2020 Integrated Report & Financial Statements

EQUITY

About This Report

A key aspect of our business conduct is to regularly provide our stakeholders with information on Equity Bank Rwanda Plc ("Equity"). We prepare various reports in this respect aimed at addressing stakeholder information requirements and ensuring that we remain transparent and accountable. As an ethical and responsible financial services provider, our reports provide a mechanism for ongoing deliberations and engagements with various stakeholders. It is this willingness to be above board and open that drives our publication of an annual integrated report. Primarily, we use the Integrated Report to respond or demonstrate to our financial capital providers, how we create and share value on a sustainable basis.

This report showcases our ongoing progress and performance, consistent with our overarching intent to produce sustainable value for our stakeholders and best in class customer experience and satisfaction. It is the summary of our strategies, our business, products and services and particularly the way we generate and distribute value in the short, medium and long term.

This report covers the financial year from 1st January 2020 to 31stDecember 2020. The financial information presented is prepared in line with the International Financial Reporting Standards (IFRS) and in the manner required by the Law No.17/2018 of 13/04/2018 governing companies while non-financial information is presented in accordance with the regulation n° 28/2019 of 09/09/2019 relating to publication of financial statements and other disclosures by banks and the International Integrated Reporting Council's (IIRC) guidelines provided in the International Integrated Reporting Framework.

Purpose of this Report

Our Integrated Report provides information that enables Equity Bank Rwanda stakeholders to make an informed assessment of our ability to create sustainable value. The aim of this Integrated Report is to clearly and concisely tell the story of Equity, who we are, what we do, and how we create value. This report documents our strategy, opportunities and risks, our business model and governance, and our performance against our strategic objectives in a way that gives stakeholders a holistic view of Equity Bank Rwanda and our future prospects.

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 & Material Matter

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 Equity Bank Rwanda 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 Bank's strategy and inform the content in this report.

The Capital

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).

TABLE OF CONTENTS

WHO WE ARE

ABOUT EQUITY BANK RWANDA PLC

Equity Bank Rwanda PLC is a Public liability company with its headquarters in Kigali-Rwanda and licensed by the National Bank of Rwanda. The Bank was incorporated on 29 January 2011 and issued with a Banking license to operate in Rwanda by the National Bank of Rwanda on 21 June 2011. The bank commenced its operations in October 2011 and has since opened 14 branches across Rwanda 8 in Kigali and 6 upcountry (Eastern (1), Western (2), Northern (1), Southern (2) with a total employment base of 352 employees as of December 2020. The Bank offers a range of banking products and services to customers with Rwf 345 billion total assets.

Equity Bank is a subsidiary of Equity Group Holdings Plc (EGH) incorporated in Kenya. EGH has several banking and non-banking subsidiaries which include 6 banking subsidiaries in DRC, Uganda, Tanzania, S. Sudan, Kenya and Rwanda, Equity Group Foundation, Equity Insurance Agency Ltd, Equity Investment Bank and Fin serve Africa Ltd. It is listed at the Nairobi Securities Exchange (NSE), the Uganda Securities Exchange (USE) and the Rwanda Stock Exchange (RSE).

At the core of our existence is our corporate purpose of "transforming lives, giving dignity and expanding opportunities for wealth creation". Right from inception, we set out on a journey to provide integrated financial services as a means of empowering businesses, people and communities to improve their lives and livelihoods. Since 2011, we remain dedicated to improving the wellbeing of the people of Africa by providing financial and non-financial services, products and tools that empower them to pursue socio-economic prosperity.

The Bank's strategic plan envisages balancing growth, profitability and control systems. The key drivers of the growth are continued customer base growth, product development, product innovation and digitization, diversification into the various market segments which include Micro, SMEs, retail, wholesale, salaried and corporate segments. Customer base growth will be sustained through expansion of the branch network and service centres to feasible areas not currently covered, Leverage mobile/online platform, investment in new distribution channels including Automated Teller Machines (ATMs), merchants point of sale ("POS"), and agents and Super Agents outlets where legalized as in Rwanda.

The profitability and Control strategy will be achieved on the back of a highly automated and efficient ICT platform which allows the Bank to continue to grow high business volumes at low margins thereby making financial services more accessible to a wider clientele on a 24/7 basis.

Our social programs continue to uplift lives in the country. In 2020, we were decisive in our actions to address the COVID-19 pandemic. We continue to support vulnerable members of society in stemming the spread of the virus, while also supporting distressed customers to weather the challenges of the economic slowdown and in many cases reengineer their businesses.

We are witnessing greater depth in the convergence of our social and commercial engines making us a truly double bottom line business.

Equity Bank Rwanda Main Branch with the New Logo.

ABOUT US

OUR PHILOSOPHIES

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

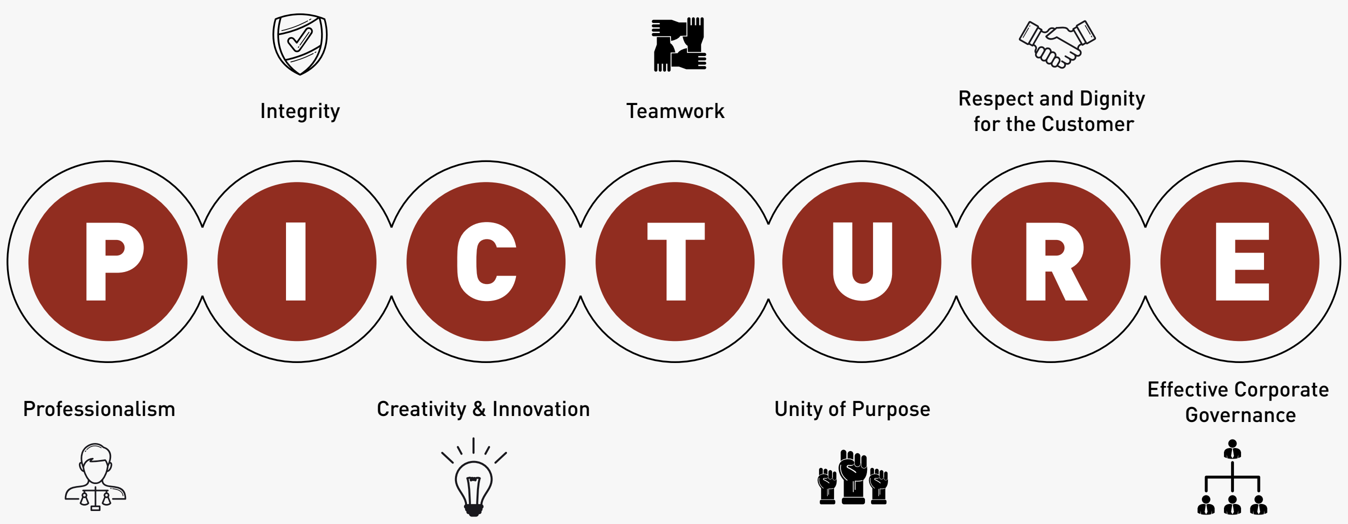
Vision
To be the champion of the socio-economic prosperity of the people of Africa.

Mission
We offer integrated financial services that socially and economically empower consumers, businesses, enterprises and communities.

Positioning Statement
Equity provides Inclusive Financial Services that transform livelihoods, give dignity and expand opportunities.

Tagline
Your Listening, Caring Partner.

Motto
Growing Together in Trust.



KEY HIGHLIGHTS

The macroeconomic conditions deteriorated in the first half of 2020 due to COVID-19 and the measures taken to contain its spread. The economy faced the deepest contraction as production in all sectors declined.

In April and May 2020, the Government implemented total Lockdown for non-essential services which significantly affected the Rwandan Economy with real GDP for Q2 2020 contracting by 12.4% the lowest in the recent past. The industry and service sectors were most hit with 19% and 16% contraction. The GDP is projected to rebound by 5.7 percent in 2021.

The Government provided fiscal support for individuals and businesses affected by the COVID-19 pandemic through the establishment of the Economic Recovery Fund (ERF) on top of other tax relief measures aimed at supporting businesses by providing financial support to the borrowers mostly affected by the pandemic and allowing them to retain their staff.

The reduction of reserve requirement (from 5 percent to 4 percent) released FRW 23 billion into the system. The Extended Lending Facility for Banks announced by the National Bank of Rwanda in March 2020 provided an additional FRW 5 billion of liquidity to the banking system.

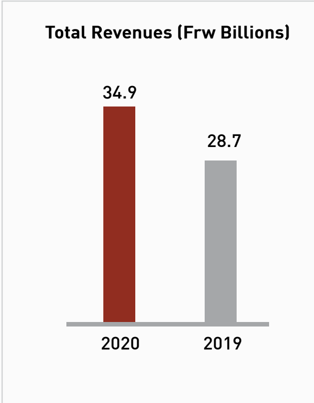
In 2020, the increase in core inflation resulted mainly from the surge in transport services inflation. The latter rose to 17.5% from 4.7% in 2019, because social distancing measures placed limits on carriage capacity of buses and thus the increase of transport fare per passenger, until the transport subsidy was introduced. An increase in the price of imported vehicles also contributed to the rise in transport inflation. Other upward pressures on core inflation came from core food inflation that picked to 7.5% in 2020 from 1.3% in 2019, following the increase in international prices of some imported food products such as rice, sugar, and oil products.

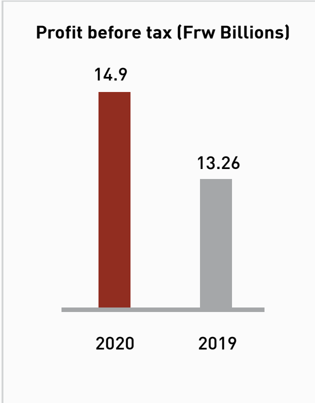
However, projections indicate that average headline inflation will decline and evolve below the benchmark of 5% in 2021.

