 capital cannot exceed tier 1 capital; there are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital.
- The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on Shareholders' return is also 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 has complied with all externally imposed capital requirements throughout the year.

NOTES continued

4. FINANCIAL RISK MANAGEMENT CONTINUED

f. Capital management continued

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

	2021 Frw'000	2020 Frw'000
Tier 1 capital		
Ordinary share capital (Note 27)	18,175,000	18,175,000
Share premium (note 27)	2,112,690	2,112,690
Retained earnings	43,423,109	31,043,866
Less – intangibles	(214,698)	(233,297)
Total	**63,496,101**	**51,098,259**
Collective impairment provisions and regulatory reserves (include Max 1.25% of RWA)	3,367,007	2,878,213
Total regulatory capital	**66,863,108**	**53,976,472**
Total risk-weighted assets	**314,788,297**	**267,301,343**

	2021	2020
Total tier 1 capital expressed as a percentage of total risk-weighted assets	20.17%	19.12%
Total minimum regulatory capital expressed as a percentage of total	12.50%	12.50%
Total tier 2 capital expressed as a percentage of total risk-weighted assets	21.24%	20.19%
Total minimum regulatory capital expressed as a percentage of total	15.00%	15.00%

Financial assets and liabilities

The fair value of financial instruments is included at 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, 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. The fair value of cash and cash equivalents, loans and advances, customer deposits and borrowed funds are evaluated by the Bank based on parameters such as interest rates, specific country factors and individual creditworthiness of the customer. The valuation is performed on a discounted cash flow basis. Based on this evaluation, allowances are taken to account for the expected losses of the receivables.

Valuation methods and assumptions

The following methods and assumptions were used to estimate the fair values. The fair values of the quoted notes and bonds are based on price quotations at the reporting date. The fair values of loans and advances, borrowings and other financial liabilities, are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. The fair values of remaining available for sale financial assets are derived from quoted market prices in active markets. There have been no transfers between Level 1 and Level 2 during the year ended 31 December 2021 (2020: Nil).

NOTES continued

4. FINANCIAL RISK MANAGEMENT CONTINUED

f. Capital management continued

Valuation methods and assumptions continued

The table below shows certain financial assets and financial liabilities that have been measured at either fair value, or for which fair value has been disclosed in the financial statements, analysed by the level of valuation method:

	Valuation technique	Significant observable input	Range (weighted average)
Level 2			
Investment securities – FVOCI	Fair value at closing rate	Quoted yields	7.2%–8.8%
Investment securities – amortised cost	Fair value at closing rate	Quoted yields	10.95%–13.25%
Level 3			
Currency swaps and forwards	Forward pricing model	Interest curve	2%
Financial liabilities			
Deposits from customers-fixed deposits	Discounted cash flow	Fixed rate and fixed time	2%–10.5%
Borrowed funds	Discounted cash flow	Expected cash flows	2%–8%

Fair value measurement

	Level 1 Frw'000	Level 2 Frw'000	Level 3 Frw'000	Total Frw'000
At 31 December 2021				
FVOCI investment securities	–	100,336,119	–	100,336,119
Total financial assets at fair value	**–**	**100,336,119**	**–**	**100,336,119**
At 31 December 2020				
FVOCI investment securities	–	46,999,001	–	46,999,001
Total financial assets at fair value	**–**	**46,999,001**	**–**	**46,999,001**

The following summarises the fair value hierarchy of those assets and liabilities not held at fair value:

	Carrying amount Frw'000	Fair value Frw'000	Level 1 Frw'000	Level 2 Frw'000	Level 3 Frw'000
At 31 December 2021					
Cash, balances and deposits in financial institutions	95,760,368	95,760,368	95,760,368	–	–
Restricted cash with National Bank of Rwanda	14,710,000	14,710,000	14,710,000		
Amortised investment securities	6,402,874	6,402,874	–	6,402,874	–
Loans and advances at amortised cost	220,998,847	220,998,847	–	–	220,998,847
Due from related parties	69,598	69,598	–	–	69,598
Other assets	11,446,062	11,446,062	–	–	11,446,062
Total financial assets	**349,387,749**	**349,387,749**	**110,470,368**	**6,402,874**	**232,514,507**
Deposits from customers	301,067,056	301,067,056	301,067,056	–	–
Borrowed funds	27,967,919	27,967,919	27,967,919	–	27,967,919
Due to related parties	45,511,581	45,511,581	–	–	45,511,581
Other liabilities	12,852,682	12,852,682	–	–	12,852,682
Total liabilities	**387,399,238**	**387,399,238**	**329,034,975**	**–**	**86,332,182**

NOTES continued

4. FINANCIAL RISK MANAGEMENT CONTINUED

f. Capital management continued

Fair value measurement continued

	Carrying amount Frw'000	Fair value Frw'000	Level 1 Frw'000	Level 2 Frw'000	Level 3 Frw'000
At 31 December 2020					
Cash, balances and deposits in financial institutions	70,056,498	70,056,498	70,056,498	–	–
Restricted cash with National Bank of Rwanda	9,561,958	9,561,958	9,561,958		
Amortised investment securities	15,046,737	15,046,737	–	15,046,737	–
Loans and advances at amortised cost	189,955,663	189,955,663	–	–	189,955,663
Due from related parties	29,426	29,426	–	–	29,426
Other assets	8,131,827	8,131,827	–	–	8,131,827
Total financial assets	**292,782,109**	**292,782,109**	**79,618,456**	**15,046,737**	**198,116,916**
Deposits from customers	240,038,119	240,038,119	240,038,119	–	–
Borrowed funds	33,718,963	33,718,963	33,718,963	–	–
Due to related parties	481,258	481,258	–	–	481,258
Other liabilities	14,487,540	14,487,540	–	–	14,487,540
Total liabilities	**288,725,880**	**288,725,880**	**273,757,082**	**–**	**14,968,798**

Gains or losses on valuation of FVOCI assets are recognised in other comprehensive income.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. The table below shows the various asset classes:

5. INTEREST INCOME

	2021 Frw'000	2020 Frw'000
Interest income		
Loans and advances to customers	28,184,405	24,905,279
Deposits and balances due from financial institutions	1,513,198	973,523
Amortised investment securities	615,645	1,369,506
FVOCI investment securities	6,417,406	4,276,987
	36,730,654	**31,525,295**

6. INTEREST EXPENSE

	2021 Frw'000	2020 Frw'000
Deposit from customers	5,505,539	4,909,835
Borrowed funds	2,850,087	2,224,647
Interest expense on lease liabilities	235,903	193,425
	8,591,529	**7,327,907**
Net interest income	**28,139,125**	**24,197,388**

NOTES continued

7. NET FEE AND COMMISSION INCOME

	2021 Frw'000	2020 Frw'000
a. Fee and commission income		
Service fees and commissions	10,163,742	7,677,406
Other fees	222,216	286,476
	10,385,958	7,963,882
b. Fee and commission expense		
Fee and commission expense	2,909,483	2,112,118
Net fee and commission income	**7,476,475**	**5,851,764**

8. NET FOREIGN EXCHANGE INCOME

	2021 Frw'000	2020 Frw'000
Realised foreign exchange gain	**2,469,217**	**2,457,733**
Unrealised foreign exchange gain	**12,195**	**900**
	2,481,412	**2,458,633**

9. OTHER OPERATING INCOME

	2021 Frw'000	2020 Frw'000
Realised securities trading gain/(loss)	862,022	–
Profit on disposal of property and equipment	7,967	3,379
Insurance brokerage income	167,519	–
Other	205,342	274,035
	1,242,850	**277,414**

10. CREDIT IMPAIRMENT LOSSES

	2021 Frw'000	2020 Frw'000
Increase/(decrease) in money market (Note 16)	10,902	–
Increase/(decrease) in investment securities (Note 18)	22,319	–
Loans and advances		
Increase/(decrease) in stage 1 & 2	363,990	912,825
Increase in stage 3	6,281,863	1,912,504
Loan write-off recoveries	(275,287)	(176,619)
Statement of profit or loss	**6,403,787**	**2,648,710**

NOTES continued

11. EMPLOYEE BENEFITS

	2021 Frw'000	2020 Frw'000
Salaries and wages	5,601,374	4,605,353
Staff loan fair value movement	16,551	75,135
Pension scheme contribution	464,070	417,059
Other benefits*	60,619	977,623
	6,142,614	**6,075,171**

** Other staff costs include staff medical costs, staff training, staff bonus, staff welfare and staff insurance.*

The average number of staff in the Bank for the year was 429 (2020: 356).

