# 2022

## EQUITY BANK RWANDA PLC
## 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

## Icons used in this report

Education Leadership Development

Energy, Climate Change and Environment

Enterprise Development and Financial Inclusion

Food and Agriculture

Health

Social Protection

Agri Business

Extractives

Micro Small and Medium Enterprises

Manufacturing

Logistics & route to market

Technology deployed to enable economic development.

Tech used to realise social & Environmental Transformation

# CONTENTS

# 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 2022 to 31 December 2022. 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, International Financial Reporting Standards.

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 of geopolitical or macro-economic conditions and others. 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 Pricewaterhouse Coopers Rwanda Limited.

*The launch of Equity Bank Rwanda Plc Nyagatare Branch that opened its doors in January 2022.*

# ABOUT THIS REPORT

## 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.

**Col. (Rtd) Eugene Haguma**
Chairman

# WHO WE ARE


*Equity Bank Rwanda Plc Head Office in Kigali - Grand Pension Plaza*

## Overview of Equity

Equity Bank Rwanda Plc began its operations in 2011 and is registered as a commercial bank by the National Bank of Rwanda. The Bank has its Head Office located in Kigali, with a foot-print of 16 branches and is supported by 3,455 agents, 2,938 POS outlets and a network of 22 ATMs serving a total of over 900,000 customers.

Equity Bank Rwanda Plc is a subsidiary of Equity Group Holdings Plc, a financial services company listed at the Nairobi Securities Exchange, Uganda Securities Exchange, and Rwanda Stock Exchange. In addition to Equity Bank Rwanda Plc, the Group has banking subsidiaries in, Kenya, South Sudan, Uganda, Tanzania, DRC, and a Commercial Representative Office in Ethiopia; with additional non-banking subsidiaries engaged in the provision of investment banking, custodial, insurance agency, philanthropy, consulting, and infrastructure services.

## Our Philosophy

We exist to transform the lives and livelihoods of our people socially and economically by availing them modern, inclusive financial services that maximize their opportunities.

16
**Total number of branches (2021: 16)**

3,455
**Agent outlets (2021: 3,331)**

1,775
**Point of sale (POS) outlets (2021: 1,384)**

22
**ATMs (2021: 22)**

978,329
**Customers (2021: 852,889)**

454
**Total employees (2021: 429)**

Frw 34.78 **billion**
**Profit before tax (2021: Frw 17.85 billion)**

Frw 24.22 **billion**
**Profit after tax (2021: Frw 12.38 billion)**

Frw 71.33 **billion**
**Revenue (2021: Frw 50.84 billion)**

Frw 440.19 **billion**
**Deposits (2021: Frw 329.03 billion)**

Frw 574.63 **billion**
**Total assets (2021: Frw 456.96 billion)**

Frw 1.33
**Earnings per share (2021: Frw 0.68)**

# WHO WE ARE CONTINUED

> *"Equity Bank Rwanda Plc is the second most profitable bank in Rwanda, and third in total asset size as of 31 December 2022."*

**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 consumers, businesses and communities.

**Our positioning statement**

We provide inclusive financial services that transform livelihoods, give dignity, and expand opportunities.

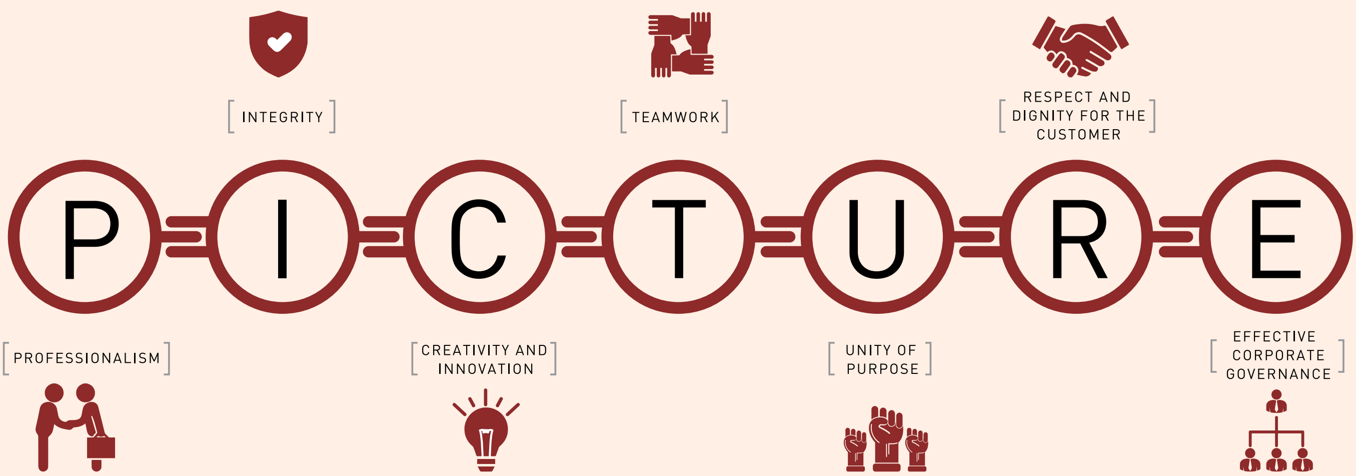
**Our Tagline**

Your Listening, Caring Partner.

**Our Motto**

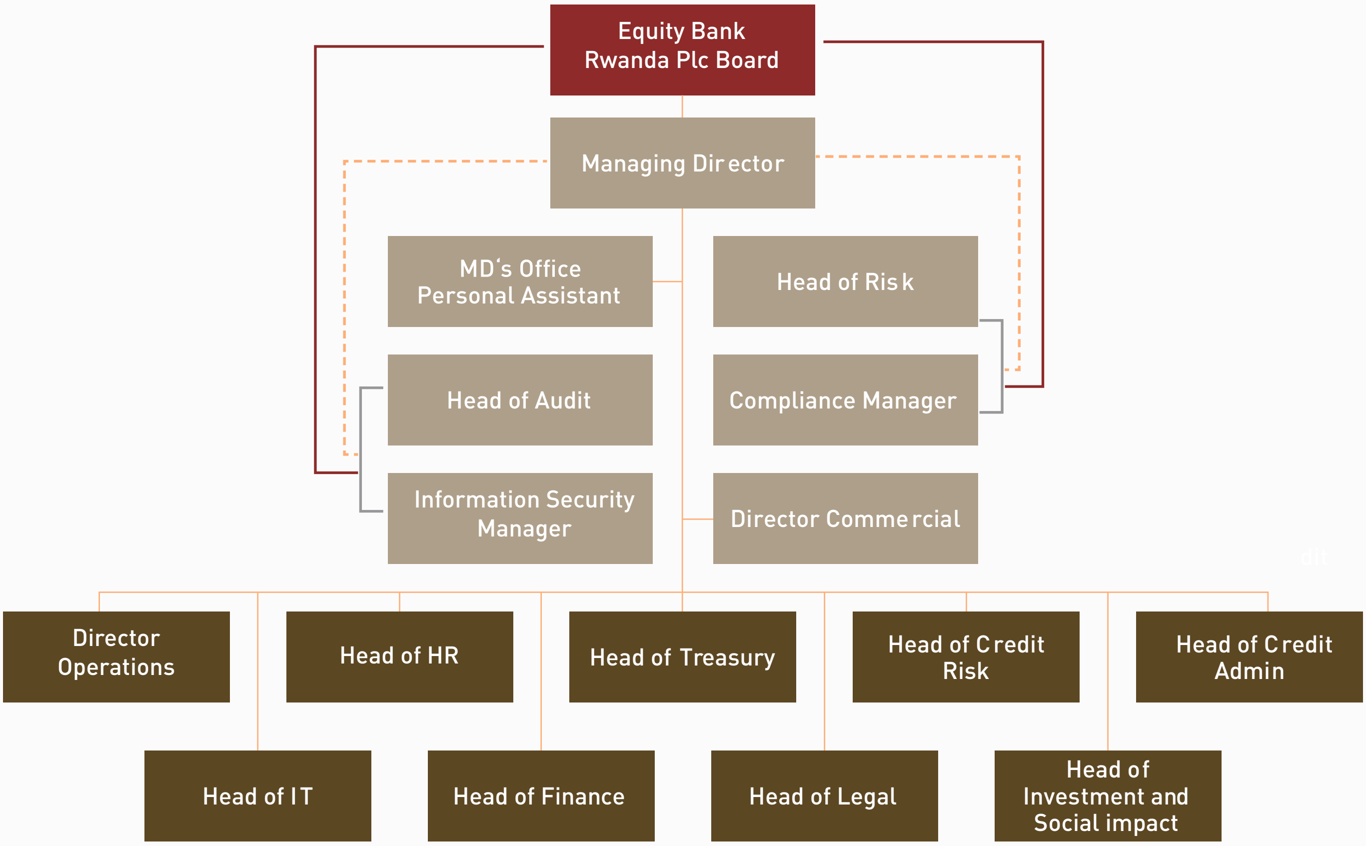
Growing together in trust.

## Core values



# WHO WE ARE CONTINUED

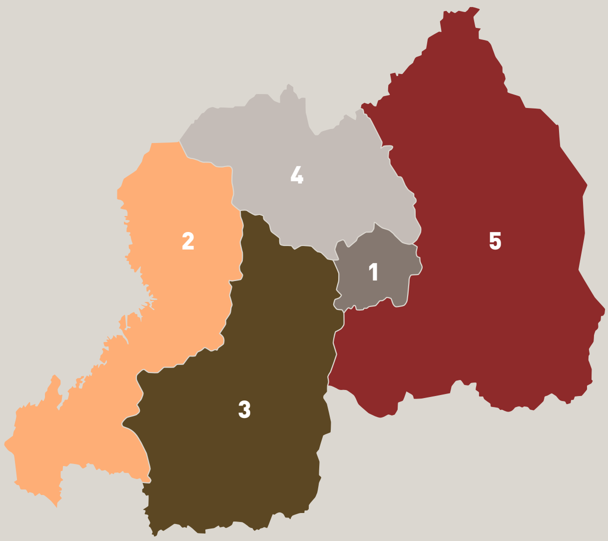
## Organization structure




## Our footprint

| | |
|---|---|
| **Total Agents** (as of 31 December 2022) | 3,455 |
| **Total No. Products & Services** (as of 31 December 2022) | 22 |

| Agency distribution Per Rwanda Provinces | |
|---|---|
| 1. Kigali | 1,836 |
| 2. Western | 480 |
| 3. Southern | 406 |
| 4. Northern | 377 |
| 5. Eastern | 308 |
| Total | 3,455 |



# WHO WE ARE CONTINUED

## Products and services

| Deposit products | Loan products | Payments – The Eazzy banking platform, including: |
|---|---|---|
| > Equity Ordinary Account (Isange Konti)<br>> Business Current Account<br>> Personal Current Account<br>> Savings accounts, including Junior Account (Ntegangiriza Konti)<br>> Social Institutions Account<br>> Jijenge Account (Intego Konti)<br>> Call and fixed deposits | > Salary advances<br>> Mortgage and land purchase loans<br>> Igire na Equity (Loans for women)<br>> Micro-enterprise loans<br>> Business and development loan<br>> Equiloan<br>> Overdrafts<br>> Asset and trade finance loans | > **EazzyPay Fasta Fasta** – Direct phone payment for goods, services bills<br>> **Eazzyloan** – Instant loans<br>> **EazzyBiz** – A robust, secure and comprehensive cash and liquidity management solution<br>> **Eazzy Online** – A customised internet banking solution<br>> **Eazzy API** – For app developers, businesses, institutions and payment providers<br>> **Remittances and Diaspora Banking** – Account opening, online banking, credit facilities, investing at home and easy transfer for diaspora customers<br>> **Equity Mobile App**– Hosting a range of functionalities including information-based products and inquiries |

| Agent banking services | Treasury products and services | Bancassurance: |
|---|---|---|
| > Kiosks, shops, pharmacies, supermarkets, convenience stores, representing the Bank where there are no branches | > Money-market and fixedincome products, foreign exchange products, cash transactions/bureaux de change, telegraphic transfers and EazzyFex, among others | > > One-stop services for insurance products on a brokerage basis |

## Digital Channels

| | | | | | |
|---|---|---|---|---|---|
| Equity Mobile App | Pay With Equity | *555# EQUITY USSD | EazzyBiz (Business online) | **Acquiring (PoS)** | Equity Online (Consumer Online) |

## Digital Products

| | | | | | |
|---|---|---|---|---|---|
| EazzyLoan | eCommerce EazzyAPI | **EazzyFX** | EazzyChama | | |

## Our competitive environment

The Rwandan banking sector sector has remained unchanged during the period under review. The sector is comprised of 16 banks (of which 11 are commercial banks, 3 microfinance banks, 1 development bank and 1 cooperative bank). (Source: NBR, MPFSS_March2023_Final_28_March_2023).

## Our capitals

**Financial capital**

Financial capital is composed of the financial resources available and allocated to Equity, our own or third parties' in the form of products and services provided to our customers, such as: loan operations, financial investments, deposits and funding, investments and other operations that generate fees and commissions.

**Human capital**

This is composed of our employees and their skills and experiences, as well as their motivations to innovate and develop better products and services, in an ethical and responsible way, by means of their capabilities for management, leadership and cooperation.

**Intellectual capital**

This is composed of the reputation obtained by our brand, by technical knowledge and intellectual property and by the ability to develop new technologies, products and services for the sustainability of the business.

**Social and relationship capital**

This is mainly composed of ethical and transparent relationships with our customers, shareholders, investors, suppliers, regulatory agencies, government and society. This also includes the ability to share value with our stakeholders to enhance individual and collective well-being.

**Manufactured capital**

This is composed of the equipment and physical installations, such as branches, ATMs, platforms, applications and systems that are used by the organization in the provision of products and services.

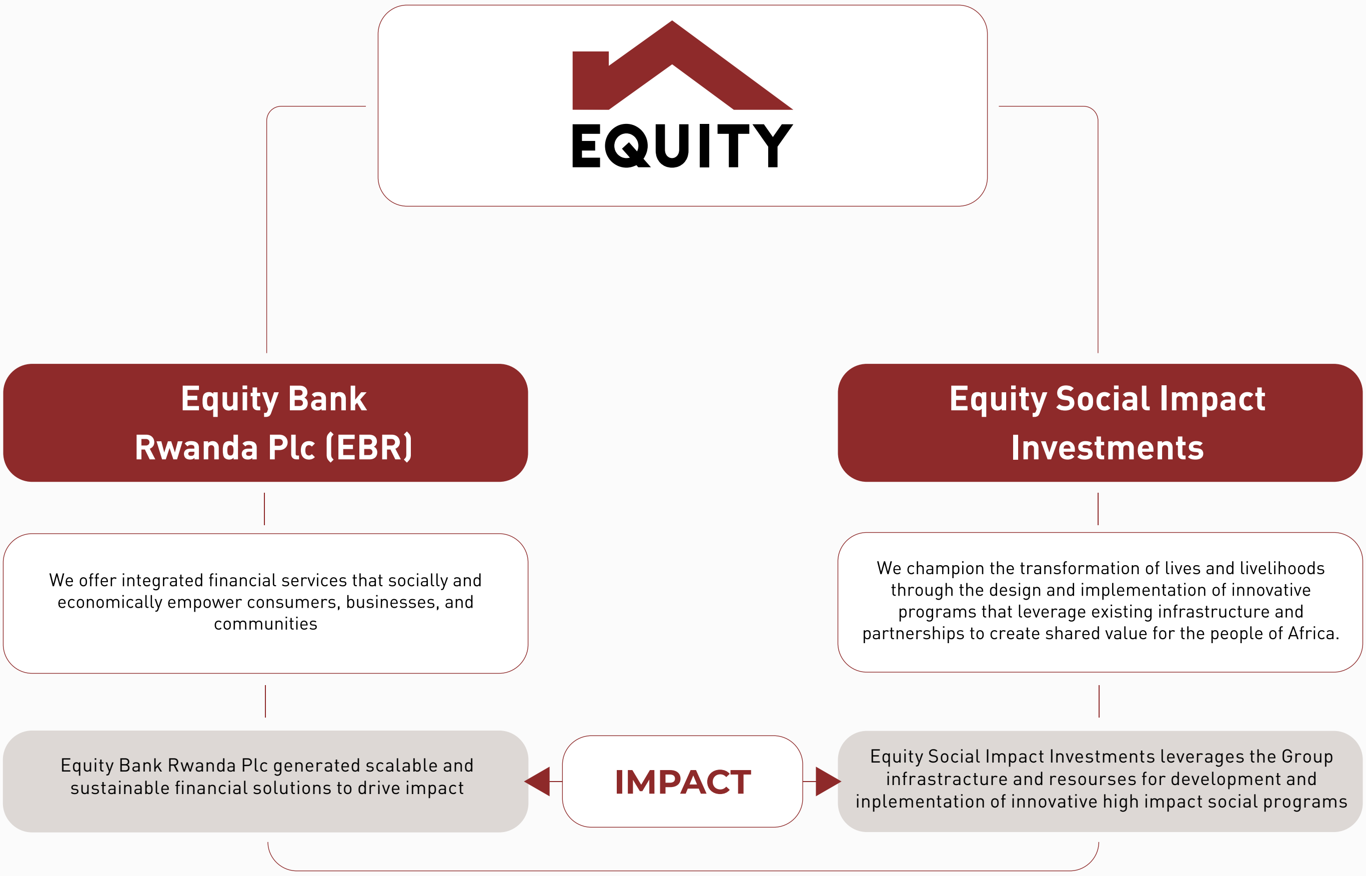
**Natural capital**

These are the renewable and non-renewable environmental resources, consumed or affected by our businesses, for the prosperity of the organization. We are particularly talking about water, soil, ores, forests and biodiversity.

# WHO WE ARE CONTINUED

## Our business model

## Twin engine business model




## Our stakeholders

| | | |
|---|---|---|
| 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. |

## Operating environment

> *Globally, 2022 saw continued recovery from the COVID-19 pandemic. The weaknesses revealed by the pandemic appear to be more persistent, with seemingly short-term discrepancies expected to have a lasting impact on performance .*

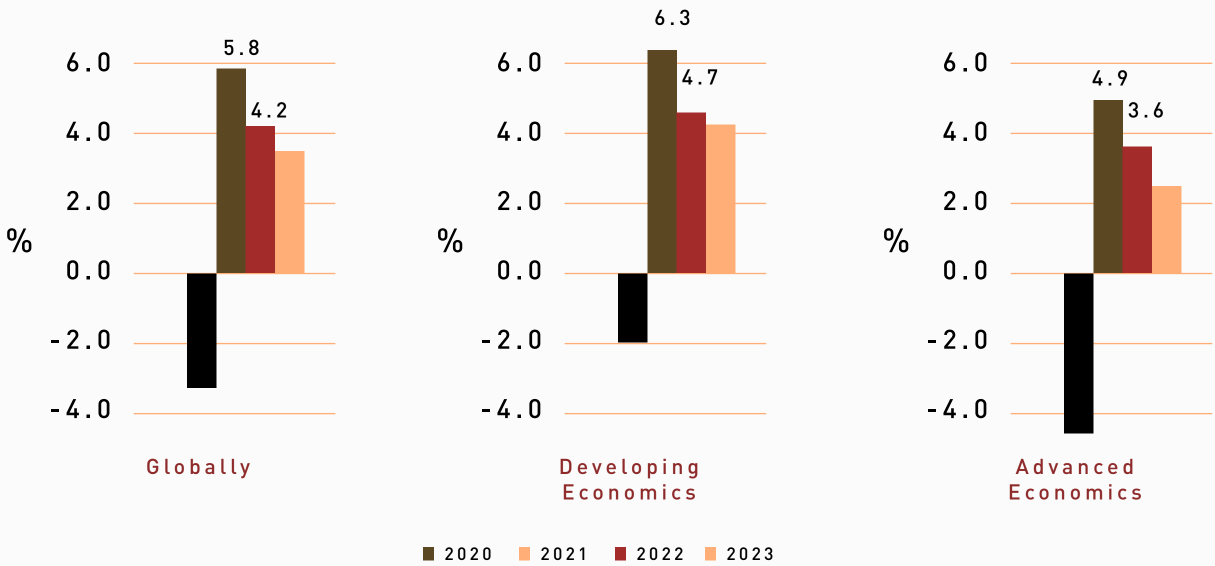
Policy choices became more problematic during the year, with multidimensional challenges such as supply chain disruption and subdued employment growth, rising inflation, food insecurity, impediments to the accumulation and recruitment of human capital, and climate change presenting themselves – and leaving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

## Regional environment

The IMF has projected a continued global recovery in the short- to medium term, although with weakened momentum.

Forecasted GDP growth (%)



# WHO WE ARE CONTINUED

## Domestic environment

Economic growth in Sub-Saharan Africa (SSA) slowed to 3.6% in 2022, from 4.1% in 2021; and economic activity in the region is projected to further slow down to 3.1% in 2023. The persistent sluggishness of the global economy, declining yet high inflation rates, and challenging global and domestic financial conditions amid high levels of debt explain the downgrade. Growth is estimated to pick up to 3.7% and 3.9% in 2024 and 2025, respectively—thus signalling that the slowdown in growth should be bottoming out this year. (https://www.worldbank.org/en/region/afr/overview).

Against that regional background, the Rwandan economy in the fourth quarter of 2022, GDP at current market prices was estimated at Frw 3,829 billion, up from Frw 2,925 billion in the same quarter of 2021. (NISR: GDP National Accounts -Fourth Quarter 2022).

*Adalbert Rutaisire, Director Operations, Equity Rwanda Bank Plc hands out flowers during women's day celebrations*

# DELIVERING VALUE THROUGH STRATEGY

## Our value-creating business model

### Twin engine value creation process

We run a twin-engine model comprising a commercial and social arm integrated through our business approach and operations. Both commercial and social imperatives are integral to our purpose and the objectives we intend to achieve. We view this as a singular approach that is interrelated and synergistic, working collaboratively to create shared value for stakeholders.

Our commercial engine is focused on five distinct elements:

These products below should flow in a logical order:

1. Save
2. Invest
3. Move
4. Borrow
5. Insure

- Move (Payments);
- Borrow (Lending);
- Save (Deposits);
- Insure.; and,
- Invest (Wealth Management and creation)

By providing these financial services, we encompass our customers' entire lifestyle and lifecycle and enable them to pursue their financial aspirations; to create, grow, protect, and preserve wealth for themselves, their families, and their communities. In tandem, our social engine through its six programmatic pillars provides support and tools that empower individuals and communities to join the financial system and access the resources that unlock their dreams. Our intention is to equip and strengthen marginalised and deserving members of society, in the countries we operate, with the necessary empowerment to participate in productive economic ventures and benefit from catalytic financing. In this way, we achieve our purpose of transforming lives, giving dignity, and expanding opportunities for wealth creation.

*President Paul Kagame (C), Dr James Mwangi and other senior Rwanda government officials at the groundbreaking of the Kigali Financial Square.*

# DELIVERING VALUE THROUGH STRATEGY CONTINUED

## Twin engine value creation process (continued)

Banking Services

Commercial Engine

Move

Borrow

Save

Invest

Insure

### EQUITY SOCIAL IMPACT INVESTMENTS

Social Engine

**Education and Leadership Development**

Equity Social Impact investments (ESI) seeks to break the cycle of poverty and develop the nextgeneration of leaders through increased access to secondary and tertiary education.

**Energy, Climate Change and Environment**

ESI promotes the conservationand smartuse of natural resources by expanding forest cover,improving water securityand promoting the use of renewable energy and energy-efficient technologies.

**Enterprise Development and Financial Inclusion**

ESI stimulates job creation and economic growth by providing Micro, Small and Medium Enterprises [MSMEs] with advice, mentorship and entrepreneurship training. Additionally, ESI improves financial capability and individual and household financial security by connecting people at the Bottom of Pyramid to expert financial education training as well as expanding access to financial services and products.

**Food and Agriculture**

ESI helps create jobs,improve market access, andexpand agricultural production by working in partnership with small and medium-sized farmers to increase their production capabilities, business acumen, and access to technology and financial services.ugh cash transfer programs.

**Health**

ESI increases access to comprehensive health financing and private sector-led, affordable,high-quality, and standardized health services.

**Social Protection**

ESI committed to reduce social and economicrisk and vulnerability, and to alleviate extremepoverty and deprivation through cash transferprograms.

**Innovation**

ESI is committed to fostering innovation that leads to new ideas, solutions and technologies that increase impact and scale.

Monitoring, Evaluation, Reporting, Learning and Finance

Commercialisation of opportunities identified
Responding to community needs

*Equity Bank Rwanda Plc Managing Director, Hannington Namara interacting with scholars at the Equity Leaders Program bootcamp- 2022.*

# CREATING TRANSFORMATIONAL VALUE

# REFLECTIONS OF 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

*"On behalf of the Board of Directors, I take the pleasure to present to you the Integrated Annual Report and Financial Statements for the year ended 31 December 2022. It was a year characterized by challenging operational environment, given the ripple effects of COVID-19, but also a year where the Bank remained buoyant, competitive and responsive to internal and external operational needs."*

## Stakeholders

Our interaction and transactions with our stakeholders have continued to be driven in tandem with a business model that is characterized by convenience, accessibility, affordability and relevance to different customer segments.

# REFLECTIONS OF THE CHAIRMAN CONTINUED

## Corporate Governance

The Board of Directors remains fully committed to upholding high standards of corporate governance in the Bank. The Board continued to oversee the development and implementation of the Bank's strategy, as well as focus on risk and control responsibilities. The Board ensured that prudent practices were diligently adhered to in the conduct of board affairs and management practices.

During the year under review, a new Board member, Mr Andrew Rugege was appointed on 22nd August 2022 and was dully oriented into the working rhythms of the Bank.

During the year a Board Member James Mutuku resigned from the Board. On behalf of the Board we convey our appreciation for his services and contribution.

## Risk Governance

The Board of Directors has ultimate responsibility for risk management. It is supported and advised by the Risk Committee which oversees the management of current and future risks in line with the risk appetite approved by the Board.

During 2022 we enhanced our risk management to ensure timely and appropriate responses to the effects of major external events and ensure operational resilience. The events included rising inflation and interest rates, Russia/Ukraine war, global and regional geopolitical tensions, continuing COVID-19 impacts, drought across Eastern Africa and weakening domestic currencies caused by volatility in international financial markets. These challenges are likely to continue during 2023 with adverse impact on future economic growth and subsequently on our customers. So, these exposures continue to be tracked through the Watch-lists monitoring process.

## Corporate Social Responsibility

EBR has continued to deploy our twin-engine-model (Commercial Engine and Social Engine) to innovate and execute sustainable and scalable programs in partnership with the community and stakeholders within the acceptable environmental, social and governance standards.

The EBR social investment pillars of: Education and Leadership development; Food and Agriculture; Social Protection; Energy and Environment; Enterprise Development and Financial Inclusion; Health and Women in Banking have been embraced by individuals and communities, a demonstration that they have been pragmatically innovated and efficiently delivered.

The Social Impact activities are carried out in alignment with all 17 of the United Nations' Sustainable Development Goals (SDGs).

## Looking Forward

We shall remain innovative and responsive to the needs of our stakeholders, as we strengthen our resilience and improving the asset quality of the bank, liquidity and capital buffers.

*New Equity Bank Rwanda Plc customers opening accounts after a training session.*

We shall not relent in our quest for improving livelihoods through our innovative banking products, social investments and supporting the Government of Rwanda efforts in improving financial inclusion. Our special products for women through 'Igire na Equity' program will be leveraged.

As the uptake of digital transactions takes a rapid growth curve, we have committed more efforts and resources to improve stability and availability of IT systems to support that rapid growth, while, at the same time, minding the cybersecurity of our technology systems and the data they contain.

## Appreciation

On behalf of the Board of Directors, I express my earnest appreciation to all stakeholders that have extended unwavering support to Equity Bank Rwanda Plc. I have all the well-seated confidence that the Bank will continue to serve all people in Rwanda's different economic and social strata, innovate more smart products that are intended to transform the lives of the people we serve, and comply with all policy and regulatory principles. I sincerely thank our Shareholders, for the support and confidence that have continued to enable Equity Bank Rwanda Plc to enable "Growing Together in Trust."

I thank our customers; we appreciate you for your continued trust and doing business with us. We promise to continue with our commitment of being "Your Listening, Caring Partner." Your continued transactions with and through Equity Bank Rwanda Plc is a great testimony to the trust we have cultivated together; trust which we shall continue to deepen and defend.

I would like to thank the Managing Director, the management team and the entire staff for your excellent hard work, professionalism and dedication. Thank you for living our core values. You have upheld the flag high, and strengthened the brand equity of Equity Bank Rwanda Plc.

To our business partners, you have been so supportive and walked with us every step of the way. We appreciate. Your persistent and resolute support is an eloquent vote of confidence which we never take for granted. I am grateful to the National Bank of Rwanda for the guidance from time to time. To my fellow Board members, your diligence, oversight and adherence to good governance have brought us this far. And, together, we shall walk so much farther.

Our priorities will continue to be directed towards delivering sustainable and supportive results in society, while leaving no one behind and doing no harm.

**Col. (Rtd). Eugene Haguma**

Chairman

*Equity Bank Rwanda Plc MD, Hannington Namara and senior management at a training graduation of 155 micro business owners- September 2022.*

# REFLECTIONS OF 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

*"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 Centric

The year 2022, witnessed a plethora of recovery activities as the global economy systematically began to rise from the lowest economic ebb where it had been sunk by the ravages occasioned by the COVID-19 pandemic. Rwanda also gained from this upward economic thrust and our Equity Bank Rwanda Plc [EBR] stakeholders' activities also appreciated both in momentum and breadth.

At EBR, we have had to continue offering close-knit services, working with our partners, stakeholders, and government to conduct business services in more pragmatic ways, giving much emphasis to new innovations that put the use of electronic transactions for local and international businesses at the fore. This has frozen the geography, dwelling time and costs, but expanded the business frontiers, global choices and profitability.

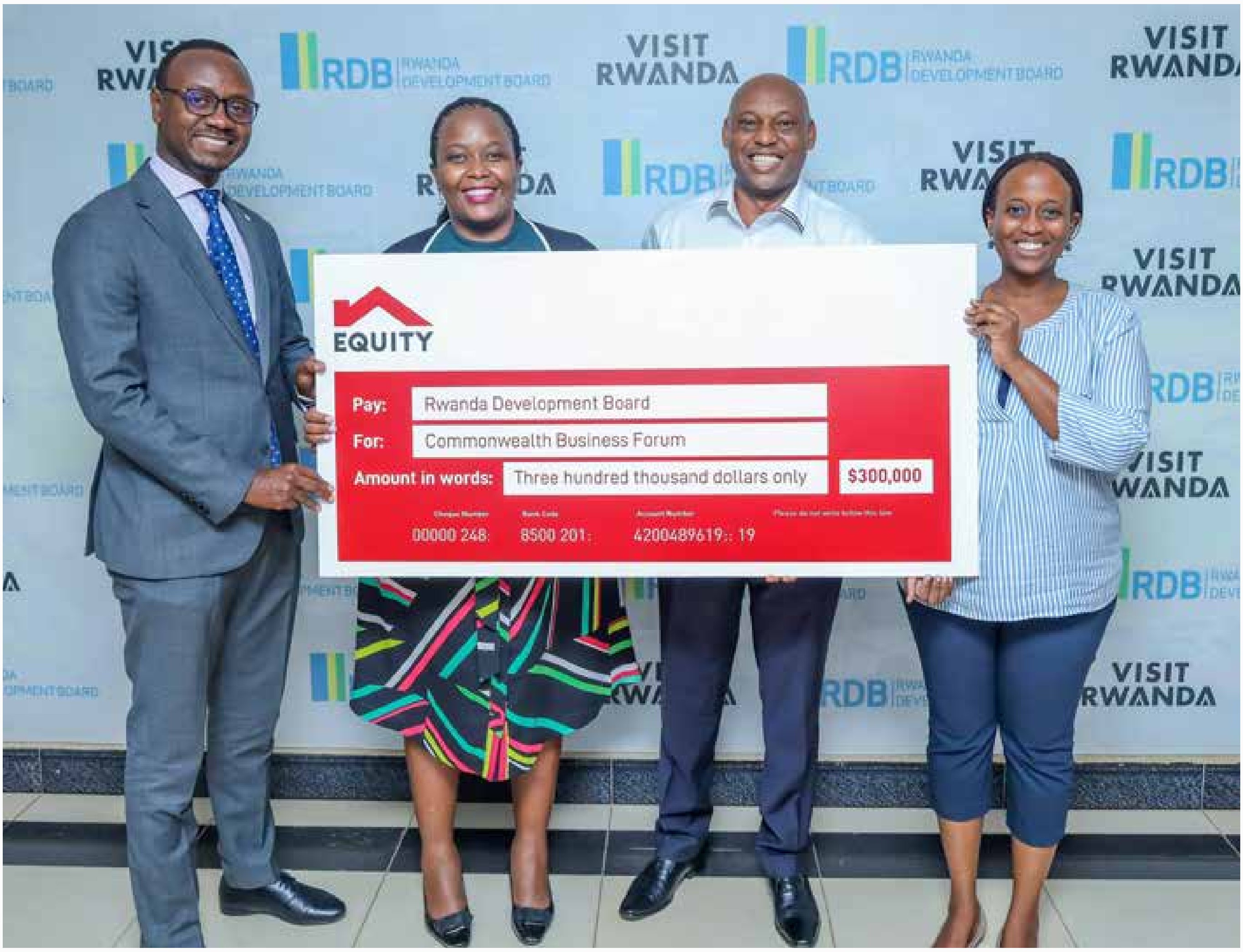
It gives us much pleasure when our innovative banking products are embraced by our clients, drive their profitability and register satisfaction. The feedback we get from our customers expresses a great deal of satisfaction.