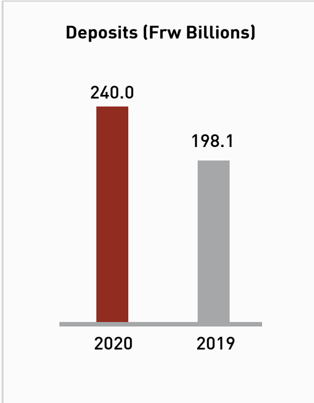
End December 2020, the FRW depreciated by 5.4% y-o-y against the USD, from a depreciation of 4.9% in December 2019.

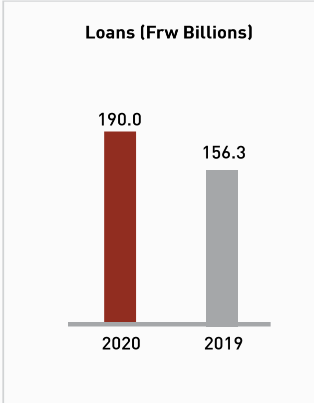
Pressures on the Rwandan franc especially came during the second half of the year 2020 following the resumption of economic activities and the uptick in the demand for foreign currencies amid low foreign inflows. However, the foreign exchange market is expected to remain stable as foreign exchange reserves are foreseen to be adequate in 2021 and beyond.

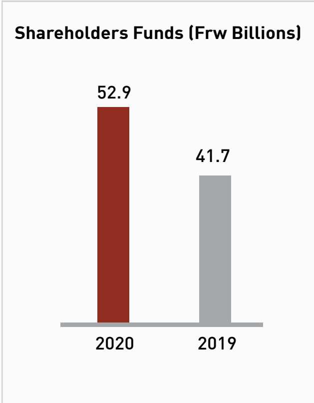
KEY PERFORMANCE HIGHLIGHTS

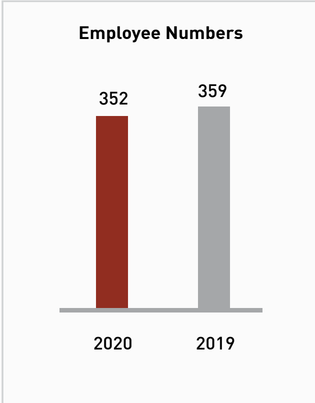


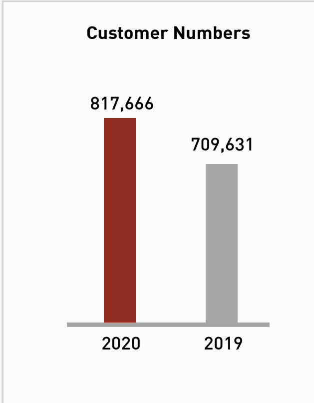


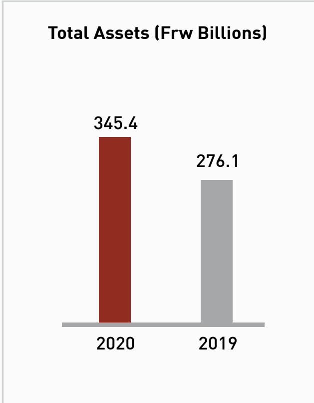






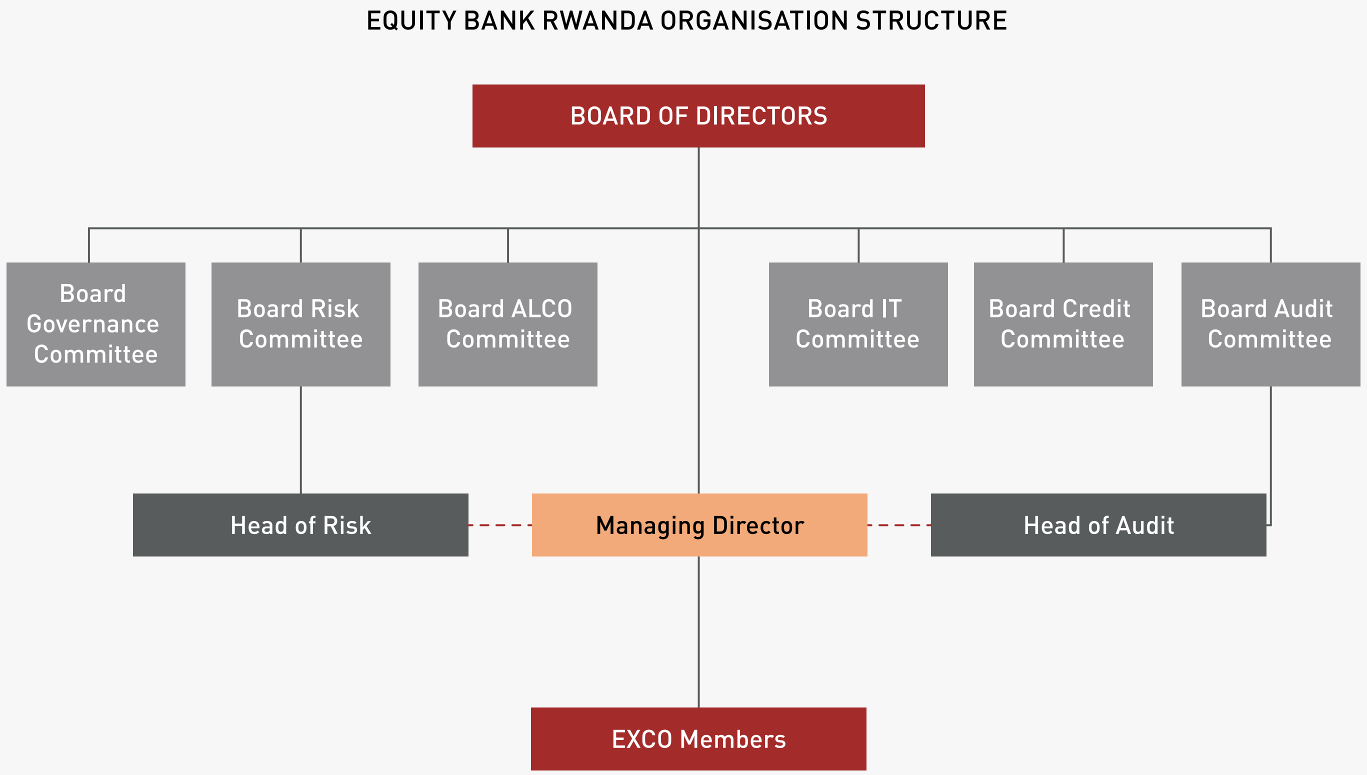




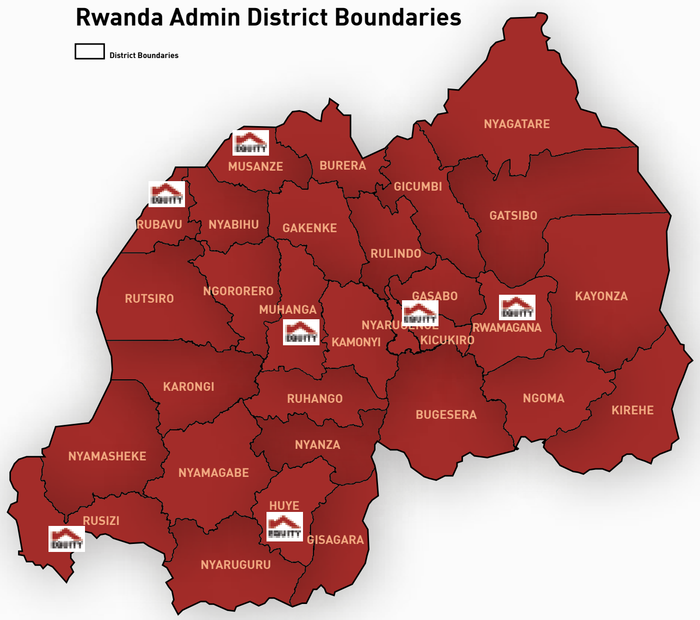


Total revenue = Net Interest Income + Fee and Commission Income + Net FX Income + Loan Recoveries + Other Income