12. LEASE RENTALS

	2021 Frw'000	2020 Frw'000
Short-term leases and low value leases	**72,952**	**92,900**

The Bank leases a number of branch and office premises under operating lease. The leases typically run for a period of one to ten years, with an option to renew the lease after that period. Lease payments are increased accordingly to reflect market lease rentals detailed in Note 28. From 1 January 2021, the Bank has recognised right-of-use assets for these leases, except for short-term and low-value leases.

13. DEPRECIATION AND AMORTISATION

	2021 Frw'000	2020 Frw'000
Depreciation on property and equipment (Note 21)	1,039,056	1,098,792
Amortisation of intangible assets (Note 22)	93,227	85,540
Depreciation of right-of-use assets (Note 20)	862,854	783,845
	1,995,137	**1,968,178**

14. OTHER OPERATING EXPENSES

	2021 Frw'000	2020 Frw'000
Software and other IT-related costs	319,470	254,354
Electricity, water and repairs and maintenance	593,148	538,315
Marketing, advertising and sponsorship	586,370	616,455
Travel and accommodation	421,829	261,525
Consultancy, legal and professional fees	290,530	192,223
Publications, stationery and communications	1,082,031	909,495
Auditor's remuneration	75,257	76,533
Shared services recharge	988,671	1,103,442
Other expenses	2,518,461	3,197,492
	6,875,767	**7,149,834**

NOTES continued

15. INCOME TAX EXPENSE

	2021 Frw'000	2020 Frw'000
Recognised in profit or loss:		
Current income tax charge	4,795,896	5,684,960
Deferred income tax/(credit) (Note 23)	674,468	(1,121,969)
	5,470,364	**4,562,991**

The tax on the Bank's profit before income tax differs from the theoretical amount that would arise using the basic tax rate of 30% as follows:

	2021 Frw'000	2020 Frw'000
Profit before income tax	17,849,606	14,850,406
Income tax using the enacted corporation tax rate – 30%	5,354,882	4,455,122
Income not subject to tax	115,482	110,187
Overprovision from previous years	–	(2,318)
Income tax expense	**5,470,364**	**4,562,991**
Recognised in the statement of financial position		
Current income tax asset/(liability) at end of year		
At start of year	1,578,361	2,139,161
Current year income tax expense	5,470,364	5,684,960
Paid during the year	(7,745,224)	(6,245,760)
At end of year – recoverable/(payable)	**(696,499)**	**1,578,361**

Income tax recoverable relates to the tax instalments and withholding tax that has been paid in advance during the year.

NOTES continued

16. a. CASH, DEPOSITS, AND BALANCES DUE FROM FINANCIAL INSTITUTIONS

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	2021 Frw'000	2020 Frw'000
Cash in hand	19,074,691	20,356,837
Unrestricted cash with Central Bank of Rwanda	3,377,379	–
Money market placements	60,154,149	31,351,802
Other balances with banks	13,199,448	18,390,099
	95,805,667	**70,098,738**
12-month ECL:		
At 1 January	(42,240)	28,359
Re-measurement during the year	(3,060)	13,881
At 31 December	**(45,300)**	**(42,240)**
Cash, deposits, and balances due from financial institutions	**95,760,367**	**70,056,498**
(b) **Restricted cash with Central Bank of Rwanda**	14,722,625	9,566,741
12-month ECL:		
At 1 January	(4,783)	7,259
Re-measurement during the year	(7,842)	(2,476)
At 31 December	**(12,625)**	**(4,783)**
Net restricted cash with Central Bank of Rwanda	**14,710,000**	**9,561,958**
Net cash and bank balances	**110,470,368**	**79,618,456**
Movement in restricted balances:		
At 1 January	9,566,741	11,447,701
Movement during the year	5,155,884	(1,880,960)
At 31 December	**14,722,625**	**9,566,741**

The cash reserve ratio (relating to restricted funds with the Central Bank of Rwanda) is non-interest-earning and is based on a percentage of value of deposits as periodically adjusted by Central Bank of Rwanda. These funds (cash reserve ratio) are not available for use by the Bank in its day-to-day operations.

Net debt reconciliation

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

	2021 Frw'000	2020 Frw'000
Cash and cash equivalents	95,760,368	70,056,498
Liquid investments:		
FVOCI investment securities	100,336,119	46,999,001
Borrowed funds – repayable within one year	(1,047,983)	(9,892,040)
Borrowed funds – repayable after one year	(44,463,598)	(23,826,923)
Net debt	**165,294,906**	**92,898,494**
Cash and liquid investments	210,806,487	126,617,457
Gross debt –fixed interest rates	(45,511,581)	(33,718,963)
Gross debt – variable interest rates	–	–
Net debt	**150,584,905**	**83,336,536**

NOTES continued

16. a. CASH, DEPOSITS, AND BALANCES DUE FROM FINANCIAL INSTITUTIONS CONTINUED

b. Net debt reconciliation continued

	Liquid assets		Borrowed funds		
	Cash and cash equivalents Frw'000	FVOCI investment securities Frw'000	Due within 1 year Frw'000	Due after 1 year Frw'000	Total Frw'000
Year ended 31 December 2021					
Net debt as at start of year	70,056,498	46,999,001	(9,892,041)	(23,826,923)	83,336,535
Cash flows	25,703,869	53,337,118	8,844,058	(20,636,675)	67,248,370
Net debt at end of year	**95,760,367**	**100,336,119**	**(1,047,983)**	**(44,463,598)**	**165,294,906**
Year ended 31 December 2020					
Net debt as at start of year	64,883,075	28,552,058	(27,782,541)		65,652,592
Cash flows	4,950,811	18,446,943	18,121,154	(23,233,761)	18,285,147
Non-cash movements	222,612	545,049	(230,654)	(593,162)	(56,155)
Net debt at end of year	**70,056,498**	**46,999,001**	**(9,892,041)**	**(23,826,923)**	**83,336,535**

17. LOANS AND ADVANCES TO CUSTOMERS

	2021 Frw'000	2020 Frw'000
Classified for IFRS 9 purposes as:		
Loans and receivables (amortised cost)	220,998,847	189,955,663
	220,998,847	**189,955,663**

a. Loans and advances at amortised cost

	2021 Frw'000	2020 Frw'000
Current	–	25,593,152
Non-current portion	230,463,927	170,115,378
Gross loans and advances to customers	**230,463,927**	**195,708,530**
Stage 1 impairment	1,108,086	1,001,469
Stage 2 impairment	2,471,263	793,561
Stage 3 impairment	5,885,730	3,957,837
	9,465,079	**5,752,867**
Net loans and advances to customers	**220,998,847**	**189,955,663**