## Financial Inclusion

Our commitment to financial inclusion has remained steadfast. The year ending December 2022, EBR had a network of 16 branches countrywide, 22 ATMs, 3,455 registered agents, while the Eazzy banking suite has continued to attract uptake across the different Eazzy platforms, all serving a total of over 800,000 digitized customers of which across different segments in SMEs, Corporate and individual account holders.

Special financial and non-financial products for women have been developed under the Igire na Equity, where women entrepreneurs, in groups and as individuals, can access loans ranging from Rwf50,000 to a billion, depending on their demonstrated business acumen and previous transactions with the Bank. Besides, special insurance products: Credit Life Insurance; Hospital Cash Cover and Maternity Leave Product have been developed and implemented in partnership with Sanlam Life Insurance, to further financially support women that may find themselves in uncertain life eventualities.

To further empower women, an annual Equity Women Forum Program, where women meet and share business knowledge and experiences has been initiated.




(L) Equity Rwanda Head of Payments, Jean Jacques Kajuga, Rwanda Development Board CEO, Claire Kamanzi, Equity Rwanda MD Hannington Namara, (R) RDB Chief Strategy & Compliance Officer, Louise Kanyonga receive a cheque from Equity as a contribution to CHOGM 2022.

## 2022 CHOGM

During the year under review, Rwanda hosted CHOGM which had an economic resuscitating effect on the formerly financially distressed sectors such as tourism, hospitality and transport. This, as well, had a spiralling effect on both the macro and micro arteries of the economy, as our partners and stakeholders participated in providing and receiving services related to the meeting.

*(L-R) President Paul Kagame and Equity Group CEO Dr. James Mwangi during the laying of foundation stone of KIFS*


*Equity Group CEO, Dr. James Mwangi (C), CEO of MTN Group, Ralph Mupita and other Equity Group Directors on the sidelines of CHOGM 2022.*

*Equity Group CEO Dr. James Mwangi, CEO of MTN Group, Ralph Mupita and other Equity Group Directors on the sidelines meeting during CHOGM 2022 in Kigali.*


*Prime Minister Boris Johnson and Equity Group CEO Dr. James Mwangi chat during the 26th Commonwealth Heads of Government Meeting in Kigali 2022.*


*Royal Highnesses His Majesty King Charles III having discussion with Equity Group CEO Dr. James Mwangi during CHOGM meeting in 2022 in Kigali Rwanda.*

# REFLECTIONS OF THE MANAGING DIRECTOR CONTINUED

## Risk

During the year 2022, the Bank continued practicing a sound risk culture and adherence to its values and principles to effectively manage risks, promote a culture of integrity, high ethical standards and achieve compliance with internal policies and risk appetite as well as laws and regulations and following the Bank's control framework.

We have specifically devoted much effort and resources to realize:

- Enhanced monitoring of financial risks
- Increased focus on the security of our technology systems and the data they contain
- Increased capacities of the technical risk experts
- Enhanced risk management and establishment of governance around conduct risk & data protection
- Increased focus on third party risk management and business continuity management
- Growing With Our Communities

Equity Bank Rwanda Plc being a responsible corporate citizen has exercised corporate social responsibility beginning in 2021, executed through the Equity Social Impact investments (SMI), designed under commercial and social engines, to enable the Bank to work and grow with communities where we work and serve. The Social Engine Programs include: Education and Leadership Development; Food and Agriculture; Social Protection; Energy and Environment; Enterprise Development and Financial Inclusion; Health and Women in Banking.

**Education and Leadership Development:** In the Year 2022, under the Education and Leadership pillar, the bank on-boarded 34 scholars, selected from the top senior six performing students from all districts in Rwanda, taken to a week-long boot camp where they were inducted and trained in the banking culture, mentored and taken through leadership training, facilitated by both internal and external mentors before joining the bank as fully paid interns. After five months of preparing them for global universities, the interns were fully sponsored to join universities; including Harvard, Princeton, and Boston.


*Equity Rwanda MD, Hannington Namara , Dr James Mwangi and other Bank staff during the a week-long Equity Leadership Program boot camp - 2022.*

There are now 66 scholars in Universities around the world under the sponsorship of Equity Social Impact investments.

**Food and Agriculture:** The Food and Agriculture pillar helps create jobs, improve market access, and expand agricultural production by working in partnership with small and medium-sized farmers to increase their production capabilities, farming as a business, and access to technology and financial services.

The bank has worked with partners such as SPARK Gwiza, BRD, BDF, Enabel and AFIRR, to tap into the available guarantees for farmers.

**Social Protection:** This pillar focuses on supporting vulnerable communities, mainly refugees camps to reduce social and economic risks and vulnerability.

The bank has partnered with WFP, UNCDF and UNHCR, to provide card-based money transfer services to 34,851 refugees.

**Energy, Environment and Climate Change:** Given the strong link between energy, the environment and climate change, the Bank is focusing on clean energy access and environmental protection to positively impact on climate change.

Products have been developed to support accelerated adoption of Bio-gas, Liquefied Petroleum Gas and Improved Cooking Stoves; while studies on Water, Sanitation and Hygiene have been completed and the associated products being developed.

The bank also held a tree planting activity in 2022 where over 5,500 trees were planted in Masaka, and around the country.

**Enterprise Development and Financial Inclusion:** Under this pillar, the bank's clients are trained in: Financial Literacy, Entrepreneurship Education and Digital Literacy, following internationally approved training modules such as Start and Improve Your Business (SIYB). The bank has, since 2022, partnered with such professionals as Africa 118 and SPARK Gwiza to train 9,000 customers of the bank.

**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.

*A group of women at the launch of the Equity women forum*

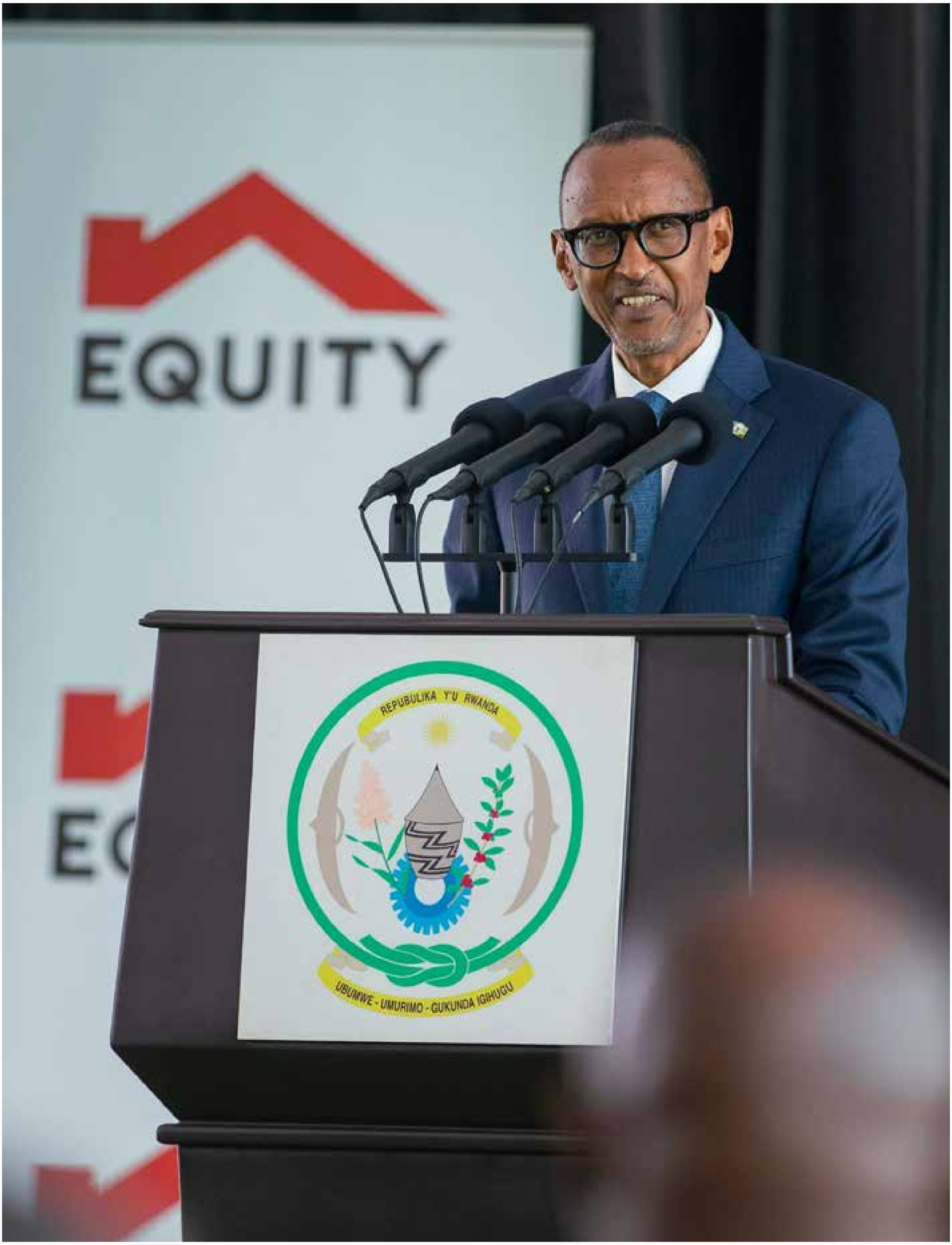
**Women Banking Pillar:** The bank has developed exceptional women banking products under the Igire na Equity program where women in different categories can access business financing either as groups or individuals. The loan facilities range from Rwf50,000 to a billion Rwandan Francs, depending on the borrowers' demonstrated business prowess.

## Thank You

I would like to express my gratitude to all stakeholders including customers, shareholders and partners; thank you for being part of Equity Bank Rwanda Plc and for the vote of confidence you have bestowed unto us. I thank the Board of Directors for the good governance and the National Bank of Rwanda for the continued guidance.

I also express my appreciation to management and staff, for the hard work, persistence and tireless effort that has translated into this eloquent performance.

**Hannington Namara**
Managing Director




*President Paul Kagame delivers a speech at the groundbreaking of the Kigali Financial Square.*

# OUR BOARD

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

**Hannington Namara**
Managing Director

**Dr. Patrick Uwizeye**
Non-Executive Director

**Amb. George William Kayonga**
Non-Executive Director

**Andrew Rugege**
Non-Executive Director

**Belinda Bwiza**
Non-Executive Director

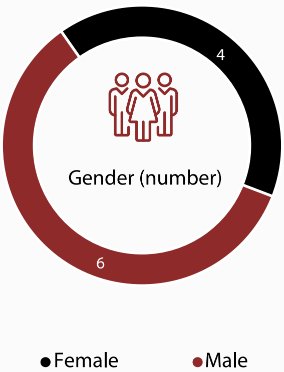
**James Mutuku ***
Non-Executive Director

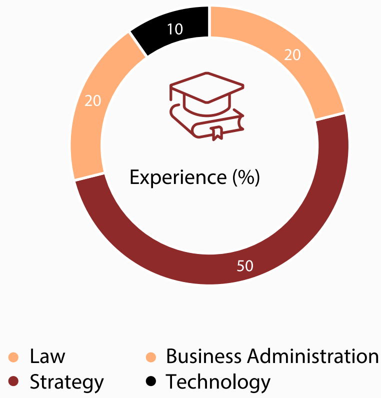
* Resigned early 2022

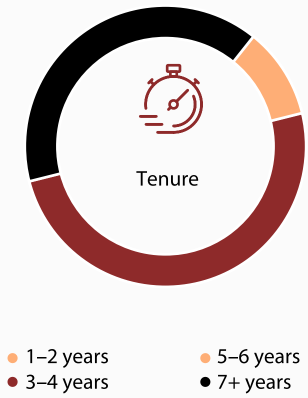
**Anita Umuhire**
Non-Executive Director

**Mrs. Mary Wamae**
Non-Executive Director

**Lydia N Ndirangu**
Company Secretary



# OUR BOARD CONTINUED

## Our Board Profile

| Name | Executive/Non-Executive | Skills | Qualifications | Gender | Year of appointment | Nationality |
|---|---|---|---|---|---|---|
| Col. (Rtd) Eugene Haguma Murashi | Independent | • Strategic Leadership<br>• Financial Management<br>• Business development<br>• Public sector management<br>• Consultancy | • MSc in Financial Management (University of London)<br>• B. Com (Marketing) (Makerere University-Kampala)<br>• Chartered Financial Analyst (CFA) charter holder.<br>• Certified Sustainable Investment Professional (John Molson Business School Concordia University, Canada) | Male | 2021 | Rwandan |
| Dr. Patrick Uwizeye | Independent | • Accounting and Finance<br>• Risk Management<br>• Leadership<br>• Business management | • Doctor of Business Administration (DBA) (Heriot-Watt University, UK)<br>• Master of Science (MSc) in Strategic Planning (Heriot-Watt University, UK)<br>• MBA in Financial Management (University of Hull, UK)<br>• Masters in communications management (MCM) (Coventry University, UK)<br>• Certified Public Accountant (CPA)<br>• Certified Member of the Institute of Risk Management CMIRM), UK<br>• Associate Member of Kenya Institute of Management | Male | 2016 | Rwandan |
| Mary Wamae | Executive Director<br><br>Non-Independent | • Legal,<br>• Company secretarial<br>• Strategic planning<br>• Leadership<br>• Business development | • Masters in Leading Innovation and Change (York St. John University)<br>• LLB (University of Nairobi)<br>• Diploma in Law (Kenya School of Law)<br>• Graduate of the Advanced Management Programme (Strathmore – IESE Business School, Barcelona, Spain)<br>• Advanced Management Programme (Harvard Business School)<br>• Post-graduate Diploma in Gender and Development | Female | 2017 | Kenyan |
| Hannington Namara | Executive Director<br><br>Non-Independent | • Strategic Leadership<br>• Business development<br>• Banking and Finance, Management and Communications<br>• Public sector management | • Degree in Business Administration (Finance option). Makerere University Business School.<br>• Graduate of the Advanced Management Programme (Strathmore – IESE Business<br>• Fellow of the Africa Leadership Initiative-East Africa<br>• Member of the Aspen Global Leadership Network | Male | 2018 | Rwandan |

## Our Board Profile

| Name | Executive/Non-Executive | Skills | Qualifications | Gender | Year of appointment | Nationality |
|---|---|---|---|---|---|---|
| Amb. George William Kayonga | Independent | • Accounting and Finance<br>• Leadership<br>• Business management<br>• Public service<br>• Trade and Development Consultant<br>• Strategic Leadership | • Master's degree in diplomacy and international studies<br>• Bachelor of Commerce Degree-Finance (Makerere University Business School) | Male | 2020 | Rwandan |
| Anita Umuhire | Independent | • Accounting and Audit<br>• Financial Management<br>• Business management | • MBA in Leadership and Sustainability (University of Cumbria (Robert Kennedy College), UK)<br>• Higher Diploma in Accountancy (The University of The Witwatersrand, SA).<br>• Bachelor of Commerce (The University of The Witwatersrand, SA).<br>• Chartered Accountant | Female | 2021 | Rwandan |
| Belinda Bwiza | Independent | • Financial Management<br>• Accounting<br>• Business management<br>• Business strategy | • MBA and a Chartered Professional Accountant Designation (Wilfrid Laurier University, Toronto, Ontario)<br>• Bachelor of Business Administration, Finance (Brock University, St. Catharines, Ontario) | Female | 2021 | Rwandan |
| Andrew Rugege | Independent | • Business strategy<br>• Project planning<br>• Risk management<br>• Strategic enterprise-wide projects<br>• Leadership | • Master of Science Degree in Computer Information Systems and Business Administration from Marist College, Poughkeepsie, New York<br>• Master of Science in Electrical Engineering from University of Aberdeen in Scotland, UK.<br>• Bachelor of Science degree in Engineering Science from Aberdeen University in Scotland, UK. | Male | 2022 | Rwandan |
| Lydia Ndirangu | Company Secretary | • Corporate governance regulatory and compliance<br>• Tax<br>• Accounting<br>• Investment<br>• Analysis<br>• Business relationship management | • Master of Laws (LLM) – Public Finance (University of Nairobi).<br>• Postgraduate Diploma (Law), (Kenya School of Law).<br>• Bachelor of Laws (LLB) (University of Nairobi)<br>• CPA, CS, CISA | Female | 2021 | Kenyan |

# EXECUTIVE MANAGEMENT TEAM

**Hannington Namara**
Managing Director

**Adalbert Rutaisire**
Director Operations

**Loyce K. Bamwine**
Head of Legal

**Fernand Kamanzi**
Head of Treasury

**Chantal Mukandoli Kayijamahe**
Head of Credit Administration

**Joseph Mutuma**
Head of Finance

**Jean Bizimungu**
Head of Risk

**Dianah Kwarisiima**
Head Of HR

**Mugisha Shema Xavier**
Director of Commercial

**Dianah Mukundwa**
Head of Strategy, Investment and Social Impact

**Jean Paul Ngabonziza**
Head of Internal Audit

**Carole Karema Jeni**
Head of IT and Business Transformation

# EXECUTIVE MANAGEMENT PROFILE CONTINUED

| Name | Executive/Non- Executive | Profile |
|---|---|---|
| Hannington Namara | Managing Director | Hannington is the Managing Director of Equity Bank Rwanda Plc. He holds a degree in Business Administration (Finance option) from Makerere University Business School, a graduate of Advanced Management Programme from Strathmore Business School. He 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 and a track record in Strategic Leadership, Banking and Finance, Management and Communications. He has held various leadership positions while working with different reputable organizations in the past 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). He holds several positions of responsibility in Boards of corporates and parastatals. |
| Adalbert Rutaisire | Director Operations | Adalbert holds a Bachelor of Commerce Degree from Makerere University, MBA from Anglia Ruskin University London and a Post graduate Diploma in Strategic Management and Leadership from London School of International Business. He has received various international training in Banking across different functions including Operations, Corporate, Retail Banking and Operational Risk Management etc. He also went through Management and Leadership training at the INSEAD School of Business of the World (SINGAPORE). He has more than 25 years' experience working within the Banking industry in Africa and Middle East.<br><br>He is currently the Director of Operations at Equity Bank Rwanda Plc. Prior to this, he worked with Standard Chartered Bank in Ghana, Uganda, and Kenya and in different capacities. He has a track record in Operations Management, technology and implementing Banks Innovations and digitization strategies at country level, regional level, and Shared Service Centers. He also Managed Operational Risk across Operations functions in Africa and Middle East. |
| Mugisha Shema Xavier | Director of Commercial | Mugisha Shema Xavier is a seasoned banker with over 16 years' experience in banking having served in various positions including several managerial and executive roles in local and regional financial institutions.<br><br>Shema currently works as a Commercial Director in Equity Bank Rwanda Plc. His overall responsibility is to lead the development, communication, and execution of a fit-for-purpose business development strategy that ensures customer needs are profitably met through appropriately priced solutions underpinned by effective sales, relationship management, risk assessment and control, operational efficiency, and channel optimization.<br><br>He has previously held positions such as Chief Business Officer, Country Head of Retail banking, and Head of SME banking at BPR Plc, Relationship Manager in I&M bank Rwanda plc among other responsibilities.<br><br>Shema's capabilities and capacities have been key for the financial institutions in which he has worked especially in aspects such as developing business strategies, digital transformation, channel optimization, developing relationship with customers, negotiation, Balance Scorecard development for staff productivity management, structuring and monitoring of credit facilities.<br><br>He holds a Master's degree in Business Administration from Jomo Kenyatta university. He also has undergone and holds qualifications from numerous trainings in banking such as trade finance with Citi Bank and Credit Risk assessment with European Investment Bank (EIB) among others. |

# EXECUTIVE MANAGEMENT PROFILE CONTINUED

| Name | Executive/Non- Executive | Profile |
|---|---|---|
| Fernand Kamanzi | Head of Treasury | Fernand holds a bachelor's degree in Economic Sciences and Management from Kigali Independent University (ULK), he is a Certified Professional Banker by Uganda Institute of Banking & Financial Services, and he is a certified dealer by ACI The Financial Markets Association (ACI FMA). Prior to joining Equity Bank Rwanda Plc as Head of Treasury since 2013, Fernand worked in Access Bank Rwanda Plc for 5years in various positions including Team Leader Treasury, Acting Treasurer and Card & Channels Officer. He has 15 years' working experience in banking industry with 13 years in Treasury handling balance sheet management and investments. |
| Chantal Mukandoli Kayijamahe | Head of Credit Administration | Chantal holds a bachelor's degree in business administration, accounting option and pursuing Master's Degree in Project Management. Prior to joining Equity Bank 8 years ago, Chantal worked at the Commercial Bank of Rwanda (now I&M) in Credit Department for more than 12 years; As an Analyst in SME and Corporate Banking, Security Perfection Manager, Personal Lending and Mortgages Manager. |
| Joseph Mutuma | Head of Finance | Joseph holds a Master of Business Administration (Finance) degree from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and Bachelor of Arts degree in Economics from the University of Nairobi. He is a Certified Public Accountant (Kenya) and member of The Institute of Certified Public Accountants of Rwanda (ICPAR), a Certified Investments and Financial Analysts and a member of The Institute of Certified Investment and Financial Analysts (ICIFA). Prior to joining Equity Bank Rwanda Plc, Joseph worked as a senior accountant at Equity Bank Kenya Limited which he joined in 2009 and has over 13 years' working experience in accounting and financial management within the Banking industry, eight (9) of which are in senior management. |
| Jean Bizimungu | Head of Risk | Bizimungu Jean Nepomuscene holds a bachelor's degree in Monetary economics from Former National University of Rwanda and he holds an international certificate in Enterprise Risk Management from Institute of Risk Management in United Kingdom (IRM-UK) and He is CAMs certified & ACCPA certified. He is a member of the Institute of Institute of Risk Management UK and a member of ACAMs. He has 10 years' experience in banking industry with 8 years in Risk and compliance management. He is now head of Risk of Equity Bank Rwanda Plc since 2018 to date. |
| Jean Paul Ngabonziza | Head of Internal Audit | Jean Paul holds a degree in Business Administration-Accounting Sciences from National University of Rwanda (now UR). He is ACCA certified, a member of The Institute of Certified Public Accountants of Rwanda (ICPAR), a member of the Institute of Internal Auditors (IIA) and a BSI certified ISO 27001 Lead Auditor. He has over 15 years of experience in Audit with 13 years spent in Internal audit in Banking Industry. He joined Equity Bank Rwanda Plc in April 2020 as Head of Internal Audit. He has previously worked for BPR Bank (an Atlas Mara subsidiary) for over 2.5 years as Senior Audit Manager; I&M Bank Rwanda Plc as Senior Internal Auditor for over 7 years and Auditors General's Office of Rwanda as Auditor of Public Business Enterprises for 2 years. |
| Dianah Kwarisiima | Head Of HR | Dianah is a holder of a bachelor's degree in education with 18 years of experience in the Banking Industry.<br><br>Prior to joining Equity Bank in December 2022, she worked with I&M Bank for 16 years as a Training Officer, Employee Relations Manager and Head of HR. She, additionally, worked for Ecobank as Head of HR for a year from November 2021.<br><br>Throughout her career in the Banking sector, she gained immense experience in HR Strategic Management. |

# EXECUTIVE MANAGEMENT PROFILE CONTINUED

| Name | Executive/Non- Executive | Profile |
|---|---|---|
| Carole Karema Jeni | Head of IT & Business transformation | Carole holds an MBA from the University of Nicosia in Cyprus, a Master's degree in IT from the University of Pretoria, a BCOM Honor's in Informatica degree for the same University, and a Bachelor degree in Information system from Adventist University of Central Africa.<br><br>Having lived in different countries, Carole has gained a diverse range of experiences in Banking , Telecoms, Investments, Construction, Security services, Building materials, Insurance brokerage, as well as in Food and Beverage and Agribusiness. She is fluent In English, French, Swahili, and Kinyarwanda. Her IT acumen and leadership make her a great asset of any organization she relates too.<br><br>Carole is a Business and IT specialist with 21 years of experience. She has specialized herself as a Digital transformation and Solution Architect who conceptualizes, designs and implements IT Strategies and Solutions that drive innovation, businesses efficiency and continuity in different areas of operations. She had achieved automation of different business processes, allowing companies to focus on their core businesses and concentrate on turning companies into profitable business. She has also managed and delivered various business and IT projects that require integration of various Vendors and Solutions following IT standards and Processes like PMP, COBIT and ITIL. She is currently working on various digitization projects that embody cybersecurity, mobility, and data analytics. She has done several training and certification in Business, IT ,and leadership areas and that as equipped her for the various roles.<br><br>Carole is currently Head of IT at Equity Bank Rwanda Plc since January 2020 where she oversees the digital transformation of the bank and runs different Business Digitalization programs. Prior to that she was the Group IT Director of Crystal Ventures for 8 years and IT Project manager and Solution Architect of MTN Rwanda for 5 years and Deputy CEO /Center Coordinator for Electronic and ICT Center for 6 years.<br><br>She also serves in different Boards as a Non-Executive Director. |
| Dianah Mukundwa | Head of Strategy, Investment and Social Impact | She holds a bachelor's degree in Business Administration, with a specialization in Accounting from the University of Rwanda - College of Business and Economics (Former School of Finance and Banking). A certified Public Accountant (CPA) and a member of the Institute of Certified Public Accountants of Rwanda (ICPAR). She holds an MBA from Edinburgh Business School - Herriot Watt-United Kingdom.<br><br>She has 11years of work experience in banking and Private Sector Institutions with extensive knowledge in Banking and Finance, Data Analysis, Strategic Planning and Leadership, Insurance brokerage and Investments.<br><br>She has held various leadership positions in the past in different reputable organizations including Crystal Ventures Limited, Real Contractors Ltd, CVL Developers Ltd, and New Century Development Ltd. She serves on boards as a Non-executive Director. |

# EXECUTIVE MANAGEMENT PROFILE CONTINUED

| Name | Executive/Non- Executive | Profile |
|---|---|---|
| Loyce K. Bamwine | Head of Legal | Loyce K. Bamwine is a senior lawyer, holding a Bachelor of Laws (LLB-Hons) from the National University of Rwanda and a Master of Laws (LLM) from Utrecht University, The Netherlands. She also holds a Post-Graduate Diploma in Legal Practice and Development. She is an Associate Chartered Arbitrator (ACIArb) fully registered with Kigali International Arbitration Center (KIAC). She is also a member of Rwanda Bar Association. She holds a Certificate in Corporate Governance from MARCUSEVANS-Singapore and Black-Bird training centers.<br><br>In terms of career, Loyce has served both in public and private institutions. She currently works as the Head of Legal at Equity Bank Rwanda Plc. In addition, she serves as a Board member of Ngali Holdings Ltd, where she also chairs the HR and Governance Committee, and a Board member of Rwanda Medical Supplies (RMS) Ltd<br><br>She previously worked as a Company Secretary and General Counsel of the Development Bank of Rwanda (BRD) PLC, a position she held for almost four (4) years. She also worked at B&BS Attorneys Ltd as a Partner in charge of Advisory and litigation matters. She also previously served as a Non-Permanent Commissioner at Rwanda National Electoral Commission (5 years), Board member for the Business Development Fund (BDF) and a Board member of Kivu Marina Bay Ltd.<br><br>Prior to joining the financial sector, Loyce served in different government positions including as a Permanent Commissioner at Rwanda Law Reform Commission and as the Legal Research and Reform Division head. She also served as a Commissioner at the Constitutional Review Commission (a Commission that revised the Constitution of the Republic of Rwanda in 2015). |


*Equity Directors and Management, partners and  scholars during the last day of the 2nd Cohort of the Equity Leaders Program.*

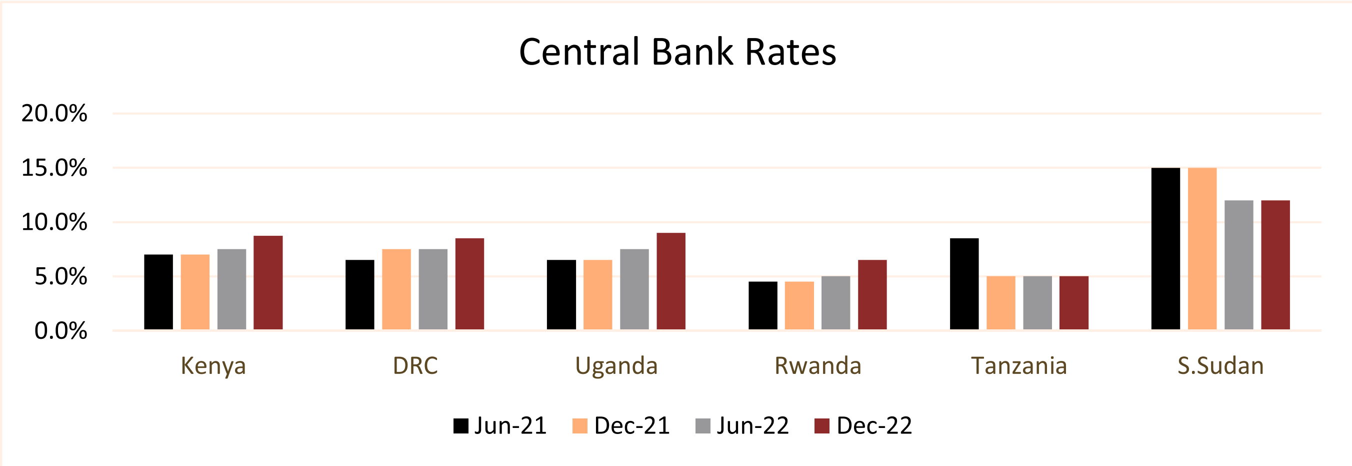
## OPERATING CONTEXT[1]

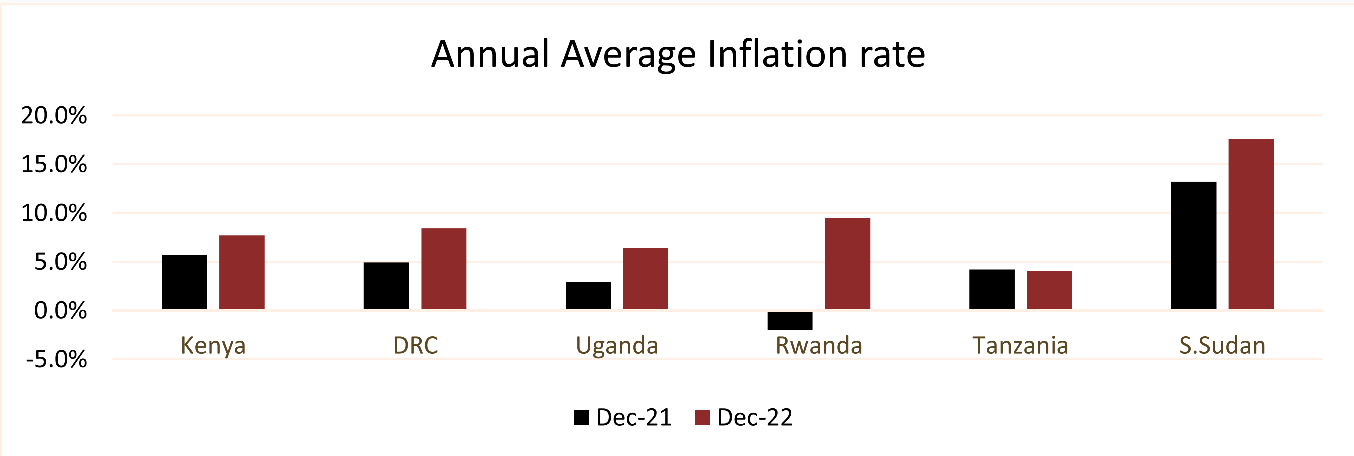
2022 was initially forecasted as a year of recovery as the Covid-19 pandemic waned and measures placed to curb its spread were lifted across the globe. As economic performance ramped up in 2021 with global GDP growth at 6%, projections favoured a strong performance in the 2022–2023 horizon. However, global economic activity experienced a sharper than expected slowdown as the combined effects of the Russia-Ukraine conflict, weak supply chain recovery and continued lockdowns in China, resulted in increasing global prices for energy and grains, commodity market volatility and shortages in key manufactured products.