EQUITY BANK RWANDA PLC STRUCTURE



OUR FOOTPRINT



BRANCHES

KIGALI CITY
HEAD OFFICE
REMERA
NYABUGOGO
SUPREME BANKING
NYARUGENGE
KICUKIRO
GISOZI
GIPOROSO

NORTHERN PROVINCE
MUSANZE

SOUTHERN PROVINCE
MUHANGA
HUYE

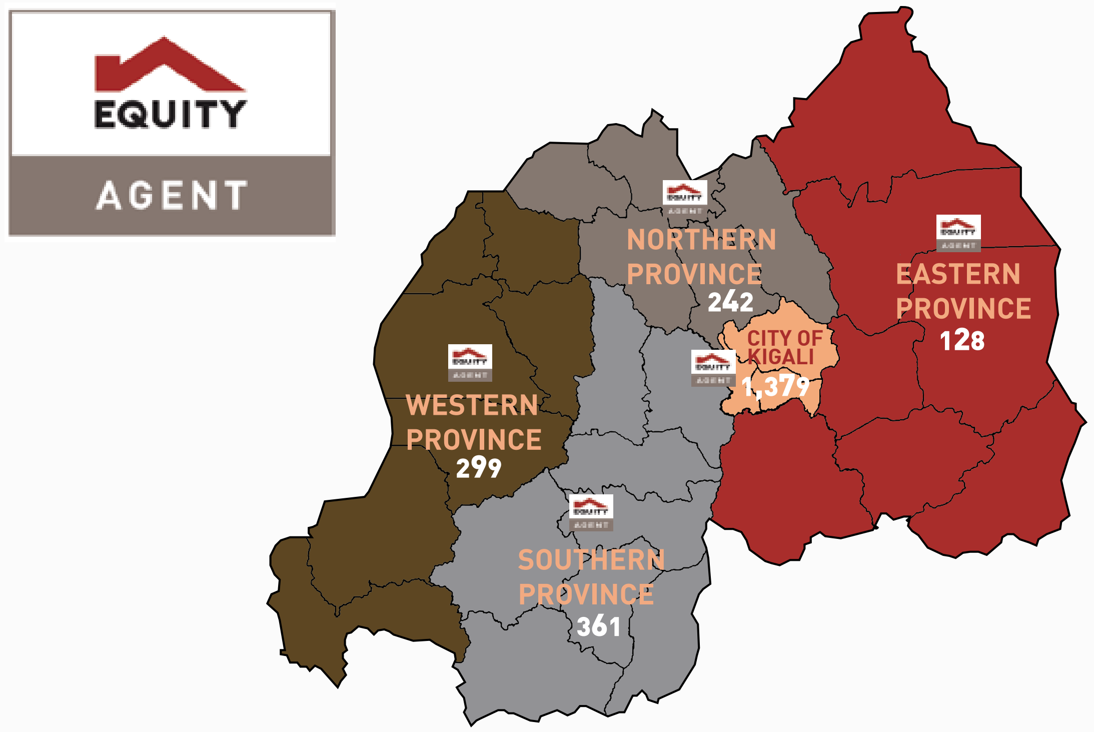
WESTERN PROVINCE
RUBAVU
RUSIZI

EASTERN PROVINCE
RWAMAGANA

AGENTS OUTLETS: 2,409

POINT OF SALE TERMINALS (POS): 1,159

ATM: 21



OUR FOOTPRINT

Digital channels

- EazzyBanking App
- Equity USSD (*555#)
- EazzyPay
- EazzyLoan
- EazzyNet
- EazzyBiz
- EazzyAPI

Products and services

We offer a comprehensive range of financial products and services to our existing and potential clients. These products and services include:

Deposit products	Loan products	Services and transactions
• Equity Ordinary Account (Konti Isange), • Business Current Account, • Personal Current Account, • Junior Account (Konti Nteganyiriza), • Social Institutions Account, • Jijenge Account (Konti Intego) • Call and Fixed Deposits	• Salary Loans, • Mortgage and Plot Purchase Loans, • Igire na Equity (Women loans), • Micro-Enterprise Loans, • Business and Development Loan, • Equiloan, • Overdrafts, • Asset and trade Finance, • Mortgage Loan	• Money transfer • Cheque clearing • Remittance processing • Bankers' cheques • Local and international payment services • Western Union and MoneyGram Transfers • Currency conversion • Commercial Guarantees • Trade Finance-letters of credit • Bank guarantees • Bid and performance bonds • Foreign exchange • Internet and mobile banking • Bancassurance

BUSINESS VALIDATION

Awards and Accolades

Equity Bank Rwanda Scoops Top Honours at The Banker's Bank of the Year Awards 2020

Best Tax Payer 2019:
Category of Large tax payers

Equity Bank Rwanda Plc was recognized among the best taxpayer in the Large Taxpayers Category in the 2019/20 during the 19th annual Rwanda Revenue Authority (RRA) TaxPayers' Day where individuals and organizations that have been compliant in their tax contributions are recognized.

EVELYN RUTAGWENDA
NON-EXECUTIVE CHAIRPERSON
BOARD OF DIRECTORS
EQUITY BANK RWANDA PLC

MESSAGE FROM EQUITY BANK RWANDA PLC CHAIRPERSON

2020 – THE UNPRECEDENTED YEAR

2020 was a year like no other; the world was confronted with a Covid-19 pandemic. It has been over 100 years since the Spanish flu of 1915, the last truly global pandemic. While Covid-19 is not the first major pandemic, it is unprecedented in its scope and rapid transmission across regions, fostered by advances in transport across the globe. The result of this pandemic including the containment measures by governments, is an estimated 4.4% decline in the global economy, the worst since the great depression of the 1930s, the loss of millions of jobs and approximately 3 million deaths and over 150 million infections as of March 2021.

In this exceptional environment, Equity Bank Rwanda has showcased the importance of having a social pulse as a double bottom line business. On one hand, we have borne the impact of the pandemic decisively ensuring we protect our stakeholders, support communities while sustaining our business. Consequently, in 2020, our inner strength and character was soundly tested. We are impresse by the ensuing results, which have validated our corporate philosophies, values and strategy. Thriving in this challenging environment has showcased our agility and resilience, an innate capacity to respond and rebound to contextual challenges.

Our financial performance in 2020 showcases our resilience as a business. On several of our key performance indicators, we experienced growth in a year of severe economic headwinds. Our profit after tax grew by 12% supported by 22% growth in total incomes. Non-funded and net interest income improved recording growths of 20% and 22% respectively, and our business remained highly liquid while our capital position remained strong.

Our strategic response

Our overarching business strategy focuses on leveraging technology and innovation, convergence of various financial products and services for focused strategic delivery, scaling of the brand visibility and loyalty, enhancing customer experience, business transformation and exercising strict operational control. 2020 provided us with opportunity to enhance these aspects despite the unpredictable environment, entrenching our use of digital channels, improving customer experience and loyalty, brand visibility, improving our cost efficiency and productivity.

One of the marked changes instituted through our Business Continuity Plan was the work from home policy. Approximately 50% of our employees continue to work from home. We view this, as a precursor to a bolder transformation of work and the workplace, this necessitated adoption of new ways of delivering value, including rethinking the workplace and the idea of work. The financial services workplace of the future will be agile, avoiding legacy challenges of traditional models, while capitalizing on new technologies and new employment models.

Our corporate purpose of transforming lives, giving dignity and expanding opportunities for wealth creation was afforded authenticity in this tumultuous period. Our team under the guidance of our Managing Director, Hannington Namara responded with intentionality to the pandemic ensuring that employees and customers were protected, shareholder value preserved and communities supported. These actions illustrate our commitment to supporting our customers in their times of need in tune with our tagline of being a listening and caring partner.

Equity Supreme Operations Manager Charles Hitimana (right), Equity Supreme Branch Manager Diana Mbabazi (2nd right) and Head of Marketing and Customer Experience Athanasie Niragira (left) interact with clients during the 2020 Customer Service Week Celebrations.

Equity Bank Rwanda Board Chair Evelyn Rutagwenda (left),Honorable Minister of ICT & Innovation Ingabire Paula (second Left), Equity Bank Rwanda Plc Managing Director Hannington Namara (right), and Equity Bank Rwanda Plc Head of Strategy Dianah Mukudwa (second right) demonstrate the Each for Equal sign in International Women's Day theme.

MESSAGE FROM EQUITY BANK RWANDA PLC CHAIRPERSON (continued)

One of the unforeseen outcomes of the pandemic has been the increased pace of adoption of technology solutions that has helped to enforce the health protocols of social distancing, minimised interaction with cash and reduced movement. We have noted a marked increase in the use of our digital channels with 92% of all transactions now being conducted outside our bank premises. We envisage that this trend will continue and will influence the way we work and conduct our business in an unparalleled manner. With this in mind, we have strengthened our technology capabilities through increased investments in specialist human and technological resources to ensure that we offer cutting edge products and services.

The Board

In 2020, the Board worked tirelessly to support management in ensuring the Business Continuity Plan (BCP) was soundly implemented. We opted to proactively support the business in the complex and ever-changing pandemic environment, providing oversight and counsel as required. We kept sight of the evolving global and regional economic environment ensuring our business approach was responding appropriately. We also gave cognisance to emerging challenges and risks as well as our leadership role as a key financial institution in the country in supporting businesses and communities in this challenging period.

Looking forward

These are challenging times. While there are many uncertainties in respect to the pandemic, it is clear that business will survive based on our ability to adapt to ever changing circumstances and in many instances through repurposing. How we work and deliver value for stakeholders is also changing and progressing. Technological progress, boosted by the eminence of tech solutions during this pandemic, has received an unprecedented impetus threatening business models and value chains, especially brick and mortar approaches. People and communities are also changing with expectations of businesses to participate in social progress and display greater empathy and support to communities increasing. Demographic changes mean a younger generation of employees and customers with greater affinity for social causes and a stronger societal impulse, seeking to support those businesses that reflect their values and perspectives.

In this complex context, our corporate philosophies will continue to be the true anchor of our business, enabling us to play a leading role in wealth creation and the transformation of lives. These ideals have been proven valid in this unprecedented year and we are confident that they will provide us with the relevance required to continue creating meaningful value for our stakeholders. The Board also commends the Bank's Managing Director for his leadership and guidance and the Bank's employees who have weathered the storm with determination, increasing productivity and ensuring that operations continued uninterrupted. Our regulator has been highly supportive, and we appreciate their continued counsel and support.

Evelyn Kamagaju Rutagwenda
Chairperson, Board of Directors
Equity Bank Rwanda Plc

HANNINGTON NAMARA
MANAGING DIRECTOR
EQUITY BANK RWANDA PLC

MANAGING DIRECTOR'S STATEMENT

2020 will be characterised by one phenomenon, the Covid-19 pandemic. A once in a lifetime global occurrence that has made an indelible mark in our lives through the immense changes it has fostered. A new language of social distancing, sanitizing, wearing masks and washing hands has become our mainstay and even coughing in public has gained new significance. But while our personal context has changed inextricably, it is the profound social and economic impact of the pandemic added to the health complexities that have had the greatest impact on humanity. Equity Bank Rwanda supported the Government initiative with a contribution of 22,225 testing kits worth Frw 1 Billion (USD 1.06 Million).