NOTES continued

17. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

b. Provision for impairment of loans and advances

	Stage 1 12-month ECL Frw'000	Stage 2 Lifetime ECL Frw'000	Stage 3 Lifetime ECL Frw'000	Total Frw'000
Year ended 31 December 2021				
Balance at 1 January	1,001,469	793,561	3,957,837	5,752,867
Movements during the year:				
Transfer to 12-months ECL	95,158	(74,103)	(21,055)	–
Transfer to lifetime ECL not credit impaired	(130,537)	145,326	(14,790)	–
Transfer to lifetime ECL credit impaired	(46,865)	(235,418)	282,283	–
Net re-measurements of loss allowance	(328,550)	1,288,742	3,577,748	4,537,940
Net financial assets originated or purchased	748,108	622,376	317,557	1,688,041
Financial assets derecognised	(132,132)	(69,035)	669,573	468,406
	1,206,651	**2,471,449**	**8,769,153**	**12,447,254**
Write-offs	–	–	(2,982,174)	(2,982,174)
Loss allowance as at 31 December	**1,110,356**	**2,340,041**	**5,621,190**	**9,465,079**

c. Provision for impairment of loans and advances

	Stage 1 12-month ECL Frw'000	Stage 2 Lifetime ECL Frw'000	Stage 3 Lifetime ECL Frw'000	Total Frw'000
Year ended 31 December 2020				
Balance at 1 January	636,957	1,368,855	1,984,176	3,989,988
Movements during the year:				
Transfer to 12-months ECL	84,019	(41,970)	(42,049)	–
Transfer to lifetime ECL not credit impaired	(19,952)	54,880	(34,929)	–
Transfer to lifetime ECL credit impaired	(9,252)	(21,493)	30,746	–
Net re-measurements of loss allowance	(351,578)	150,586	1,150,930	949,937
Net financial assets originated or purchased	551,274	483,726	278,295	1,313,295
Financial assets derecognised	(201,049)	(43,135)	302,262	58,078
	1,001,469	**793,561**	**4,516,268**	**6,311,299**
Write-offs	–	–	(558,431)	(558,431)
Loss allowance as at 31 December	**1,001,469**	**793,561**	**3,957,837**	**5,752,867**

NOTES continued

17. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

d. Provision for impairment for off balance sheet facilities

	Stage 1 12-month ECL Frw'000	Stage 2 Lifetime ECL Frw'000	Stage 3 Lifetime ECL Frw'000	Total Frw'000
Year ended 31 December 2021				
Loss allowance as at 1 January	98,540	186	–	98,726
Transfer to 12-months ECL	14	(14)	–	–
Transfer to Lifetime ECL not credit impaired	(48)	48	–	–
Transfer to Lifetime ECL credit impaired	–	–	–	–
Net re-measurement of Loss allowance	110,871	362	–	111,233
Net financial assets originated or purchased	114,923	27,774	–	142,698
Financial assets derecognised	(61,202)	(171)	–	(61,373)
Loss allowance as at 31 December	**263,138**	**28,185**	**–**	**291,323**
Year ended 31 December 2020				
Loss allowance as at 1 January	79,561	5,952	–	85,513
Transfer to 12-months ECL	54	54	–	–
Transfer to Lifetime ECL not credit impaired	–	–	–	–
Transfer to Lifetime ECL credit impaired	–	–	–	–
Net re-measurement of Loss allowance	43,460	(67)	–	43,393
Net financial assets originated or purchased	46,295	94	–	46,389
Financial assets derecognised	(70,803)	(5,740)	–	76,543
Loss allowance as at 31 December	**98,540**	**186**	**–**	**98,728**

The following table further explains changes in gross carrying amount of the portfolio to help explain their significance to the changes in the loss allowance:

	Stage 1 12-month ECL Frw'000	Stage 2 Lifetime ECL Frw'000	Stage 3 Lifetime ECL Frw'000	Total Frw'000
Year ended 31 December 2021				
Gross carrying amount as at 1 January	171,107,320	18,980,374	5,620,836	195,708,530
Movements during the year				
Transfer to 12-months ECL	2,395,299	(2,267,894)	(127,405)	–
Transfer to lifetime ECL not credit impaired	(39,297,135)	39,396,871	(99,736)	–
Transfer to lifetime ECL credit impaired	(12,119,095)	(5,020,465)	17,139,561	–
Net re-measurements of loss allowance	(7,011,336)	(8,799,930)	(846,147)	(16,657,413)
Net financial assets originated or purchased	76,034,844	7,638,282	1,410,549	85,083,675
Financial assets derecognised	(27,215,292)	(995,679)	(5,459,894)	(33,670,865)
Gross carrying amount as at 31 December	**163,894,604**	**48,931,559**	**17,637,764**	**230,463,927**
Year ended 31 December 2020				
Gross carrying amount as at 1 January	145,457,096	8,676,752	6,155,374	160,289,222
Movements during the year				
Transfer to 12-months ECL	1,759,439	(1,094,850)	(664,589)	–
Transfer to lifetime ECL not credit impaired	(4,332,285)	4,514,328	(182,044)	–
Transfer to lifetime ECL credit impaired	(1,044,313)	(315,445)	1,359,757	–
Net remeasurements of loss allowance	(9,885,078)	439,074	(946,028)	(10,392,032)
Net financial assets originated or purchased	71,300,543	7,720,527	512,214	79,533,284
Financial assets derecognised	(32,148,083)	(960,013)	(613,848)	(33,721,944)
Gross carrying amount as at 31 December	**171,107,320**	**18,980,374**	**5,620,836**	**195,708,530**

NOTES continued

17. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

d. Provision for impairment for off balance sheet facilities continued

The terms and conditions normally provided for the loans and advances to customers are as follows:

Consumer, agriculture and micro enterprises – These are interest-bearing facilities to retail customers. The loans are designed to meet requirements for customers in employment, in agriculture and those running Micro-Enterprises. These facilities are secured by salary and chattels. These loans are charged processing fees.

Small and medium enterprises – These are loans to small and medium customers, and they are all interest-bearing. Collateral is a requirement for all facilities. These loans are charged processing fees.

Corporate enterprises – These are interest-bearing facilities to businesses specifically to a buy building, working capital, equipment etc, rather than to a person. Collateral is a requirement for all facilities. These loans are charged processing fees.

Mortgage loans – These are interest-bearing facilities for commercial and personal purposes. These facilities are secured against the borrower's property.

Concentration by sector	Gross carrying amount as at 31 December 2021	Movements during the year	Gross carrying amount as at 31 December 2020
Building and construction	17,163,308	8,721,812	8,441,496
Energy and water	5,831,928	278,528	5,553,400
Financial services	299,291	299,291	–
Food and agriculture	9,472,107	1,890,998	7,581,109
ICT and telecommunication	13,481,048	6,916,742	6,564,306
Manufacturing	13,592,740	1,685,155	11,907,585
Mining and quarrying	480,466	156,288	636,754
Personal household	68,710,083	26,601,328	42,108,755
Real estate	40,332,433	(177,195)	40,509,628
Tourism and hospitality	32,992,815	(1,192,242)	34,185,057
Trade	17,324,245	(5,550,836)	22,875,081
Transport and logistics	10,783,463	(4,561,897)	15,345,360
	230,463,927	**34,755,396**	**195,708,530**

17. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

e. Movements per sector – Building construction and energy and water

	Building and construction				Energy and water				Financial services			
	Stage 1 12-month ECL Frw'000	Stage 2 Lifetime ECL Frw'000	Stage 3 Lifetime ECL Frw'000	Total Frw'000	Stage 1 12-month ECL Frw'000	Stage 2 Lifetime ECL Frw'000	Stage 3 Lifetime ECL Frw'000	Total Frw'000	Stage 1 12-month ECL Frw'000	Stage 2 Lifetime ECL Frw'000	Stage 3 Lifetime ECL Frw'000	Total Frw'000
Year ended 31 December 2021												
Gross carrying amount as at 1 January	7,095,156	1,101,709	244,631	8,441,496	5,338,803	213,587	1,010	5,553,400	–	–	–	–
Movements during the year:									–	–	–	–
Transfer to 12-months ECL	1,048,680	(1,048,680)	–	–	121,315	(121,315)	–	–	–	–	–	–
Transfer to lifetime ECL not credit impaired	–	–	–	–	–	–	–	–	–	–	–	–
Transfer to lifetime ECL credit impaired	(2,505,876)	(38)	2,505,913	–	(47,712)	(9)	47,721	–	–	–	–	–
Net remeasurement	(475,927)	24,909	(375,072)	(826,090)	(519,584)	4,829	(14,560)	(529,314)	–	–	–	–
Net financial assets originated	1,642,067	129	256,654	1,898,850	1,349,505	12	68	1,349,586	–	–	–	–
Financial assets derecognised	(3,717,207)	(77,904)	(300,244)	(4,095,355)	(438,277)	(97,092)	(1,258)	(536,627)	–	–	–	–
Gross carrying amount as at 31 December	**3,086,893**	**125**	**2,331,882**	**5,418,901**	**5,804,051**	**12**	**32,982**	**5,837,044**	**–**	**–**	**–**	**–**
Loss allowance as at 1 January	20,071	7,851	41,012	68,933	151	8,318	14	8,482	–	–	–	–
Movements during the year									–	–	–	–
Transfer to 12-months ECL	7,709	(7,709)	–	–	5,927	(5,927)	–	–	–	–	–	–
ransfer to lifetime ECL not credit impaired	–	–	–	–	–	–	–	–	–	–	–	–
Transfer to lifetime ECL credit impaired	(15,765)	–	15,765	–	(1)	(1)	2	–	–	–	–	–
Net remeasurements of loss allowance	(1,288)	–	(15,699)	(16,986)	(5,354)	–	7	(5,347)	–	–	–	–
Net financial assets originated or purchased	11,110	2	4,218	15,331	268	–	59	327	–	–	–	–
Financial assets derecognised	(3,297)	(142)	(40,978)	(44,416)	(11)	(2,390)	(14)	(2,414)	–	–	–	–
Write offs	–	–	–	–	–	–	–	–	–	–	–	–
Loss allowance as at 31 December	18,540	2	4,319	22,861	979	–	68	1,048	–	–	–	–
Net loans and advances	**3,068,353**	**123**	**2,327,563**	**5,396,040**	**5,803,072**	**12**	**32,913**	**5,835,997**	**–**	**–**	**–**	**–**

NOTES continued

17. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

e. Movements per sector – Building construction and energy and water continued

	Food and agriculture				ICT and Telecommunication				Manufacturing			
	Stage 1 12-month ECL Frw'000	Stage 2 Lifetime ECL Frw'000	Stage 3 Lifetime ECL Frw'000	Total Frw'000	Stage 1 12-month ECL Frw'000	Stage 2 Lifetime ECL Frw'000	Stage 3 Lifetime ECL Frw'000	Total Frw'000	Stage 1 12-month ECL Frw'000	Stage 2 Lifetime ECL Frw'000	Stage 3 Lifetime ECL Frw'000	Total Frw'000
Year ended 31 December 2021												
Gross carrying amount as at 1 January	7,263,708	119,257	198,143	7,581,109	6,564,299	–	8	6,564,306	6,025,097	5,882,488	–	11,907,585
Movements during the year:												
Transfer to 12-months ECL	38,896	(38,896)	–	–	38,896	–	–	–	–	–	–	–
Transfer to lifetime ECL not credit impaired	(4,108,881)	4,108,881	–	–	(4,108,881)	–	–	–	–	–	–	–
Transfer to lifetime ECL credit impaired	(54,526)	(18,249)	72,775	–	(54,526)	–	–	-	(250,134)	(3,520,185)	3,770,320	–
Net remeasurement	(323,512)	382,717	26,142	85,347	(323,512)	(13)	2	(210649)	(313,356)	72,560	(249,755)	(490,551)
Net financial assets originated	1,372,936	1,309,773	38,965	2,721,674	1,372,936	499	–	9,978,310	2,366,122	–	1,688	2,367,810
Financial assets derecognised	(765,236)	(52,134)	(246,785)	(1,064,155)	(765,236)	–	(9)	(3,230,168)	(387,536)	–	–	(387,536)
Gross carrying amount as at 31 December	**3,423,384**	**5,811,351**	**89,241**	**9,323,976**	**13,101,314**	**486**	**–**	**13,101,800**	**7,440,193**	**2,434,862**	**3,522,253**	**13,397,307**
Loss allowance as at 1 January	8,555	422	122,126	131,103	12,818	–	8	12,826	14,063	382,102	–	396,165
Movements during the year												
Transfer to 12-months ECL	151	(151)	–	–	–	–	–	–	–	–	–	–
Transfer to lifetime ECL not credit impaired	(3,127)	3,127	–	–	–	–	–	–	–	–	–	–
Transfer to lifetime ECL credit impaired	(49)	(47)	96	–	–	–	–	–	(121)	(182,129)	182,250	–
Net remeasurements of loss allowance	(2,018)	676,328	(81)	674,228	82	–	–	82	(404)	(187,318)	1,930,243	1,742,520
Net financial assets originated or purchased	2,887	358,059	149	361,095	27,558	51	–	27,609	1,150	–	525	1,674
Financial assets derecognised	(1,772)	(182)	(122,118)	(124,072)	(6,018)	–	(9)	(6,027)	(696)	–	–	(696)
Write offs	–	–	–	–	–	–	–	–				
Loss allowance as at 31 December	**4,627**	**1,037,557**	**169**	**1,042,353**	**34,440**	**51**	**–**	**34,491**	**13,991**	**12,655**	**2,113,017**	**2,139,663**
Net loans and advances	**3,418,757**	**4,773,794**	**89,072**	**8,281,623**	**13,066,874**	**435**	**–**	**13,067,309**	**7,426,202**	**2,422,207**	**1,409,235**	**11,257,644**