To stem runaway inflation and subsequently sharp increases in cost-of-living, regulators resorted to monetary tightening, triggering an increase in the cost of credit and foreign currency volatility. The US Federal Reserve responded by gradually raising the federal funds rate from 0.25% in March 2022 to 4.75% in February 2023, almost a five-percentage point increase in one year. This increase is driving a risk-off position to frontier investments, strengthening the dollar against other currencies.

Sub-Saharan Africa was impacted by this slowdown in economic activity, rising inflation, weakening of currencies, rising interest rates and adverse weather conditions. This was experienced as a decline in GDP growth on the continent from 4.1% in 2021 to 3.3% in 2022.

The region is faced with several challenges including 123 million people with acute food insecurity, rising risk of sovereign debt distress, weakened fiscal space and escalation in the cost-of-living.




1. Information and data used in the operating context has been sourced from publications by the World Bank, International Monetary Fund, African Development Bank and Trading Economics.

# OPERATING CONTEXT CONTINUED

## Rwanda Context

In general, all the countries in which we operate were impacted by this global geo-political and economic context to varying degrees. In addition, these countries also displayed country-specific circumstances that impacted on economic performance.

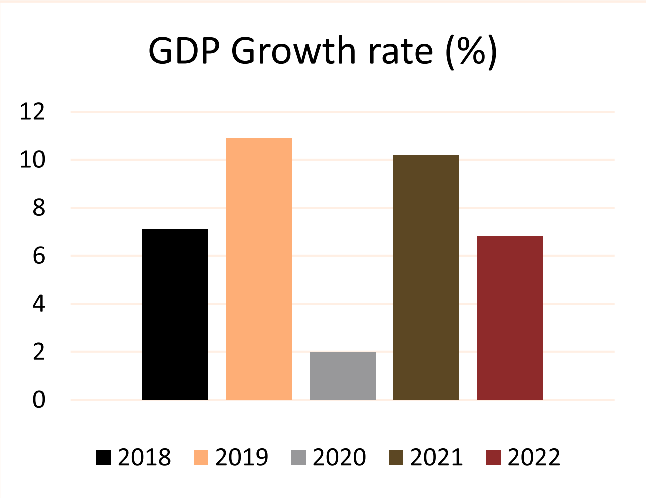
Rwanda's GDP grew by 6.8% in 2022, after reaching 10.9% in 2021. This was in part due to lower-than expected agricultural production due to poor weather conditions.

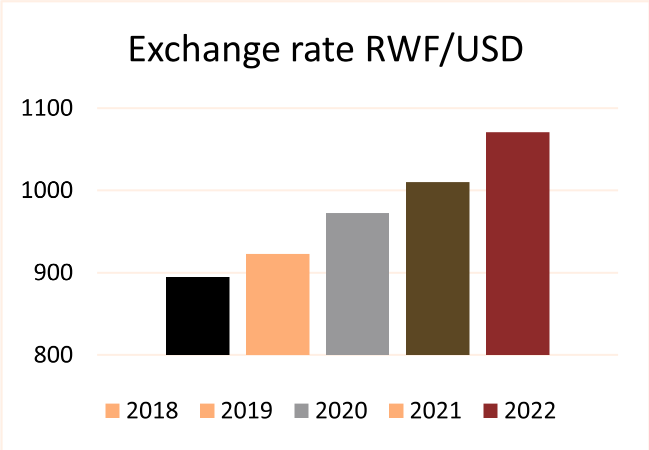
Growth was spurred on by the services sector, especially the revival of tourism, leading to the improvement of employment indicators to levels similar to those at the beginning of the Covid-19 pandemic in early 2020.

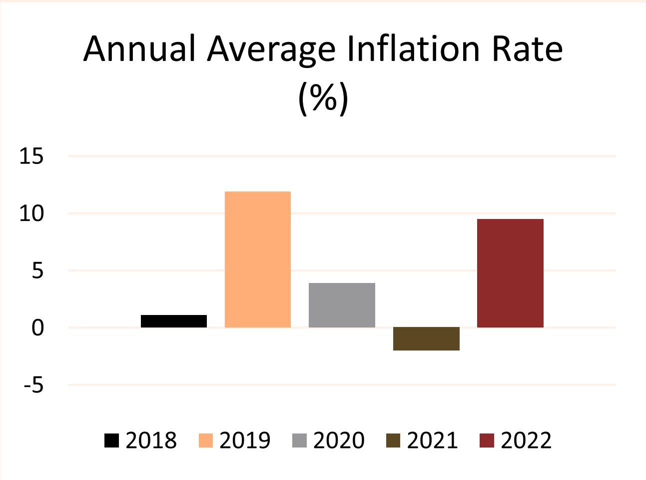
Inflation continued to rise averaging 9.5% and is projected to persist in this range, as global prices remain elevated. This was due to increasing energy and food prices. The current account deficit is estimated to improve moderately to around 10.5% of GDP despite high energy prices, but a slowdown in foreign financing put pressure on the currency, with the Rwandan Franc closing the year at 1070 RWF to the US Dollar as compared to 1009.6 RWF to the dollar in 2021.

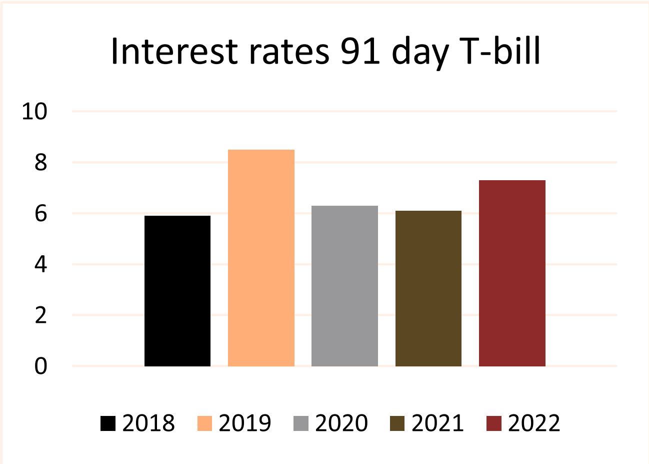
The FY21/22 budget deficit came in smaller than projected at 7.6% of GDP, due to higher grants. Public debt is estimated to have decreased to 71% of GDP at end-2022, from 73% at end-2021.

The IMF is projecting that Rwanda's economy will grow by 6.2% in 2023, and by 7.5% in 2024.




1. Information and data used in the operating context has been sourced from publications by the World Bank, International Monetary Fund, African Development Bank and Trading Economics.


*Equity Rwanda customer service team takes a picture during the customer service week.*

# UNPACKING OUR VALUE CREATION STRATEGY

# UNPACKING OUR VALUE CREATION STRATEGY

## The Africa Recovery and Resilience Plan (ARRP)

Equity Group's 2025 strategy is a multi-pronged and holistic solution to achieve social and economic transformation of Africa. The strategy comprises six strategic pillars that will be operationalized through a collaborative, deliberate and an ecosystem-centric approach.

The Group has provided a seed fund of USD 6 billion to act as a stimulus for the private sector. The 'Africa Recovery and Resilience Plan' is built on a platform of collaboration and cooperation for Public Private Partnerships to transform the region through value addition and ecosystem development. The strategy aims at funding and financing 5 million businesses and 25 million households to reach 100 million people in Africa and to create 50 million jobs both directly and indirectly.

**Overview of the Africa Recovery and Resilience Plan**

| The plan | Six Pillars | Objectives of the plan |
|---|---|---|
| The Africa Recovery and Resilience Plan is aimed at catalysing a demand complementarity-led transformation of Africa, underpinned by: (i) capacitating and enhancing productivity of raw material producers, (ii) integrating primary producers to more co-ordinated African productive / manufacturing capacities; and (iii) connecting these primary and secondary sectors to global supply chains (and capital, skills and technology) that are now more focused on reducing concentration risks with increased focused on assurance of accessibility.<br><br>Equity Group's execution of the "Africa Recovery and Resilience Plan" will be underpinned by its Social and Economic Engines that capacitates value chains (Social Engine) and provide holistic financial solutions to productive ecosystems (Economic Engine).<br><br>Equity Group's excess liquidity (currently ~2% of cumulative GDP of east and central Africa) will be redirected to the private sector across various value chains. | • comprises 6 strategic pillars that ensure a systematic, co-ordinated, and holistic framework for execution and regional-wide impact:<br>• A more coherent and productive natural resource ecosystem in agriculture and extractives – more coordinated, connected, and capacitated primary supply chains will drive higher productivity and throughput.<br>• Manufacturing and logistic anchors – Africa has an opportunity to leverage off its natural endowments to anchor expansion of productive capacities and manufacturing capacity. More importantly, a coherent primary sector which is integrated to pan-African productive capacities will drive demand complementarities across regional blocs over the medium- to long-term.<br>• Trade and investment to give broader market access and support factor mobility – expanded markets and access to technology, capital and skills will enhance off-take of African products and services.<br>• MSMEs – connectivity of small businesses into formal primary and secondary sector value chains will enrich and drive more integrated domestic value chains / demand complementarities.<br>• Social and environmental transformation – capacity building of value chain stakeholders, especially amongst smallholder farmers and MSMEs will drive sustainable productivity gains and improve ease of factor mobility.<br>• Technology-enabled economy – online businesses will accelerate connectivity and velocity in ecosystems. | The first phase (end-2025) objectives of the plan include:<br><br>1. **Inclusivity of 100 million online businesses and consumers:** Economic and social inclusion of more productive youthful households and financially enabled value chains<br>2. **Multiplier effect of 5 million borrowing businesses and 25 million borrowing consumers:** borrowing businesses to drive value chain expansion and employment, whilst consumer borrowing to enable household aspirations and livelihoods<br>3. **Employment of 50 million:** 25 million direct jobs to be created as businesses grow and a further 25 million indirect jobs created as value chains expand and deepen<br>4. **Additional private sector lending of ~2% of regional GDP:** loan book to be directed towards agriculture (30%), manufacturing (15%), MSMEs (65%) |

# UNPACKING OUR VALUE CREATION STRATEGY CONTINUED

## The Africa Recovery and Resilience Plan (ARRP) continued

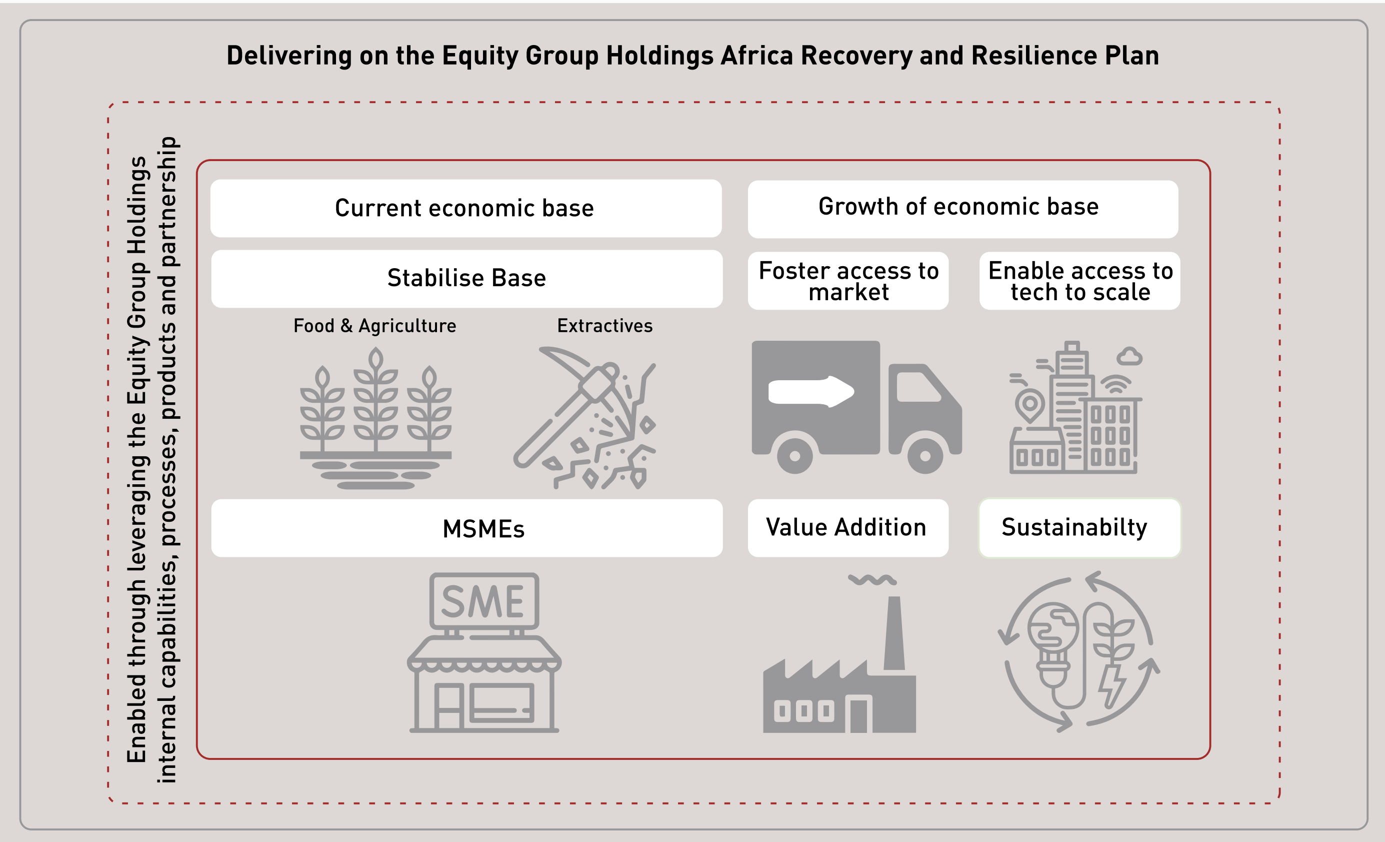
### Strategy Focus

The `Africa Recovery and Resilience Plan' provides the overarching ambition of the Group to deliver transformational development on the continent. This Plan is further buttressed by strategic focus areas that enable the Group to deliver on its commercial and social bottom line. These eight Focus Areas are:

1. **Non-funded income growth**
2. **Treasury Efficiency**
3. **Geographical Expansion and Business Diversity**
4. **Balance Sheet Efficiency, Optimisation and Agility**
5. **Business Transformation – Innovation and Digitisation**
6. **Asset Quality, Distribution and Risk Management**
7. **Efficiency of Cost Optimisation**
8. **Impact Investment**

### Unpacking the six pillars


The `Africa Recovery and Resilience Plan' gives priority focus to primary production in agriculture and the extractive sector. The aim is to convert smallholder farmers and artisanal miners into formal businesses though financial literacy and entrepreneurship training.




In addition, the strategy seeks to address the fragmented nature of these sectors through improved connection, coordination, and financing. Equity brings its extensive internal capabilities, processes, products, and partnerships in working with individual, micro, small and medium sized businesses with the intent to grow and transform the economic base, foster market access and trade, and enable access to technology for scale while mitigating for social and environmental challenges.

## The Africa Recovery and Resilience Plan (ARRP) continued

| Pillar | Context | Focus | Support provided |
|---|---|---|---|
| Pillar 1a: Agriculture | Africa's primary economic sector, largely populated by smallholder producers with limited capacity. | Drive natural resource led industrialisation. | • Value chain coordination and value addition.<br>• Market access. |
| Pillar 1b: Extractives | Africa's primary economic sector, fragmented and sub-scale and challenged by market structure deficiencies. | | |
| Pillar 2 Manufacturing & Logistics | Value addition of Africa's resources will drive wealth transformation and resultant demand complementarities will deepen and broaden African value chains. | Support value added ecosystems. | • Scaling value chain anchors and enhancing linkages.<br>• Facilitating manufacturing hubs. |
| | Clustering of manufacturing and services will drive regional economies of scale and comparative advantages. | | |
| Pillar 3 Trade and Investment | African countries have significant potential to complement each other, and regional trade will underpin a coordinated and integrated Africa. | Stimulate intra-continental trade. | • Trade missions and conducive policies.<br>• Champion foreign direct investment. |
| | Wealth transformation of Africa will require significant investment, technological advances, and specialised skills. | | |
| Pillar 4 MSMEs | MSMEs and the informal sector are significant contributors to African economies. | Catalyse entrepreneurship. | • Linkage of MSMEs to formal value chains.<br>• Capacity Building. |
| | African MSMEs disenfranchised due to fragmented and disorganized value chains. | | |
| Pillar 5 Social and environmental transformation | African households and businesses productivity levels remain low due to economic and social constraints. | Champion social transformation. | • Capacity Building and Financial Inclusion.<br>• Community Support. |
| | As the world looks towards a more sustainable future, households and businesses will need to adapt and mitigate risks associated with climate change. | | |
| | Many African households continue to be marginalized when it comes to basic necessities adversely impacting productivity. | | |

In line with the `Africa Recovery and Resilience Plan,' Equity Group is focusing on deployment of specific products and services into tailored market segments to ensure we can reach our target of impacting 100 million lives by 2025. In addition to focusing on key economic sectors, we also recognise the vital, enabling role that technology, trade and investment and the social and environmental transformation play. The market segments we are targeting and enabling roles leveraged are summarised as follows:

**Food and Agriculture**
Move, Borrow, Save, Invest, Insure

**Extractives**
Move, Borrow, Save, Invest, Insure

**Micro Small and Medium Businesses**
Move, Borrow, Save, Invest, Insure

**Logistics**
Move, Borrow, Save, Invest, Insure

**Manufacturing**
Move, Borrow, Save, Invest, Insure

**Technology Enabled**
Borrow, Insure

**Social and Environmental Transformation**
Borrow, Insure

**Trade and Investment**
Invest, Insure

# UNPACKING OUR VALUE CREATION STRATEGY CONTINUED

## Material matters

A matter is considered material if it can substantively affect our ability to create value in the short, medium and long term. Our materiality process identifies our key material matters and the collective themes under which they fall. We apply integrated thinking to identify these matters which in turn, they inform our strategy as well as our approach to managing risk and maximising opportunities.

We use a three-step materiality process to determine matters that affect our value creation:

| Identify | Prioritise | Integrate |
|---|---|---|
| In the identification phase, we evaluate significant issues in our operating environment that may impact our ability to create value and deliver our strategy. These issues could be financial, operational, reputational, environmental, social, strategic, or legislative. Our evaluation considers three key aspects:<br>1) How these issues affect the accessibility, availability, and affordability of our capitals.<br>2) Legitimate stakeholder feedback.<br>3) Recent events as well as potential issues that could have a short, medium, or long-term impact on our Group. | Using the outcomes of this assessment, we prioritize matters that are most important to our ability to generate sustained value over time while considering key risks and opportunities. | We incorporate identified material matters into our strategic approach. |


*Equity Rwanda Commercial Director, Shema Mugisha (R) hands over a fridge to a customer at the end of a card usage campaign.*

## Stakeholder

Stakeholder engagement is critical for the achievement of our strategy and delivery of sustainable value. Not all stakeholder concerns are deemed material to the Group, and do not always carry the same weight with respect to implementation. Materiality is determined based on whether the concern raised can impact on the long-term sustainability of the business. As a Group, we pride ourselves with our long-standing tradition of proactively engaging our stakeholders.

| Stakeholder definition | Manner of engagement | Frequency of Engagement |
|---|---|---|
| **Shareholders and investors**<br>These constitute the initial providers of financial capital, and we disclose to them relevant information to make informed investment decisions in addition to seeking their perspectives on our financial performance and strategy. | • Through publications<br>• Through reporting<br>• Through AGM<br>• Investor Roadshows<br>• Regular investor briefings<br>• Investor calls. | Quarterly |
| **Our customers**<br>These constitute the largest source of our deposits, which enable us to fund lending activities. We safeguard their deposits through responsible and sustainable banking practices, sound governance and robust risk management. | • Radio / TV Shows<br>• Marketing and campaigns<br>• Through Branch Employees<br>• Through agents<br>• Internet<br>• Social Media<br>• Outreach campaigns by the foundation<br>• During the onboarding process<br>• Relationship management. | Monthly |
| **Our employees**<br>These are the motivated and skilled people, who enable us to offer value to our customers, and who, as part of society, contribute materially to the communities in which they live and work. | • Induction / Orientation<br>• Conventions<br>• Performance appraisals<br>• Publications<br>• Intranet<br>• One on One engagements<br>• Content posts<br>• Learning platforms<br>• Recurring education. | Monthly |
| **Society and communities**<br>Society and communities grant us the license to operate. Mindful of their interests we engage with our various host communities as part of understanding and identifying areas of sustainable social impact that we can invest in to empower them socially and economically. | • Radio and TV Shows<br>• Newsletters<br>• Face to face meetings in the branch<br>• Social media<br>• Regular meetings customer dinners and lunches<br>• Various publications.<br>• Outreach campaigns by the foundation. | Monthly |
| **Regulators and policymakers**<br>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. | • Through publications<br>• Through reporting<br>• One on One engagements. | Quarterly |

# UNPACKING OUR VALUE CREATION STRATEGY CONTINUED

## Material themes

Through identification of material concerns raised by our stakeholders during the year, we are able to respond to shifts in their needs. The concerns raised and our response are summarised as follows:

| Stakeholder | Stakeholder concerns raised in 2022 | Our Response |
|---|---|---|
| Shareholders and Investors | • Sound capital allocation to deliver on strategy<br>• Sustainable growth and payment of dividends<br>• Impact of rising interests on borrowers including NPL risk<br>• Role in society including managing Environmental and Social risks<br>• Remaining abreast with market trends and delivering relevant solutions<br>• Compliance in a context of evolving regulatory requirements<br>• Customer responsiveness and resolution. | • Communication is provided to shareholders on progress made in these areas of concern through annual reporting, AGMs, impact reporting, quarterly reporting and regular investor briefings, investor calls<br>• Maintained adequate provisions and a high coverage to cater for NPLs<br>• Proactively engaging customers impacted by cost of credit increases<br>• Enhanced our ESG credentials through the development of an environmental and social management plan and key recruits for the function<br>• We have extended our reporting suite to include an annual Sustainability report, specifically to unpack our approach to ESG risks across the organisation<br>• Environmental indicators have been identified and are monitored weekly, both on internal metrics and based on portfolio quality<br>• Established Board committees on IT and Sustainability including requisite technical capacity<br>• We are in the process of developing position papers on climate risk, and further alignment as required to meet expectations of key investors including the IFC and DEG requirements. |
| Our Customers | • Speedy resolution of issues raised<br>• Turnaround time for loan requests<br>• Protection of funds in a context of high levels of fraud<br>• Wealth and lifestyle protection<br>• How will E&S reviews required prior to onboarding affect me<br>• Streamlining and ease of banking<br>• Support for business growth. | • Enhancing our offerings especially in payments, investment, and insurance<br>• We have launched new digital loans that include built-in covenants, based on previous customer behaviour allowing for automatic loan issuance up to a defined limit<br>• Using technology to deter fraud and safeguard customer accounts in addition to several other fraud prevention mechanisms<br>• Provide ongoing communication to customers to prevent them from being victims of social engineering related activities<br>• We engage and educate customers during the onboarding process<br>• Run trade missions for customers further offering them platforms to engage with other businesses in the region and globally<br>• Launching our insurance subsidiary (ELAK) providing inclusive, innovative, and affordable customer protection<br>• Creating green finance products for our customers to allow them to walk a sustainability journey with us<br>• Using business meetings to disseminate information to customers<br>• Continuing to provide customer trainings and skills enhancements to better manage their financial resources and businesses. |

## Material themes (continued)

| Stakeholder | Stakeholder concerns raised in 2022 | Our Response |
|---|---|---|
| Our Employees | • Understanding changes made in the approved medical cover and first line provider and whether services availed will be at par with and not worse than the previous services<br>• Adjusting to returning to work in the office and whether work from home remains an option<br>• Understanding of the ARRP and what is required to deliver on it<br>• Need to be upskilled on changing operational structure and new products being launched<br>• Need more training on E&S risks and how to engage customers on this aspect | • Communicated advantages of the new medical cover and provider including cost benefits and access to high quality care.<br>• Provided for wellness concerns on return to office. Also communicated the preference to working in the office to enable performance, collaboration, and engagement. An appropriate Remote working/Work from Home/Hybrid workplace policy developed.<br>• Utilising the induction process to sensitize employees on our strategy and approach to business and community sustainability.<br>• Ongoing articulation of our strategic intent as an organisation<br>• Make use of regional conventions and Subsidiary Executive Roadshows to communicate, employee can engage with the CEO and leadership.<br>• Improving employee performance management including a revamped balanced score card approach<br>• Engage with employee during performance appraisals<br>• Make use of publications and the intranet to disseminate information.<br>• Making use of learning platforms.<br>• Communicate ways to contribute and participate in Equity Social Impact investments activities.<br>• Building skills set to ensure we education our customers on the need for E&S screening.<br>• Rolled out specialised ESG training programme.<br>• Continued training and development programme focused on women, especially in management. |
| Society and Communities | • Information and opportunities to participate in Equity Social Impact investments activities<br>• Empowerment of supply chains | • We communicate activities through our newsletters, radio / tv shows, face to face meetings in the branch, social media, regular meetings, customer dinners and lunches, various publications<br>• We have a clear mechanism for identifying participants to our projects<br>• We make use of customer testimonials to demonstrate our contribution to society<br>• We have partnered with the UN Global Compact to adopt and roll out a curriculum to empower our supply chain |
| Regulators and Policy Makers | • Management of emerging risks<br>• Collaboration to enhance levels of financial inclusion<br>• Collaboration to accelerate the performance to contribute to the SDGs | • Updated our Enterprise Risk Management Framework and cascading through the Group to identify and respond to emerging and new risks<br>• Regular and consistent engagement with regulators on issues of interest to them<br>• Providing thought leadership to the regulator to enhance broader sector performance<br>• Signed partnership with the United Nations to accelerate regional governments contributions to achieving the goals set under the SDGs<br>• In supporting the SDGs, we are leveraging our network and broad footprint, and continue to focus on financial inclusion and economic development pre country of operation |

# UNPACKING OUR VALUE CREATION STRATEGY CONTINUED

## Risk Statement

> *"Executing on the vision and mission of the Bank to achieve the set objectives entails effective identification and management of a wide range of risks spanning strategic and operational as well as financial and non-financial."*

During 2022 we continued to implement the Bank's Enterprise Risk Management Framework to identify, assess and manage risks in every department and business segment. The ERMF sets out the Bank's approach to identification, assessment, monitoring, mitigation, and reporting risks that can positively or negatively impact achievement of the Bank's Strategic Plan and/or the continuing operations. The ERMF enables forward-looking risk management and risk-informed decisions across all levels of the Bank, thereby maximizing gains while avoiding unnecessary losses, and is anchored on a risk culture cultivated by the Board, that encourages open communication and transparency on all aspects of risk management. The Bank applies the Three Lines of Defense model to the day-to-day risk management activities.

The Bank acts in accordance with its risk appetite statement to achieve its strategic goals and objectives in pursuit of its purpose to become "the champion of the socio-economic prosperity of the people of Africa." The Bank strives for a sound risk culture and adherence to its values and principles to effectively manage risks, promote a culture of integrity, high ethical standards and achieve compliance with internal policies and risk appetite as well as laws and regulations.

The ERMF is supported by frameworks covering the risk management approach for individual principal risk types (PRTs), and policies and standards aligned to the PRTs. Policies set out the key control requirements for the management of risks while standards set out the approach for meeting the core requirements in policies. The ERMF, PRT frameworks, policies and procedures together comprise the Bank's control framework.

## Principal Risk Types

The Bank's activities are exposed to various risks of which the principal ones are the following:

- Strategic risks due to ineffective business strategies, improper implementation of business strategies, or a lack of responsiveness to changes in the business environment.
- Capital risks resulting in insufficient capital to carry out the bank's strategy and satisfy regulatory capital adequacy requirements.
- Liquidity and funding risks resulting in insufficient stable or diverse sources of funding to meet financial obligations as they fall due, without raising funds at unfavorable rates or resorting to distressed sale of assets or central bank support.
- Country risks due to adverse political or economic events in a country.
- Credit and counter party risks due to failure of a borrower or counter party in a transaction to meet its agreed payment obligations to the Bank.
- Market and structural risks caused by adverse movements in market factors such as interest and exchange rates, or other prices affecting activities undertaken by the Bank.
- Operational risks due to inadequate or failed internal processes, people, and systems or from external events including legal risks
- Technology risks relating to failure of the Bank's technology to deliver the expected services due to inadequate or deficient systems/process developments and performance or inadequate resilience or security
- Information and cybersecurity risks relating to the loss of confidentiality, integrity, or availability of information, data, or information (or control) systems.
- Model risks resulting in adverse consequences including financial loss, poor business and strategic decision-making, or damage to the Bank's reputation arising from decisions based on incorrect or misused model outputs and reports.
- Compliance risks resulting in negative impact to business activities, adverse impact to customers and other stakeholders, or regulatory relationships through failure on our part to comply with laws or regulations.
- Financial crime risks leading to legal or regulatory penalties, material financial loss or reputational

## Risk Statement continued

damage due to failure to comply with applicable laws and regulations relating to anti-money laundering, and international and domestic sanctions

- Conduct risks resulting in detriment to the Bank or its customers, investors, shareholders and other stakeholders from inappropriate supply of financial services or through willful or negligent misconduct

- Reputational risk due to negative perceptions on the part of customers, counterparties, investors, debtholders, regulators and other stakeholder, whether justified or not, regarding the Bank's business practices, actions, or inactions, will adversely affect the Bank's ability to maintain existing, or establish new business relationships and continued access to sources of funding leading to a decline in the institution's value, brand, liquidity, or customer base

- ESG/climate risks due to failure to identify and manage climate change risks including extreme weather events, long-term progressive shifts of climate, transition towards a lower-carbon economy and activities having negative environmental impacts

- Fraud risks due to the intentional acts, misstatements, or omissions of internal or external parties, including misrepresentations that knowingly or recklessly mislead or attempt to mislead, with a view to obtaining a financial or other benefit or to avoid an obligation

- Bancassurance risks due to actual experience emerging differently from the expected in insurance product pricing or reserving occasioned by adverse fluctuations in timing, actual size, and/or frequency of claims mortality, morbidity, policyholders' behavior, or associated expenses incurred or other causes

Each of the above-mentioned Principal Risk Types is managed through distinct Risk Type Frameworks (RTFs) that document the overall risk management approach for their respective PRT to ensure resilience to risk events. Senior experienced risk officers appointed and designated as Risk Framework Owners are responsible for maintaining the Risk Type Frameworks and policies and providing second line oversight and challenge of risk management activities performed by the First Line of Defense.

### Risk Governance

The Board of Directors has ultimate responsibility for risk management. It is supported and advised by the Risk Committee which oversees the management of current and future risks in line with the risk appetite approved by the Board.

### Key developments in 2022

During 2022 we enhanced our risk management to ensure timely and appropriate responses to the effects of major external events and ensure operational resilience. The events included rising inflation and interest rates, Russia/Ukraine war, global and regional geopolitical tensions, continuing COVID-19 impacts, drought across Eastern Africa and weakening domestic currencies caused by volatility in international financial markets. These challenges look set to continue during 2023 with adverse impact on future economic growth and subsequently on the Bank's customers.

1. We enhanced monitoring of financial risks considering the rising inflation and significant volatility in domestic and international financial markets. Stress tests and portfolio reviews were used to identify vulnerable borrowers, industry sectors and segments impacted by the sharp rise in inflation and interest rates, rapid depreciation of local currencies, supply chain disruptions and commodity volatility and foreign exchange shortages. These exposures continue to be tracked through the Watchlists monitoring process. Review of the treasury portfolio led to a revised risk appetite and reduced limits where appropriate, as well as new qualitative and quantitative risk triggers and exposure management strategies. We are focused on diversifying funding sources and further strengthening liquidity buffers. The Bank remains resilient because of these actions as evidenced by the strong asset quality and liquidity and capital buffers.