Offensive and defensive approach

For our employees, we determined that they would need support to enable them to adapt to the new context especially the need to work from home. We developed workplace policies to protect employees in our premises, ensured that our workplace was clean and hygienic and provided masks and sanitizers. The Bank ensured job security for all employees without subjecting them to salary freezes or reductions, while accommodating more than 30% of the employees working from home.

Our customers were a key priority right from the onset of the pandemic. We took cognisance of the fact that certain sectors would be more impacted by the pandemic and the resultant containment measures taken by governments. These were the tourism, travel and hospitality industry, construction, education, oil and gas sectors. In addition, with supply chain disruptions, manufacturing, trade, commerce and agriculture sectors would also be affected. This would inevitably have an effect on our business prompting us to implement a Business Continuity Plan (BCP). We adopted an offensive and defensive approach to protect the business. The defensive approach focused on preserving the capital base of the Bank, focusing on execution, managing the cost structure, digitising the Bank and supporting customers through loan restructuring and fee waivers. Equity Bank Rwanda has restructured Frw 78.8B worth of loans as at 31st December 2020 which represent 39% of the total loan book.

Large corporates had 76% of the re-structures followed by SMES with 16%,consumers 5% while micro and Agriculture sector had 2% and 1% respectively..

The offensive strategy sought to support customers to repurpose and retool their businesses in view of changing business realities.

Performance

Customer deposits grew by 21%, an emphatic vote of confidence in our approach to support them through a difficult year. Loans to customers grew 22% while profit before provisions also grew 34%. Net interest income grew by 22% to Frw 24.2 Billion while non-funded income increased by 20% to reach Frw 10.7 Billion up from Frw. 9.0 Billion in 2019 and contributing 31% of total income. In response to the challenging environment, we raised provisions by Frw 2.7 Billion up from Frw 1.6 Billion the previous year, putting our Non- Performing Loans (NPL) coverage to 82.2%.

Our cost to income ratio excluding provisions declined from 48.5% to 43.5%, validating our efforts at cost efficiency while Profit after Tax was Frw. 10.3 Billion, an increase of 12% Year

Equity Bank Rwanda PLC Managing Director, Mr Hannington Namara during the rebranding official launch.

Equity Rwanda MD, Hannington Namara and Board Director, Dr. Patrick Uwizeye (both cutting cake) join customers at Equity Kigali Branch in celebrating the unveil of the Bank's new logo.

MANAGING DIRECTOR'S STATEMENT (continued)

on Year.

Our performance showcases that we are a resilient and trusted business. It validates our strategy to provide relevant products and services that respond to the needs of stakeholders. Meticulous execution, responsiveness to customers, agility and adaptability were key factors for our performance. Our willingness to self-disrupt and reposition our business to assertively pursue opportunities in such challenging times has proven worthwhile. Most of all, our willingness to do good by providing our infrastructure and resources to support communities and businesses has been soundly rewarded. Our results show that Purpose creates Value and a Company can do well, while still doing good.

Our strategy

We are a highly digital bank offering a wide array of digital channels. Covid-19 provided a major impetus for enhancing our digital self-serving platforms as we moved more transactions to contactless channels. We have expanded the capabilities of these self-serving platforms to ensure that they are versatile, accessible and available.

Our business transformation is still on track with our brand relaunch having been conducted. All our outlets now don the new look in all their physical locations and digital banking platforms, social media assets, websites, mobile applications, mobile banking platform, online banking portals and ATM screens. The refreshed brand identity reflects the future we envision and communicates our global capability, strong heritage, innovative culture and agile business model, providing us with the brand momentum required to scale our strengths across Rwanda and the world.

Equity Bank Rwanda PLC entered into partnership with Hinga Weze for smallholder farmers to access a number of financial services including loans of RWF 2,520,000,000 part of which will also facilitate farmer cooperatives, aggregators and agro-dealers. The farmers to benefit from the joint facility are involved in Irish potato, horticulture, maize and poultry value chains.

Looking forward

We recognise that our leadership position in the financial sector requires us to provide clear standards in the way financial services are provided and to be a role model. We believe that business should be purpose led creating resilience and supporting global reconstruction to build back better in a post-Covid era. Purpose, executed properly, is profitable providing both business and societal benefits and value. Finance, for us, is a tool to enable people and communities to create wealth and rise out of poverty.

We realise that the spectre of Covid is not fully resolved. Vaccines provide an important step to stem the extreme effects of the virus, but overall recovery will be in the mid-term. We are therefore cautious in our approach, capitalising on key opportunities as we observe global occurrences, local realities and economic impacts. We will work to deepen our product and service offers as we take advantage of our extensive digital capabilities and burgeoning customer numbers. We are driving the One Equity approach, ensuring that customers receive the same type of service irrespective of where they access those services.

Looking into the future, we foresee strong growth in an improved macroeconomic environment in 2021 despite the many challenges that the economy is currently facing. As effective vaccines against the virus become available, we need to work together to build back better with inclusivity and resilience.

I am grateful to the Board, management and staff for the support provided in growing the business and look forward to our collective effort in empowering and creating wealth for our communities across in Rwanda and beyond.

Hannington Namara
Managing Director
Equity Bank Rwanda Plc

EQUITY BANK RWANDA PLC BOARD OF DIRECTORS

Eugene Haguma
Non-Executive Director

Steven Mutabazi
Non-Executive Director

James Mutuku
Non-Executive Director

Patrick Uwizeye
Non-Executive Director

Mary Wamae
Group Executive Director

Profile of the Directors are available on pages 140-142

EQUITY BANK RWANDA PLC BOARD OF DIRECTORS (continued)

Evelyn Rutagwenda
Non-Executive Chairperson

Hannington Namara
Managing Director

Robert Bafakulera
Non-Executive Director

Emmanuel Butare
Non-Executive Director

George Kayonga
Non-Executive Director

EQUITY BANK RWANDA
EXECUTIVE MANAGEMENT

Hannington Namara
Managing Director

Stanley Wahethu
General Manager/Operations

Aline K. Mutambuka
Head of HR & Corporate Services

Fernand Kamanzi
Head of Treasury

Athanasie Niragira
Head of Marketing & Customer Experience

Joseph Mutuma
Head of Finance

Chantal Mukandori
Head of Credit

Jean Bizimungu
Head of Risk

Carole Karema Jeni
Head of IT & Business Transformation

Jean Paul Ngambonziza
Head of Internal Audit

Profile of the Equity Bank Rwanda Executive Management are available on pages 143-144

OUR
BUSINESS

OUR BUSINESS

OUR BUSINESS MODEL

Our business is anchored by a corporate philosophy that is centred around social and economic transformation and this has moulded our business model that is grounded on 4 foundational pillars:

1. Social and economic engine that catalyse each other
2. Financial inclusion that drives our value chain approach
3. Shared prosperity that ensures a symbiotic relationship with our stakeholders
4. Technology that allows us to be relevant and scalable

We execute on this business model through an ecosystem approach whereby our Social Engine builds capacity in the value chains that we provide financial services, whilst our Economic Engine provide financial service solutions to these value chains.

OUR STRATEGY

To realize our vision, Equity Bank Rwanda's strategy outlines three objectives to guide our execution and measure performance:

1. Leveraging on technology and innovation by disrupting our self-virtualization and digitizing our services and processes.
2. Convergence of various financial products and services for focused strategic delivery and scaling up of the brand visibility and loyalty. This will be done by increasing access and enhancing customer experience.
3. Exercising strict operational control that involve redesigning the operating model to enhance efficiency and high performance.

In order to deliver on these three objectives and maintain our growth trajectory, we will leverage on three things:

i. We have developed numerous third-party infrastructures to foster growth and scale up our operations without increasing our cost structure.
   a. The agency network that has 2,409 agents with a 7% growth in the volume of transactions.
   b. Our merchant network, which now has 1,159 POS merchants and 6,199 EazzyPay merchants on board.

ii. Execution of digital banking through an enhanced offering on our different digital platforms such as EazzyNet, Eazzy API, EazzyBiz, EazzyBanking App, EazzyPay, EazzyLoan and Equity24/7 USSD *555#. We have in place, best in class security capabilities that will ensure protection of customer transactions and information in this age of cybercrime.

iii. Efficiency through continuous improvement and innovation that will allow us to maintain a low cost to income ratio and thereby improve our profitability. We have invested heavily in technology and projects, which will allow us to harness efficiencies going forward. Through our digitization agenda and third-party infrastructure we are moving away from a direct fixed-cost operating model to a low and variable cost model as facilitated by mobile and agency banking.

Focus areas for 2020

In light of the changing business environment, we realigned our focus and business model into 8 facets, as follows:

01	Non-Funded Income Growth
02	Treasury efficiency
03	Business diversification and segmentation
04	Balance Sheet Efficiency, Optimization and Agility
05	Asset Quality, Distribution and Risk Mitigation
06	Business Transformation - Innovation and Digitization
07	Efficiency and Cost Optimization
08	Brand Development

OUR BUSINESS (continued)

VALUE CREATION MODEL

Our vision is to be the leading bank in sustainable performance and customer satisfaction and our commitment leads us to serve as an agent of transformation of society. We work for great causes, such as financial inclusion and literacy, economic development, enterprise development, education, health, energy and agriculture. We continuously seek the common good, contributing to the development of Rwanda.

1. CAPITAL

All organizations depend on inputs (or capitals) for their success. We use a wide range of inputs that are related to raising finances and managing our customers' funds. By allocating capital to our businesses, we provide differentiation, create value and share it with our stakeholders, while also increasing our own capitals. We present below a brief description of the capitals that are most relevant to our business model.

Financial capital

Financial capital is composed of the financial resources available and allocated to provision of products and services to our customers. These resources are obtained through funding from development partners (DFI), owner's equity and internally generated capital through operations (retained earnings).

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.

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.

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.

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.