NOTES continued

17. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

e. Movements per sector – Mining, quarrying, personal household and real estate

	Mining & Quarrying				Personal household				Real estate			
	Stage 1 12-month ECL Frw'000	Stage 2 Lifetime ECL Frw'000	Stage 3 Lifetime ECL Frw'000	Total Frw'000	Stage 1 12-month ECL Frw'000	Stage 2 Lifetime ECL Frw'000	Stage 3 Lifetime ECL Frw'000	Total Frw'000	Stage 1 12-month ECL Frw'000	Stage 2 Lifetime ECL Frw'000	Stage 3 Lifetime ECL Frw'000	Total Frw'000
Year ended 31 December 2021												
Gross carrying amount as at 1 January	568,294	15	68,444	636,754	49,905,969	2,053,607	1,828,936	53,788,512	38,123,197	133,261	2,253,171	40,509,628
Movements during the year:												
Transfer to 12-months ECL	–	–	–	–	945,715	(828,046)	(117,670)	–	–	–	–	–
Transfer to lifetime ECL not credit impaired	–	–	–	–	(2,559,097)	2,654,891	(95,795)	–	(10,891,533)	10,891,533	–	–
Transfer to lifetime ECL credit impaired	(36,048)	(16)	36,064	–	(1,515,388)	(462,146)	1,977,534	–	(7,146,103)	(67,487)	7,213,590	–
Net remeasurement	(91,439)	–	25,563	(65,875)	(4,615,228)	(601,813)	71,648	(5,145,393)	(113,100)	(972,829)	(668)	(1,086,597)
Net financial assets originated	–	–	–	–	45,254,269	1,339,161	493,745	47,087,175	2,210,325	462	65	2,210,852
Financial assets derecognised	–	–	(85,249)	(85,249)	(9,019,178)	(520,631)	(1,259,252)	(10,799,061)	(923,062)	(29,328)	(2,728,174)	(3,680,565)
Gross carrying amount as at 31 December	**440,807**	**–**	**44,823**	**485,630**	**78,397,062**	**3,635,025**	**2,899,146**	**84,931,233**	**21,259,724**	**9,955,611**	**6,737,984**	**37,953,319**
Loss allowance as at 1 January	5,271	1	–	5,272	307,049	129,445	1,807,111	2,243,605	162,898	3,277	1,521,460	1,687,636
Movements during the year												
Transfer to 12-months ECL	–	–	–	–	60,428	(39,372)	(21,055)	–	–	–	–	–
Transfer to lifetime ECL not credit impaired	–	–	–	–	(15,937)	30,727	(14,790)	–	(25,925)	25,925	–	–
Transfer to lifetime ECL credit impaired	(327)	(1)	328	–	(10,623)	(16,187)	26,810	–	(15,370)	(1,443)	16,813	–
Net remeasurements of loss allowance	(3,724)	–	(328)	(4,052)	(85,237)	163,808	(16,192)	62,378	(102,798)	272,136	1,649,783	1,819,122
Net financial assets originated or purchased	–	–	–	–	563,060	94,115	298,090	955,264	3,577	31	22	3,629
Financial assets derecognised	–	–	–	–	(68,133)	(58,129)	(718,307)	(844,568)	(2,667)	(1,040)	(1,083,494)	(1,087,200)
Write offs	–	–	–	–	–	–	–	–	–	–	–	–
Loss allowance as at 31 December	**1,221**	**–**	**–**	**1,221**	**750,606**	**304,406**	**1,361,667**	**2,416,679**	**19,716**	**298,886**	**2,104,584**	**2,423,186**
Net loans and advances	**439,587**	**–**	**44,823**	**484,409**	**77,646,456**	**3,330,619**	**1,537,480**	**82,514,554**	**21,240,009**	**9,656,725**	**4,633,399**	**35,530,133**

17. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

e. Movements per sector – tourism, hospitality, trade, transport and logistics

	Tourism and Hospitality				Trade				Transport and logistics			
	Stage 1 12-month ECL Frw'000	Stage 2 Lifetime ECL Frw'000	Stage 3 Lifetime ECL Frw'000	Total Frw'000	Stage 1 12-month ECL Frw'000	Stage 2 Lifetime ECL Frw'000	Stage 3 Lifetime ECL Frw'000	Total Frw'000	Stage 1 12-month ECL Frw'000	Stage 2 Lifetime ECL Frw'000	Stage 3 Lifetime ECL Frw'000	Total Frw'000
Year ended 31 December 2021												
Gross carrying amount as at 1 January	25,585,330	8,426,700	173,027	34,185,057	20,889,402	1,153,428	832,251	22,875,081	15,022,325	279,987	43,048	15,345,360
Movements during the year:												
Transfer to 12-months ECL	122,727	(122,727)	–	–	117,966	(108,230)	(9,735)	–	–	–	–	–
Transfer to lifetime ECL not credit impaired	(15,820,656)	15,820,656	–	–	(923,388)	927,329	(3,941)	–	(4,993,580)	4,993,580	–	–
Transfer to lifetime ECL credit impaired	(177,848)	(174,041)	351,890	–	(372,043)	(660,635)	1,032,678	–	(13,417)	(117,660)	131,076	–
Net remeasurement	(494,020)	(6,855,536)	(74,063)	(7,423,618)	(331,925)	31,456	(229,687)	(530,156)	477,391	(886,211)	(25,698)	(434,517)
Net financial assets originated	1,046,823	4,558,095	349,019	5,953,937	9,768,768	392,795	216,347	10,377,910	1,046,217	37,357	53,997	1,137,571
Financial assets derecognised	(844,800)	(136,304)	(20,354)	(1,001,458)	(2,743,154)	(68,128)	(764,950)	(3,576,232)	(5,146,684)	(14,158)	(53,618)	(5,214,460)
Gross carrying amount as at 31 December	**9,417,557**	**21,516,841**	**779,519**	**31,713,917**	**15,131,367**	**1,284,350**	**1,051,129**	**17,466,846**	**6,392,252**	**4,292,896**	**148,806**	**10,833,954**
Loss allowance as at 1 January	170,946	197,605	21	368,571	253,340	64,026	455,063	772,429	49,915	839	11,030	61,784
Movements during the year												
Transfer to 12-months ECL	7,887	(7,887)	–	–	13,057	(13,057)	–	–	–	–	–	–
Transfer to lifetime ECL not credit impaired	(47,899)	47,899	–	–	(9,631)	9,631	–	–	(28,018)	28,018	–	–
Transfer to lifetime ECL credit impaired	(477)	(6,937)	7,414	–	(4,114)	(28,319)	32,433	–	(16)	(355)	371	–
Net remeasurements of loss allowance	(84,103)	214,606	128,439	258,942	(43,576)	27,804	(5,948)	(21,721)	(129)	121,379	6,275	127,524
Net financial assets originated or purchased	3,482	123,798	64	127,344	130,019	45,476	14,207	189,702	4,997	845	224	6,067
Financial assets derecognised	(4,582)	(4,405)	–	(8,987)	(31,954)	(2,701)	(336,652)	(371,306)	(13,004)	(48)	(11,030)	(24,081)
Write offs	–	–	–	–	–	–	(87,562)	(87,562)	–	–	–	–
Loss allowance as at 31 December	**45,253**	**564,679**	**135,938**	**745,870**	**204,968**	**102,349**	**159,096**	**466,414**	**13,745**	**150,678**	**6,871**	**171,294**
Net loans and advances	**9,372,304**	**20,952,162**	**643,581**	**30,968,046**	**14,926,399**	**1,182,001**	**892,033**	**17,000,432**	**6,378,507**	**4,142,218**	**141,935**	**10,662,660**

NOTES continued

18. INVESTMENT SECURITIES

	2021 Frw'000	2020 Frw'000
Amortised cost		
At start of year	15,053,048	17,270,959
Purchase of investment securities	24,486,000	33,984,900
Maturity of securities	(33,133,219)	(36,202,812)
At end of year	**6,405,829**	**15,053,048**
12-month ECL:		
At 1 January – Initial re-measurement	(6,311)	(18,932)
Re-measurement during the year	3,356	12,621
At 31 December	(2,955)	(6,311)
Net carrying amount	**6,402,874**	**15,046,737**
FVOCI		
At start of year	47,017,933	28,552,058
Purchase of investment securities	70,218,100	23,520,298
Sale of investment securities	(16,768,195)	(6,267,423)
Gain/ (loss) on fair valuation	(87,113)	1,213,000
	100,380,726	**47,017,933**
At 1 January – Initial re-measurement	(18,932)	–
Re-measurement during the year	(25,675)	(18,932)
At 31 December	**(44,607)**	**(18,932)**
At end of year	**100,336,118**	**46,999,001**
	106,738,993	**62,045,738**

The weighted average effective interest rate on investment securities at 31 December was 12.11% (2020: 11.07%).