2. In the face of rapid changes in the cybersecurity landscape globally we increased focus on the security of our technology systems and the data they contain. Furthermore, we continued to improve the stability and availability of IT systems to support the rapid growth in customer transaction volumes as digital products and services continued to be rolled out. The Board approved a new Bank Technology, Information and Cybersecurity (TICS) Risk Framework as well as a multi-year cybersecurity program to strengthen the prevention and protection, monitoring and detection, response and recovery, as well as governance, risk and control. Furthermore, substantial investments were approved

# UNPACKING OUR VALUE CREATION STRATEGY CONTINUED

## Risk Statement continued

to modernize and expand the core IT infrastructure and applications and improve resilience. The Board is regularly updated regarding the progress of this program and other key IT change initiatives as well as the results of cybersecurity testing exercises, internal controls testing, vulnerability assessments and penetration testing. The cybersecurity training and awareness program was enhanced and rolled out for all employees during 2022 including mandatory eLearning and phishing exercises.

3. We strengthened our capacity in the fight against financial crime by increasing the bench of technical experts, rollout of revised risks frameworks and policies as well as procedures, ramping up training and enhancing automated systems for customer and transaction screening, customer risk rating and transaction monitoring. We continue to enhance the safety and security of digital and third-party channels to control risks associated with AML & CFT and sanctions as well as external and internal frauds. Furthermore, we are automating back-office operations and strengthening internal controls.

4. We enhanced conduct risk management and established governance around conduct risk & data protection risk and the bank is committed to comply with the new gazetted consumer protection regulations in November 2022 and data protection law requirement. With that Bank established policies and procedure to identify, assess, control and monitor the risk presented during risk assessment. Furthermore, Bank enhanced governance around consumer protection and data protection and established technical security control towards protecting the subject data information and treatment of all customer fairly. The bank recruited data protection expert to enhance the data privacy of our customer and other stakeholders and the bank achieved milestone to get license for Data controller after full-filling all requirement.

5. We increased focus on third party risk management and business continuity management. We identify, assess and control the risks presented throughout the lifecycle of the relationship with third parties, in particular the providers of technology and other services necessary to support delivery of the Africa Recovery and Resilience Plan.

6. The Bank ESG & Climate Risk Framework and associated policies were approved by the Board during 2022 and a Head of credit risk was appointed as First Line of Defense on Sustainability to:

   - Ensure ESG & Climate risk is considered during development of the strategic plan, and formulate strategies for meeting the Bank's strategic goals and objectives ensuring that risks and opportunities are taken into consideration.
   - Provide guidance on change initiatives required to implement the Bank's ESG & Climate risk plans.
   - Provide advice and support on opportunities and options that may be pursued for the Bank's sustainability development and continuous improvement.
   - Support subsidiaries, business divisions and functions in management of ESG & climate risks

   A Head of credit risk has been appointed to oversee First Line of Defense identification and management of ESG and climate risks and ensure appropriate reporting and disclosure. The Bank identifies and manages ESG and climate risks using a risk-based approach. Borrowing customers are subjected to environmental and social (E&S) risk reviews if their activities and/or transactions fall within the scope of the E&S Risk Policy and Standards. Those presenting increased ESG and climate risks are further assessed to understand the customers' willingness and capacity to manage the risks. Significant ESG and climate risks are escalated to the Board for approval prior to permitting transactions. Enterprise risk management function is the second line of defense to ESG risk and It has oversight on ESG risk. The function support the first line of defense to have effective ESG risk identification, assessment, control , monitoring and reporting and ensure all ESG risk are well mitigated within risk appetite. The function on quarterly basis update the Board the ESG risk management progress for Board oversight. Customers are subjected to enhanced monitoring and reporting where their activities present material ESG and climate risks, to ensure the risk is controlled at acceptable levels. Activities assessed to carry very high E&S risk are specifically avoided. The "Exclusion List" is periodically reviewed, updated and communicated internally and relevant controls are in place to ensure compliance.

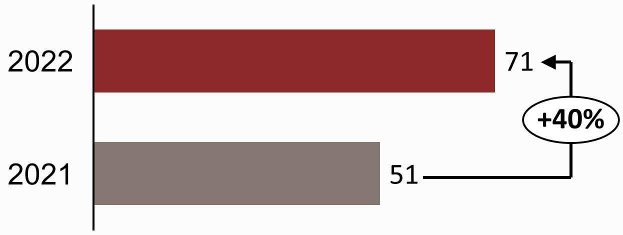
7. We rolled out the Model Risk Framework and recruited experienced personnel. We have commenced internal validation of existing models with priority being given to material models used for business and regulatory purposes.


*Equity Rwanda Plc head of IT and Business transformation, Carole Karema in a discussion with schoolars during the 2nd Cohort of the Equity Leaders Program bootcamp.*

# DELIVERING VALUE THROUGH STRATEGY

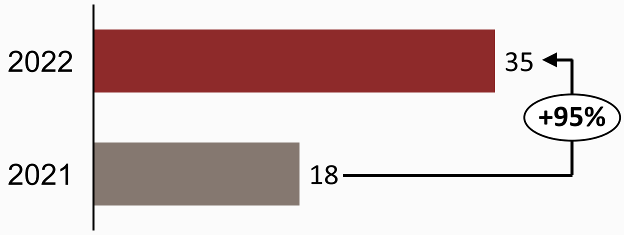
## Key financial highlights 2022

**Total Revenues Rwf Billions**



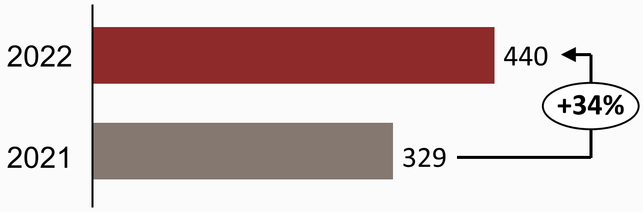

**Loans Rwf Billions**


**Profit Before Tax Rwf Billions**



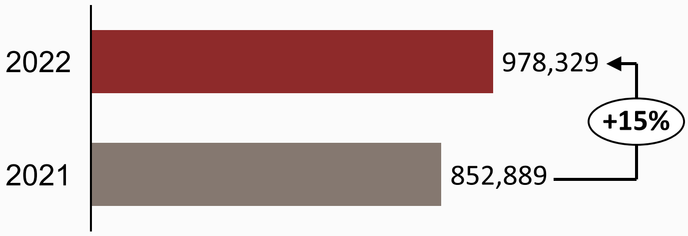

**Share Holders Funds Rwf Billions**


**Deposits Rwf Billions**

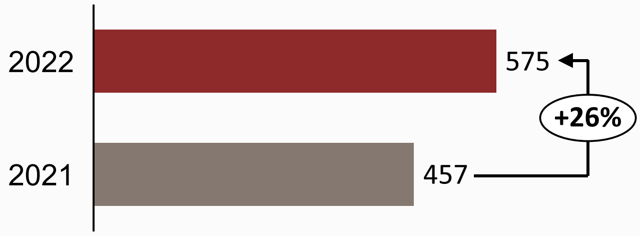



**Employee Numbers**


**Customer numbers**




**Total Assets Rwf Billions**



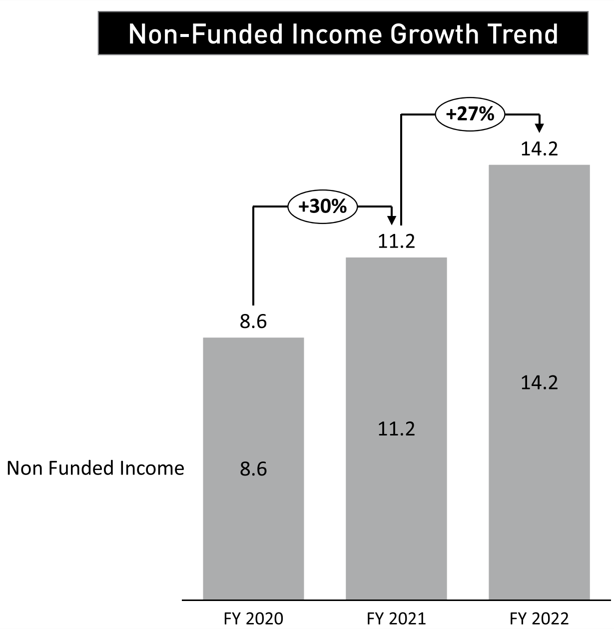
# DELIVERING VALUE THROUGH STRATEGY CONTINUED

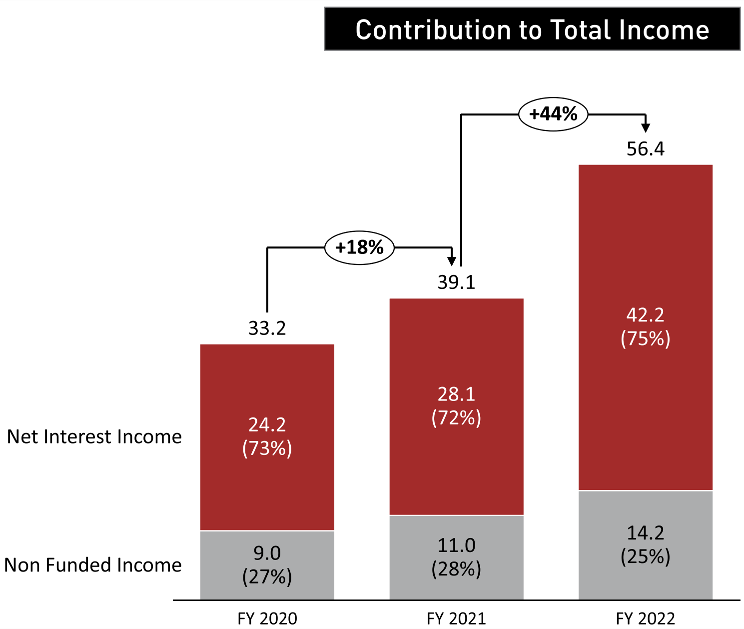
## Key financial highlights 2022

### Focus Area 1: Non-funded income

Non-funded income grew by 27% from RWF 11.2bn for the year 2021 to RWF 14.2bn for the year 2022. These fees include SWIFT income, Trade finance, mobile banking fees, bank transaction fees and bancassurance.

It is a critical component to our strategy that seeks to diversify revenue streams, improve our income mix, and improve the quality of earnings and is more sustainable since it has a variable cost component and does not include risk-weighted assets. For the year 2022, Non-funded income contributionto total income was 25%.

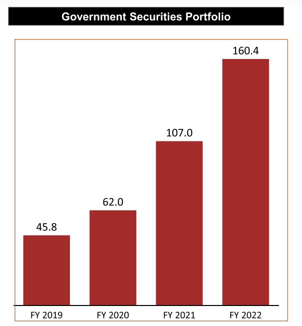


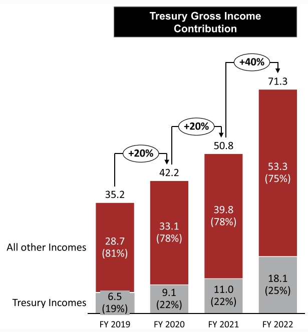



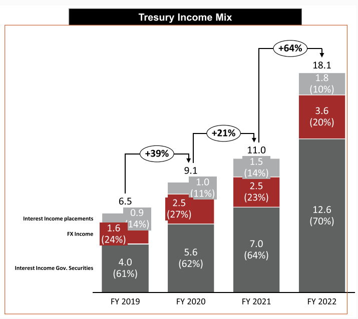

### Focus Area 2: Treasury efficiency

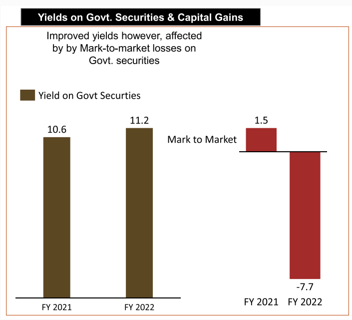
Treasury continues to be a strategic business function across all areas of the business, adding value to the operating divisions of the Bank.

During the year ended 31 December 2022, treasury income contribution was 25% of the total income. Of this, 70% was interest income from trading in government securities, 20% from FX and 10% was from interest from money market.



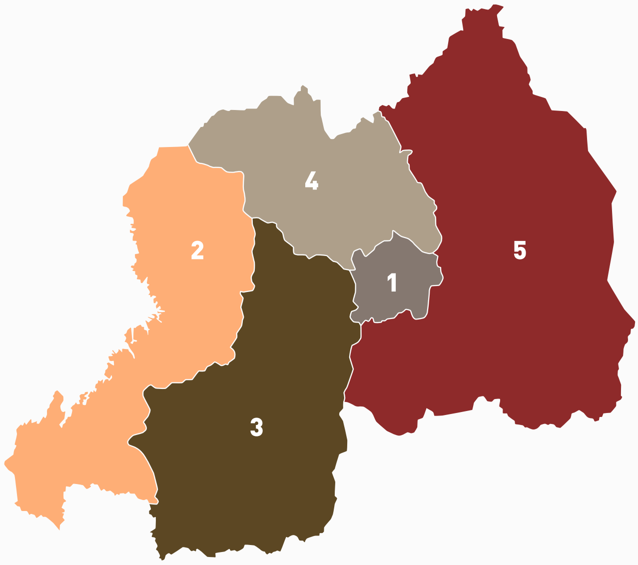



## Key financial highlights 2022

### Focus Area 3: Geographic Expansion and Business Diversification

The bank continued to expand using physical and digital tools. During the year 2022, The bank opened its 16th branch in Nyagatare - Eastern province. This was supported by additional 124 agents distributed across the country.

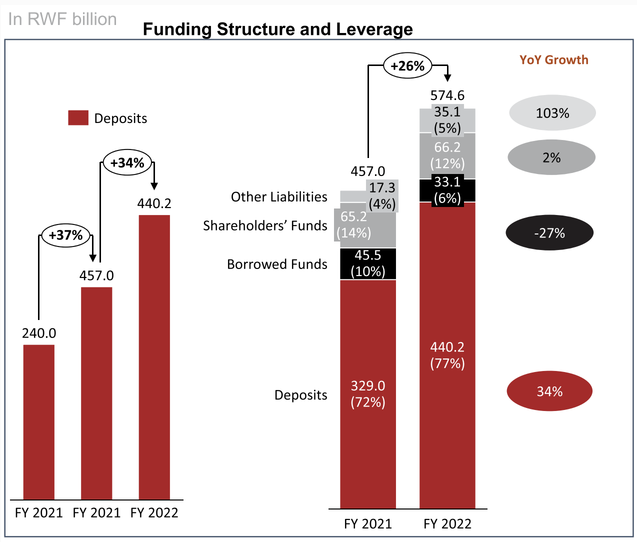
| Branch distribution Per Rwanda Provinces | |
|---|---|
| 1. Kigali | 9 |
| 2. Western | 2 |
| 3. Southern | 2 |
| 4. Northern | 1 |
| 5. Eastern | 2 |
| Total | 16 |

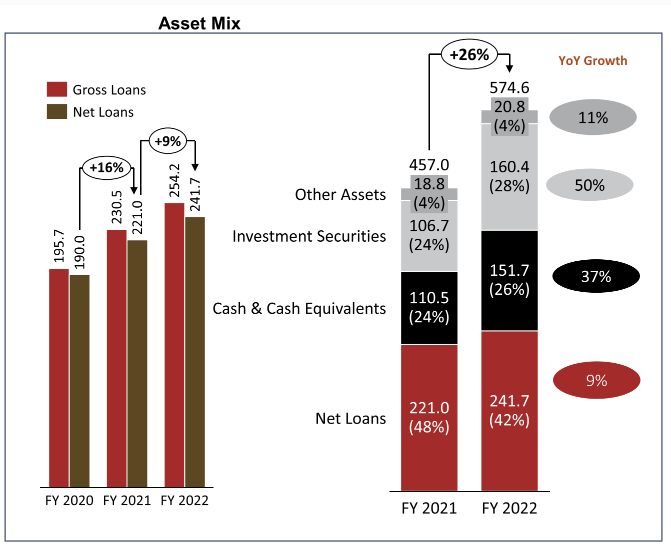



### Focus Area 4: Balance-sheet efficiency, optimisation and agility

Our balance sheet remains agile, enabling us to invest excess liquidity as opportunities arise. During the year we allocated to government securities Frw 160.4 billion. Our liquidity coverage ratios averaged 289%.

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.



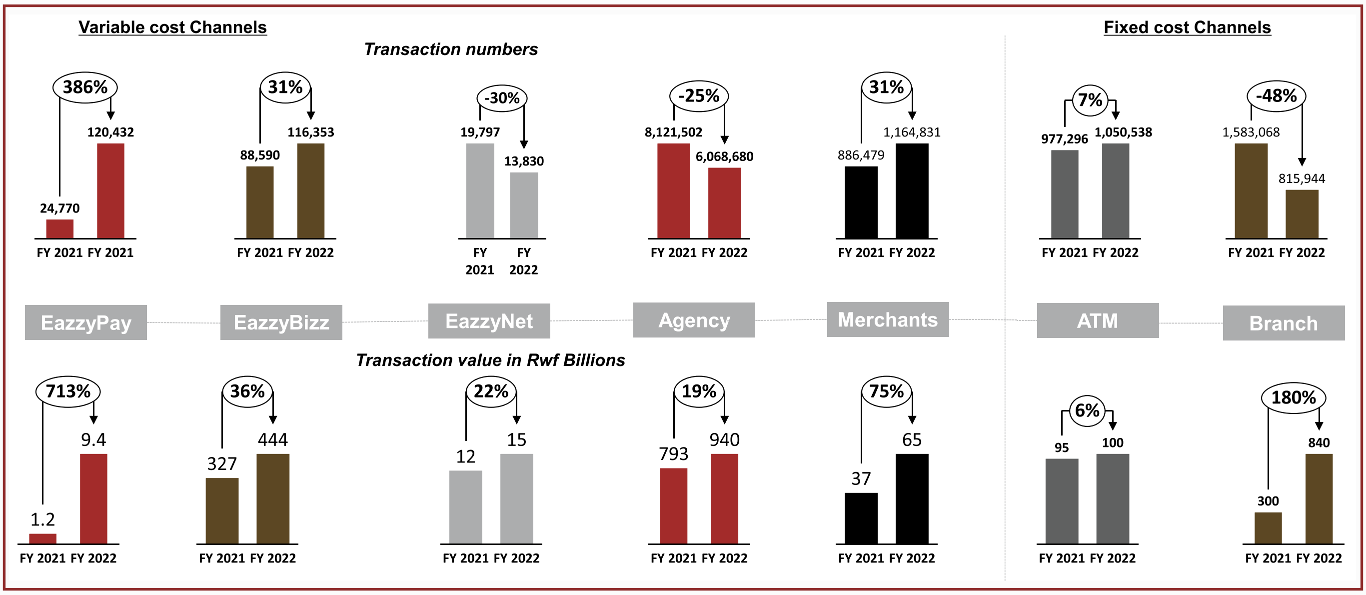



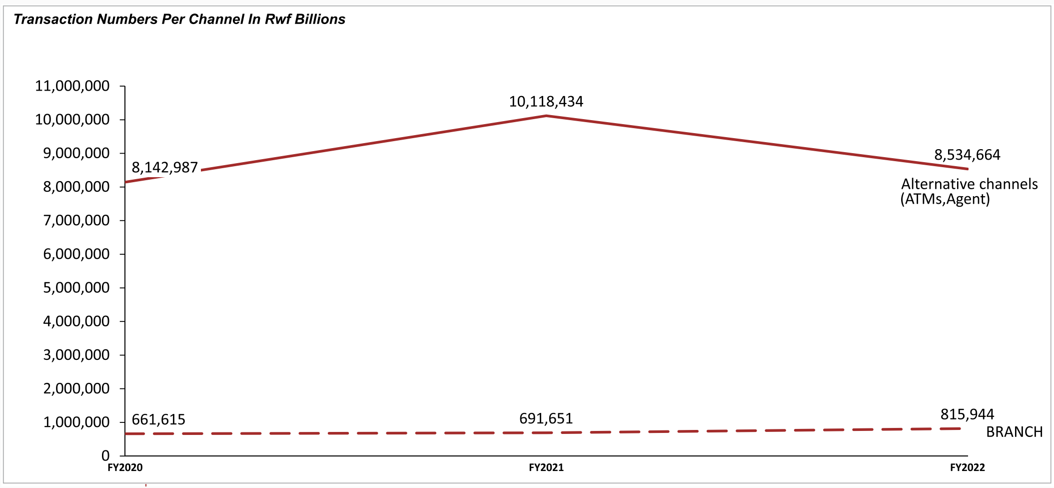
# DELIVERING VALUE THROUGH STRATEGY CONTINUED

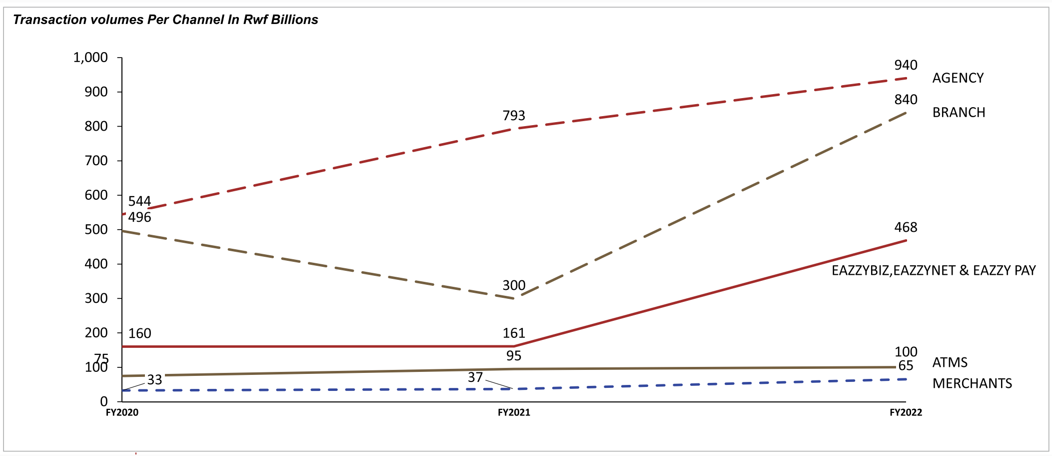
## Key financial highlights 2022

### Focus Area 5: 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.



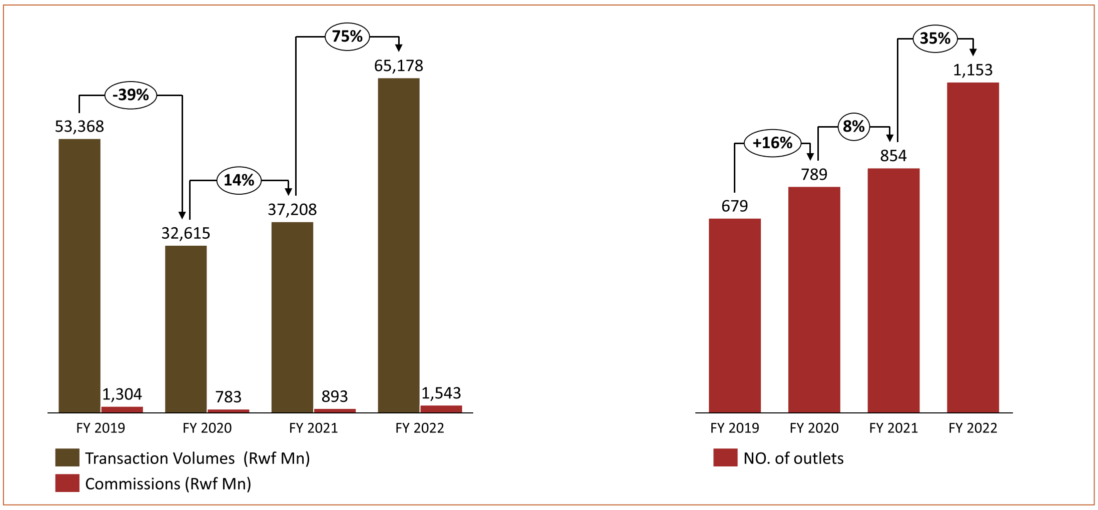




Technology is a key aspect of how we manage our business and deliver value for stakeholders. In line with the ARRP, we are committed to advancing digitisation and delivering innovative solutions that enable us to reach last mile customers across the country. We have continued to improve our digital offerings. For example, 91% of all transactions were done on our channels other than branches. Our aim is to move all our products and services onto digital channels.

## Key financial highlights 2022

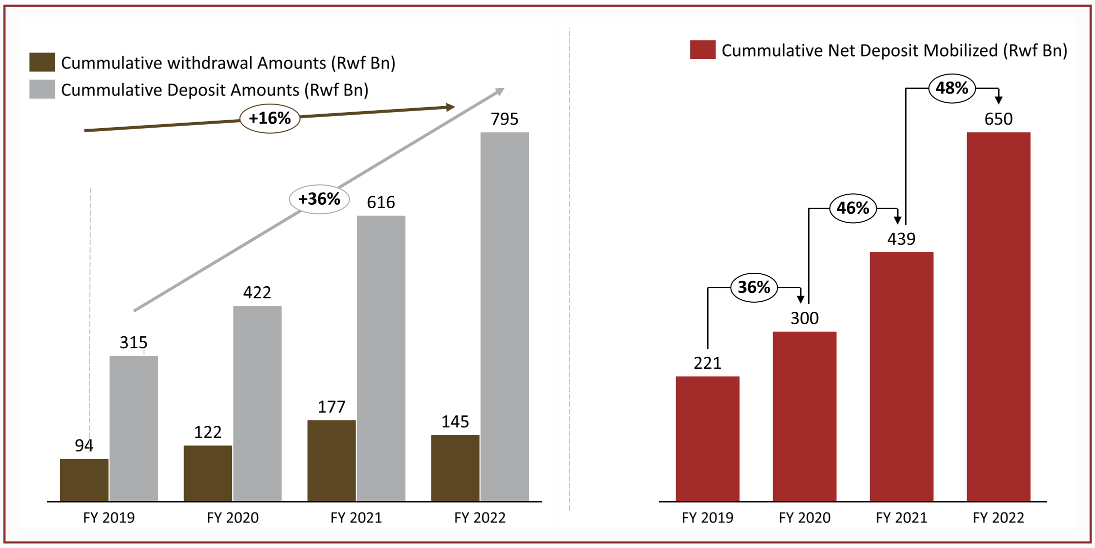
### Cards and merchants

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




Money Transfer (MT)

Agency Banking Transaction numbers and volumes

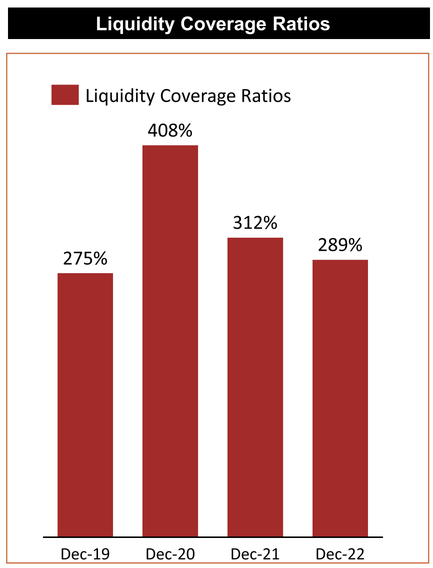


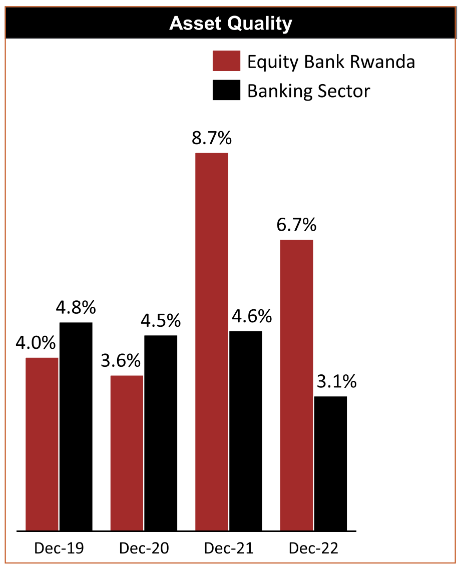
# DELIVERING VALUE THROUGH STRATEGY CONTINUED

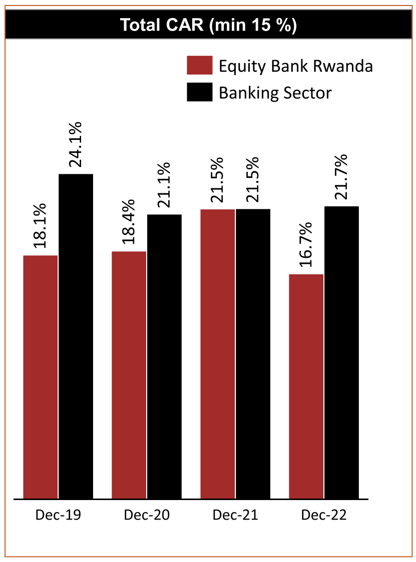
## Key financial highlights 2022

### Focus Area 6: Asset quality, distribution and risk mitigation

We closed the year with an NPLs ratio of 6.7% against an industry average of 3.1%. The Bank continues with proactive customer relationships and engagement.

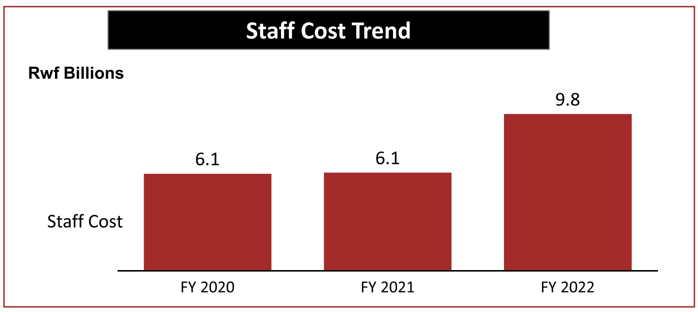


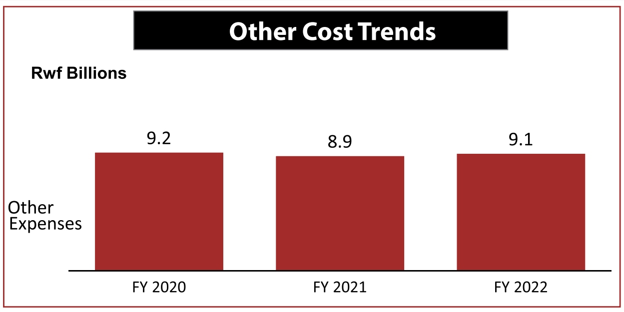



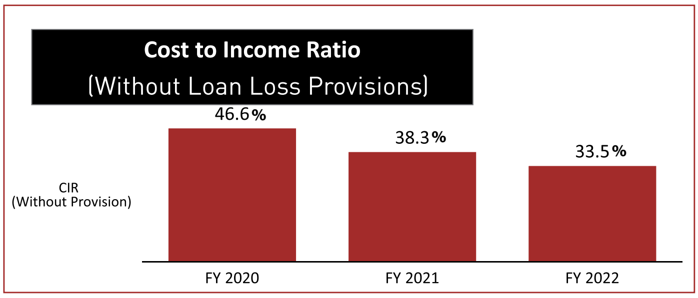



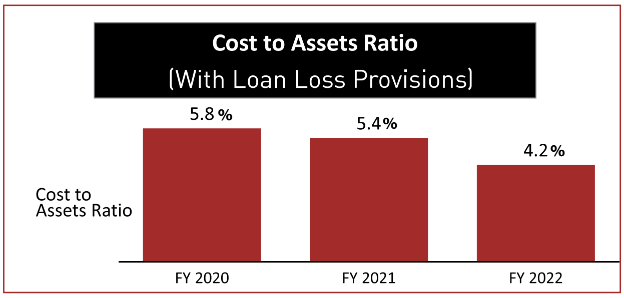

### Focus Area 7: Efficiency and cost optimisation

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.