2.BUSINESS MANAGEMENT

Management is responsible for the efficient allocation of the capitals to our activities and operations, focused on the creation of shared value over time. Our Governance and Risk Management Framework has tools and internal policies that help us in the control of risks, identification of opportunities, and definition of strategies and assessment of the performance of the businesses. Efficient management allows us to offer products and services that are more suited to the needs of our customers.

3. PRODUCTS AND SERVICES

By means of portfolios and commercial agreements, we offer a wide range of financial products and services to a diversified base of customers, locally and abroad, which are offered via our physical and digital channels. We highlight below the main financial products and services offered to our customers:

- Savings and current accounts
- Loans and financing
- Payments and Cards services
- Agent banking services
- Treasury and Trade Finance products and services
- Banc assurance

4.RESULTS

For us, to create value is to obtain sustainable results in an ethical and responsible way that meets the needs of our stakeholders. This is how we seek to create shared value, achieve the established targets and encourage the development of people, and society in which we operate.

OUR BUSINESS (continued)

STAKEHOLDERS

This section of the report describes our stakeholders' needs, our pledge to our stakeholders and our strategy and purpose. Our pledge is to create lasting stakeholder value and to make a sustainable contribution to society. To achieve this, we listen closely to our different stakeholders. In a world that is defined by constantly changing trends, we want to understand what matters most to our stakeholders now and how their needs will change going forward. We do this by engaging in dialogue with our stakeholders.

Shareholders and Investors

These are 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.

Key concerns

The key concern raised by Shareholders was about business growth prospects in a challenging operating environment. Shareholders are also interested in how we are embedding sustainability considerations into our business practices.

- The allocation of capital as we expand.
- Asset quality, especially in a COVID-19 environment, touching on loan rescheduling and adequacy of provisions.
- Sustainability considerations of the business.

Value we create

- Delivering value to our Shareholders by increasing net asset value and net earnings.
- Continuous engagement to ensure full disclosure and open communication to inform their investment decisions.
- Management adhering to a disciplined process of capital allocation that ensures we venture into activities where Equity's model of shared prosperity would be profitable and sustainable.
- Maintaining a safe balance sheet by holding adequate provisions and keeping a high coverage of non-performing loans.

Customers

Customers remain the largest source of our deposits, which enable us to fund lending activities. Gaining more customers results in greater revenue growth and this can only be achieved by providing superior customer experience. On the other hand, sustainable banking practices and world-class governance and risk management ensure we maintain the trust customers have in us.

Key concerns

They desire banking to become simpler, more intuitive and time-efficient. Providing excellent customer service and getting it right for customers the first time and security for their money and information. Customers would like funding from the Bank to grow their businesses and live up to our promise to transform their lives and allow them to take advantage of opportunities for wealth creation.

Value we create

- Safeguarding deposits, investments and wealth, while growing returns.
- Providing credit that enables wealth creation, economic development and job creation.
- Facilitating transactions that are the backbone of economic value exchange.
- Enabling financial inclusion by providing access to affordable products to the underbanked.
- Providing financial education and advice.
- Developing innovative solutions that meet our customers' specific needs.

Equity Bank Rwanda Plc Board Chair Evelyn Rutagwenda (left) and Equity Bank Rwanda Plc Managing Director Hannington Namara (right) after the Launch of the new logo in December 2020 at Kigali Serena Hotel

Equity Bank Rwanda Plc Board of Directors after official rebranding launch at Kigali Serena Hotel

EQUITY BANK RWANDA PLC INTEGRATED REPORT & FINANCIAL STATEMENTS / FOR THE YEAR ENDED 31 DECEMBER 2020

OUR BUSINESS (continued)

STAKEHOLDERS (continued)

Employees

Our staff are key to making Equity a great place to bank and to work. Motivated and skilled staff, together with efficient and value-creating solutions, services and operations offer value to our customers. Staff as part of society, contribute materially to the communities in which they live and work.

Key concerns

They want to grow as the business grows, open doors for career progression, opportunities to contribute to society and a work environment that is friendly, safe and conducive for work life balance.

Value we create

- Employing Rwandans within the country.
- Rewarding staff for the value they add.
- Creating job opportunities as we grow.
- Developing our staff to further their careers and improve our services and products.
- Transforming into an inclusive society through employment equity and gender equality.
- Motivating and energising our workforce.

Society

We engage with our different communities so as to better understand the role we can play to address the needs of the societies we operate in. It is society that grants us the license to operate and as such, we must be ever conscious of its interests.

Equity Bank Rwanda Plc Female staff getting lady to welcome customers at Remera Branch During International Women's day celebration in 2020.

Key concerns

The public is demanding that banks exert greater influence on their customers and employees to act responsibly in environmental, social and governance matters.

Value we create

- Embracing sustainable banking practices and regulatory compliance that enable a safe and stable banking system and a thriving society.
- Playing a meaningful part in the broader society as a procurer of goods and services, making a difference through our corporate social investment activities and positively transforming economies and society through our activities and our lending.
- Social development initiatives under Equity Bank Rwanda aimed at transforming lives and livelihoods through Food and Agriculture, Health, Enterprise development and Financial Inclusion, and Social Protection including flagship programs such as refugee banking.

Regulators and Policy Makers

We purpose to be a good corporate citizen and a long term participant in our market by providing input to and implementing public policies.

Key concerns

Regulation for the banking industry continues to be around key areas such as cyber security, business and professional conduct, corporate governance, financial reporting and financial crime.

Value we create

- Complying to set rules and regulations to ensure a stable financial sector.
- Collaboration with regulators to deepen financial inclusion.
- Contributing meaningfully to government budgets through our own corporate taxes, staff paying personal taxes and participation in buying government and public sector bonds.

OUR BUSINESS (continued)

MATERIAL ISSUES

These are the factors, which in our view, could materially impact our ability to serve our customers, deliver on our strategy and determine the nature of relationships we have. We also look at the actions we are taking to mitigate the inherent risks. The careful analysis of these matters informs the strategic approach adopted by the Board and the choices senior management make in running the Bank.

	The risks and their impact	How we are responding
Addressing the challenges and impacts of COVID-19	COVID-19 poses a critical challenge for the way we do business affecting both our operations and customers. Inevitably, COVID-19 has also changed the way banking and business is conducted posing new challenges while also creating opportunities for the Bank.	• Business Continuity Plan operationalised to ensure we sustain operations without interruptions while protecting the health of our stakeholders. • We support our employees, enabling them work remotely and ensuring high productivity. • Client facing employees have been provided with a wide range of protective equipment and clear guidelines to safeguard their wellness. • Distressed customers have been supported through varied mechanism on a case-by-case basis enabling them to remain operational in these challenging times. • Regulator and government requirements and protocols have been cascaded throughout the Bank. • Providing COVID-19 awareness health education on prevention measures and coping mechanisms to customers and staff.
Competition and industry disruption	Meeting customer needs with innovative solutions and superior experiences is critical to maintaining high-quality relationships with our customers. As customer expectations continue to evolve, competitors are finding alternative ways to deliver financial services, and emerging technologies present new sources of competitive advantage. A failure to recognise and adapt to changing competitive forces in a timely manner could erode our earnings and our market position over the long term.	• We actively monitor changes in customer preferences, products, technologies and distribution channels and continuously improve customer experiences with market leading innovation. • We invest in people and key areas of technology capability that are critical to our value proposition to customers, including cyber-security, digital channels, data and analytics. • We are investing in emerging technologies to ensure that the way we operate and the solutions we provide to our customers are industry leading. • We invest in staff productivity to optimise our cost base and continue to remain competitive for our customers.

OUR BUSINESS (continued)

MATERIAL ISSUES (continued)

	The risks and their impact	How we are responding
Business resilience	The resilience and continuity of our operations is critical to providing our customers with the products, services and experiences that they expect. Events driven by our external environment, including cyberattacks, unfavourable business conditions and adverse weather conditions can significantly disrupt the systems and processes that enable us to serve and protect our customers. Such disruptions can affect our trusted relationships with customers, our reputation, and our operating costs.	• We monitor the health of all systems and perform contingency planning for disruptions to critical systems and processes. • We are implementing a number of process and system simplification initiatives through investments in agile capability, automation and systems resilience. • We are investing in our technology, processes and people capabilities to mitigate the impact of cyber-security risks on our businesses and customers. • Bank policies and standards on supplier governance, selection and management and on outsourcing/ offshoring are applied to mitigate the risk and impact of third-party disruptions. • We are improving partnership arrangements to drive greater alignment between our business and technology partners to ensure we remain agile in the face of change.
People capability	Our people are critical to the success of our strategy and ensuring we are able to continuously find better ways to operate and meet customer needs. A shortage of key skills, a failure to help our people continuously update their capabilities, the emergence of new technologies, and/or a fall in our attractiveness relative to other leading employers, could impact our ability to deliver on our strategy and vision.	• We are investing in our value proposition as an employer, through new ways of working, competitive benefits and a focus on culture and diversity. • We focus on developing and retaining our people, including senior management, through targeted training programs and skills upgrading. • We are creating flexible and innovative workspaces to enable stronger collaboration and foster an innovative culture. • We are building partnerships with leading institutions to further develop top talent and are investing in community awareness of potential future skills shortages • We are assessing how new technologies will impact the future workforce for the regional economies and our businesses. We are building these changes into our long-term people development and capability roadmaps.
Regulatory and policy environment	Regulatory compliance and involvement in evolving policy discussions are critical to how we continue to run our business and interact with customers. The banking industry remains subject to ongoing regulatory and policy changes. If we are unable to foresee, advocate for, plan for, and adapt to regulatory change, this could negatively impact our ability to serve customers, and/or our earnings.	• We allocate a material proportion of our investment budget to regulatory compliance and risk prevention initiatives and engage with policy makers and communities to advocate for appropriate regulatory reform. • We maintain constructive and proactive relationships with key regulators.