19. OTHER ASSETS AND PREPAID EXPENSES

	2021 Frw'000	2020 Frw'000
Settlement and clearing accounts	1,641,269	2,701,705
Prepaid expenses and other prepayments	6,556,395	1,965,250
Refundable deposits	16,739	16,739
Accounts receivable and sundry debtors	226,710	2,760,178
Other assets	3,203,069	2,887,242
	11,644,182	**10,331,114**
Provision for other assets	(198,120)	(2,199,287)
	11,446,062	**8,131,827**

Other assets are settled no more than 12 months after the reporting date. All the balances are non-interest-bearing.

NOTES continued

20. a. RIGHT-OF-USE ASSETS (ROUA)

Right-of-use assets are made up of the following:

Cost	2021 Frw'000	2020 Frw'000
Initial cost as at 1 January	3,698,144	3,247,252
Additions	844,468	632,693
Disposals	(224,158)	(179,595)
Re-measurement of ROUA	1,231,061	(2,205)
Total	**5,549,515**	**3,698,144**
Accumulated depreciation		
Beginning balance at 1 January	1,477,542	748,541
Current period depreciation	862,854	783,845
Disposals	(224,158)	(54,844)
Ending balance 31 December	2,116,238	1,477,542
Net book value	**3,433,276**	**2,220,602**

During 2021, the Bank did not have any right-of-use assets that would meet the definition of investment property (2020: nil).

Extension and termination options:

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Bank and not by the respective lessor.

20. b. LEASE LIABILITIES

	2021 Frw'000	2020 Frw'000
Movement in lease liabilities is as follows:		
Balance as at 1 January	2,237,593	2,472,123
Lease prepayment as at 1 January	194,418	121,463
Additions (new and lease modifications accounted for as a separate lease)	838,148	615,918
Principal settlements during the period	(996,153)	(841,044)
Lease prepayment as at 31 December	(183,896)	(194,418)
Lease termination and lease remeasurement	1,231,162	(120,317)
Finance expenses during the period	235,903	183,971
Balance as at 31 December	**3,557,175**	**2,237,593**

Interest expense on lease liabilities paid during the period was amounting Frw 235,903,331 for all assets qualifying for IFRS 16. Include interest expense on provision for restoration cost.

	2021 Frw'000	2020 Frw'000
Amounts recognised in the statement of profit or loss		
Depreciation charge of right-of-use assets – buildings	862,854	783,845
Interest expense	235,903	226,201

NOTES continued

21. PROPERTY AND EQUIPMENT

	Leasehold improvements Frw'000	Motor vehicles Frw'000	Equipment, furniture & fittings Frw'000	Computers Frw'000s	ATM Frw'000s	Total Frw'000
Year ended 31 December 2021						
Cost						
At start of year	4,374,110	369,423	2,734,204	1,994,441	764,777	10,236,955
Additions	519,806	–	393,568	481,587	–	
Transfers	–	–	(620)	620	–	1,394,961
Disposals	–	–	(161,538)	(55,172)	–	(265,486)
At end of year	**(48,776)**	**369,423**	**2,965,614**	**2,421,475**	**764,777**	**11,366,430**
Accumulated depreciation						
At start of year	3,216,758	352,430	2,042,137	1,369,091	678,706	7,659,122
Charge for the year	400,336	11,134	208,352	396,241	22,993	1,039,056
Disposals	(40,149)	–	(143,812	(47,040)	–	(231,001
At end of year	**3,594,243**	**363,563**	**2,741,933**	**1,716,830**	**50,609**	**8,467,177**
Net book value at end of year	**1,250,898**	**5,860**	**223,682**	**704,645**	**714,168**	**2,899,253**
Year ended 31 December 2020						
Cost						
At start of year	4,220,202	361,203	2,592,977	2,020,697	720,356	9,915,483
Additions	145,800	8,220	126,080	337,851	44,421	662,372
Disposals	8,109	–	15,147	(364,107)	–	
At end of year	**4,374,110**	**369,423**	**2,734,204**	**1,994,441**	**764,777**	**10,236,955**
Accumulated depreciation						
At start of year	2,784,471	325,994	2,419,316	1,364,029	–	6,893,810
Charge for the year	444,855	26,435	236,570	363,318	27,615	1,098,793
Disposals	4,730		21,448	(359,612)	–	(333,434)
At end of year	**3,216,758**	**352,430**	**2,042,137**	**1,369,091**	**678,706**	**7,659,122**
Net book value at end of year	**1,157,352**	**16,993**	**692,067**	**625,350**	**86,071**	**2,577,892**

NOTES continued

21. PROPERTY AND EQUIPMENT CONTINUED

	Software Frw'000	Total Frw'000
Year ended 31 December 2021		
Cost		
At start of year	639,742	639,742
Acquisitions	74,628	74,628
At end of year	**714,370**	**714,370**
Amortisation and impairment losses		
At start of year	406,445	406,445
Amortisation	93,227	93,227
At end of year	**499,672**	**499,672**
Net book value at end of year	**214,698**	**214,698**
Year ended 31 December 2020		
Cost		
At start of year	595,842	595,842
Acquisitions	43,900	43,900
At end of year	**639,742**	**639,742**
Amortisation and impairment losses		
At start of year	320,905	320,905
Amortisation	85,540	85,540
At end of year	**406,445**	**406,445**
Net book value at end of year	**233,297**	**233,297**

The Bank's intangible assets include the value of computer software. The work-in-progress is composed of software in development. Costs directly attributable to the development of computer software are capitalised as intangible assets only when technical feasibility of the project is demonstrated, the Bank has the intention and ability to complete and use the software and the costs can be measured reliably. The transfers relate to projects completed in the course of the year.

NOTES continued

23. DEFERRED INCOME TAX

The net deferred tax movement computed at the enacted rate of 30%, is attributable to the following items:

	At 1 January Frw'000	Recognised in profit or loss Frw'000	Recognised in OCI Frw'000	At 31 December Frw'000
31 December 2021				
Property, equipment, software and right-of-use assets	247,139	(62,551)	–	184,588
Allowances for credit losses	(1,365,228)	478,819	–	(886,409)
Bad debts recoveries	130,824	141,148	–	271,972
Provision for accrued bonus	(126,538)	126,538	–	–
Provision for accrued leave	(38,435)	(12,875)	–	(51,310)
Unrealised foreign exchange gains and losses	270	3,388	–	3,658
FVOCI investment securities	565,091	–	(26,134)	538,958
31 December 2021	**(586,877)**	**674,467**	**(26,134)**	**61,456**
31 December 2020				
Property, equipment, software and right-of-use assets	376,519	(129,380)	–	247,139
Allowances for credit losses	(436,064)	(929,164)	–	(1,365,228)
bad debts recoveries	48,942	81,882	–	130,824
Provision for accrued bonus	–	(126,538)	–	(126,538)
Provision for accrued leave	(17,508)	(20,928)	–	(38,435)
Unrealised foreign exchange gains and losses	(1,889)	2,159	–	270
FVOCI investment securities	175,758	–	363,900	565,091
31 December 2020	**171,192**	**(758,069)**	**363,900**	**(586,877)**

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

The Bank has concluded that the deferred income tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the Bank. The Bank is expected to continue generating taxable income.