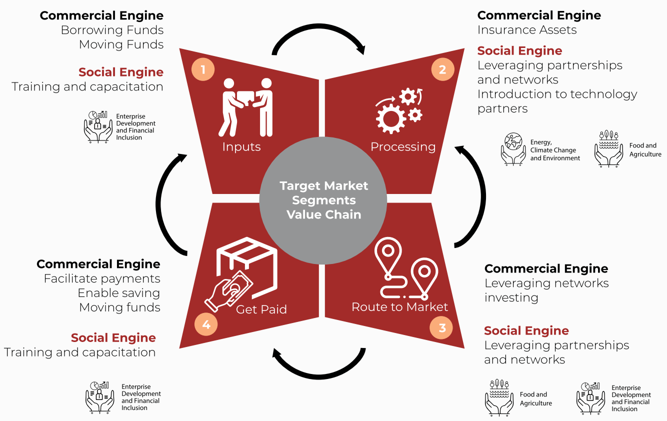



# DELIVERING VALUE THROUGH STRATEGY CONTINUED

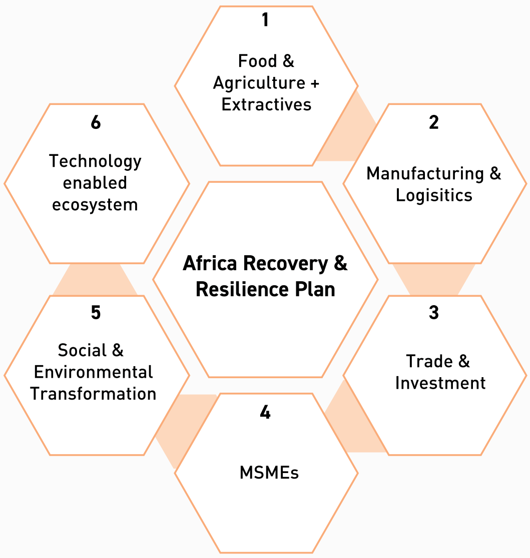
## Our value-creating business model

Our twin engine business model portrays how we deploy our capitals to create sustainable value for stakeholders in line with our strategy. We operate an inclusive, high volume, low margin, digital and experiential, agile and quality-driven business model.

| Our inputs | | | Outcomes |
|---|---|---|---|
| **Financial capital**<br>Our assets and reserve of funds | • Total assets Rwf 574.627bn<br>• Deposits Rwf 440.185bn<br>• Rwf 66.235bn shareholders funds | **The activities we undertake to create sustainable value in the short, medium, and long term, aligned to the needs of our customers along their value chain.**<br> | **Financial capital**<br>• Total revenue Rwf 71.33bn<br>• Profit Before tax Rwf 34.778bn<br>• Loans disbursed 146bn<br>• Rwf 133Mn on social impact interventions<br>• Rwf 9.86bn spend on procurement |
| **Human capital**<br>Our employees, together with their individual and collective competencies, abilities, experience, and expertise | • Highly skilled and experienced leadership<br>• Motivated and competent employees<br>• High performance culture<br>• A highly diversified staff complement<br>• 454 employees<br>• 97% staff retention rate | | **Human capital**<br>• 454 employees<br>• 97% staff retention rate<br>• Enhanced Employee Value Proposition (EVP)<br>• Rwf 9.8bn spend on employees.<br>• 454 employees trained.<br>• 81,478 cumulative training hours attained.<br>• Enhanced performance management<br>• Workforce with enhanced skills capacity |
| **Intellectual capital**<br>Our proprietary procedures and intellectual property (IP), knowledge, policies, vision, mission, purpose and the value of our positioning, brand, and reputation | • Dual engine model<br>• Africa Recovery and Resilience Plan<br>• Deployment of Digital channels<br>• Proprietary technology<br>• Strong governance structure<br>• Management systems | | **Intellectual capital**<br>• Rwf 12,244Mn disbursed through digital lending.<br>• 284,280 digital loans issued.<br>• 38.36% cost-to-income ratio<br>• 390K active customers on mobile Banking |

# DELIVERING VALUE THROUGH STRATEGY CONTINUED

## Our value-creating business model

<table>
<tr><th colspan="2">Our inputs</th><th></th><th>Outcomes</th></tr>
<tr><td>Manufactured Capital<br>Our infrastructure that underpin our operations</td><td>• Presence in all provinces in the country<br>• 16 branches<br>• 22 ATMs<br>• 1,775 POS machines<br>• 3,455 Agent Outlets</td><td rowspan="3">Business strategy<br>Our overarching strategy which underpins the objectives we seek to achieve as we pursue our purpose and create stakeholder value.<br><br></td><td>Manufactured Capital<br>• 978,329 customers 15% growth YoY<br>• 1 new branch opened in Nyagatare.<br>• 3,455 agents</td></tr>
<tr><td>Social and relationship capital<br>The partnerships and associations we build with third parties, providers and suppliers, our communities and stakeholders, and the mutual benefit that this brings</td><td>• Leveraging our extensive partnership network<br>• RWF 1.3bn provided by risk partners</td><td>Social and relationship capital<br>• 34 scholarships through ELP<br>• 9,000 individuals from different business sizes in different business disciplines and practices.<br>• MSMEs benefitted from training, mentorship, coaching, access to finance and Business Development Services program.<br>• Farmers reached through trainings, mentorship, and linkage to markets and financial services.<br>• 34,851 beneficiaries reached through social protection (Refugees)<br>• Additional partnerships onboarded</td></tr>
<tr><td>Intellectual capital<br>Our proprietary procedures and intellectual property (IP), knowledge, policies, vision, mission, purpose and the value of our positioning, brand, and reputation</td><td>• Dual engine model<br>• Africa Recovery and Resilience Plan<br>• Proprietary technology<br>• Strong governance structure<br>• Management systems</td><td>Intellectual capital<br>• 5.500 trees planted.<br>• Clean energy products rolled out in 2022.</td></tr>
</table>

## Our approach to stakeholder management

### Managing our stakeholders

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

> *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.

## Engaging with our stakeholders in 2022

| Key concerns | Communication methods | The value we create |
|---|---|---|
| **Shareholders and investors** | | |
| > Efficient capital allocation as we expand<br>> Sustainable growth and payment of dividends<br>> Sustainability considerations into our business practices<br>> Strong and experienced management team<br>> Transparent reporting and disclosures | > Annual General Meeting<br>> Investor conferences, and meetings<br>> Newspaper publications<br>> Annual financial statements<br>> Investor relations section on the website | > Delivering by increasing net asset value and net earnings<br>> Continuous engagement to ensure full disclosure and open communication to inform their investment decisions<br>> 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<br>> Payment of dividends, enabled by the growth resulting from our strategic decisions in the prior year<br>> 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<br>> Excellent customer service<br>> Innovative solutions that address growing customer needs | > Contact Centre, branches and online platforms and apps<br>> EBR plc website > Facebook and Twitter platforms | > Safeguarding deposits, investments, and wealth, while growing returns<br>> Providing credit that enables wealth creation, economic development and job creation<br>> Facilitating transactions that are the backbone of economic value exchange<br>> Enabling financial inclusion by providing access to affordable products for the underbanked |

# DELIVERING VALUE THROUGH STRATEGY CONTINUED

## Engaging with our stakeholders in 2022 (continued)

| **Employees** | | |
|---|---|---|
| > A safe and healthy work environment<br>> Fair remuneration, effective performance management and recognition<br>> Career development and advancement opportunities | > Internal website<br>> Equity newsletter<br>> Employee surveys<br>> Leadership mentorship forums | > Employing citizens in the jurisdictions in which we operate<br>> Rewarding staff for the value they add<br>> Creating job opportunities as we grow<br>> Developing our staff to further their careers and improve our services and products<br>> Promoting transformation into an inclusive society through employment equity and gender equality<br>> Motivating and energising our workforce |

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

*Alice Rwigema, the Kigali branch manager hands a gift to a customer during the customer service week*

# SOCIAL INVESTMENTS AND SUSTAINABILITY

# SOCIAL INVESTMENTS AND SUSTAINABILITY

The Equity Bank Rwanda Plc Head of Strategy, Investment and Social Impact, Ms Dianah Mukundwa, gives insights into the bank's investments in the country's social landscape and the impact created with such interventions.

Equity Bank Rwanda Plc (EBR), since its establishment in 2011, has exercised responsible business practices manifested through different Corporate Social Responsibility (CSR) initiatives steered through the Equity Social Impact investments which was established in 2008 at the Group Head Offices in Kenya. Deliberate implementation of CSR initiatives in Rwanda started in 2021, following a number of scoping studies.

> *"Equity Bank Rwanda Plc CSR is not only an avenue for showing its social side of the business but it also offers an opportunity to build a strong brand reputation, improve customer retention, customer loyalty and promote a strong stakeholder bond which drive business growth."*

The Bank's social investments are hinged on two engines: The Commercial Engine and the Social Engine, which were adopted from the parent Equity Bank, Kenya, with an ultimate goal of socially transforming the lives of the people in Africa.

The social engine of Equity Bank Rwanda Plc strategy is founded on the bank's social and relationship capital, and the conception, structure, capacity and activities of the Equity Social Impact investments, which is a core component of our human, intellectual and social and relationship capitals. Equity Social Impact investments activities are carried out in alignment with all 17 of the United Nations' Sustainable Development Goals (SDGs), and implemented through initiatives, projects and partnerships among the communities where the Bank operates and serves.

*(L) Dianah Mukundwa, Head of Strategy, Equity Social Impact investments, (M) National Examination and School Inspection Authority, Director General, Dr Bernard BAHATI and (L) Equity Bank Rwanda Plc MD, Hannington Namara receiving Senior Six National Leaving Exams of best performing students.*

# SOCIAL INVESTMENTS AND SUSTAINABILITY CONTINUED

## Equity Bank Rwanda Plc CSR Pillars

Equity Bank Rwanda Plc did not reinvent the wheel, but adopted the already EGF-established pillars which were customized to fit in the local context. These are:

1. Education and Leadership development
2. Food and Agriculture
3. Social Protection
4. Energy and Environment
5. Enterprise Development and Financial Inclusion
6. Health
7. Women Banking

## 1.Education and Leadership Program

Education is the bedrock of social and economic development. For many poor families, education for their children, especially for the academically gifted, offers the only hope for breaking the cycle of poverty. The Education and Leadership Program therefore supports communities to increase access to and transition through secondary and tertiary education.

The Education and Leadership Program has two programs: The Equity Leaders' Program (ELP) and The Wings to Fly. In Rwanda, the bank started with implementing the Equity Leaders' Program.

The Bank engages the Ministry of Education, expressing willingness to support two top-performing senior six students in the general curriculum, a boy and a girl, from all districts across the country. Local authorities and National Examinations Authority participate in the selection process. The selected students are taken to a one week boot-camp where they are inducted and trained in the banking culture, mentored and taken through leadership training, facilitated by both internal and external mentors.

The students spend about four months as fully paid Equity Bank Rwanda Plc interns, accessing the Bank's infrastructures and benefits, ushering them on the path of transforming their lives. The next step is onboarding them onto college counselling, preparing them to sit for exams that enable them join international universities. Today, Equity Bank Rwanda Plc is supporting Rwandan students at Harvard, Princeton and Boston Universities in the bank's first year of implementing ELP. Even after joining universities in different parts of the world, students get monthly leadership training, convened online, supported by highly reputable mentors and trainers. During holidays, they do paid internship.

Trainees also create chapters through which they are encouraged to give back to their communities. The two chapters are Huye and Kigali Chapters.

The first cohort of students that joined the bank in 2021 has 32 and the 2022 cohort has 34 students, bringing the total to 66.

On completion of their studies, students will be sent back to serve in Equity Bank branches in their respective communities where they were born and raised. This helps in strengthening their younger relatives and friends' quest for education and attracting them to the bank.

By providing such opportunities to the Rwandan children, the bank supports Rwanda's National Strategy for Transformation to transform Rwanda into a middle-income knowledge-based economy, and attaining the Sustainable Development Goal 4 of ensuring inclusive and equitable quality education and promote lifelong learning opportunities for all by 2030.

*Equity Leaders Program Cohort 2 scholars participants.*

*Equity Leaders Program Cohort 2 scholars singing the Equity anthem (benki benki) at the scholars' commissioning event.*

## 2. Food and Agriculture

The Food and Agriculture pillar helps create jobs, improve market access, and expand agricultural production by working in partnership with small and medium-sized farmers to increase their production capabilities, farming as a business, and access to technology and financial services.

The bank carries out partnership engagement, to de-risk the agriculture portfolio. The bank lends to the farmers at very affordable interest rates, and gets partners that provide a cover and or guarantee to the bank, which attracts farmers to consume agricultural financial products.

The bank has worked with partners such as SPARK Gwiza, BRD, BDF, Enabel and AFIRR, to tap into the available guarantees for farmers.

The interventions are in line with SDG 2, to end hunger, achieve food security and improved nutrition and promote sustainable agriculture by 2030.

## 3. Social Protection

Under this pillar, the bank works with vulnerable communities, mainly in refugee camps to reduce social and economic risks and vulnerability, and alleviate extreme poverty through financial inclusion.

The bank has partnered with WFP, UNCDF and UNHCR, to provide card-based money transfer services by providing cards to the vulnerable individuals so that all the funding to the refugees is channeled through Equity Bank cards. The cards are used in the purchase of food and other items in the five refugee camps in Rwanda, and Equity bank is the only one offering such a service to 34,851 refugees.

*Equity Rwanda team with WFP, UNCDF and UNHCR officials at one of the refugees camps in Rwanda*

# SOCIAL INVESTMENTS AND SUSTAINABILITY CONTINUED

## 4. Energy, Environment and Climate Change

Under this pillar the bank promotes environmental conservation and the use of renewable energies and energy efficient technologies, positioning the bank to be a green institution to support green entrepreneurship. This is a new pillar which has, nevertheless, taken good strides, starting with the launch where all stakeholders in the green growth sector, including civil society organizations, government agencies, among others, were invited, and brought to speed about the green financing and other products offered by the bank.

Products have been developed to support accelerated adoption of Bio-gas, Liquefied Petroleum Gas and Improved Cooking Stoves; while studies on Water, Sanitation and Hygiene have been completed and the associated products being developed.

The bank held a tree planting activity in 2022 where over 5,500 trees were planted in Masaka, and around the country by the country branches.

Much energy and resources shall be expended by the bank in promoting climate smart farming, carbon emission reduction, carbon markets and carbon credit facilities.

*Equity Bank Rwanda Plc staff plant a tree during the tree planting activity in Ayabaraya site.*

*Equity Bank Rwanda Plc Managing Director, Hannington Namara plants a tree during the tree planting activity in Ayabaraya site.*

*Equity Bank Rwanda Plc staff join residents of Ayabaraya sector in a tree planting activity.*

## 5. Enterprise Development and Financial Inclusion

This pillar supports stimulation of job creation and economic development through three forms of training extended to the bank's clientele: Financial Literacy, Entrepreneurship Education and Digital Literacy, following internationally approved training modules such as Start and Improve Your Business (SIYB).

*A group of SMEs owners take a picture with their certificates at the end of the training in business management conducted by Equity Bank Rwanda Plc.*

The head office works with branches to identify SMEs, Micro enterprises, Medium, Small, Large and Corporate entities which need training.

The program provides a suite of services which include entrepreneurship training on marketing, record keeping, costing, business planning, people and productivity, stock control and buying; mentorship through one-on-one business consultations and local business improvement groups.

*Equity Bank Enterprise Development and Financial Inclusion Manager Bertin Kagabo training Micro Business Owners on Record Keeping.*

*A group of micro-business owners undergoing a financial literacy training session organised by Equity Bank Rwanda Plc.*

*Equity Bank Rwanda Plc MD, Hannington Namara handing over certificates to a group of micro-business owners after successful training.*

The bank has, since 2022, partnered with professionals and have trained and mentored 9,000 individuals in enterprise development and financial literacy from different business sizes in different business disciplines and practices.

*Africa 118 beneficiaries receiving business training certificates following training from Equity Bank Rwanda Plc.*

## 6. Health

The pillar supports the provision of affordable, high quality and standardized health services for all.

# SOCIAL INVESTMENTS AND SUSTAINABILITY CONTINUED

## 7. Women Banking Pillar

Equity bank Rwanda Plc is positioning itself as the women bank of choice. About 40% of the bank's loan portfolio belongs to women, 10% of who are in business.

**i. Igire na Equity**

From the commercial perspective, the bank has developed exceptional women banking products under the Igire na Equity; products that cater for and consider all women capabilities and status. The capability-based women banking products at Equity Bank include:

a. **Zamuka:** Between 5-15 members come together and do some savings. The bank can support Ikibina (group) members with Rwf50,000-1,000,000 as a loan facility which can be used for investment

b. **Terimbere:** As women graduate from Zamuka, they (group) qualify for a loan facility of between Rwf1-3.5million.

c. **Tinyuka:** Under this bracket, a woman that has been in business for at least six months, with demonstrated repayment capabilities can borrow Rwf700,000 to 3.5m from Equity Bank as an individual.

d. **Iyubake:** This is a product for women-managed SMEs that have been operational for at least twelve months. They can borrow between Rwf3.5-20m

e. **Icyizere:** For medium and large women enterprises where women can borrow Rwf20-70m

f. **Sugira:** For large women enterprises and can borrow Rwf70m and above.

**ii. Product Information Sessions**

In addition, special sessions are organized for women where they are informed about the bank products and how they can access them for their business growth. A total of 3,371 women have attended such sessions.


*Part of the panel during the Equity Women Forum*


*Entrepreneur Mushimiyimana Eugénie speaks to women at the Equity women breakfast*


*A group of women attending the inaugural mentor to mentee women breakfast*

# PROTECTING AND PRESERVING VALUE


*Programs Manager, Pascal Nkurunziza chats with scholars during the Equity Leaders Program*

# PROTECTING AND PRESERVING VALUE CONTINUED

## Our governance structures

> *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.*

Equity Bank Rwanda Plc is bound by the Rwanda Corporate Governance Framework which sets out a schedule of matters with the objective of ensuring effective governance across the Bank 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 N° 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 23/9/2017 governing the organisation of banking and all prudential guidelines and directions given by the National Bank of Rwanda.
- Law N° 007/2021 of 05/02/202117 governing companies and its implementing orders/ directives
- BNR Regulation N° 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 transform lives and livelihoods socially and economically 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 47.)

## 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.

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 the 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.

## 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

# PROTECTING AND PRESERVING VALUE CONTINUED

- 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 9.)

## 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 judgment 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 FY2022 Board evaluation was conducted, and the results noted for action, and the report filed with the National Bank of Rwanda (BNR) in March 2023.

## Board meetings

Board meetings were held on a quarterly basis in the months of February, April, July, and October 2022. During the year under review, there were no ad hoc meetings held.

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.
- Business Continuity management in a VUCA environment and post-COVID pandemic.
- The Board Evaluation Report.
- The Bank's performance; and
- Bank strategy and strategic initiatives.


*Equity Rwanda MD, Hannington Namara speaks to the press at the launch of Member campaign in Rwanda.*

## Board meeting attendance FY2022

| | 25TH FEB, 2022 | 26TH APR, 2022 | 21ST JUL 2022 | 28TH OCT, 2022 |
|---|---|---|---|---|
| 1. Col. (Rtd) Eugene Haguma Murashi, Chairman | √ | √ | √ | √ |
| 2. Mr. Hannington Namara, Managing Director | √ | √ | √ | √ |
| 3. Dr. Patrick Uwizeye, Member | √ | √ | √ | √ |
| 4. Mrs. Mary Wamae, Member | √ | √ | √ | √ |
| 5. Amb. George William Kayonga, Member | √ | √ | √ | √ |
| 6. Mr. James Mutuku, Member* | √ | √ | x | x |
| 7. Ms. Anita Umuhire, Member | √ | √ | √ | √ |
| 8. Ms. Belinda Bwiza, Member | √ | √ | √ | √ |
| 9. Mr. Andrew Rugege, Member** | x | x | x | √ |
| 10. Lydia Ndirangu, Company Secretary | √ | √ | √ | √ |

** Retired from the Board in the course of the year*

*** Joined the Board in the course of the year*

## 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
- 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.

The Committee is currently composed of three (3) independent and non-executive directors, two of whom are Certified Public Accountant.

**Audit Committee:**

| | |
|---|---|
| 1. Ms. Anita Umuhire | Chairperson |
| 2. Dr. Patrick Bugabo Uwizeye | Member |
| 3. Ms. Belinda Bwiza | Member |

The Audit Committee met 4 times during the year under review, and its key areas of focus were:

- Status of issues identified in Previous Internal and External Audit reports
- Status of issues identified in BNR on-site and off site examination reports
- Significant Internal Audit findings in Q1
- Board Audit Committee Charter
- Consideration and recommendation of audited financial statements for the period ended 31 December 2022
- Banking industry performance comparatives.
- Independence of the Auditor.

# PROTECTING AND PRESERVING VALUE CONTINUED

## Audit Committee meeting attendance

| | 24TH FEB, 2022 | 24TH APR, 2022 | 20TH JUL, 2022 | 27TH OCT, 2022 |
|---|---|---|---|---|
| 1. Ms. Anita Umuhire, Chairperson | √ | √ | √ | √ |
| 2. Dr. Patrick Bugabo Uwizeye, Member | √ | √ | √ | √ |
| 3. Ms. Belinda Bwiza, Member | √ | √ | √ | √ |
| 4. 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.

The Committee is composed of four (4) members, all of whom are non-Executive, with the remainder independent.

1. Ms. Belinda Bwiza, Chairperson
2. Mr. James Mutuku, Member
3. Col. (Rtd) Eugene Haguma Murashi Member
4. Ms. Anita Umuhire, Member

ALCO met 4 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
- Capital adequacy of the Bank
- Committee Charter

## ALCO meeting attendance

| | 24TH FEB, 2022 | 24TH APR, 2022 | 20TH JUL, 2022 | 27TH OCT, 2022 |
|---|---|---|---|---|
| 1. Ms. Belinda Bwiza, Chairperson | √ | √ | X | √ |
| 2. Mr. James Mutuku, Member* | √ | √ | x | x |
| 3. Ms. Anita Umuhire, Member | √ | √ | √ | √ |
| 4.Col. (Rtd) Eugene Haguma Murashi, Member** | x | x | x | √ |
| 5. Mr. Fernand Kamanzi, Secretary | √ | √ | √ | √ |

** Retired from the Committee in the course of the year*

*** Appointed to the Committee in the course of the year*

## 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.

1. Amb. William Kayonga, Chairperson
2. Ms. Belinda Bwiza, Member
3. Mrs. Mary Wamae, Member
4. Mr. Hannington Namara, Member

The Credit Committee met 4 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

## 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 four (4) members, all of whom are Independent Non-Executive Directors.

1. Dr. Patrick Bugabo Uwizeye, Chairperson
2. Mr. James Mutuku, Member.
3.Ms. Belinda Bwiza
4.Amb. William Kayonga

## Credit Committee meeting attendance

| | 24TH FEB, 2022 | 24TH APR, 2022 | 20TH JUL, 2022 | 27TH OCT, 2022 |
|---|---|---|---|---|
| 1. Amb. William Kayonga, Chairperson | √ | √ | √ | √ |
| 2. Ms. Belinda Bwiza, Member | √ | √ | √ | √ |
| 3. Mrs. Mary Wamae, Member | √ | √ | √ | √ |
| 4. Mr. Hannington Namara, Member | √ | √ | √ | √ |
| 5. Felix Ngio, Secretary | √ | √ | x | x |
| 6. Mrs. Chantal Mukandoli, Secretary* | x | x | √ | √ |

** Appointed secretary to the Committee in the course of the year.*

The Risk and Compliance Committee met 4 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

# PROTECTING AND PRESERVING VALUE CONTINUED

## Risk and Compliance Committee meeting attendance

| | 24TH FEB, 2022 | 24TH APR, 2022 | 20TH JUL, 2022 | 27TH OCT, 2022 |
|---|---|---|---|---|
| 1. Dr. Patrick Uwizeye, Committee Chairperson | √ | √ | √ | √ |
| 2. Mr. James Mutuku, Member* | √ | √ | X | X |
| 3. Ms. Belinda Bwiza** | x | x | √ | √ |
| 4. Amb. William Kayonga** | x | x | √ | √ |
| 5. Mr. Jean Nepomuscene Bizimungu Secretary | √ | √ | √ | √ |

** Retired from the Committee in the course of the year.*

*** Appointed to the Committee in the course of the year.*

## 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, so as to determine the effectiveness of the Board and making recommendations to the Board for new appointments

The committee is composed of four (4) members, three (3) of whom 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.

1. Amb. William Kayonga, in the Chairperson
2. Mrs. Mary Wamae, Member
3. Col. (Rtd) Eugene Haguma Murashi, Member
4. Mr. Hannington Namara, Member

The Nominations and Compensation Committee met 4 times during the year under review, and its key areas of focus were:

- Staff Demographics
- Staff Productivity
- Employee Engagement
- Board Nominations
- HR initiatives for the year
- Succession planning

## Nominations and Compensation Committee meeting attendance

| | 25TH FEB, 2022 | 26TH APR, 2022 | 28TH JUL, 2022 | 28TH OCT, 2022 |
|---|---|---|---|---|
| 1. Amb. William Kayonga, Chairperson | √ | √ | √ | √ |
| 2. Mrs. Mary Wamae, Member | √ | √ | √ | √ |
| 3. Col. (Rtd) Eugene Haguma Murashi, Member | √ | √ | √ | √ |
| 4. Mr. Hannington Namara, Member | √ | √ | √ | √ |
| 5. Ms. Aline K. Mutambuka, Secretary* | √ | x | x | x |
| 6. Mrs. Sheila N. Lengees, Ag. Secretary** | x | √ | √ | √ |

** Retired from the Committee in the course of the year.*

*** Appointed secretary to the Committee in the course of the year.*

## 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

IT and Innovations Committee is composed of 3 members, all of whom are independent Non-Executive Members.

1. Ms. Belinda Bwiza, Chairperson
2. Dr. Patrick Bugabo Uwizeye, Member
3. Amb. William Kayonga, Member

The Committee met 4 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

| | 25TH FEB, 2022 | 25TH APR, 2022 | 20Th JUL, 2022 | 27TH OCT, 2022 |
|---|---|---|---|---|
| 1.Ms. Belinda Bwiza, Chairperson | √ | √ | √ | √ |
| 2. Dr. Patrick Bugabo Uwizeye, Member | √ | √ | √ | √ |
| 3. Amb. William Kayonga, Member | √ | √ | √ | √ |
| 4. 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 agenda, 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.

*Equity Bank Rwanda Plc Head of Finance, Joseph Mutuma engages with scholars of the 2nd Cohort of the Equity Leaders Program bootcamp.*

# FINANCIAL STATEMENTS

## CORPORATE INFORMATION

### REGISTERED OFFICE

3rd Floor, Grand Pension Plaza Building
KN 4 avenue de la Paix,
P.O. Box 494
Kigali, Rwanda

### LAWYERS

FK Advocates Ltd
Frank Karemera/Manging Partner
KN Ave 65 St, Nyarugenge
Monnie House, 2nd Floor
P. O. Box 6963 Kigali, Rwanda

BANKERS
National Bank of Rwanda
KN6 Av 4
P.O. Box 531
Kigali-Rwanda

### AUDITOR

PricewaterhouseCoopers Rwanda Limited
Blue Star House, 5th floor
35 KG 7 Ave
P. O. Box 1495
Kigali, Rwanda

### COMPANY SECRETARY

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

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

## 1. DIRECTORS' REPORT

The directors submit their report together with the audited financial statements of Equity Bank Rwanda Plc for the year ended 31 December 2022.

## 2. 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.

## 3.RESULTS AND RECOMMENDED DIVIDEND

Profit for the year 2022 of Frw 24,218 million (2021: Frw 12,379 million) has been added to retained earnings. The directors Authorised dividend payment of Frw 13,979 million for the year 2022. (2021: Nil).

## 4. 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 |
| Amb George William Kayonga* | Director | Rwandan |
| Mrs. Belinda Bwiza* | Director | Rwandan |
| Mr. Andrew Rugege* | Director Appointed on 22nd August 2022 | Rwandan |
| Mr James Mutuku* | Director resigned in 2022 | Kenyan |
| Mrs. Anita Dancilla Umuhire* | Director resigned in January 2023 | Rwandan |

** Non-Executive Director*

*** Executive Director*

## STATEMENT AS TO DISCLOSURE TO THE BANK'S AUDITORS

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 term come to an end in line with Law Nº 47/2017 of 23/9/2017 governing the organisation of Banking.

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**

27 March 2023

# STATEMENT OF DIRECTORS' RESPONSIBILITIES CONTINUED

The Law No. 007/2021 of 05/02/2021 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Bank as at the end of the financial year and of its profit or loss for that year. The directors are responsible for ensuring that the Bank keeps proper accounting records that are sufficient to show and explain the transactions of the Bank; disclose with reasonable accuracy at any time the financial position of the Bank; and that enables them to prepare financial statements of the Bank that comply with International Financial Reporting Standards and the requirements of the Law No. 007/2021 of 05/02/2021. They are also responsible for safeguarding the assets of the Bank and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Law No. 007/2021 of 05/02/2021. They also accept responsibility for:

i. Designing, implementing and maintaining internal controls as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;

ii. Selecting suitable accounting policies and then apply them consistently; and

iii. Making judgements and accounting estimates that are reasonable in the circumstances.

Having made an assessment of the Bank's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Bank's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

## APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company from pages 89 to 162 were approved for issue by the

Board of directors on 27 March 2023 and signed on its behalf by:

**Mr. Hannington Namara**
**Managing Director**

**Dr. Patrick Uwizeye**
**Director**

**Mrs. Belinda Bwiza**
**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 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of Law No. 007/2021 of 05/02/2021 Governing Companies.

**What we have audited**

Equity Bank (Rwanda) Plc's financial statements as set out in pages 89 to 162 comprise:

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

*Basis for opinion*

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

*Independence*

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

*Key audit matters*

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

PricewaterhouseCoopers Rwanda Limited, 5th Floor, Blue Star House, 35 KG 7 Avenue, Kacyiru
PO Box 1495 Kigali, Rwanda
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 |
|---|---|
| Loans and advances to customers comprise a significant portion of the Bank's total assets. The estimation of expected credit losses (ECL) on loans and advances requires management judgment in the assumptions that are applied in the models used to calculate ECL.<br><br>Changes to the assumptions and estimates used by management could generate significant fluctuations in the Bank's financial results and materially impact the valuation of the portfolio of loans and advances. In addition, the evolving economic situation has heightened the general risk of credit default and significant increase in credit risk, increasing the uncertainty around the management judgements and estimation process.<br><br>The policies for estimating ECL are explained in note 2(n) of the financial statements.<br><br>The key areas where significant judgement has been exercised and therefore, an increased level of audit focus applied, include:<br><br>• the judgments made to determine the categorisation (staging) of individual loan and advances accounts in line with IFRS 9. In particular, the identification of Significant Increase in Credit Risk ("SICR") and Default requires consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether a 12-month or lifetime PD is used;<br>• 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<br>• the appropriateness of forward-looking information used in the model;<br>• the conceptual logic, soundness and accuracy of the expected credit losses models used by the entities in the Bank<br>• the relevance of forward-looking information used in the models; and<br>• Due to the significant impact of management judgments applied in calculating the ECL, we designated this as a key audit matter in our audit. | Our audit procedures focused on the significant areas of judgement and estimations that could result in material misstatements in the financial statements. These procedures included:<br><br>•We evaluated the Bank's methodology for determining ECL and evaluated this against the requirements of IFRS 9;<br><br>•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;<br><br>• We evaluated judgments applied in the staging of loans and advances;<br>• Obtained an understanding of the basis used to determine the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD);<br>• 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;<br>• 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.<br>• We tested, on a sample basis, the reasonableness of EAD for both on and off balance sheet exposures;<br>• For forward-looking assumptions used in the ECL calculations, we corroborated the assumptions using publicly available information;<br>• 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 and will 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.

*Responsibilities of the directors for the financial statements*

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

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

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

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

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

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

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

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

*Auditor's responsibilities for the audit of the financial statements (continued)*

- 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; and

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

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

For PricewaterhouseCoopers Rwanda Limited, Kigali,

Moses Nyabanda
28th March 2023

Director

# STATEMENT OF COMPREHENSIVE INCOME

| | Notes | 2022<br>Frw'000 | 2021<br>Frw'000 |
|---|---|---|---|
| Interest income | 5 | 51,988,162 | 36,730,654 |
| Interest expense | 6 | (9,779,465) | (8,591,529) |
| **Net interest income** | | **42,208,697** | **28,139,125** |
| Credit impairment losses | 10 | (2,741,263) | (6,403,787) |
| | | | |
| **Net interest income after credit impairment losses** | | **39,467,434** | **21,735,338** |
| Fee and commission income | 7 (a) | 14,813,776 | 10,385,958 |
| Fee and commission expense | 7 (b) | (5,127,706) | (2,909,483) |
| **Net fee and commission income** | | **9,686,070** | **7,476,475** |
| | | | |
| Net foreign exchange income | 8 | 3,606,262 | 2,481,412 |
| Other operating income | 9 | 925,673 | 1,242,850 |
| **Net operating income** | | **53,685,439** | **32,936,075** |
| | | - | |
| Employee benefits | 11 | (9,786,400) | (6,142,614) |
| Depreciation and amortisation | 13 | (1,126,302) | (1,132,283) |
| Depreciation of right of use assets | 13 | (840,166) | (862,854) |
| Short term operating lease expenses | 12 | (68,829) | (72,952) |
| Other operating expenses | 14 | (7,085,574) | (6,875,767) |
| **Operating expenses** | | **(18,907,271)** | **(15,086,470)** |
| | | | |
| **Profit before income tax** | | **34,778,168** | **17,849,605** |
| Income tax expense | 15 | (10,559,274) | (5,470,364) |
| **Profit for the year** | | **24,218,894** | **12,379,241** |
| | | | |
| **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 | (13,114,006) | (87,113) |
| Deferred income tax | 23 | 3,934,203 | 26,134 |
| **Total other comprehensive income for the year** | | **(9,179,803)** | **(60,979)** |
| **Total profit after tax and other comprehensive income** | | **15,039,091** | **12,318,262** |

The notes on pages 89 to 162 form an integral part of these financial statement.