OUR BUSINESS (continued)

MATERIAL ISSUES (continued)

	The risks and their impact	How we are responding
Data and information management	As one of the largest financial institution in the country, we manage a significant volume of sensitive customer data and value the trusted relationship we have with our customers. As technology continues to evolve, the threat of cyber-attacks is becoming more sophisticated and greater numbers of third parties seek to access our customers' data and remove it from the safety of our systems and firewalls. A failure to ensure this information is kept safe and used in a way that regulators and customers expect, may significantly impact relationships with these stakeholders and the broader community.	• We have, and continue to invest significantly in our data, analytics and cyber-security capabilities to better meet evolving customer needs and expectations, and to reduce the potential for data breaches. • We actively engage with regulators to ensure that there is appropriate governance in place and that evolution in regulation appropriately balances the value of giving customers control of their data, with our duty to protect customers' privacy and security. • We continuously invest in IT system security and identity and access management controls to secure the confidentiality, integrity and availability of our data. • Our people undergo mandatory training modules to ensure they understand the importance of data security and their obligations in relation to the data they have access to.
Reputation	Our reputation is of critical importance to us and is directly related to how we run our businesses, make decisions and communicate with customers and the communities in which we operate. A negative shift in any stakeholder's perception of the Bank may materially undermine our ability to advocate for positive outcomes that align to our vision and values, and our ability to drive long-term performance. It may also affect the cost and availability of funding necessary for the sustainable management of our business.	• We actively focus on improving the transparency of our business decisions and engage with our customers, employees and the communities in which we operate to understand their concerns and balance their needs. • We have embedded our organizational culture, which communicates what we expect of our people in applying our vision and values as a guide for business management and decision-making. • We continue to drive deeper engagement with customers, government and industry groups to ensure we deliver better and consistent fair outcomes and remediate issues when we are made aware of them. We engage with external rating agencies to assist them in forming an opinion on our general creditworthiness, with mechanisms to adjust business settings as appropriate.
Social and Environmental footprint	We actively consider the social and environmental impacts of our activities and are committed to operating sustainably and making a positive contribution beyond our core businesses. We consider social and environment issues to be significant long-term drivers of both financial and non-financial value. We appreciate the potential impact they have on our relationships with different stakeholders.	• Under our Bank programs and initiatives, we take a long-term view to ensure that we do business in a sustainable and efficient way, and appropriately use our influence to enhance social and environmental outcomes. • We have implemented frameworks for considering Environmental, Social and Governance (ESG) issues in assessing our relationships with customers and suppliers.

BUSINESS PERFORMANCE

BUSINESS PERFORMANCE

OPERATING CONTEXT

The first cases of COVID-19, were announced in March 2020. Each of the country governments instituted a wide range of regulations, legislation, measures, requirements and health protocols in a bid to stem the spread of the virus. These measures were inevitable given the risk to health and life posed by the pandemic, though they resulted into severe economic slowdown, creating a challenging environment for businesses globally, regionally and in the country.

	Some of the measures taken by Rwanda Government
Rwanda	• Full lockdown in effect until August 2020 reopening to international travel. • Government distributed food and other essentials to all vulnerable citizens. • Tax relief measures including softening of arrears collections. • Banking liquidity support measures and relaxing of loan repayment conditions for impacted borrowers.

EQUITY BANK RWANDA BOOSTS GOVERNMENT EFFORTS AGAINST COVID-19 PANDEMIC

Equity bank family contributed about 22,225 testing kits worth Frw 1Billion complement Government's health and social responses as well as support our customers.

Health Response
Waived fees on mobile banking transactions to discourage use of Physical cash.

Social Response
Equity Bank Rwanda family contributed about 22,225 testing kits worth **Frw 1 Billion** to the Government of Rwanda to support the national efforts in combating Covid-19.

Risk management
In response to a challenging operating outlook we partnered with development institutions to obtain partial credit guarantee on select borrowers and enhanced our provisioning intensity to proactively manage emerging risks.

Loan restructuring
In response to the challenging operating environment for customers, Equity Bank Rwanda PLC restructured **Frw 78.8B** worth of loans as at 31.12.20 which represent 39% of the total book.

BUSINESS PERFORMANCE (continued)

OPERATING CONTEXT (continued)

COVID-19 infection prevention and management initiatives for our employees

- COVID-19 awareness
- Promotion of good respiratory hygiene in the workplace
- Promotion of regular and thorough hand-washing and sanitizing
- Coronavirus prevention masks
- Workplaces cleanliness and hygiene
- Staff screening
- Business Continuity Plan including work from home policy
- Equity staff meeting and travel policy
- COVID-19 emergency response
- Equity Staff Hotlines
- Equity COVID-19 surveillance team
- Paid leave
- New staff sitting arrangements to comply with social distancing measures

COVID-19 support initiatives for the Society/Community

i. **COVID-19 awareness, knowledge of infection prevention and screening**
- COVID-19 Awareness
- Distribution of health education material in all our branches
- Decontamination of cash
- Promotion of electronic money channels to avoid hard cash

Equity Bank Rwanda family contributed about 22,225 testing kits worth Frw 1 Billion to the Government of Rwanda to support the national efforts in combating Covid-19.

BUSINESS PERFORMANCE (continued)

OPERATING ENVIRONMENT

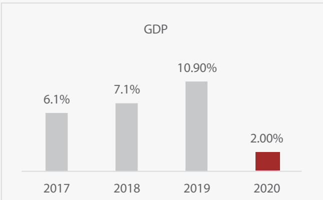
The global health crisis of COVID-19 presented a myriad of challenges to businesses globally. The banking sector remained resilient in the face of the pandemic with strong liquidity and strong capital ratios. The Government and the National Bank of Rwanda intervened by instituting measures and policies to spur economic growth. These include:

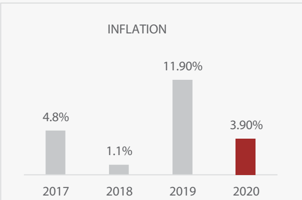
- Encouraged financial institutions to accommodate loan restructuring for their customers
- Promoted use of e-payments by reducing and waiving transaction fees to reduce risk of contaminated bank notes
- Reduced the Cash Reserve Ratio (CRR) at 4% to boost bank's liquidity
- Reduced the Repo Rate At 4.5% To Cushion Economic Recovery
- The Rwanda Revenue Authority also extended the deadline for businesses to file and pay income taxes from the end of March to the end of April, and relaxed other administrative requirements.
- Cabinet also approved a "Social Economic Recovery plan to support activities affected by COVID-19

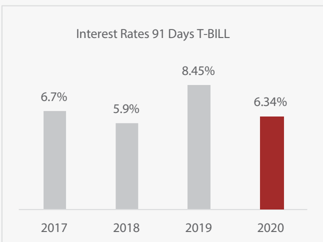
Rwanda's GDP was estimated to contract by 0.4% in 2020 due to the COVID–19 pandemic, after growing 10.90%% in 2019 while Sub-Saharan Africa economy was projected to contract by 2.6% due to economic disruptions occasioned by the global health pandemic. Inflation rates remained below double digit at 3.5%. There was increased pressure on Local currency Rwanda Frank with a depreciation of 5.4% in the year 2020.

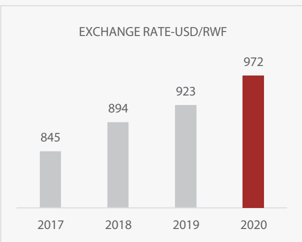
Country	Interest Rates December 2020		FX (Local Currency to USD)		Inflation	GDP Growth
	CBR	Changes in CBR	31 Dec 2020	% Change (12 Months)	Dec 2020	IMF Projected 2021
Rwanda	4.5%	- 50 Basis Points	972	5.4%	3.9%	5.7%

KEY HIGHLIGHTS









Rwanda's economy was adversely affected by the pandemic with GDP growth declining from 10.9% in 2019 to 2% in 2020. Trade, transportation and tourism were the sectors most impacted by the pandemic. With regional trade disrupted by border closures and interruption of key supply chains, food prices increased, though inflation stood at 3.9%, well within the Central Bank's target range of 5%. The exchange rate deteriorated leading to a depreciation of the Rwanda Franc (Frw) by 5.4% against the US dollar, moving from 923 Frw to the dollar in 2019 to 972 in 2020 on account of lower inflows.

The National Bank of Rwanda reduced the key policy rate to 4.5% in April 2020 from 5.0% in 2019 to stimulate growth, but private sector credit remained subdued, expanding by 10.2% in 2020, compared with 12.6% in 2019. Tax revenue remained low while health and social protection spending were elevated resulting in growth of the fiscal deficit to 8.3% of GDP in 2020, compared with 7.3% in 2019. The current account deficit stood at 16.5% of GDP in 2020, compared with 9.3% in 2019. Investments declined 47.1 per cent to USD 1.3 Billion in 2020 from USD 2.46 Billion in 2019, due to the pandemic.