NOTES continued

24. DEPOSITS FROM CUSTOMERS AND BANKS

	2021 Frw'000	2020 Frw'000
Term deposits	64,110,144	48,325,536
Current deposits	199,657,914	142,228,716
Savings deposit	65,266,917	49,483,867
	329,034,975	**240,038,119**
Current	327,968,649	239,984,482
Non-current	1,066,326	53,637
	329,034,975	**240,038,119**
Deposits from customers	301,067,056	215,876,054
Deposits from Banks	27,967,919	24,162,066
	329,034,975	**240,038,119**

The weighted average effective interest rate on interest-bearing customer deposits at 31 December 2021 was 4.98% (2020: 4.6 %). The carrying value of customer deposits approximates their fair value.

The summary of terms and conditions for the various categories of deposits are below:

a. **Term deposits** – These are high interest-bearing accounts that are opened for a specific period of time at a fixed rate of interest. Funds are fixed on the account for specified term periods of time. Interest is calculated daily and paid only on maturity of the deposits. Interest rates are offered at competitive and attractive rates.

b. **Current accounts** – These are non-interest-bearing accounts that are due on demand. They are operated by both individuals and institutions with the use of a cheque book. They are subject to transaction activity fees and/or monthly maintenance charges.

c. **Savings deposits** – This is a deposit account designed for the average income earner that enables one to save some money and earn interest. The more one saves, the higher the interest. Interest on minimum monthly balances is paid into the account bi-annually.

d. **Transaction deposits** – These are non-interest-bearing accounts that can be used directly as cash without withdrawal limits or restrictions.

25. OTHER LIABILITIES AND ACCRUED EXPENSES

	2021 Frw'000	2020 Frw'000
Settlement and clearing accounts	3,461,553	7,881,342
Accounts payable and sundry creditors	847,401	649,181
Accrued expenses	901,886	917,478
Deferred income	7,072,042	4,392,169
Other liabilities	569,800	647,369
	12,852,682	**14,487,539**

Other liabilities and accrued expenses are current and non-interest-bearing.

NOTES continued

26. BORROWED FUNDS

	2021 Frw'000	2020 Frw'000
National Bank of Rwanda (term borrowings)	37,487,022	28001562
National Bank of Rwanda (economic recovery fund)	12,435,387	7,757,460
Interest payable	1,047,983	821,165
ERF fair value adjustment	(5,458,811)	(2,861,224)
	45,511,581	**33,718,963**
Current	1,047,983	9,892,040
Non-current	44,463,598	23,826,923
	45,511,581	**33,718,963**
Movement during the year		
At 1 January	33,718,963	27,782,541
Proceeds from borrowed funds	447,098,146	136,509,022
Repayment of borrowed funds	(432,934,759)	(127,871,437)
Interest charged on borrowed funds	2,850,087	2,224,647
Interest paid on borrowed funds	(2,623,270)	(2,064,586)
ERF fair value adjustment	(2,597,587)	(2,861,224)
	45,511,581	**33,718,963**

Lender	Loan balance	Currency	Interest rate	Maturity date	Finance cost recognised in the year
31 December 2021					
National Bank of Rwanda	12,620,458	RWF	8.0%	9 Oct 2021	1,009,637
National Bank of Rwanda	14,866,038	RWF	8.0%	13 Aug 2021	462,680
National Bank of Rwanda	10,000,527	RWF	8.0%	9 Aug 2023	173,160
BNR-Economic recovery funds	7,183,806	RWF	0%	16 Oct 2035	–
BNR-Economic recovery funds	4,445,699	RWF	2%	7 Dec 2036	–
BNR-Economic recovery funds	205,000	RWF	2%	5 Nov 2025	–
BNR-Economic recovery funds	265,000	RWF	2%	23 Oct 2025	680
BNR-Economic recovery funds	105,000	RWF	2%	11 Jan 2026	879
BNR-Economic recovery funds	57,882	RWF	0%	23 Apr 2026	–
BNR-Economic recovery funds	38,000	RWF	2%	6 Sep 2025	–
BNR-Economic recovery funds	60,000	RWF	2%	17 Feb 2026	–
BNR-Economic recovery funds	75,000	RWF	2%	4 Jun 2026	1,009
Day 1 fair value adjustment for ERF	(5,458,812)	RWF			–
Total	**45,511,581**				**1,648,044**

NOTES continued

26. BORROWED FUNDS CONTINUED

Lender	Loan balance	Currency	Interest rate	Maturity date	Finance cost recognised in the year
31 December 2020					
National Bank of Rwanda	4,555,333	RWF	8.0%	9 Oct 2021	85,033
National Bank of Rwanda	4,515,543	RWF	8.0%	13 Aug 2021	145,501
National Bank of Rwanda	18,930,687	RWF	8.0%	9 Aug 2023	590,632
BNR-Economic recovery funds	7,287,460	RWF	0%	16 Oct 2035	–
BNR-Economic recovery funds	205,000	RWF	2%	5 Nov 2025	–
BNR-Economic recovery funds	265,000	RWF	2%	5 Nov 2025	–
Day 1 fair value adjustment for economic recovery funds	(2,861,226)	RWF			
Total	**33,718,963**				**821,166**

27. SHARE CAPITAL AND RESERVES

a. Share capital

	Share capital Frw'000	Share premium Frw'000	Total Frw'000
Balance as at 1 January 2021	18,175,000	2,112,690	20,287,690
Issues allotted and fully paid	–	–	–
At 31 December 2021	**18,175,000**	**2,112,690**	**20,287,690**

As at 31 December 2021, the authorised share capital comprised of 18,175 million ordinary shares with a par value of Frw 1,000. All issued shares are fully paid.

Share premium

Share premium arose from the issue of shares at a price higher than the par value of the shares.

b. FVOCI reserve

	Balance as at 1 January 2021 Frw'000	Movement during the year Frw'000	Deferred tax Frw'000	Balance as 31 December 2021 Frw'000
	1,526,387	**(87,113)**	**26,134**	**1,465,408**

The fair value through other comprehensive income (FVOCI) is attributable to marking to market of investment securities classified under the FVOCI category. All unrealised gains and losses are recognised in other comprehensive income and credited to FVOCI reserve until the investment is derecognised at which time the cumulative gain or loss is recognised in profit or loss, or the investment is determined to be impaired, when the cumulative loss is reclassified from the FVOCI reserve to profit or loss.

NOTES continued

28. OFF-BALANCE SHEET CONTINGENT LIABILITIES AND COMMITMENTS

In the ordinary course of business, the Bank conducts business involving guarantees, acceptances and performance bonds. These facilities are offset by corresponding obligations of third parties. At the year-end, the contingent liabilities were as follows:

	2021 Frw'000	2020 Frw'000
Guarantees and standby letters of credit	41,908,495	46,788,545
Letters of credit, acceptances, and other credits	9,077,572	5,090,423
	50,986,067	**51,878,968**

Commitments

Commitments contracted for at the reporting date but not recognised in the financial statements were as follows:

	2021 Frw'000	2020 Frw'000
Capital commitments	1,465,168	1,188,000
Loans approved but not disbursed	2,269,855	2,115,822
	3,735,023	**3,303,822**

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

	0–3 months Frw'000	3–6 months Frw'000	6–12 months Frw'000	1–5 Years Frw'000	Total Frw'000
31 December 2021					
Guarantees and standby letters of credit	12,287,092	5,689,062	10,110,352	13,821,989	41,908,495
Letters of credit, acceptances and other documentary credits	96,444	8,981,128	–	–	9,077,572
Capital commitments	269,813	853,327	342,028	–	1,465,168
Loans approved but not disbursed	–	–	–	2,269,855	2,269,855
Total commitments and guarantees	**12,653,349**	**15,523,518**	**10,452,379**	**16,091,844**	**54,721,090**
31 December 2020					
Guarantees and standby letters of credit	13,816,771	4,449,639	4,770,214	23,751,921	46,788,545
Letters of credit, acceptances, and other documentary credits	5,090,423	–	–	–	5,090,423
Capital commitments	1,128,600	–	59,400	–	1,188,000
Loans approved but not disbursed	–	–	662,569	1,453,253	2,115,822
Total commitments and guarantees	**20,035,794**	**4,449,639**	**5,492,183**	**25,205,175**	**55,182,791**

NOTES continued

29. DERIVATIVE FINANCIAL ASSETS

The table below shows the fair values of currency forwards recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a currency forward or swap's underlying off-balance sheet asset/liability and is the basis upon which changes in the fair values of currency forwards and swaps are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk.