# STATEMENT OF FINANCIAL POSITION

| | Notes | 2022 Frw'000' | 2021 Frw'000' |
|---|---|---|---|
| **Assets** | | | |
| cash, deposits, and balances due from financial institutions | 16 | 129,986,860 | 95,760,367 |
| Restricted cash with Central Bank of Rwanda | 16(b) | 21,720,791 | 14,710,000 |
| Investment securities at amortised cost | 18 | 64,980,528 | 6,402,874 |
| Investment securities at FVOCI | 18 | 95,464,957 | 100,336,119 |
| Due from related parties | 30(c) | 161,225 | 69,598 |
| Loans and advances to customers | 17 | 241,683,388 | 220,998,847 |
| Other assets and prepaid expenses | 19 | 9,958,078 | 11,446,062 |
| Current income tax | 23 | - | 696,499 |
| Property and equipment | 21 | 3,204,822 | 2,899,253 |
| Intangible assets | 22 | 464,345 | 214,698 |
| Right of use assets | 20 | 2,781,674 | 3,433,276 |
| Deferred income tax | 23 | 4,221,325 | - |
| **Total assets** | | **574,627,993** | **456,967,593** |
| | | | |
| **Liabilities** | | | |
| Deposits from customers | 24 | 423,027,467 | 301,067,056 |
| Deposits from banks | 24 | 17,158,110 | 27,967,919 |
| Due to related parties | 30(d) | 1,069,595 | 773,519 |
| Borrowed funds | 26 | 33,130,582 | 45,511,581 |
| Other liabilities and deferred income | 25 | 12,269,605 | 12,852,680 |
| Lease liabilities | 20(b) | 2,989,021 | 3,557,175 |
| Current income tax | 15 | 4,768,316 | - |
| Dividend payable | | 13,979,580 | - |
| Deferred tax liabilities | 23 | - | 61,457 |
| **Total liabilities** | | **508,392,276** | **391,791,387** |
| | | | |
| **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) | (7,714,395) | 1,465,408 |
| Regulatory reserve | 27(c) | 3,008,558 | - |
| Retained earnings | | 50,653,864 | 43,423,108 |
| **Total equity** | | **66,235,717** | **65,176,206** |
| **Total liabilities and equity** | | **574,627,993** | **456,967,593** |

The notes on pages 89 to 162 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' | Statutory reserve Frw' 000' | Total equity Frw' 000' |
|---|---|---|---|---|---|---|---|
| **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 tax on fair value gain on FVOCI | 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** |
| | | | | | | | |
| **Year ended 31 December 2022** | | | | | | | |
| **At 1 January 2022** | | **18,175,000** | **2,112,690** | **43,423,108** | **1,465,408** | **-** | **65,176,206** |
| Profit for the year | | - | - | 24,218,894 | - | - | 24,218,894 |
| Fair value gains on FVOCI investments | 27(a) | - | - | - | (13,114,006) | | (13,114,006) |
| Deferred tax on fair value gain on FVOCI | 23 | - | - | - | 3,934,203 | | 3,934,203 |
| **Total comprehensive income for the year** | | **-** | **-** | **24,218,894** | **(9,179,803)** | **-** | **15,039,091** |
| | | | | | | | **-** |
| Transactions with the owners | | | | | | | |
| Dividend declared | | - | - | (13,979,580) | - | **-** | **(13,979,580)** |
| Other transactions | | | | | | | |
| Transfer of excess provision to statutory reserve | 27 (c) | - | - | (3,008,558) | - | 3,008,558 | **-** |
| **At 31 December 2022** | | **18,175,000** | **2,112,690** | **50,653,864** | **(7,714,395)** | **3,008,558** | **66,235,717** |

The notes on pages 89 to 162 form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

| | Notes | 2022 Frw'000' | 2021 Frw'000' |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit before income tax | | 34,778,168 | 17,849,605 |
| **Adjustments for:** | | | |
| Depreciation on property and equipment | 21 | 1,011,588 | 1,039,056 |
| Depreciation on right of use assets | 20 | 840,166 | 862,854 |
| Amortisation of intangible assets | 22 | 114,713 | 93,227 |
| Interest expense on lease liability | | 252,258 | 210,884 |
| Profit/Loss on disposal of property and equipment | | 11,505 | 26,577 |
| Interest expense on term borrowings | 26 | 2,725,654 | 2,850,087 |
| Provision for impairment losses on loans and advances | 10 | 4,513,168 | 6,403,787 |
| Net foreign exchange gain on cash and cash equivalents | 8 | (3,606,262) | (2,469,217) |
| **Operating profit before changes in operating assets and liabilities** | | **40,640,958** | **26,866,860** |
| Loans and advances | | (25,197,709) | (37,446,971) |
| Other assets | | 1,487,984 | (3,314,235) |
| Right of use assets | | (183,418) | (2,067,686) |
| Tax recoverable | | 696,499 | - |
| Deposits from customers | | 121,960,411 | 85,191,002 |
| Deposit from Banks | | (10,809,809) | 3,805,853 |
| Due from related party balances | | (91,627) | (40,171) |
| Due to related party balances | | 296,076 | 292,260 |
| Other liabilities | | (583,079) | (1,634,859) |
| Lease liabilities | | 206,007 | 2,104,851 |
| Deferred tax assets | | (4,221,325) | 586,877 |
| Deferred tax liabilities | | (61,457) | 61,457 |
| Movement in restricted cash balances | 16(b) | (7,015,936) | (5,155,884) |
| **Cash generated from operations** | | **117,123,575** | **69,249,354** |
| Income taxes paid | 15 | (5,790,959) | (7,745,223) |
| **Net cash from operating activities** | | **111,332,616** | **61,504,131** |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property and equipment | 21 | (1,328,675) | (1,394,961) |
| Purchase of intangible assets | 22 | (364,360) | (74,629) |
| Proceeds from sale of property and equipment | | - | 7,967 |
| Purchase of investment securities | 18 | (95,468,468) | (96,686,196) |
| Sale of investment securities | 18 | 32,582,173 | 51,931,962 |
| **Net cash used in investing activities** | | **(64,579,330)** | **(46,215,857)** |
| **FINANCING ACTIVITIES** | | | |
| Long term borrowings | | 188,956,663 | 444,500,559 |
| Repayment of long-term borrowings | | (200,927,079) | (432,934,758) |
| Interest paid on borrowed funds | | (3,136,219) | (2,623,270) |
| Principal elements of lease payments | | (1,026,420) | (996,153) |
| **Net cash used in financing activities** | | **(16,133,055)** | **7,946,378** |
| **Net increase / (decrease) in cash and cash equivalents** | | **30,620,231** | **23,234,652** |
| **Movement in cash and cash equivalents** | | | |
| At start of year | 16(a) | **95,760,367** | **70,056,498** |
| Net foreign exchange gain on cash and cash equivalents | 8 | 3,606,262 | 2,469,217 |
| **At end of year** | 16 (a) | **129,986,860** | **95,760,367** |

The notes on pages 89 to 162 form an integral part of these financial statement.

# NOTES

## 1. GENERAL INFORMATION

Equity Bank (Rwanda) PLC (the "Bank") is incorporated in Rwanda in accordance with law 007/2021 of 05/02/2021 governing companies.as a public limited company. The Bank is also licensed 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,
P.O. 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 and derivative financial assets 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 2022 and have been applied by the Bank:

| NUMBER | EFFECTIVE DATE | EXECUTIVE SUMMARY |
|---|---|---|
| IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment | Annual periods beginning on or after 1 April 2021 (early adoption is permitted)<br><br>(Published March 2021) | The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The March 2021 amendment will only be available if an entity chose to apply the May 2020 optional practical expedient.<br><br>This has not had a significant impact to the Bank. |

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(a) Basis of preparation (continued)**

**Changes in accounting policy and disclosures (continued)**

*(i) New standards, amendments and intepretations adopted by the Bank (continued)*

| NUMBER | EFFECTIVE DATE | EXECUTIVE SUMMARY |
|---|---|---|
| Annual improvements cycle 2018 -2020 | Annual periods beginning on or after 1 January 2022<br><br>(Published May 2020) | These amendments include minor changes to:<br>• IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS.<br>• IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.<br>• IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.<br>• IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value. |

# NOTES CONTINUED

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(a) Basis of preparation (continued)**

**Changes in accounting policy and disclosures (continued)**

*(i) New standards, amendments and intepretations adopted by the Bank (continued)*

| NUMBER | EFFECTIVE DATE | EXECUTIVE SUMMARY |
|---|---|---|
| Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract | Annual periods beginning on or after 1 January 2022<br><br>(Published May 2020) | The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract. |
| Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use | Annual periods beginning on or after 1 January 2022<br><br>(Published May 2020) | The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss. |
| Amendment to IFRS 3, 'Business combinations'<br><br>Asset or liability in a business combination clarity | Annual periods beginning on or after 1 January 2022<br><br>(Published May 2020) | The IFRS Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination.<br><br>In addition, the Board IFRS added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework.<br><br>The IFRS Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. |

## 2. SUMMARY OF 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*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Bank. These standards are not expected to have a material impact on the Bank in the current or future reporting periods and on foreseeable future transactions.

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

# NOTES CONTINUED

## 2. SUMMARY OF 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)*

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

## 2. SUMMARY OF 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Leases

The Bank leases various properties. Rental contracts are typically made for fixed periods between 5 to 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 2022, 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 5 years have been included in the lease liability and right of use asset.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Leases (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.

Payments associated with short-term leases and 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. SUMMARY OF 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 two principal classification categories as at year end based on the cash flow characteristics of the asset and the business model assessment:

- Measured at amortised cost and
- FVOCI.

**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.

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.

## 2. SUMMARY OF 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)**

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.

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.

# NOTES CONTINUED

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Financial assets and liabilities (continued)

*(i) Classification and subsequent measurement (Continued)*

**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:

- 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.

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.<br>Sales are incidental to the objective of the model.<br>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.<br>•This model typically has more sales (in frequency and volume) than the held-to-collect business model. | FVOCI(1) |
| Other business models, including:<br>trading<br>managing assets on a fair value basis<br>maximising cash flows through sale | The business model is neither held-to-collect nor held to collect and for sale.<br>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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Financial assets and liabilities (continued)

*(i) Classification and subsequent measurement (Continued)*

**Business model assessment**

**Financial liabilities**

The Bank classifies all financial liabilities as subsequently measured at amortised cost. Deposits from customers/banks, borrowed funds, due to related entities 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.

*De-recognition 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 write offs 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.

*Assets that are credit-impaired on initial recognition (continued)*

*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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Financial assets and liabilities (continued)

*i) Impairment – financial assets, loan commitments and financial guarantee contracts*

IFRS 9 applies 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:

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.

**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 uncollectible | 3 |

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Financial assets and liabilities (continued)

*i) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)*

*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

This definition is largely consistent with the National 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 expected credit losses and one that is based on lifetime expected credit losses.

*Credit risk classification*

The Bank allocates each exposure to a credit risk classification based on the regulatory requirements of the National 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

# NOTES CONTINUED

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Financial assets and liabilities (continued)

*i) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)*

*Credit risk classification (continued)*

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:

- Uncollateralized bullet loan: Any uncollateralized 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 organization;
- Increase in operational risk and higher occurrence of fraudulent activities;
- Continued delay and non-cooperation by the borrower in providing key relevant documentation;
- 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.

*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 recognize 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Financial assets and liabilities (continued)

*i) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)*

*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 National 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.

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 regularized 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 Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on de-recognition. If the terms are not substantially different, the renegotiation or modification does not result in de-recognition, and the Bnak 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Financial assets and liabilities (continued)

#### i) *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 13 segments namely Building and construction, Energy and water, Financial services, Food and agriculture, ICT and telecommunication, Manufacturing, Mining & 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:

- 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 3-5 years. (The Bank builds data to 5 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 5 years is used. Based on the transitions of counterparties within the stages in value terms, the default estimation is done by the transition matrix.

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.

For industries with insufficient data, the S&P Emerging market table has been used to determine probabilities of default for these industries as a proxy. These industries are Information & Communication; Manufacturing; Real Estate Activities; and Hotel, Rest & Tourism.

Rating of 'BB' was assigned to stage 1 and 'B' to stage 2 for the facilities within information & communication and Manufacturing. For real estate S&P rating 'B' was assigned to stage 1 loans and 'CCC' to stage 2. Hotel, Rest & tourism had 'BB' rating for stage 1 loans and 'B' for stage 2.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(h) Financial assets and liabilities (continued)**

*i) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)*

*ECL model (continued)*

*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:

**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

*LGD by Collections*

For the purpose of LGD estimation on its non-collateralized portfolio, the Bank computes LGD based on actual recoveries on its defaulted portfolio over a period of at least 3- 5 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

# NOTES CONTINUED

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Financial assets and liabilities (continued)

*i) Impairment – financial assets, loan commitments and financial guarantee contracts (continued)*

*ECL model (continued)*

*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.

*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 5 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.

## 2. SUMMARY OF 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 | | Nil |
| Leasehold improvements | Shorter of the lease term or estimated useful lives | |
| 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, and
- The expenditure attributable to the software during its development can be reliably measured.

# NOTES CONTINUED

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Intangible assets

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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(m) Provisions (Continued)**

*(i) 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 National 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 capitalized 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 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. During the period ending 31 December 2022, the Bank did not enter into currency forwards arrangements.

*Swaps*

The Bank enters into currency swaps with the National Bank of Rwanda (BNR) where the Bank exchanges dollars with BNR in return for Rwandan francs (Rwf).

The terms of the swaps are common across the industry where BNR does similar transactions. These are 8% interest on Rwf amount and a 2% interest on USD amount and gross amount will be settled in instalments as agreed in the contracts. Maturity period is largely two to three years.

The Bank accounts for these transactions at amortized cost where USD amounts are recorded as swap assets while the USD amount is recorded as a swap liability.

As at 31 December 2022 the carrying amount of swaps asset was Rwf 24 billion, this was included in Money market placements on Note 16. Swap liability amounted to Rwf 23.5 billion as disclosed on Note 26 under term borrowings.

# NOTES CONTINUED

## 2. SUMMARY OF 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. During the period ending 31 December 2022, the Bank did not enter into Spots arrangements.

### (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 expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

## 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).

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (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 expected credit loss 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.

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.

# NOTES CONTINUED

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

**(b) Credit risk (continued)**

*Management of credit riskl (continued)*

**(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.

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' 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:

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Credit risk (continued)

| Credit exposures | Note | 2022 Frw'000' | % | 2021 Frw'000' | % |
|---|---|---|---|---|---|
| **On – balance sheet items** | | | | | |
| Balances and deposits due from financial institutions | 16 | 133,095,873 | 24% | 91,453,601 | 21.5% |
| Investment securities | 18 | 163,368,020 | 29.5% | 106,786,555 | 25.1% |
| Due from related parties | 30 | 161,225 | 0% | 69,598 | 0.0% |
| Loans and advances to customers at amortized cost | 17 | 254,200,313 | 45.9% | 220,998,847 | 52.0% |
| Other assets | 19 | 3,407,173 | 0.6% | 5,613,916 | 1.3% |
| | | **554,232,604** | | **424,922,517** | |
| **Off-balance sheet items** | | | | | |
| Guarantees and standby letters of credit | 28 | 47,369,677 | 71% | 41,908,495 | 82% |
| Letters of credit, acceptances and other credits | 28 | 19,660,595 | 29% | 9,077,572 | 18% |
| | | 67,030,272 | | 50,986,067 | |
| | | **590,839,426** | | **475,803,098** | |

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 2022.

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)

| Credit exposures | Note | 2022 Frw'000' | % | 2021 Frw'000' | % |
|---|---|---|---|---|---|
| **On – balance sheet items** | | | | | |
| Balances and deposits due from financial institutions | 16 | 133,095,873 | 24% | 91,453,601 | 21.5% |
| Investment securities | 18 | 163,368,020 | 29.5% | 106,786,555 | 25.1% |
| Due from related parties | 30 | 161,225 | 0% | 69,598 | 0.0% |
| Loans and advances to customers at amortized cost | 17 | 254,200,313 | 45.9% | 220,998,847 | 52.0% |
| Other assets | 19 | 3,407,173 | 0.6% | 5,613,916 | 1.3% |
| | | **554,232,604** | | **424,922,517** | |
| **Off-balance sheet items** | | | | | |
| Guarantees and standby letters of credit | 28 | 47,369,677 | 71% | 41,908,495 | 82% |
| Letters of credit, acceptances and other credits | 28 | 19,660,595 | 29% | 9,077,572 | 18% |
| | | 67,030,272 | | 50,986,067 | |
| | | **590,839,426** | | **475,803,098** | |

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 2022.

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.

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Credit risk (continued)

| | 2022 | | | | 2021 |
|---|---|---|---|---|---|
| | Stage 1 12-month ECL Frw'000' | Stage 2 Lifetime ECL Frw'000' | Stage 3 Lifetime ECL Frw'000' | Total Frw'000' | Total Frw'000' |
| *Amortised cost* | | | | | |
| **Individually and collectively impaired** | | | | | |
| Grade 3: Substandard | - | - | 3,068,000 | 3,068,000 | 12,487,015 |
| Grade 4: Doubtful | - | - | 8,455,503 | 8,455,503 | 3,677,812 |
| Grade 5: Loss | - | - | 6,211,093 | 6,211,093 | 1,472,937 |
| **Gross amount** | **-** | **-** | 17,734,596 | 17,734,596 | **17,637,764** |
| Expected credit losses | - | - | (9,394,020) | (9,394,020) | (5,885,730) |
| **Carrying amount** | **-** | **-** | **8,340,576** | **8,340,576** | **11,752,034** |
| | | | | | |
| Grade 1: Normal | 201,914,875 | - | - | 201,914,875 | 163,894,603 |
| Grade 2: Watch | - | 34,550,842 | - | 34,550,842 | 48,931,559 |
| **Gross amount** | 201,914,875 | 34,550,842 | **-** | **236,465,717** | **212,826,162** |
| Expected credit losses | (1,508,468) | (1,614,437) | - | (3,122,905) | (3,579,349) |
| **Carrying amount** | 200,406,407 | 32,936,405 | **-** | **233,342,812** | **209,246,813** |
| **Total gross loans** | **201,914,875** | **34,550,842** | **17,734,596** | **254,200,313** | **230,463,927** |
| | | | | | |
| **Total provision** | **(1,508,468)** | **(1,614,437)** | **(9,394,020)** | **(12,516,925)** | **(9,465,079)** |
| **Total carrying amount** | **200,406,407** | **32,936,405** | **8,340,576** | **241,683,388** | **220,998,847** |

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* | 2022 Stage 1 12-month ECL Frw'000' | 2022 Stage 2 Lifetime ECL Frw'000' | 2022 Stage 3 Lifetime ECL Frw'000' | 2022 Total Frw'000' | 2021 Total Frw'000' |
|---|---|---|---|---|---|
| **Individually and collectively impaired** | | | | | |
| Grade 3: Substandard | - | - | - | - | - |
| Grade 4: Doubtful | - | - | - | - | 190,818 |
| Grade 5: Loss | - | - | - | - | 3,320 |
| **Gross amount** | **-** | **-** | - | - | **194,138** |
| Expected credit losses | **-** | **-** | - | - | (3,320) |
| **Carrying amount** | **-** | **-** | - | - | **190,818** |
| Grade 1: Normal | 66,603,463 | | - | 66,603,463 | 50,748,117 |
| Grade 2: Watch | - | 426,809 | - | 426,809 | 44,112 |
| **Gross amount** | **66,603,463** | **426,809** | **-** | **67,030,272** | **50,792,229** |
| Expected credit losses | (706,919) | (1,150) | **-** | (708,069) | (464,819) |
| Carrying amount | 65,896,544 | 425,659 | **-** | 66,322,203 | 50,327,410 |
| **Total gross loans** | **66,603,463** | **426,809** | **-** | **67,030,272** | **50,986,367** |
| **Total provision** | **(706,919)** | **(1,150)** | **-** | **(708,069)** | **(468,139)** |
| **Total Carrying amount** | **65,896,544** | **425,659** | **-** | **66,322,203** | **50,518,228** |

**Exposure to credit risk LCs and Guarantees**

| *Amortised cost* | 2022 Stage 1 12-month ECL Frw'000' | 2022 Stage 2 Lifetime ECL Frw'000' | 2022 Stage 3 Lifetime ECL Frw'000' | 2022 Total Frw'000' | 2021 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** | **-** |
| Grade 1: Normal | 50,747,817 | - | - | 50,747,817 | 47,420,488 |
| Grade 2: Watch | - | 44,112 | - | 44,112 | 4,458,480 |
| **Gross amount** | **50,747,817** | **44,112** | **-** | **50,791,929** | **51,878,968** |
| Provision for impairment losses | (507,481) | (1,323) | - | (508,805) | (515,458) |
| **Carrying amount** | **50,240,336** | **42,789** | **-** | **50,283,124** | **51,363,510** |
| **Total gross loans** | **50,748,117** | **44,112** | **194,138** | **50,986,367** | **51,878,968** |
| **Total provision** | **(507,481)** | **(1,323)** | **(3,320)** | **(512,124)** | **(515,458)** |
| **Total Carrying amount** | **50,240,636** | **42,789** | **190,818** | **50,474,243** | **51,363,510** |

*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.

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Credit risk (continued)

*Write-off policy*

The Bank writes off a loan balance when the credit department determines that the loans are uncollectible. 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 realized.

**Loans and advances to customers**

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

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

| | 2022<br>Frw'000' | 2021<br>Frw'000' |
|---|---|---|
| Against stage 1loans | | |
| Property | 161,825,382 | 188,367,332 |
| Other | 15,976,871 | 34,070,564 |
| Against stage 2 loans | | |
| Property | 120,094,600 | 135,938,897 |
| Other | 63,923 | 641,895 |
| Against past due but not impaired | | |
| Property | 15,809,124 | 28,100,907 |
| Other | 177,448 | 2,696,698 |
| **Total** | **313,947,348** | **389,816,293** |

# NOTES CONTINUED

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (b) Credit risk (continued)

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:

| | 2022 Frw'000' | 2021 Frw'000' |
|---|---:|---:|
| **Concentration by sector** | | |
| Building and construction | 18,340,049 | 17,163,308 |
| Energy and water | 4,258,602 | 5,831,928 |
| Financial services | 160,225 | 299,291 |
| Food and agriculture | 9,234,849 | 9,472,107 |
| ICT and telecommunication | 12,989,255 | 13,481,048 |
| Manufacturing | 20,580,905 | 13,592,740 |
| Mining & quarrying | 437,035 | 480,466 |
| Personal household | 81,117,064 | 68,710,083 |
| Real estate | 24,278,699 | 40,332,433 |
| Tourism and hospitality | 32,746,319 | 32,992,815 |
| Trade | 35,232,400 | 17,324,245 |
| Transport and logistics | 14,824,910 | 10,783,463 |
| | **254,200,313** | **230,463,927** |

### (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: – an inability to support normal business activity; and – 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. 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;

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (continued)

- 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 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: – an inability to support normal business activity; and – 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. 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:

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.

# NOTES CONTINUED

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (continued)

*Management of liquidity risk (continued)*

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.

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:

| | 2022 | 2021 |
|---|---|---|
| At 31 December | | |
| Average for the year | **262%** | 346% |
| Maximum for the year | **411%** | 499% |
| Minimum for the year | **139%** | 216% |
| Minimum statutory requirement | **100%** | 100% |

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (continued)

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 2022 | 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 | 105,003,570 | - | 7,138,083 | 17,845,207 | 21,738,561 | 151,725,421 |
| Loans and advances to customers | 22,456,445 | 13,121,563 | 5,052,104 | 114,797,885 | 109,236,552 | 264,664,549 |
| Investment securities | 2,110,000 | 3,000,000 | 1,000,000 | 9,909,000 | 149,599,352 | 165,618,352 |
| Due from related parties | 161,225 | - | - | - | - | 161,225 |
| Other assets | 2,820,170 | - | - | - | - | 2,820,170 |
| **Total financial assets** | **132,551,410** | **16,121,563** | **13,190,187** | **142,552,092** | **280,574,465** | **584,989,717** |
| | | | | | | |
| **Financial liabilities** | | | | | | |
| Deposits from customers and banks | 388,537,324 | 41,262,547 | 15,990,843 | 58,669 | - | 445,849,383 |
| Borrowed funds | - | - | 6,947,647 | 16,577,710 | 15,064,037 | 38,589,394 |
| Balance due to related parties | 1,069,595 | - | - | - | - | 1,069,595 |
| Other liabilities | 18,414,164 | - | - | - | - | 18,414,164 |
| Lease liabilities | 852,491 | 0 | 873,718 | 1,974,262 | 921,551 | 4,622,022 |
| **Total financial liabilities** | **408,873,574** | **41,262,547** | **23,812,208** | **18,610,641** | **15,985,588** | **508,544,558** |
| | | | | | | |
| **Liquidity gap 31 December 2022** | **(276,322,164)** | **(25,140,984)** | **(10,622,021)** | **123,941,451** | **264,588,877** | **76,445,159** |

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (continued)

| 31 December 2022 | 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 | 9,085,256 | 8,370,764 | 5,700,279 | 24,213,378 | **47,369,677** |
| Letters of credit, acceptances and other documentary credits | 19,149,235 | 280,360 | 231,000 | - | **19,660,595** |
| Capital commitments | 150,790 | - | 2,400,017 | - | **2,550,807** |
| Loans approved but not disbursed | - | - | 230,000 | 1,142,100 | **1,372,100** |
| **Total commitments and guarantees** | **28,385,281** | **8,651,124** | **8,561,296** | **25,355,478** | **70,953,179** |

| 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 | 853,328 | 342,027 | - | **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** |

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.

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (continued)

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 | 43,084,417 | - | 14,019,236 | 38,702,016 | 14,722,625 | **110,528,294** |
| Loans and advances to customers | 12,908,435 | 1,955,779 | 6,205,159 | 77,737,041 | 138,199,485 | **237,005,899** |
| Investment securities | 4,000,000 | 4,575,317 | 4,649,900 | 11,356,100 | 78,234,767 | **102,816,084** |
| Due from related parties | 69,598 | - | - | - | 0 | **69,598** |
| Other assets | 1,956,927 | - | - | - | 0 | **1,956,927** |
| **Total financial assets** | **62,019,377** | **6,531,096** | **24,874,295** | **127,795,157** | **231,156,877** | **452,376,802** |
| | | | | | | |
| **Financial liabilities** | | | | | | |
| Deposits from customers and banks | 283,207,342 | 39,455,484 | 10,045,513 | 1,554,938 | - | **334,263,277** |
| Borrowed funds | - | - | - | 38,535,005 | 12,435,387 | **50,970,392** |
| Balance due to related parties | 773,519 | - | - | - | - | **773,519** |
| Other liabilities | 5,158,105 | - | - | - | - | **5,158,105** |
| Lease liabilities | - | - | 986,676 | 2,272,410 | 1,301,521 | **4,560,607** |
| **Total financial liabilities** | **289,138,966** | **39,455,484** | **11,032,189** | **42,362,353** | **13,736,908** | **395,725,900** |
| | | | | | | |
| **Liquidity gap 31 December 2021** | **(227,119,589)** | **(32,924,388)** | **13,842,106** | **85,432,804** | **217,419,969** | **56,650,902** |

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

# NOTES CONTINUED

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Market risk (continued)

*Interest rate risk table*

| 31 December 2022 | 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 | 129,986,860 | 18,774,569 | 105,003,570 | - | 7,138,083 | 17,845,207 | - | **129,986,860** |
| Restricted cash with Central Bank of Rwanda | 21,738,561 | 21,738,561 | - | - | - | - | 21,738,561 | **21,738,561** |
| Loans and advances to customers | 241,683,388 | - | 22,456,445 | 13,121,563 | 5,052,104 | 114,797,885 | 109,236,552 | **264,664,549** |
| Investment securities | 158,008,651 | - | 2,110,000 | 3,000,000 | 1,000,000 | 9,909,000 | 149,599,352 | **165,618,352** |
| | **551,417,460** | **40,513,130** | **129,570,015** | **16,121,563** | **13,190,187** | **142,552,092** | **280,574,465** | **582,008,322** |
| *Liabilities* | | | | | | | | |
| Deposits from customers and banks | 440,185,577 | 370,574,256 | 382,049,835 | 42,967,881 | 15,115,027 | 52,835 | - | **440,185,578** |
| Lease liabilities | 2,989,021 | - | -` | - | 873,718 | 1,974,262 | 921,551 | **3,769,531** |
| Borrowed funds | 33,130,582 | - | - | - | 6,947,647 | 16,577,710 | 15,064,037 | **38,589,394** |
| | **476,305,180** | **370,574,256** | **382,049,835** | **42,967,881** | **22,936,392** | **18,604,807** | **15,985,588** | **482,544,503** |
| Interest rate sensitivity gap at 31 December 2022 | **75,112,280** | **(330,061,126)** | **(252,479,820)** | **(26,846,318)** | **(9,746,205)** | **123,947,285** | **264,588,877** | **99,463,819** |

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Market risk (continued)

*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 | 43,084,417 | - | 14,019,236 | 38,702,016 | - | 95,805,669 |
| Restricted cash with Central Bank of Rwanda | 14,710,000 | 14,710,000 | - | - | - | - | 14,722,625 | 14,722,625 |
| Loans and advances to customers | 220,998,847 | - | 12,908,435 | 1,955,779 | 6,205,159 | 77,737,041 | 138,199,485 | 237,005,899 |
| Investment securities | 106,738,993 | - | 4,000,000 | 4,575,317 | 4,649,900 | 11,356,100 | 78,234,766 | 102,816,083 |
| | **438,208,207** | **19,074,691** | **59,992,852** | **6,531,096** | **24,874,295** | **127,795,157** | **231,156,876** | **450,350,276** |
| *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 |
| Lease liabilities | 3,557,175 | - | - | - | 986,676 | 2,272,410 | 1,301,521 | 4,560,607 |
| Borrowed funds | 45,511,581 | - | - | - | 1,047,983 | 37,487,022 | 12,435,387 | 50,970,392 |
| | **378,103,731** | **301,067,056** | **279,044,455** | **39,206,188** | **11,752,665** | **40,825,758** | **13,736,908** | **384,565,974** |
| Interest rate sensitivity gap at 31 December 2021 | **60,104,476** | **-281,992,365** | **-219,051,603** | **-32,675,092** | **13,121,630** | **86,969,399** | **217,419,968** | **65,784,302** |

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.

During the year, a 2% increase / decrease (2021: 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' |
|---|---|---|---|
| **2022** | **+/-2%** | **+/- 5.43%** | **+/-4,751,150** |
| 2021 | +/-2% | +/- 1.3% | +/-4,206,706 |

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Market risk (continued)

*Exposure to other market risks – non-trading portfolios*

Credit spread risk (not relating to changes in the obligor / 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 2022** | | | | | |
| *Assets* | | | | | |
| Cash and cash equivalents | 102,582,623 | 517,576 | 6,269,026 | 276,394 | **109,645,619** |
| Loans and advances to customers | 29,643,142 | - | - | - | **29,643,142** |
| Investment securities | 44,466,031 | - | - | - | **44,466,031** |
| Due from group companies | 150,628 | 1,494 | 2,924 | 3,445 | **158,491** |
| Other assets | 1,375,373 | 10,271 | 95,593 | 308,773 | **1,790,010** |
| **Total assets** | 178,217,797 | 529,341 | 6,367,543 | 588,612 | **185,703,293** |
| | | | | | |
| **Liabilities** | | | | | |
| Customer deposits | 191,871,275 | 341,944 | 6,313,694 | - | **198,526,913** |
| Due to group companies | 1,003,159 | - | - | 28,099 | **1,031,258** |
| Other liabilities | -11,350,094 | 180,897 | - | - | **(11,169,197)** |
| **Total liabilities** | **181,524,340** | **522,841** | **6,313,694** | **28,099** | **188,388,974** |
| **Net financial position** | **(3,306,543)** | **6,500** | **53,849** | **560,513** | **(2,685,681)** |

# 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 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 | - | - | - | **18,312,635** |
| 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** | **611,929** | **5,007,661** | **108,375** | **130,974,146** |
| **Liabilities** | | | | | |
| Customer deposits | 127,320,730 | 411,826 | 4,943,076 | - | **132,675,632** |
| 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)** | **10,296** | **64,585** | **91,857** | **(3,331,002)** |

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.