Hannington Namara, Equity Bank Rwanda Managing Director, Evelyn Kamagaju Rutagwenda, Equity Bank Rwanda Board Chairperson, and Honorable Paula Ingabire, Minister of ICT and Innovation discussing during International women's day celebration at Ubumwe Grande hotel

EQUITY BANK RWANDA PLC INTEGRATED REPORT & FINANCIAL STATEMENTS / FOR THE YEAR ENDED 31 DECEMBER 2020

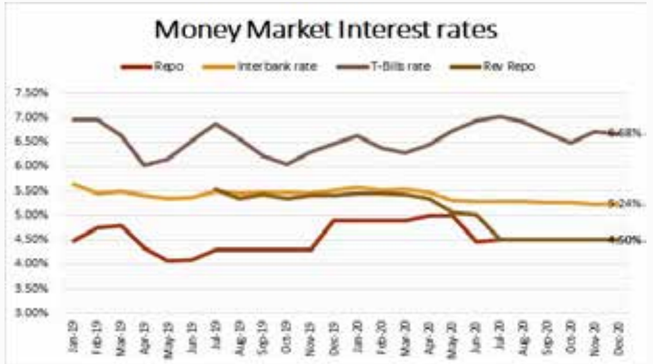
BUSINESS PERFORMANCE (continued)

a) Interest rates

Market interest rates:

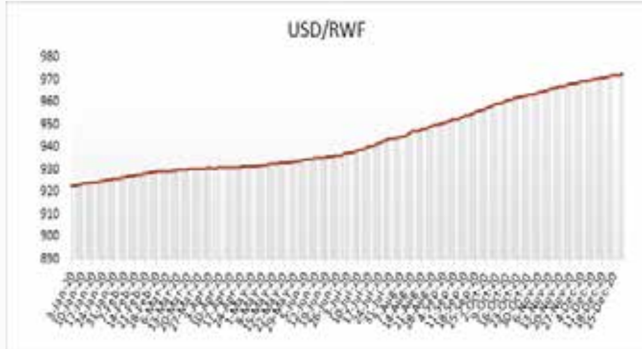
Money market interest rates and T-bill rates remained relatively stable in 2020 and BNR started intervening on the market by injecting liquidity through Reverse Repos from July 2019 end 2020.

The MPC committee decided to keep the Central Bank Rate (CBR) at 4.5%, after assessing the recent economic developments at the global and national level and as well as the impact of COVID-19. This decision was expected to support commercial banks to continue financing businesses and household.



b) FX

After a narrowing current account deficit and strong reserves level in 2019, subdued global demand and lower export prices due to the pandemic have significantly weakened trade, tourism receipts, remittances, and foreign direct investment (FDI) in 2020. Recent data indicate that remittances and FDI inflows fared marginally better than projected. The Rwandan franc depreciated against the dollar by 5.4% y/y at end-December. The level of foreign exchange reserves remained adequate at 5.9 months of import cover as of end-December 2020.



c) Inflation

Inflation: In 2020, headline inflation increased to 7.7 percent on average from 2.4 percent recorded in 2019. In 2020, the increase in core inflation resulted mainly from the surge in transport services inflation.Other upward pressures on core inflation came from core food inflation that picked to 7.5% in 2020 from 1.3% in 2019.However, projections indicate that average headline inflation will decline and evolve below the benchmark of 5% in 2021.

d) GDP growth

The 2020 economic decline was broad-based across all economic sectors.

Rwanda continues to grapple with the fallout from the COVID-19 pandemic, real GDP was expected at 8% increase pre-pandemic. The government's early actions helped contain the spread of the virus and mitigate its economic impact. As a result, real GDP growth is expected to be slightly negative at -0.2 percent in 2020, and is projected to rebound to 5.7% in 2021

BUSINESS PERFORMANCE (continued)

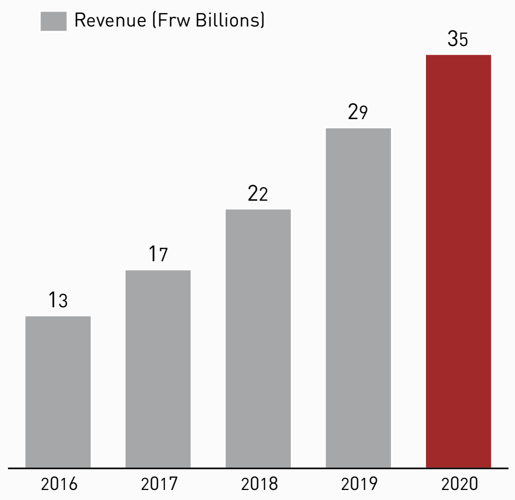
2020 BUSINESS ACTIVITIES HIGHLIGHTS

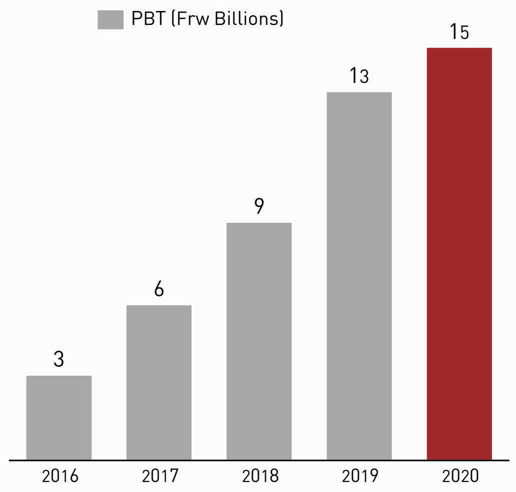
ACTIVITIES:	
Milestones & Anniversaries in 2020	• Rebrand of the Bank to the new identity
Major Events in 2020 • Sponsorships • Strategic Partnerships • CSR/ community activities	• Mastercard Foundation program on "COVID-19 Recovery and Resilience • EBR - Youth in Business partnership • EBR - Spark Partnership to disburse microloans to 279 farmers • EBR - Hinga Weze - USAID partnership for Approx.10,000 farmers **Internal events** • Global customer service week • International women's day celebration • PPE donations: 22,225 testing kitsworth RWF 1 Billion
Awards received so far:	• The Banker Bank of the Year 2020 Award

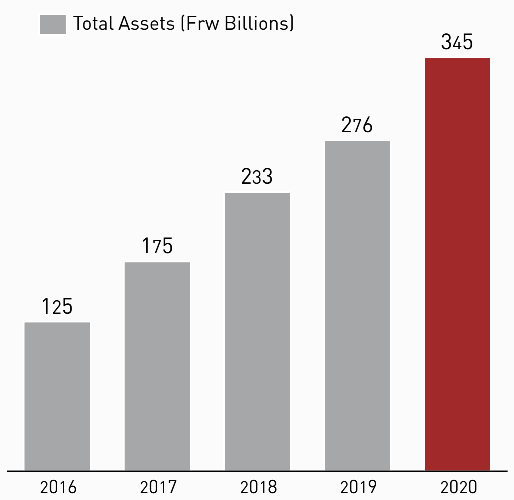
Equity Bank Rwanda Plc Board of Directors and head office staff posing for a photo after the unveiling of the new look Equity logo at Kigali Serena Hotel

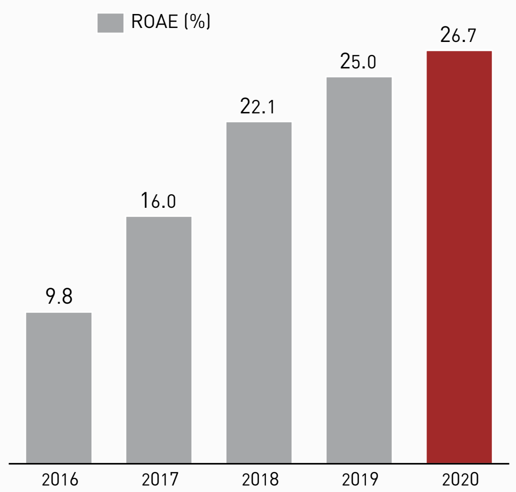
BUSINESS PERFORMANCE (continued)

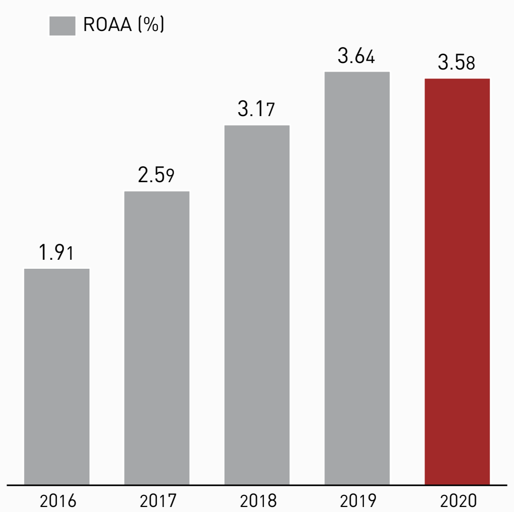
BUSINESS PERFORMANCE (continued)

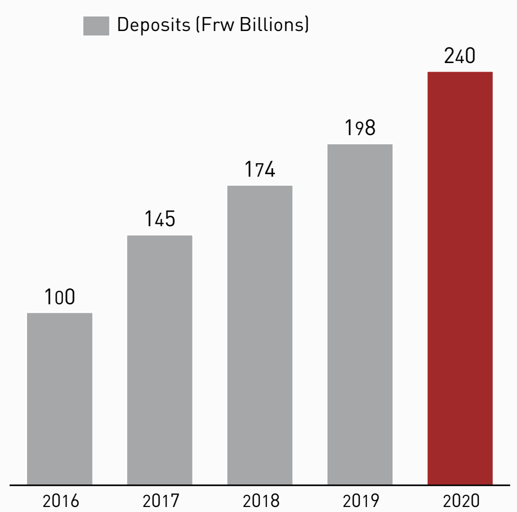












BUSINESS PERFORMANCE (continued)

PERFORMANCE AGAINST OUR FOCUS AREAS

1. Non-Funded Income Growth

Growth of non-funded income is a foundational aspect of our strategy to diversify our revenue streams, improve our income mix and enhance the quality of earnings. This income stream is vital because it is more sustainable and predominantly involves a variable cost component. Key non-funded income sources include bank charges, transaction fees, service charges, mobile banking fees among others. Alternative channels such as self-service channels and agency account for 92% of all transactions. Non- funded income for the year was Frw 10.7 Billion, a 19.6% growth compared to 2019 and constituted 31% of total Operating Income.

The total numbers of customers registered on mobile banking platform (Eazzy 24/7) as at end December 2020 were 535,911 customers and 22,621 of them downloaded the EazzyApp application. Mobile banking offers a wide variety of transactions enabling customers to facilitate diverse types of payments, thus resonating with our customers' journeys and financial needs. We continue to expand the pool of partners and providers on this platform to increase the breadth of products and services that are availed to our customers.