	2021 Frw'000	2020 Frw'000
Fair value asset	39,230,766	29,400,346
Fair value liability	(38,934,829)	(28,806,068)
Net asset/(liability)	**295,937**	**594,279**

30. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The Bank enters transactions, arrangements and agreements involving Directors, senior management and their related concerns in the ordinary course of business.

a. Loans to key management personnel

	2021 Frw'000	2020 Frw'000
At 1 January	695,369	384,362
Interest charged	45,594	32,286
Loans disbursed	83,006	423,187
Repayments	(194,536)	(144,467)
At 31 December	**629,432**	**695,369**

b. Loans to employees

	2021 Frw'000	2020 Frw'000
At 1 January	4,997,636	3,410,636
Interest charged	346,731	300,489
Loans disbursed	1,695,875	2,962,837
Repayments	(1,824,445)	(1,676,326)
At 31 December	**5,215,797**	5,215,797

Key management loans with security are secured by property mortgage while the unsecured have no security against them and all the loans are repayable in a period less than 20 years at an average interest rate of 8% per annum. No specific impairment losses has been recorded against balances outstanding during the year and no specific allowance has been made for impairment losses on balances at the year-end.

c. Amounts due from related parties

	2021 Frw'000	2020 Frw'000
Equity Bank Kenya Limited	36,430	23,228
Equity Bank Uganda Limited	20,734	5,644
Equity Bank Tanzania Limited	12,433	553
Equity Bank South Sudan Limited	–	–
	69,598	**29,426**

NOTES continued

30. RELATED PARTIES AND RELATED PARTY TRANSACTIONS CONTINUED

d. Amounts due to related parties

	2021 Frw'000	2020 Frw'000
Equity Bank Kenya Limited	404,701	124,620
Equity Bank Uganda Limited	171,215	167,725
Equity Bank Sudan Limited	975	975
Equity Bank Tanzania Limited	196,627	187,938
	773,519	**481,258**

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2021, the Bank has not recorded any impairment of receivables relating to amounts owed by related parties (2020: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. As at the reporting date, Equity Group Holdings Plc, the ultimate holding Company, controlled the Bank. The other companies are related by virtue of common shareholding and Directorship.

e. Deposits from related parties

	2021 Frw'000	2020 Frw'000
Equity Bank Kenya Limited	3,878,886	9,673,938
Equity Bank Uganda Limited	188,472	183,862
Equity Bank Tanzania Limited	25,263	14,014
	4,092,621	**9,871,814**

f. Placements within other related parties

	2021 Frw'000	2020 Frw'000
Equity Bank Kenya Limited	**7,150,000**	–

Transactions with related parties

	2021 Frw'000	2020 Frw'000
Interest earned on placements with banking subsidiaries	546,083	163,199
Interest paid on borrowing with banking subsidiaries	272,4534	295,185

Other balances mainly relate to expenses paid on behalf of the other entities by the Bank.

Key management personnel compensation

	2021 Frw'000	2020 Frw'000
Remuneration to key management	1,346,253	1,052,170
Pensions	89,078	88,919
	1,435,332	**1,141,089**

NOTES continued

30. RELATED PARTIES AND RELATED PARTY TRANSACTIONS CONTINUED

g. Directors' emoluments

	2021 Frw'000	2020 Frw'000
Directors' emoluments	169,120	91,098
	169,120	**91,098**

31. EVENTS AFTER REPORTING PERIOD

There have been no events after the reporting date that require adjustment to, or disclosure in, these financial statements.

OTHER DISCLOSURES

as at 31 December 2021
Appendix: Other information

	31 December 2021 Frw'000 Amount/ Ratio/ Number
I. Capital strength	
1. Core Capital (Tier 1)	64,961,508
2. Supplementary Capital (Tier 2)	3,367,007
3. Total Capital	68,328,515
4. Total Risk Weighted Assets	68,328,515
5. Core Capital/ Total Risk Weighted Assets Ratio (Tier 1 Ratio)	20.42%
6. Tier 2 Ratio	1.06%
7. Total Capital/Total Risk Weighted Assets Ratio	21.48%
8. Leverage Ratio	14.00%
II.Credit risk	
1. **Total gross credit risk exposures: after accounting offsets and without taking into account credit risk mitigation;**	230,463,927
2. **Average gross credit exposures, broken down by major types of credit exposure:**	
a) Loans, commitments and other non-derivative off-balance sheet exposures;	
> Agriculture	9,472,107
> Building and construction	5,401,305
> Education	11,270,931
> Energy and water	5,831,928
> Financial intermediation	299,291
> Information and communication	13,481,048
> Manufacturing	13,592,740
> Mining & quarrying	480,466
> Other service activities	10,078,105
> Personal/household	59,123,050
> Real estate	40,332,433
> Tourism, rest & hotels	32,992,815
> Trade	17,324,245
> Transport and communication	10,783,463
b) Debt securities;	106,738,993
c) OTC derivatives;	–
3. **Regional or geographic distribution of gross exposures, broken down in significant areas by major types of credit exposure:**	
Kigali	194,056,226
Southern	10,385,797
Western	12,320,912
Northern	6,574,285
Eastern	7,126,706

31 December 2021
Frw'000

OTHER DISCLOSURES continued

	Amount/ Ratio/ Number
4. **Sector distribution of exposures, broken down by major types of credit exposure and aggregated in the following areas:**	
a) Government	9,162,375
b) Financial	299,291
c) Manufacturing	14,797,856
d) Infrastructure and construction	14,797,856
e) Services and commerce	89,471,245
f) Others	66,243,861
5. **Off-balance sheet items**	
a) Guarantees issued outward	41,908,495
b) Outward letter of credit contra	9,077,572
6. **Non-performing loans indicators**	
a) Non-performing loans (NPL)	20,859,062
b) NPL ratio	8.69%
7. **Related parties**	
a) Loans to directors, shareholders, and subsidiaries	156,812
b) Loan to employees	5,215,797
8. **Restructured loans**	
a. No. of borrowers	713
b. Amount outstanding	81,424,804
c. Regulatory Provision thereon	3,957,426
c. Restructured loans as % of gross loans	35.33%

III. Liquidity risk

1) Liquidity Coverage Ratio (LCR)	312%
2) Net Stable Funding Ratio (NSFR)	156%

IV. Operational risk

	Type	Number	Amount (000)
Number and types of frauds and their corresponding amount	None	None	–

V. Market risk

1. Interest rate risk	63,035,435
2. Equity position risk	–
3. Foreign exchange risk % of Core Capital (NOP)	(6.23 %)

VI. Country risk

1. Credit exposures abroad	–
2. Other assets held abroad	73,744,921
3. Liabilities to abroad	20,062,462

VII. Management and board composition

1. Number of Board members	9
2. Number of independent directors	6
3. Number of non-independent directors	3
4. Number of female directors	3
5. Number of male directors	6
6. Number of Senior Managers	10
7. Number of females senior managers	4
8. Number of males senior managers	6

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