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Change in currency | Effect on profit before income tax Frw'000' | Effect on equity Frw'000' | Change in currency | Effect on profit before tax Frw'000' | Effect on equity Frw'000' |
| USD | + / - 4% | 132,261 | 616,746 | + / - 4% | 139,910 | 132,311 |
| GBP | + / - 5% | 326 | 165 | + / - 5% | 515 | 515 |
| EUR | + / - 5% | 2,692 | 1,154 | + / - 5% | 3,229 | 3,229 |
| Others | + / - 4% | 22,421 | 7,038 | + / - 4% | 3,674 | 3,674 |

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.

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

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

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (f) Capital management (continued)

| | 2022 Frw'000' | 2021 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 | 53,662,423 | 43,423,109 |
| Regulatory adjustments | (4,685,669) | (214,698) |
| Unrealized loss on financial assets at FVOCI | (11,020,566) | - |
| **Total** | **58,243,878** | **63,496,101** |
| Collective impairment provisions and regulatory reserves (include Max 1.25% of RWA) | 4,475,893 | 3,367,007 |
| **Total regulatory capital** | **62,719,771** | **66,863,108** |
| **Total risk-weighted assets** | **376,335,553** | **314,788,297** |

| | 2022 | 2021 |
|---|---|---|
| Total tier 1 capital expressed as a percentage of total risk-weighted assets | 15.48% | 20.17% |
| Total minimum regulatory capital expressed as a percentage of total risk-weighted assets | 12.50% | 12.50% |
| Total tier 2 capital expressed as a percentage of total risk-weighted assets | 16.67% | 21.24% |
| Total minimum regulatory capital expressed as a percentage of total risk-weighted assets | 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). 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.

# NOTES CONTINUED

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Valuation methods and assumptions (continued)

| | Valuation technique | Significant observable inputs | 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% |

| | Valuation technique | Significant unobservable inputs | Range (Weighted average) |
|---|---|---|---|
| **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 | 2.67%-12% |
| Borrowed funds | Discounted cash flow | Expected cash flows | 2%- 8% |

| | Level 1 Frw'000' | Level 2 Frw'000' | Level 3 Frw'000' | Total Frw'000' |
|---|---|---|---|---|
| **At 31 December 2022** | | | | |
| FVOCI investment securities | - | 95,464,957 | - | 95,464,957 |
| **Total financial assets at fair value** | **-** | 95,464,957 | **-** | 95,464,957 |

| | 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** |

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

| **At 31 December 2022** | Carrying amount Frw'000' | Fair value Frw'000' | Level 1 Frw'000' | Level 2 Frw'000' | Level 3 Frw'000' |
|---|---|---|---|---|---|
| Cash, balances and deposits in financial institutions | 129,986,860 | 129,986,860 | 129,986,860 | - | - |
| Restricted cash with National Bank of Rwanda | 21,720,791 | 21,720,791 | 21,720,791 | - | - |
| Amortised investment securities | 64,980,528 | 64,980,528 | - | 64,980,528 | - |
| Loans and advances at amortised cost | 241,683,388 | 241,683,388 | - | - | 241,683,388 |
| Due from related parties | 161,225 | 161,225 | - | - | 161,225 |
| Other assets | 9,958,078 | 9,958,078 | - | - | 9,958,078 |
| **Total financial assets** | **468,490,870** | **468,490,870** | **151,707,651** | **64,980,528** | **251,802,691** |
| | | | | | |
| Deposits from customers | 440,185,577 | 440,185,577 | 440,185,577 | - | - |
| Borrowed funds | 33,130,582 | 33,130,582 | - | - | 33,130,582 |
| Due to related parties | 1,069,595 | 1,069,595 | - | - | 1,069,595 |
| Other liabilities | 33,493,761 | 33,493,761 | - | - | 33,493,761 |
| **Total liabilities** | **507,879,515** | **507,879,515** | **440,185,577** | - | **67,693,938** |

## 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Fair value measurement (continued)

| At 31 December 2021 | Carrying amount Frw'000' | Fair value Frw'000' | Level 1 Frw'000' | Level 2 Frw'000' | Level 3 Frw'000' |
|---|---|---|---|---|---|
| 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** |

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

| | 2022 Frw'000' | 2021 Frw'000' |
|---|---|---|
| Loans and advances to customers | 37,525,401 | 28,184,405 |
| Deposits and balances due from financial institutions | 1,819,512 | 1,513,198 |
| Amortised investment securities | 2,921,363 | 615,645 |
| FVOCI investment securities | 9,721,886 | 6,417,406 |
| | **51,988,162** | **36,730,654** |

## 6. INTEREST EXPENSE

| | | |
|---|---|---|
| Deposit from customers | 6,801,553 | 5,505,539 |
| Borrowed funds | 2,725,654 | 2,850,087 |
| Interest expense on lease liabilities | 252,258 | 235,903 |
| | **9,779,465** | **8,591,529** |
| **Net interest income** | **42,208,697** | **28,139,125** |

# NOTES CONTINUED

## 7. NET FEES AND COMMISSION INCOME

| (a) **Fees and commission income** | 2022 Frw'000' | 2021 Frw'000' |
|---|---|---|
| Service fees and commissions | 14,629,013 | 10,163,742 |
| Other fees | 184,763 | 222,216 |
| | **14,813,776** | **10,385,958** |
| (b) **Fee and commission expense** | | |
| Fee and commission expense | 5,127,706 | 2,909,483 |
| **Net fee and commission income** | **9,686,070** | **7,476,475** |

## 8. NET FOREIGN EXCHANGE INCOME

| | | |
|---|---|---|
| Realised foreign exchange gain | 3,605,428 | 2,469,217 |
| Unrealised foreign exchange gain | 834 | 12,195 |
| | **3,606,262** | **2,481,412** |

## 9. OTHER OPERATING INCOME

| | | |
|---|---|---|
| Realized securities trading gain/(loss) | 388,645 | 862,022 |
| Profit on disposal of property and equipment | 102,497 | 7,967 |
| Insurance brokerage income | 203,589 | 167,519 |
| Other | 230,942 | 205,342 |
| | **925,673** | **1,242,850** |

## 10. CREDIT IMPAIRMENT LOSSES

| | | |
|---|---|---|
| **Loans and advances:** | | |
| Increase / (decrease) in stage 1 & 2 | 473,323 | 363,990 |
| Increase in stage 3 | 3,754,066 | 6,281,863 |
| Loan write off recoveries | (2,029,129) | (275,287) |
| **Subtotal** | **2,198,260** | **6,370,566** |
| **Investment securities, cash and placements:** | | |
| Increase/ (decrease) in money market (Note 16) | 104,864 | 10,902 |
| Increase/ (decrease) in investment securities (Note 18) | 438,139 | 22,319 |
| **Subtotal** | **543,003** | **33,221** |
| **Credit impairment loss charged to P/L** | **2,741,263** | **6,403,787** |

## 11. EMPLOYEE BENEFITS

| | | |
|---|---|---|
| Salaries and wages | 7,235,165 | 5,601,374 |
| Staff loan fair value movement | 286,531 | 16,551 |
| Pension scheme contribution | 596,630 | 464,070 |
| Other benefits | 1,668,074 | 60,619 |
| | **9,786,400** | **6,142,614** |

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

The average number of staff in the Bank for the year was 499 (2021:429)

## 12. LEASE RENTALS

| | 2022 Frw'000' | 2021 Frw'000' |
|---|---|---|
| Short term leases and Low value leases | 68,829 | 72,952 |

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. From 1 January 2022, the Bank has recognised right-of-use assets for leases except for short-term and low-value leases. See details in Note 20.

## 13. DEPRECIATION AND AMORTISATION

| | 2022 Frw'000' | 2021 Frw'000' |
|---|---|---|
| Depreciation on property and equipment (Note 21) | 1,011,588 | 1,039,056 |
| Amortisation of intangible assets (Note 22) | 114,713 | 93,227 |
| Depreciation of right-of-use assets (Note 20) | 840,166 | 862,854 |
| | **1,966,467** | **1,995,137** |

## 14. OTHER OPERATING EXPENSES

| | | |
|---|---|---|
| Software and other IT related costs | 352,408 | 319,470 |
| Electricity, water and repairs and maintenance | 602,084 | 593,148 |
| Marketing, advertising and sponsorship | 406,058 | 586,370 |
| Travel and accommodation | 633,321 | 421,829 |
| Consultancy, legal and professional fees | 327,398 | 290,530 |
| Publications, stationery and communications | 1,390,595 | 1,082,031 |
| Auditor's remuneration | 57,677 | 57,677 |
| Shared services recharge | 1,445,487 | 988,671 |
| Other expenses | 1,870,546 | 2,536,041 |
| | **7,085,574** | **6,875,767** |

## 15. INCOME TAX EXPENSE

| | | |
|---|---|---|
| Recognised in profit or loss: | | |
| Current income tax charge | 10,907,853 | 4,795,896 |
| Deferred income tax/(credit) (Note 23) | (348,579) | 674,468 |
| | **10,559,274** | **5,470,364** |

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:

# NOTES CONTINUED

## 15. INCOME TAX EXPENSE (CONTINUED)

| | 2022 Frw'000' | 2021 Frw'000' |
|---|---|---|
| Profit before income tax | 34,778,168 | 17,849,606 |
| | | |
| Income tax using the enacted corporation tax rate – 30% | ` 10,433,450 | 5,354,882 |
| Income not subject to tax | 125,824 | 115,482 |
| Overprovision from previous years | - | - |
| Income tax expense | **10,559,274** | **5,470,364** |
| **Recognised in the statement of financial position** | | |
| ***Current income tax asset/(liability) at end of year*** | | |
| At start of year | 696,499 | (1,578,361) |
| Current year income tax expense | (10,559,274) | (5,470,364) |
| Paid during the year | 5,094,459 | 7,745,224 |
| | | |
| At end of year – recoverable / (payable) | **(4,768,316)** | **696,499** |

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

## 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:

| | 2022 Frw'000' | 2021 Frw'000' |
|---|---|---|
| Cash in hand | 18,774,569 | 19,074,691 |
| Unrestricted cash with Central Bank of Rwanda | 14,821,199 | 3,377,379 |
| Money market placements | 65,739,137 | 60,154,149 |
| Other balances with banks | 30,796,975 | 13,199,448 |
| | **130,131,880** | **95,805,667** |
| **12-month ECL:** | | |
| At 1 January | **(45,300)** | (42,240) |
| Re-measurement during the year | (99,720) | (3,060) |
| **At 31 December** | | |
| | **(145,020)** | **(45,300)** |
| **Cash, deposits, and balances due from financial institutions** | **129,986,860** | **95,760,367** |
| | | |
| **(b) Restricted cash with Central Bank of Rwanda** | 21,738,561 | 14,722,625 |
| **12-month ECL:** | | |
| At 1 January | (12,625) | (4,783) |
| Re-measurement during the year | (5,145) | (7,842) |
| **At 31 December** | **(17,770)** | **(12,625)** |
| **Net Restricted cash with Central Bank of Rwanda** | **21,720,791** | **14,710,000** |
| Movement in restricted balances: | | |
| At 1 January | **14,722,625** | **9,566,741** |
| Movement during the year | 7,015,936 | 5,155,884 |
| **At 31 December** | **21,738,561** | **14,722,625** |

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

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.

| | 2022 Frw'000' | 2021 Frw'000' |
|---|---|---|
| Cash and cash equivalents | **129,986,861** | 95,760,368 |
| *Liquid investments:* | | |
| FVOCI investment securities | 95,464,957 | 100,336,119 |
| | | |
| Borrowed funds - repayable within one year | (637,418) | (1,047,983) |
| Borrowed funds - repayable after one year | (32,493,164) | (44,463,598) |
| **Net debt** | **192,321,236** | **150,584,906** |
| | | |
| Cash and liquid investments | 159,190,654 | 105,073,325 |
| Gross debt - fixed interest rates | (33,130,582) | (45,511,581) |
| Gross debt -variable interest rates | - | - |
| **Net debt** | **192,321,236** | **150,584,906** |

| | Liquid assets | | Borrowed funds | | Total |
|---|---|---|---|---|---|
| | Cash and cash equivalents | FVOCI investment securities | Due within 1 year | Due after 1 year | |
| **Year ended 31 December 2022** | Frw'000' | Frw'000' | Frw'000's | Frw'000' | Frw'000' |
| Net debt as at start of year | **95,760,368** | **100,336,119** | **(1,047,983)** | **(44,463,598)** | **150,584,906** |
| Cash flows | 34,226,493 | (4,871,162) | 410,565 | 11,970,434 | 41,736,330 |
| **Net debt at end of year** | **129,986,861** | 95,464,957 | (637,418) | (32,493,164) | **192,321,236** |
| | | | | | |
| **Year ended 31 December 2021** | | | | | |
| Net debt as at start of year | 70,056,499 | 46,999,001 | (9,892,041) | (23,826,924) | 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** | **95,760,368** | **100,336,119** | **(1,047,983)** | **(44,463,599)** | **150,584,905** |

# NOTES CONTINUED

## 17. LOANS AND ADVANCES TO CUSTOMERS

| | 2022 Frw'000' | 2021 Frw'000' |
|---|---|---|
| Classified for IFRS 9 purposes as: | | |
| Loans and receivables (amortised cost) | 241,683,388 | 220,998,847 |
| | **241,683,388** | **220,998,847** |

### (a) Loans and advances at amortised cost

| | | |
|---|---|---|
| Current | - | - |
| Non-current portion | 241,683,388 | 220,998,847 |
| **Gross loans and advances to customers** | 254,200,313 | 230,463,927 |
| | **254,200,313** | **230,463,927** |
| Stage 1 impairment | (2,166,361) | (1,110,356) |
| Stage 2 impairment | (881,182) | (2,340,041) |
| Stage 3 impairment | (9,469,382) | (6,014,683) |
| | **(12,516,925)** | **(9,465,080)** |
| **Net loans and advances to customers** | **241,683,388** | **220,998,847** |

### (b) Provision for impairment of loans and advances

| Year ended 31 December 2022 | Stage 1 12 month ECL Frw'000' | Stage 2 Lifetime ECL Frw'000' | Stage 3 Lifetime ECL Frw'000' | Total Frw'000' |
|---|---|---|---|---|
| Balance at 1 January | 1,110,356 | 2,340,041 | 6,014,683 | 9,465,080 |
| Movements during the year: | | | | |
| Transfer to 12 months ECL | 287,392 | (212,188) | (75,204) | - |
| Transfer to lifetime ECL not credit impaired | (22,532) | 124,681 | (102,149) | - |
| Transfer to lifetime ECL credit impaired | (333,999) | (1,369,923) | 1,703,922 | - |
| Net re-measurements of loss allowance | 492,200 | 361,060 | 2,925,662 | 3,778,922 |
| Net financial assets originated or purchased | 869,126 | 468,277 | 803,618 | 2,141,021 |
| Financial assets derecognised | (236,182) | (830,766) | (603,857) | (1,670,805) |
| | 2,166,361 | 881,182 | 10,666,674 | 13,714,218 |
| Write offs | - | - | (1,197,293) | (1,197,293) |
| **Loss allowance as at 31 December** | **2,166,361** | **881,182** | **9,469,382** | **12,516,925** |

## 17. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

**(c) Provision for impairment of loans and advances**

| Year ended 31 December 2021 | Stage 1<br>12 month ECL<br>Frw'000' | Stage 2<br>Lifetime ECL<br>Frw'000' | Stage 3<br>Lifetime ECL<br>Frw'000' | Total<br><br>Frw'000' |
|---|---|---|---|---|
| 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** | **9,465,080** |

**(d) Provision for impairment for off balance sheet facilities.**

| Year ended 31 December 2022 | Stage 1<br>12 month ECL<br>Frw'000' | Stage 2<br>Lifetime ECL<br>Frw'000' | Stage 3<br>Lifetime ECL<br>Frw'000' | Total<br><br>Frw'000' |
|---|---|---|---|---|
| Loss allowance as at 1 January | 468,138 | 1,324 | 3,320 | 472,782 |
| Transfer to 12 months ECL | 6 | -6 | - | - |
| Transfer to Lifetime ECL not credit impaired | - | - | - | - |
| Transfer to Lifetime ECL credit impaired | -3 | 3 | - | - |
| Net re-measurement of Loss allowance | 11,226 | 125 | - | 11,351 |
| Net financial assets originated or purchased | 403,498 | 27 | - | 403,525 |
| Financial assets derecognised | (146,877) | (28,069) | - | (174,946) |
| **Loss allowance as at 31 December** | **735,988** | **(26,596)** | **3,320** | **712,712** |

| Year ended 31 December 2021 | Stage 1<br>12 month ECL<br>Frw'000' | Stage 2<br>Lifetime ECL<br>Frw'000' | Stage 3<br>Lifetime ECL<br>Frw'000' | Total<br><br>Frw'000' |
|---|---|---|---|---|
| Loss allowance as at 1 January | 510,629 | 186 | - | 510,815 |
| 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 | 119,565 | 27,774 | 3,320 | 150,659 |
| Financial assets derecognised | (277,536) | (27032) | - | (304,568) |
| **Loss allowance as at 31 December** | **468,138** | **1,324** | **3,320** | **468,139** |

# NOTES CONTINUED

## 17. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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:

| Year ended 31 December 2022 | Stage 1 12 month ECL Frw'000' | Stage 2 Lifetime ECL Frw'000' | Stage 3 Lifetime ECL Frw'000' | Total Frw'000' |
|---|---|---|---|---|
| Gross carrying amount as at 1 January | 163,894,604 | 48,931,559 | 17,637,764 | 230,463,927 |
| Movements during the year | | | | - |
| Transfer to 12 months ECL | 5,591,996 | (5,118,917) | (473,079) | - |
| Transfer to lifetime ECL not credit impaired | (3,677,984) | 4,115,232 | (437,248) | - |
| Transfer to lifetime ECL credit impaired | (2,308,382) | (6,129,524) | 8,437,906 | - |
| Net re-measurements of loss allowance | (23,639,690) | 1,308,064 | (7,007,924) | (29,339,550) |
| Net financial assets originated or purchased | 96,218,364 | 7,587,675 | 1,739,257 | 105,545,296 |
| Financial assets derecognised | (29,863,295) | (17,452,271) | (5,153,794) | (52,469,360) |
| **Gross carrying amount as at 31 December** | **206,215,613** | **33,241,818** | **14,742,882** | **254,200,313** |

| Year ended 31 December 2021 | Stage 1 12 month ECL Frw'000' | Stage 2 Lifetime ECL Frw'000' | Stage 3 Lifetime ECL Frw'000' | Total Frw'000' |
|---|---|---|---|---|
| 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 | (12,119,096) | (5,020,465) | 17,139,561 | - |
| Net remeasurements 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 | (27,215,293) | (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** |

## 17. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

Digital/Eazzy loans - These are interest bearing term loans given to the customers through the mobile phone, online platform or such other mode as shall from time to time be made available by the Bank and in such amounts as shall be determined by the Bank in its absolute discretion after an Account holder makes a formal application. These loans are charged processing fees.

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 2022 | Movements during the year | Gross carrying amount as at 31 December 2021 |
|---|---|---|---|
| Building and construction | 18,340,049 | 1,176,741 | 17,163,308 |
| Energy and water | 4,258,602 | (1,573,326) | 5,831,928 |
| Financial services | 160,225 | (139,066) | 299,291 |
| Food and agriculture | 9,234,849 | (237,258) | 9,472,107 |
| ICT and telecommunication | 12,989,255 | (491,793) | 13,481,048 |
| Manufacturing | 20,580,905 | 6,988,165 | 13,592,740 |
| Mining & quarrying | 437,035 | (43,431) | 480,466 |
| Personal household | 81,117,065 | 12,406,982 | 68,710,083 |
| Real estate | 24,278,699 | (16,053,734) | 40,332,433 |
| Tourism and hospitality | 32,746,319 | (246,496) | 32,992,815 |
| Trade | 35,232,400 | 17,908,155 | 17,324,245 |
| Transport and logistics | 14,824,910 | 4,041,447 | 10,783,463 |
| | **254,200,313** | **23,736,386** | **230,463,927** |

## 17. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

**(e) Movements per sector:**

| | Building and construction | | | | Energy and water | | | | Financial services | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2021** | 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' |
| Gross carrying amount as at 1 January | 3,086,893 | 125 | 2,331,882 | 5,418,901 | 5,804,051 | 12 | 32,982 | 5,837,044 | - | - | - | - |
| **Movements during the year:** | | | | | | | | | - | - | - | - |
| Transfer to 12 months ECL | 2 | - | (2) | - | - | - | - | - | - | - | - | - |
| Transfer to lifetime ECL not credit impaired | (796,707) | 796,707 | - | - | - | 20,817 | (20,817) | - | - | - | - | - |
| Transfer to lifetime ECL credit impaired | (63,749) | - | 63,749 | - | - | - | - | - | - | - | - | - |
| Net remeasurement | (70,583) | (370,894) | 417,829 | (23,648) | (1,568,932) | (7,243) | 575 | (1,575,600) | - | - | - | - |
| Net financial assets originated | 4,244,039 | 967,150 | 123,806 | 5,334,996 | 321,590 | 201 | - | 321,792 | - | - | - | - |
| Financial assets derecognised | (1,457,837) | (129) | (2,678,325) | (4,136,291) | (435,600) | (12) | (12,739) | (448,351) | - | - | - | - |
| **Gross carrying amount as at 31 December** | **4,942,059** | **1,392,960** | **258,939** | **6,593,958** | **4,121,110** | **13,776** | **-** | **4,134,885** | - | - | - | - |
| | | | | | | | | | | | | |
| Loss allowance as at 1 January | 18,540 | 2 | 4,319 | 22,861 | 979 | - | 68 | 1,048 | - | - | - | - |
| Movements during the year | | | | | | | | | - | - | - | - |
| Transfer to 12 months ECL | 1 | - | (1) | - | - | - | - | - | - | - | - | - |
| Transfer to lifetime ECL not credit impaired | (1,737) | 1,737 | - | - | - | - | - | - | - | - | - | - |
| Transfer to lifetime ECL credit impaired | (500) | - | 500 | - | - | - | - | - | - | - | - | - |
| Net remeasurements of loss allowance | 863 | 670 | (500) | 1,033 | 1,069 | 142 | - | 1,211 | - | - | - | - |
| Net financial assets originated or purchased | 3,042 | 3,097 | - | 6,139 | 86 | 2 | - | 88 | - | - | - | - |
| Financial assets derecognised | (10,115) | (2) | (4,318) | (14,435) | (74) | - | (68) | (143) | - | - | - | - |
| Write offs | A | - | - | (11,897) | - | - | - | - | - | - | - | - |
| **Loss allowance as at 31 December** | 10,094 | 5,505 | - | 3,701 | 5,761 | 144 | - | 2,204 | - | - | - | - |
| **Net loans and advances** | **4,931,965** | **1,387,456** | **258,939** | **6,590,257** | **4,115,349** | **13,632** | **-** | **4,132,682** | **-** | - | - | - |

## 17. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

**(e) Movements per sector: (Continued)**

| | Food and agriculture | | | | ICT and Telecommunication | | | | Manufacturing | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 12 month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total | Stage 1 12 month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total | Stage 1 12 month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
| **Year ended 31 December 2021** | Frw'000' | Frw'000' | Frw'000' | Frw'000' | Frw'000' | Frw'000' | Frw'000' | Frw'000' | Frw'000' | Frw'000' | Frw'000' | Frw'000' |
| Gross carrying amount as at 1 January | 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 |
| **Movements during the year:** | | | | | | | | | | | | |
| Transfer to 12 months ECL | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfer to lifetime ECL not credit impaired | (90,729) | 90,729 | - | - | (62,751) | 62,751 | - | - | (70,200) | 70,200 | - | - |
| Transfer to lifetime ECL credit impaired | (54,940) | (4,595,388) | 4,650,329 | - | - | - | - | - | (81,083) | - | 81,083 | - |
| Net remeasurement | (733,212) | 119,375 | (617,808) | (1,231,645) | (551,786) | (18,432) | - | (570,218) | (1,141,382) | (237,390) | 549,560 | (829,212) |
| Net financial assets originated | 1,671,360 | 458,181 | 370,873 | 2,500,415 | 838,342 | 76,480 | - | 914,822 | 11,243,830 | 225 | 5,379 | 11,249,433 |
| Financial assets derecognised | (985,929) | 1,353,331) | (39,698) | (2,378,958) | (834,727) | (499) | - | (835,226) | (4,551,488) | - | (1,688) | (4,553,176) |
| **Gross carrying amount as at 31 December 2022** | **3,229,934** | **530,917** | **4,452,937** | **8,213,788** | **12,490,392** | **120,786** | **-** | **12,611,178** | **12,839,870** | **2,267,897** | **4,156,586** | **19,264,353** |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Loss allowance as at 1 January | 4,627 | 1,037,557 | 169 | 1,042,353 | 34,440 | 51 | - | 34,491 | 13,991 | 12,655 | 2,113,017 | 2,139,663 |
| Movements during the year | | | | | | | | | | | | |
| Transfer to 12 months ECL | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfer to lifetime ECL not credit impaired | (134) | 134 | - | - | - | - | - | - | (35) | 35 | - | - |
| Transfer to lifetime ECL credit impaired | (49) | (602,127) | 602,176 | - | (1,466) | 1,466 | - | - | (29) | - | 29 | - |
| Net remeasurements of loss allowance | 8,188 | (74,722) | 452,097 | 385,563 | 74,249 | 527 | - | 74,776 | 20,854 | 41 | 675,032 | 695,927 |
| Net financial assets originated or purchased | 3,117 | 199,899 | 73,598 | 276,614 | 2,248 | 1,827 | - | 4,075 | 9,116 | 1 | 2,709 | 11,826 |
| Financial assets derecognised | (1,805) | (335,231) | (169) | (337,206) | (2,396) | (49) | - | (2,445) | (13,142) | - | (525) | (13,666) |
| Write offs | - | - | - | - | - | - | - | - | | | | |
| **Loss allowance as at 31 December 2022** | **13,943** | **225,510** | **1,127,872** | **1,367,344** | **107,075** | **3,821** | **-** | **110,896** | **30,755** | **12,731** | **2,790,264** | **2,833,750** |
| **Net loans and advances** | **3,215,990** | **305,407** | **3,325,065** | **6,846,443** | **12,383,317** | **116,965** | **-** | **12,500,282** | **12,809,114** | **2,255,166** | **1,366,322** | **16,430,603** |

## 17. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

**(e) Movements per sector: (Continued)**

| | Mining & Quarrying | | | | Personal household | | | | Real estate | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2021** | 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' |
| Gross carrying amount as at 1 January | 440,807 | - | 44,823 | 485,630 | 78,397,100 | 3,635,025 | 2,899,146 | 84,931,271 | 21,259,724 | 9,955,611 | 6,737,984 | 37,953,319 |
| **Movements during the year:** | | | | | | | | | | | | |
| Transfer to 12 months ECL | - | - | - | - | 2,199,119 | (1,900,523) | (298,596) | - | 691,363 | (577,333) | (114,030) | - |
| Transfer to lifetime ECL not credit impaired | - | - | - | - | (1,011,268) | 1,316,005 | (304,737) | - | (813,974) | 813,974 | - | - |
| Transfer to lifetime ECL credit impaired | - | - | - | - | (1,488,891) | (713,211) | 2,202,102 | - | (9,769) | (117,966) | 127,735 | - |
| Net remeasurement | (143,290) | - | (12,118) | (155,408) | (12,517,786) | (291,275) | (556,044) | (13,365,105) | (3,100,319) | 366,324 | 6,364,485) | (9,098,480) |
| Net financial assets originated | 83,286 | - | 15,709 | 98,995 | 42,412,076 | 881,518 | 1,066,050 | 44,359,644 | 4,905,997 | - | 250 | 4,906,247 |
| Financial assets derecognised | - | - | (11,129) | (11,129) | (14,592,222) | (686,113) | (1,089,819) | (16,368,154) | (526,601) | (9,526,646) | (177,444) | (10,230,690) |
| **Gross carrying amount as at 31 December 2022** | **380,803** | **-** | **37,284** | **418,088** | **93,398,128** | **2,241,426** | **3,918,102** | **99,557,656** | **22,406,422** | **913,964** | **210,010** | **23,530,395** |
| | | | | | | | | | | | | |
| Loss allowance as at 1 January | 1,221 | - | - | 1,221 | 750,606 | 304,406 | 1,361,667 | 2,416,679 | 19,716 | 298,886 | 2,104,584 | 2,423,186 |
| Movements during the year | | | | | | | | | | | | |
| Transfer to 12 months ECL | - | - | - | - | 149,659 | (84,889) | (64,770) | - | 39,227 | (39,227) | - | - |
| Transfer to lifetime ECL not credit impaired | - | - | - | - | (8,654) | 99,693 | (91,040) | - | (3,289) | 3,289 | - | - |
| Transfer to lifetime ECL credit impaired | - | - | - | - | 1,685,982 | (57,287) | 545,044 | 2,173,740 | 49,881 | 6,161 | 39,393 | 95,435 |
| Net remeasurements of loss allowance | 3,234 | - | 2,635 | 5,869 | (293,480) | (13,675) | 1,082,772 | 775,617 | (37,967) | 196,762 | (1,957,145) | (1,798,350) |
| Net financial assets originated or purchased | 1,247 | - | 14,182 | 15,429 | 477,930 | 87,382 | 642,398 | 1,207,710 | 10,124 | - | 113 | 10,236 |
| Financial assets derecognised | - | - | - | - | (133,979) | (106,389) | (557,466) | (797,834) | (1,109) | (249,559) | (22) | (250,689) |
| Write offs | - | - | - | - | - | - | - | - | - | - | - | - |
| **Loss allowance as at 31 December 2022** | **5,702** | **-** | **16,817** | **22,518** | **2,628,064** | **229,242** | **2,918,605** | **5,152,266** | **76,582** | **216,312** | **186,924** | **469,231** |
| **Net loans and advances** | **375,102** | **-** | **20,468** | **395,569** | **90,770,064** | **2,012,184** | **999,497** | **94,405,389** | **22,329,840** | **697,651** | **23,086** | **23,061,164** |

# NOTES CONTINUED

## 17. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

**(e) Movements per sector: (Continued)**

| | Tourism and Hospitality | | | | Trade | | | | Transport and logistics | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Stage 1 12 month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total | Stage 1 12 month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total | Stage 1 12 month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
| **Year ended 31 December 2021** | Frw'000' | Frw'000' | Frw'000' | Frw'000' | Frw'000' | Frw'000' | Frw'000' | Frw'000' | Frw'000' | Frw'000' | Frw'000' | Frw'000' |
| Gross carrying amount as at 1 January | 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 |
| **Movements during the year:** | | | | | | | | | | | | |
| Transfer to 12 months ECL | 2,397,819 | (2,384,192) | (13,627) | - | 301,714 | (256,869) | (44,845) | - | 1,979 | - | (1,979) | - |
| Transfer to lifetime ECL not credit impaired | (170,083) | 274,072 | (103,988) | - | (596,391) | 599,033 | (2,643) | - | (65,880) | 70,943 | (5,063) | - |
| Transfer to lifetime ECL credit impaired | (161,016) | (343,954) | 504,971 | - | (316,572) | (285,184) | 601,755 | - | (132,361) | (73,821) | 206,182 | - |
| Net remeasurement | (1,963,583) | 2,456,936 | (3,243) | 490,110 | (1,460,204) | (240,733) | (308,837) | (2,009,774) | (388,614) | (468,605) | (113,352) | (970,570) |
| Net financial assets originated | 2,060,074 | 4,584,538 | 24,461 | 6,669,072 | 24,068,822 | 370,846 | 132,593 | 24,572,261 | 4,368,949 | 248,536 | 136 | 4,617,621 |
| Financial assets derecognised | (1,224,996) | (5,554,202) | (588,095) | (7,367,292) | (5,195,112) | (317,768) | (477,126) | (5,990,006) | (58,784) | (13,573) | (77,731) | (150,088) |
| **Gross carrying amount as at 31 December 2022** | **10,355,770** | **20,550,039** | **599,997** | **31,505,807** | **31,933,624** | **1,153,676** | **952,027** | **34,039,327** | **10,117,541** | **4,056,376** | **156,999** | **14,330,916** |
| Loss allowance as at 1 January | 45,253 | 564,679 | 135,938 | 745,870 | 204,968 | 102,349 | 159,096 | 466,414 | 13,745 | 150,678 | 6,871 | 171,294 |
| **Movements during the year** | | | | | | | | | | | | |
| Transfer to 12 months ECL | 59,030 | (58,624) | (406) | - | 39,474 | (29,447) | (10,028) | - | - | - | - | - |
| Transfer to lifetime ECL not credit impaired | (1,336) | 12,324 | (10,989) | - | (5,776) | 5,776 | - | - | (105) | 226 | (121) | - |
| Transfer to lifetime ECL credit impaired | 97,544 | 28,447 | 58,381 | 184,372 | (3,433) | (11,516) | 14,949 | - | (179) | (347) | 526 | - |
| Net remeasurements of loss allowance | (58,222) | 113,861 | 67,142 | 122,781 | 736,686 | 16,266 | 142,941 | 895,894 | 36,726 | 121,187 | 7,139 | 165,053 |
| Net financial assets originated or purchased | 17,417 | 119,680 | 61 | 137,158 | 335,765 | 41,956 | 70,557 | 448,278 | 9,034 | 14,434 | - | 23,468 |
| Financial assets derecognised | (9,255) | (123,953) | (13,754) | (146,962) | (63,992) | (15,552) | (27,414) | (106,958) | (315) | (31) | (122) | (468) |
| Write offs | 59,030 | (58,624) | (406) | - | 39,474 | (29,447) | (10,028) | - | - | - | - | - |
| **Loss allowance as at 31 December 2022** | **150,431** | **656,415** | **236,373** | **871,286** | **1,243,693** | **109,832** | **350,102** | **1,324,418** | **58,907** | **286,147** | **14,293** | **359,347** |
| **Net loans and advances** | **10,205,339** | **19,893,625** | **363,624** | **30,634,521** | **30,689,931** | **1,043,844** | **601,925** | **32,714,909** | **10,058,634** | **3,770,229** | **142,706** | **13,971,569** |

# NOTES CONTINUED

## 18. INVESTMENT SECURITIES

| | 2022 Frw'000' | 2021 Frw'000' |
|---|---|---|
| **Amortised cost** | | |
| At start of year | 6,405,829 | **15,053,048** |
| Purchase of investment securities | 74,092,235 | 24,486,000 |
| Maturity of securities | (15,360,387) | (33,133,219) |
| **At end of year** | **65,137,677** | **6,405,829** |
| 12-month ECL: | | |
| At 1 January – Initial re-measurement | (2,955) | (6,311) |
| Re-measurement during the year | (154,194) | 3,356 |
| **At 31 December** | (157,149) | (2,955) |
| Net carrying amount | **64,980,528** | **6,402,874** |
| | | |
| **FVOCI** | | |
| At start of year | **100,380,726** | **47,017,934** |
| Purchase of investment securities | 25,580,081 | 70,218,100 |
| Sale of investment securities | (17,053,292) | (16,768,195) |
| Gain/ (loss)on fair valuation | (13,114,006) | (87,113) |
| | **95,793,509** | **100,380,726** |
| | | |
| At 1 January – Initial re-measurement | (44,607) | (18,932) |
| Re-measurement during the year | (283,945) | (25,676) |
| **At 31 December** | **(328,552)** | **(44,608)** |
| **At end of year** | **95,464,957** | **100,336,118** |
| | **158,008,651** | **106,738,993** |

The weighted average effective interest rate on investment securities at 31 December was 12.14% (2021: 12.11%)

## 19. OTHER ASSETS AND PREPAID EXPENSES

| | 2022 Frw'000' | 2021 Frw'000' |
|---|---|---|
| Settlement and clearing accounts | 2,807,197 | 1,641,269 |
| Prepaid expenses and other prepayments | 6,550,905 | 6,556,395 |
| Refundable deposits | 16,739 | 16,739 |
| Accounts receivable and sundry debtors | 174,529 | 226,710 |
| Other assets | 690,477 | 3,203,069 |
| | **10,239,848** | **11,644,182** |
| Expected credit loss for other assets | (281,770) | (198,120) |
| | **9,958,078** | **11,446,062** |

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

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

Right of use assets are made up of the following:

| Cost | 2022 Frw'000' | 2021 Frw'000' |
|---|---|---|
| Initial cost as at 1 Jan | 5,549,515 | 3,698,144 |
| Additions | 163,254 | 844,468 |
| Disposals | (100,570) | (224,158) |
| Re-measurement of ROUA | 25,310 | 1,231,061 |
| **Total** | **5,637,509** | **5,549,515** |
| | | |
| **Accumulated depreciation** | | |
| Beginning balance at 1st January | 2,116,238 | 1,477,542 |
| Current period depreciation | 840,166 | 862,854 |
| Disposals | (100,570) | (224,158) |
| **Ending balance 31st December** | **2,855,834** | **2,116,238** |
| **Net book value** | **2,781,674** | **3,433,276** |

During 2022, the Bank did not have any right-of-use assets that would meet the definition of investment property (2021: 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

Right of use assets are made up of the following:

| **Movement in lease liabilities is as follows:** | 2022 Frw'000' | 2021 Frw'000' |
|---|---|---|
| Balance as at 1 January | 3,557,175 | 2,237,593 |
| Lease prepayment as at 1 January | 183,896 | 194,418 |
| Additions (new and lease modifications accounted for as a separate lease) | 160,853 | 838,148 |
| Principal settlements during the period | (1,028,613) | (996,153) |
| Lease prepayment as at 31December | (161,858) | (183,896) |
| Lease termination and lease remeasurement | 25,310 | 1,231,162 |
| Finance expenses during the period | 252,258 | 235,903 |
| **Balance as at 31 December** | **2,989,021** | **3,557,175** |

Interest expense on lease liabilities paid during the period was amounting Frw 252,258,337for all assets qualifying for IFRS 16. Include interest expense on provision for restoration cost

| **Amounts recognised in the statement of profit or loss** | | |
|---|---|---|
| Depreciation charge of right-of-use assets - buildings | 840,166 | 862,854 |
| Interest expense | 252,258 | 235,903 |

## 21. PROPERTY AND EQUIPMENT

| | Leasehold improvements Frw'000' | Motor vehicles Frw'000' | Equipment, furniture & fittings Frw'000' | Computers Frw'000's | ATM Frw'000's | Total Frw'000' |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2022** | | | | | | |
| **Cost** | | | | | | |
| At start of year | 4,845,141 | 369,423 | 2,965,614 | 2,421,475 | 764,777 | 11,366,430 |
| Additions | 270,994 | - | 498,638 | 481,751 | 78,938 | 1,330,321 |
| Transfers | - | - | (171,334) | 171,334 | - | - |
| Disposals | (102,644) | (76) | (251,890) | (218,305) | (89,472) | (662,387) |
| **At end of year** | **5,013,491** | **369,347** | **3,041,028** | **2,856,255** | **754,243** | **12,034,364** |
| **Accumulated depreciation** | | | | | | |
| At start of year | **3,594,243** | **363,563** | **2,741,933** | **1,716,830** | **50,609** | **8,467,177** |
| Charge for the year | 353,232 | 2,608 | 206,421 | 411,115 | 38,212 | 1,011,588 |
| Disposals | (103,667) | (76) | (243,665) | (212,343) | (89,472) | (649,223) |
| **At end of year** | **3,843,808** | **366,095** | **2,704,689** | **1,915,602** | **(651)** | **8,829,542** |
| **Net book value at end of year** | **1,169,683** | **3,252** | **336,339** | **940,653** | **754,894** | **3,204,822** |

| | Leasehold improvements Frw'000' | Motor vehicles Frw'000' | Equipment, furniture & fittings Frw'000' | Computers Frw'000's | ATM Frw'000's | 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 | - | 1,394,961 |
| Transfers | - | - | (620) | 620 | - | - |
| Disposals | (48,776) | - | (161,538) | (55,172) | - | (265,486) |
| At end of year | 4,845,141 | 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** |

## 22. INTANGIBLES

| | Software Frw'000' | Total Frw'000' |
|---|---|---|
| **Year ended 31 December 2022** | | |
| **Cost** | | |
| At start of year | 714,370 | 714,370 |
| Acquisitions | 364,360 | 364,360 |
| **At end of year** | **1,078,788** | **1,078,788** |
| | | |
| Amortisation and impairment losses | | |
| At start of year | 499,672 | 499,672 |
| Amortisation | 114,713 | 114,713 |
| **At end of year** | **614,443** | **614,443** |
| **Net book value at end of year** | **464,345** | **464,345** |
| | | |
| **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** |

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 2022** | | | | |
| Property, equipment, software and Right of use assets | 184,588 | 80,496 | - | 265,084 |
| Allowances for credit losses | (886,409) | (437,820) | - | (1,324,229) |
| bad debts recoveries | 271,972 | 29,842 | - | 301,813 |
| Provision for accrued bonus | - | - | - | - |
| Provision for accrued leave | (51,310) | (24,735) | - | (76,045) |
| Unrealised foreign exchange Gains and Losses | 3,658 | 3,638 | - | 7,296 |
| FVOCI investment securities | 538,958 | - | (3,934,202) | (3,395,244) |
| **31 December 22** | **61,457** | **(348,579)** | **(3,934,202)** | **(4,221,325)** |
| | | | | |
| **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 | 565,092 | - | (26,134) | 538,958 |
| **31 December 2021** | **(586,877)** | **674,467** | **(26,134)** | **61,457** |

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.

## 24. DEPOSITS FROM CUSTOMERS AND BANKS

| | 2022 Frw'000' | 2021 Frw'000' |
|---|---:|---:|
| Term deposits | 69,612,021 | 64,110,144 |
| Current deposits | 287,732,131 | 199,657,914 |
| Savings deposit | 82,841,425 | 65,266,917 |
| | **440,185,577** | **329,034,975** |
| Current | 440,132,743 | 327,968,649 |
| Non-current | 52,834 | 1,066,326 |
| | **440,185,577** | **329,034,975** |
| Deposits from customers | 423,027,467 | 301,067,056 |
| Deposits from Banks | 17,158,110 | 27,967,919 |
| | **440,185,577** | **329,034,975** |

The weighted average effective interest rate on interest bearing customer deposits at 31 December 2022 was 5.06% (2021: 4.98 %). 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

| | 2022 Frw'000' | 2021 Frw'000' |
|---|---:|---:|
| Settlement and clearing accounts | 1,723,628 | 3,461,553 |
| Accounts payable and sundry creditors | 1,086,343 | 847,401 |
| Accrued expenses | 1,563,015 | 901,886 |
| Deferred income | 7,036,412 | 7,072,042 |
| Other liabilities | 860,207 | 569,798 |
| | **12,269,605** | **12,852,680** |

Other liabilities and accrued expenses are current and non-interest bearing.

# NOTES CONTINUED

## 26. BORROWED FUNDS

| | 2022 Frw'000' | 2021 Frw'000' |
|---|---|---|
| National Bank of Rwanda (term borrowings) | 22,887,939 | 37,487,022 |
| National Bank of Rwanda (economic recovery fund) | 9,605,225 | 6,976,576 |
| Interest payable | 637,418 | 1,047,983 |
| | **33,130,582** | **45,511,581** |
| | | |
| Current | 637,418 | 1,047,983 |
| Non-current | 32,493,164 | 44,463,598 |
| | **33,130,582** | **45,511,581** |
| | | |
| Movement during the year | | |
| At 1 January | **45,511,581** | 33,718,963 |
| Proceeds from borrowed funds | 188,956,663 | 444,500,559 |
| Repayment of borrowed funds | (200,927,097) | (432,934,759) |
| Interest charged on borrowed funds | 2,725,654 | 2,850,087 |
| Interest paid on borrowed funds | (3,136,219) | (2,623,269) |
| | **33,130,582** | **45,511,581** |

**31 December 2022**

| **Lender** | Loan balance Frw'000 | Currency | Interest rate | Maturity date | Finance cost recognised in the year Frw'000 |
|---|---|---|---|---|---|
| National Bank of Rwanda | 6,310,229 | RWF | 8.0% | 13-Aug-23 | 504,818 |
| National Bank of Rwanda | 9,910,692 | RWF | 8.0% | 12-Aug-24 | 792,855 |
| National Bank of Rwanda | 6,667,018 | RWF | 8.0% | 13-Oct-24 | 533,361 |
| BNR-Economic recovery funds | 7,095,480 | RWF | 0% | 16-Oct-2035 | - |
| BNR-Economic recovery funds | 4,445,699 | RWF | 2% | 7-Dec-2036 | 88,979 |
| BNR-Economic recovery funds | 205,000 | RWF | 2% | 5-Nov-2025 | 4,035 |
| BNR-Economic recovery funds | 265,000 | RWF | 2% | 23-Oct-2025 | 5,216 |
| BNR-Economic recovery funds | 105,000 | RWF | 2% | 11-Jan-2026 | 2,072 |
| BNR-Economic recovery funds | 57,882 | RWF | 0% | 23-Apr-2026 | - |
| BNR-Economic recovery funds | 38,000 | RWF | 2% | 6-Sep-2025 | 600 |
| BNR-Economic recovery funds | 60,000 | RWF | 2% | 17-Feb-2026 | 1,181 |
| BNR-Economic recovery funds | 75,000 | RWF | 2% | 4-Jun-2026 | 1,480 |
| BNR-Economic recovery funds | 70,649 | RWF | 0% | 29-Mar-2023 | - |
| BNR-Economic recovery funds | 97,659 | RWF | 0% | 29-Dec-2029 | - |
| BNR-Economic recovery funds | 568,873 | RWF | 0% | 29-Dec-2027 | - |
| BNR-Economic recovery funds | 1,050,000 | RWF | 0% | 29-Dec-2036 | - |
| BNR-Economic recovery funds | 217,920 | RWF | 0% | 29-Dec-2036 | - |
| BNR-Economic recovery funds | 246,577 | RWF | 0% | 29-Dec-2036 | - |
| BNR-Economic recovery funds | 82,717 | RWF | 0% | 29-Dec-2031 | - |
| BNR-Economic recovery funds | 1,020,000 | RWF | - | - | - |
| **Total** | **38,589,395** | | | | **1,934,597** |

## 26. BORROWED FUNDS (CONTINUED)

**31 December 2021**

| Lender | Loan balance Frw'000 | Currency | Interest rate | Maturity date | Finance cost recognised in the year Frw'000 |
|---|---|---|---|---|---|
| National Bank of Rwanda | 12,620,458 | RWF | 8.0% | 9-Oct-2024 | 1,009,637 |
| National Bank of Rwanda | 14,866,038 | RWF | 8.0% | 13-Aug-2024 | 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 | 44,489 |
| BNR-Economic recovery funds | 205,000 | RWF | 2% | 5-Nov-2025 | 4,035 |
| BNR-Economic recovery funds | 265,000 | RWF | 2% | 23-Oct-2025 | 5,216 |
| BNR-Economic recovery funds | 105,000 | RWF | 2% | 11-Jan-2026 | 2,072 |
| BNR-Economic recovery funds | 57,882 | RWF | 0% | 23-Apr-2026 | - |
| BNR-Economic recovery funds | 38,000 | RWF | 2% | 6-Sep-2025 | 200 |
| BNR-Economic recovery funds | 60,000 | RWF | 2% | 17-Feb-2026 | 1,083 |
| BNR-Economic recovery funds | 75,000 | RWF | 2% | 4-Jun-2026 | 863 |
| **Total** | **49,922,410** | | | | **1,703,435** |

## 27. SHARE CAPITAL AND RESERVES

| (a) Share capital | Share capital Frw'000' | Share premium Frw'000' | Total Frw'000 |
|---|---|---|---|
| Balance as at 1 January 2022 | 18,175,000 | 2,112,690 | 20,287,690 |
| **At 31 December 2022** | **18,175,000** | **2,112,690** | **20,287,690** |

As at 31 December 2022, the authorised share capital comprised of 18,175 million ordinary shares with a par value of Frw1,000. 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 2022 Frw'000' |
|---|---|---|---|---|
| | **1,465,408** | **(13,114,006)** | **3,934,203** | **(7,714,395)** |

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

## 27. SHARE CAPITAL AND RESERVES (CONTINUED)

### (c) Regulatory reserve

National Bank of Rwanda regulation on credit classification and Provisioning Article 26 requires creation of statutory reserve where loan loss provisions determined using IFRS's are lower than provisions determined using this regulation, the difference is to be treated as an appropriation from retained earnings and placed in a non distributable reserve.

Statutory reserve was created during the period with the following balances appropriated from retained earnings:

| Provisions held | IFRS's provisions | Regulatory provisions | Appropriation to regulatory reserve |
|---|---|---|---|
| Stage 1 | 1,508,468 | 2,166,361 | (657,893) |
| Stage 2 | 1,618,188 | 881,182 | 737,006 |
| Stage 2 | 6,443,960 | 9,469,382 | (3,025,422) |
| **Total** | **9,570,616** | **12,516,925** | **(2,946,309)** |
| | | | |
| Off balance sheet | 645,820 | 708,069 | (62,249) |
| **Totals** | **10,216,436** | **13,224,994** | **(3,008,558)** |

## 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:

| | 2022 Frw'000' | 2021 Frw'000' |
|---|---|---|
| Guarantees and standby letters of credit | 47,369,677 | 41,908,495 |
| Letters of credit, acceptances, and other credits | 19,660,595 | 9,077,572 |
| | **67,030,272** | **50,986,067** |

Commitments

Commitments contracted for at the reporting date but not recognised in the financial statements were as follows:

| | 2022 Frw'000' | 2021 Frw'000' |
|---|---|---|
| Capital commitments | 2,550,807 | 1,465,168 |
| Loans approved but not disbursed | 1,372,100 | 2,269,855 |
| | **3,922,907** | **3,735,023** |

## 28. OFF-BALANCE SHEET CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

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.

| 31 December 2022 | 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 | 9,085,256 | 8,370,764 | 5,700,279 | 24,213,378 | 47,369,677 |
| Letters of credit, acceptances and other documentary credits | 19,149,235 | 280,360 | 231,000 | - | 19,660,595 |
| Capital commitments | 150,790 | - | 2,400,017 | | 2,550,807 |
| Loans approved but not disbursed | - | - | 230,000 | 1,142,100 | 1,372,100 |
| **Total commitments and guarantees** | **28,385,281** | **8,651,124** | **8,561,296** | **25,355,478** | **70,953,179** |
| | | | | | |
| **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** |

## 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** | 2022 Frw'000' | 2021 Frw'000' |
|---|---|---|
| At 1 January | 629,432 | 695,369 |
| Interest charged | 45,594 | 45,594 |
| Loans disbursed | 129,826 | 83,006 |
| Repayments | (188,249) | (194,537) |
| **At 31 December** | **616,603** | **629,432** |
| (b) **Loans to employees** | | |
| At 1 January | 5,215,797 | 4,997,636 |
| Interest charged | 346,731 | 346,731 |
| Loans disbursed | 2,464,062 | 1,695,875 |
| Repayments | (1,557,611) | (1,824,445) |
| **At 31 December** | **6,468,979** | **5,215,797** |

# NOTES CONTINUED

## 30. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

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) Amount due from related parties**

| | 2022<br>Frw'000' | 2021<br>Frw'000' |
|---|---|---|
| Equity Bank Kenya Limited | 43,946 | 36,430 |
| Equity Bank Uganda Limited | 95,491 | 20,734 |
| Equity Bank Tanzania Limited | 14,299 | 12,434 |
| Equity Bank DRC Limited | 3,470 | - |
| Equity Bank South Sudan Limited | 4,019 | - |
| | **161,225** | **69,598** |

**(d) Amounts due to related parties**

| | 2022<br>Frw'000' | 2021<br>Frw'000' |
|---|---|---|
| Equity Bank Kenya Limited | 499,070 | 404,701 |
| Equity Bank Uganda Limited | 363,909 | 171,215 |
| Equity Bank Sudan Limited | 975 | 975 |
| Equity Bank Tanzania Limited | 205,641 | 196,628 |
| | **1,069,595** | **773,519** |

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 2022, the Bank has not recorded any impairment of receivables relating to amounts owed by related parties (2021: 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 was the ultimate holding company, controlled the Bank. The other companies are related by virtue of common shareholding and directorship.

**(e) Deposits from related parties**

| | 2022<br>Frw'000' | 2021<br>Frw'000' |
|---|---|---|
| Equity Bank Kenya Limited | 305,042 | 3,878,886 |
| Equity Bank Uganda Limited | 630,347 | 188,472 |
| Equity Bank Tanzania Limited | 63,592 | 25,263 |
| | **998,981** | **4,092,621** |

**(f) Placements within other related parties**

| | 2022<br>Frw'000' | 2021<br>Frw'000' |
|---|---|---|
| Equity Bank Kenya Limited | - | **7,150,000** |
| Interest income earned | 32,792 | - |
| | **32,792** | **7,150,000** |

## 30. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

**Transactions with related parties**

| | 2022 Frw'000' | 2021 Frw'000' |
|---|---|---|
| Interest earned on transactions with banking subsidiaries | 568,145 | 546,083 |
| Interest paid on borrowing with banking subsidiaries | 11,944 | 272,4534 |

Other balances mainly relate to expenses paid on behalf of the other entities by the Bank.

**Key management personnel compensation**

| | 2022 Frw'000' | 2021 Frw'000' |
|---|---|---|
| Remuneration to key management | 1,412,782 | 1,346,253 |
| Pensions | 67,276 | 89,079 |
| | **1,480,058** | **1,435,332** |

**(g) Directors' emoluments**

| | 2022 Frw'000' | 2021 Frw'000' |
|---|---|---|
| Directors' emoluments | 198,960 | 169,120 |
| | **198,960** | **169,120** |

## 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 2022

## Appendix: Other information

| | 31st Dec 2022<br>Frw 000<br>Amount/ Ratio/Number |
|---|---|
| **I. CAPITAL STRENGTH** | |
| 1.Core Capital (Tier 1) | 58,243,878 |
| 2.Supplementary Capital (Tier 2) | 4,475,893 |
| 3.Total Capital | 62,719,771 |
| 4.Total Risk Weighted Assets | 376,335,553 |
| 5.Core Capital/ Total Risk Weighted Assets Ratio (Tier 1 Ratio) | 15.48% |
| 6.Tier 2 Ratio | 1.19% |
| 7.Total Capital/Total Risk Weighted Assets Ratio | 16.67% |
| 8.Leverage Ratio | 10.00% |
| **II.CREDIT RISK** | |
| **1.Total gross credit risk exposures: after accounting offsets and without taking into account credit risk mitigation;** | 254,200,313 |
| **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 | 8,116,586 |
| • Building and construction | 6,804,353 |
| • Education | 10,614,900 |
| • Energy and water | 6,208,448 |
| • Financial intermediation | 160,225 |
| • Information and communication | 12,863,796 |
| • Manufacturing | 19,100,032 |
| • Mining & quarrying | 435,508 |
| • Other service activities | 23,701,045 |
| • Personal/household | 76,931,282 |
| • Real estate | 24,271,686 |
| • Tourism, rest & hotels | 29,992,648 |
| • Trade | 20,229,694 |
| • Transport and communication | 14,770,110 |
| **b) Debt securities;** | 160,445,485 |
| **c) OTC derivatives;** | - |
| **3. Regional or geographic distribution of gross exposures, broken down in significant areas by major types of credit exposure:** | |
| *a)* Kigali | 209,022,819 |
| *b)* Southern | 13,039,385 |
| *c)* Western | 14,629,392 |
| *d)* Northern | 8,434,082 |
| *e)* Eastern | 9,074,635 |
| **4.Sector distribution of exposures, broken down by major types of credit exposure and aggregated in the following areas:** | |
| a) Government | 11,189,722 |
| b) Financial | 160,225 |
| c) Manufacturing | 19,129,823 |
| d) Infrastructure and construction | 34,466,201 |
| e) Services and commerce | 105,524,923 |
| f) Others | 83,729,419 |

# OTHER DISCLOSURES CONTINUED

**As at 31 December 2022**

**Appendix: Other information**

| | 31st Dec 2022<br>Frw 000<br>Amount/ Ratio/Number | | |
|---|---|---|---|
| **5. OFF- BALANCE SHEET ITEMS** | | | |
| a) Guarantees issued outward | 47,369,677 | | |
| b) Outward letter of credit contra | 19,660,595 | | |
| **6. NON-PERFORMING LOANS INDICATORS** | | | |
| a) Non-performing loans (NPL) | 17,734,596 | | |
| b) NPL ratio | 6.70% | | |
| **7. RELATED PARTIES** | | | |
| a) Loans to directors, shareholders, and subsidiaries | 130,275 | | |
| b) Loan to employees | 6,468,979 | | |
| **8. RESTRUCTURED LOANS** | | | |
| a. No. of borrowers | 485 | | |
| b. Amount outstanding | 44,947,005 | | |
| c. Regulatory Provision thereon | 5,398,788 | | |
| d. Restructured loans as % of gross loans | 16.98% | | |
| **III. LIQUIDITY RISK** | | | |
| 1) Liquidity Coverage Ratio (LCR) | 289% | | |
| 2) Net Stable Funding Ratio (NSFR) | 154% | | |
| **IV. OPERATIONAL RISK** | | | |
| Number and types of frauds and their corresponding amount | Type | Number | Amount (000) |
| | - | - | - |
| **V. MARKET RISK** | | | |
| 1. Interest rate risk | 1,878,161 | | |
| 2. Equity position risk | - | | |
| 3. Foreign exchange risk % of Core Capital (NOP) | (6.66%) | | |
| **VI. COUNTRY RISK** | | | |
| 1. Credit exposures abroad | - | | |
| 2. Other assets held abroad | 87,800,668 | | |
| 3. Liabilities to abroad | 22,608,258 | | |
| **VII. MANAGEMENT AND BOARD COMPOSITION** | | | |
| 1. Number of Board members | 8 | | |
| 2. Number of independent directors | 6 | | |
| 3. Number of non-independent directors | 2 | | |
| 4. Number of female directors | 2 | | |
| 5. Number of male directors | 6 | | |
| 6. Number of Senior Managers | 12 | | |
| 7. Number of females senior managers | 5 | | |
| 8. Number of males senior managers | 7 | | |

# CONSOLIDATED PROFILES OF THE BOARD OF DIRECTORS

## COL (RTD) EUGENE HAGUMA MURASHI

*Non-Executive Chairman, Equity Bank Rwanda Plc*

Eugene holds a MSc in Financial Management from the University of London and a B. Com (Marketing) degree from Makerere University-Kampala. He is a Chartered Financial Analyst (CFA) charter holder and is a Certified Sustainable Investment Professional from John Molson Business School Concordia University, Canada. Eugene has served in leadership positions both in the Public Sector and the Private Sector. He was the Permanent Secretary, Ministry of Defence in Rwanda from 2002-2005 before being posted as Defence Attaché to the Republic of South Africa from 2005-2010. He joined Horizon Group Rwanda as CEO from 2010 until 2018. Since retiring from the Rwanda Defence Force, Eugene is currently working as a private consultant.

## HANNINGTON NAMARA

*Managing Director, Equity Bank Rwanda Plc*

Hannington is the Managing Director of Equity Bank Rwanda Plc. He holds a degree in Business Administration (Finance option) from Makerere University Business School, a graduate of Advanced Management Programme from Strathmore Business School. He 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 and a track record in Strategic Leadership, Banking and Finance, Management and Communications. He has held various leadership positions while working with different reputable organizations in the past 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). He holds several positions of responsibility in Boards of corporates and parastatals.

## MARY WAMAE

*Non-Executive Director, Equity Bank Rwanda Plc*

Mary holds a Masters degree in Leading Innovation and Change from York St. John University, UK, a Bachelor of Laws degree from the University of Nairobi and a Diploma in Law from the Kenya School of Law. She is a graduate of the Advanced Management Programme (Strathmore - IESE Business School, Barcelona Spain) and the Advanced Management Programme at Harvard Business School. She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Secretaries of Kenya (ICPSK), Law Society of Kenya, Women Corporate Directors and the Kenya Section of International Commission of Jurists. She is an Advocate of the High Court of Kenya and holds a Post Graduate Diploma in Gender and Development 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 & Finance as well as overall winner of the 2021 Women on Board Award held by the Women on Board Network (WOBN). She was recognized for her efforts in demonstrating purpose, authenticity, resilience, innovation, and sustainable contribution in economic and social-impact initiatives.

## DR. PATRICK UWIZEYE

*Non-Executive Director, Equity Bank Rwanda Plc*

Patrick holds a degree of Doctor of Business Administration (DBA) from the Heriot-Watt University, UK, a Master of Science (MSc) in Strategic Planning from the same University, MBA in Financial Management from the University of Hull, UK and Master's in Communications Management (MCM) from Coventry University, UK. He is a Certified Public Accountant (CPA) and a member of both Institutes of CPA Kenya and Rwanda; a Certified Member of the Institute of Risk Management (CMIRM), UK and Associate Member of Kenya Institute of Management. Patrick has over 28 years of working experience in business management and worked for MTN Rwanda and AACC in Nairobi. Dr. Uwizeye is currently the President of the Institute of CPA Rwanda, and a former board member of Pan Africa Federation of Accountants (PAFA). Patrick currently serves as the Managing Director of BPU Consulting Ltd, a company he founded more than seven years ago.

## AMB. GEORGE WILLIAM KAYONGA

*Non-Executive Director, Equity Bank Rwanda Plc*

George holds a Master's degree in Diplomacy and International studies and Bachelor of Commerce Degree- Finance. He is an Independent Trade and Development Consultant; Director in the Equity Bank Rwanda Plc Board and Member, Governing Board 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 National Agricultural Export Development Board. George has also had a 12-year career in the Private sector managing own supply chain and logistics companies.

### ANITA UMUHIRE

*Non-Executive Director, Equity Bank Rwanda Plc*

Anita holds an MBA in Leadership and Sustainability from the University of Cumbria (Robert Kennedy College), UK, a Higher Diploma in Accountancy and a Bachelor of Commerce both from The University of The Witwatersrand, SA.
She is a Chartered Accountant with over 15 years' experience in Finance gained in various sectors: banking, audit, not-for-profit and the Fast-Moving Consumer Goods industry; spanning over 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; 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. She presently holds board positions in CIMERWA, Intare Investments Ltd and Giheke Dairy Ltd.
Anita 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.

### BELINDA BWIZA

*Non-Executive Director, Equity Bank Rwanda Plc*

Belinda Bwiza holds a Bachelor of Business Administration, Finance from Brock University, St. Catharines, Ontario, an MBA and a Chartered Professional Accountant Designation from Wilfrid Laurier University, Toronto, Ontario.
Belinda Bwiza is currently the Managing Director of Tubura by One Acre Fund, an organisation that serves over 750,000 smallholder farmers across all rural districts in Rwanda. Prior to this, Ms. Bwiza spearheaded the creation of a retail franchise with 8 outlets across Kigali. Prior to that, Ms. Bwiza worked for the Ministry of Education in Canada in financial policy. Prior to that, Ms. Bwiza held various roles in the financial services sector in Ontario, Canada including, investor relations, custodian banking and hedge fund administration. Ms. Bwiza has served on boards such as Rwanda National Investment Trust and Earthenable.

### ANDREW RUGEGE

*Non-Executive Director, Equity Bank Rwanda Plc*

Andrew Rugege holds a Master of Science Degree in Computer Information Systems and Business Administration from Marist College, Poughkeepsie, New York and Master of Science in Electrical Engineering from University of Aberdeen in Scotland, UK. He also holds a Bachelor of Science degree in Engineering Science from Aberdeen University in Scotland, UK. He is an accomplished executive with over 30 years of global, regional, and national experience in business strategy, project planning, risk management, and definition of scope for strategic enterprise-wide projects.
He has a proven success record in directing cross functional, multi-national teams of business and technical experts analyzing systems and business processes. Until 2021, he served as the Regional Director for Africa, International Telecommunication Union (ITU), and its representative to African Union and United Nations Economic Commission (UNECA). He was also the Chief Operating Officer of MTN Rwanda ((2006 – 2011) responsible for planning, budgeting, and implementation of initiatives to contain costs and he was also in charge of direct operations strategies for marketing, branding, sales and distribution. He has also served as the CEO of ARTEL Rwanda and the Director of International Business Development for ABS Interactive, Virginia (USA).

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

Tel: +250 788 1900 00

Email: info@equitybank.co.rw

www.equitygroupholdings.com/rw

EQUITY