Our merchant and card business were largely affected by the pandemic following the Government measures to contain the virus that included restriction of international travels that affect the hotels and hospitality industry. Consequently, Merchant's transaction reduced by -39% in 2020 comparing to year 2019. Similarly, Merchants commissions dropped -40% year on year comparing to 2019.

We remain the leading issuer and acquirer in the market with 465,746 cards issued to date. We partner with several leading card and payment solution providers including RSWITCH, Visa, MasterCard, American Express, PayPal, Google, China Union Pay, SWIFT, JCB and Diners Club.

Trade finance revenues reached Rw 1.1 Billion in 2020. Our trade solutions facilitate trade in goods and services locally and internationally by financing business operations, liquidity, and risk mitigation related to trade. We have seen growth in sectors such as export/import, building/construction, logistics, and regional trade which continued to perform well despite the challenging economic environment.

Despite the effects of the pandemic, Agency Banking performed well in the year driven by both the expansion of our network that grew by 48% to 2,409 Agents across the country and the number and volume of transactions now being processed through this channel. Agency revenue went up by 4% to Frw 0.63 Billion compared to Frw 0.61Billion in the same period last year. Foreign exchange (FX) income also grew due to the increased demand for major foreign currencies from traders importing both raw and finished goods FX income grew by 55% to Frw 2.4 Billion in the year.

Diaspora banking offers financial solutions to individuals working and living abroad. Leveraging on technology, our local offerings and expertise are availed to a global setting. Through EazzyNet-online banking, Eazzy Banking App, and several partnerships with global remittance service providers we have grown the number of accounts opened and increased our portfolio of services offered from simple banking and remittances to investment solutions and credit facilities. Diaspora remittances have increased by 378% to Frw 62 Billion and income generated grew by 330% to Frw 697 Million.

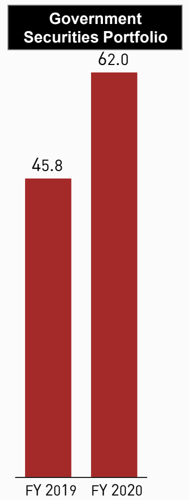
2. Treasury efficiency

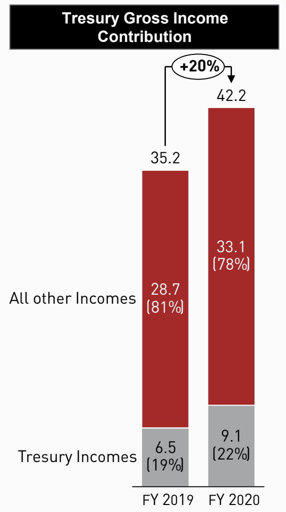
Treasury has increasingly become a strategic business function across all areas of the business, adding value to the operating divisions of the Bank. While traditional treasury functions are concerned with balancing and managing the daily cash flow and liquidity of funds within the bank, we have leveraged on technology to extend this mandate to generating returns based on excess liquidity. By working closer with other business units, we continued to explore and capitalise on areas of collaboration, investment and cross selling by offering a full suite of services to customers who require treasury products. Interest income from trading in government securities has been the biggest driver of growth under this pillar.

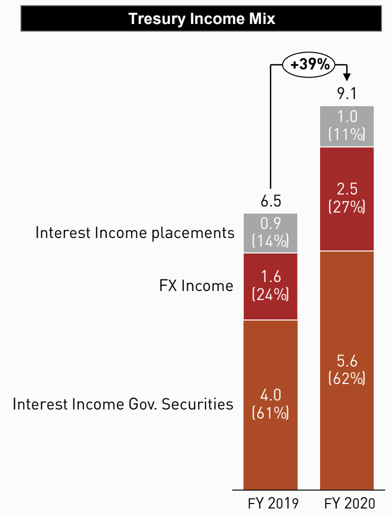
BUSINESS PERFORMANCE (continued)

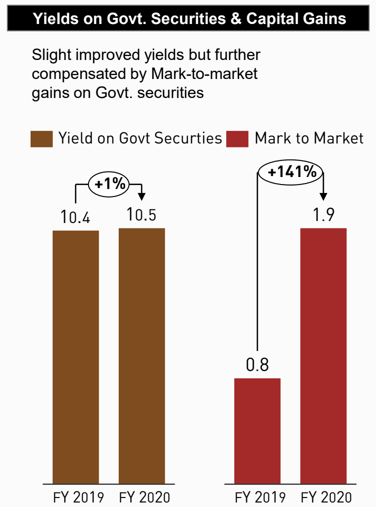
PERFORMANCE AGAINST OUR FOCUS AREAS (continued)

2. Treasury efficiency (continued)









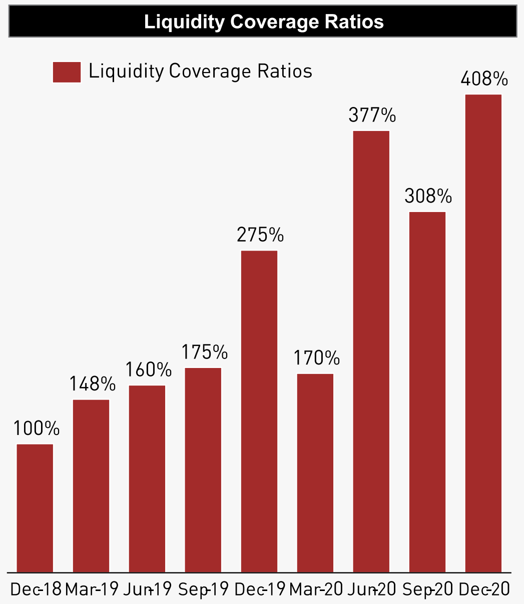
Equity Bank Rwanda PLC Board of Directors together with the Managing Director- Mr Hannington Namara during the rebranding external launch.

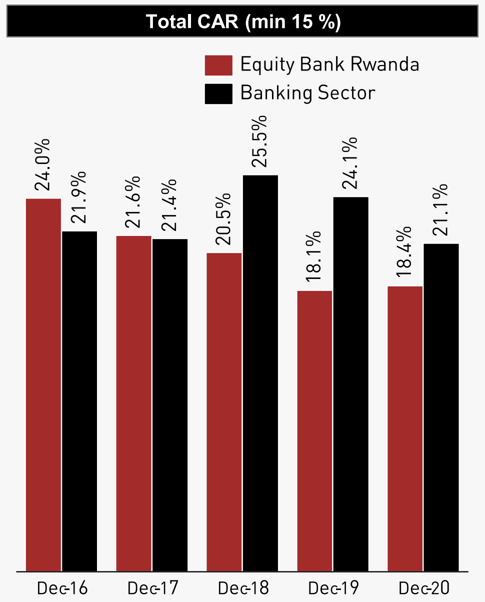
BUSINESS PERFORMANCE (continued)

PERFORMANCE AGAINST OUR FOCUS AREAS (continued)

4. Balance Sheet Efficiency, Optimization and Agility

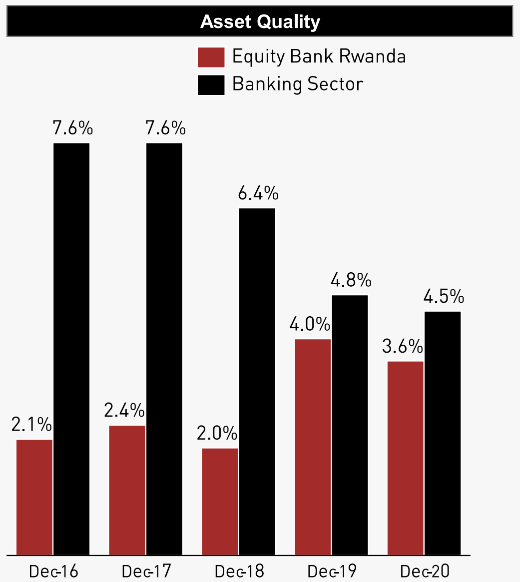
Our Balance sheet remains agile enabling us to invest excess liquidity as opportunities arise. During the year we allocated to government securities Frw 57.5 Billion. Our liquidity coverage ratios averaged at 392%. Added to this strong liquidity, our Tier 2 capital offers additional financial capabilities that we intend to deploy in lending, particularly in support of the MSME sector. We will therefore focus on growing the loan book as liquidity moves from defensive purposes to a more assertive stance focused on private sector credit.

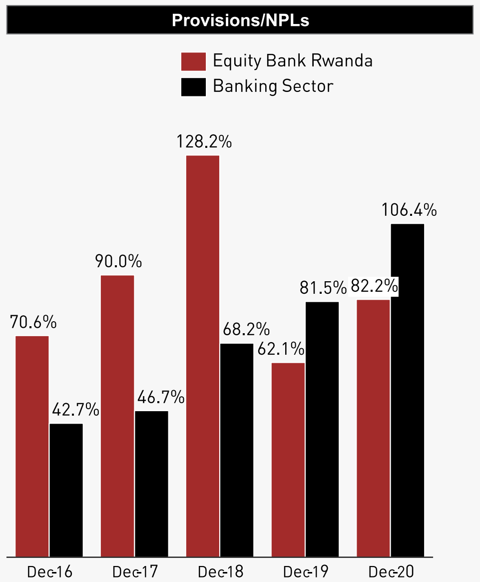




5. Asset Quality, Distribution and Risk Mitigation

During the year, the bank contained the Asset quality with the Equity Bank Rwanda NPLs ratio at 3.58% against an industry average of 4.5%. This has been achieved through diligent credit risk management and proactive customer relationship oversight which ensures we have in-depth knowledge of their activities and operations. Our NPL coverage closed the year at 82.2%.



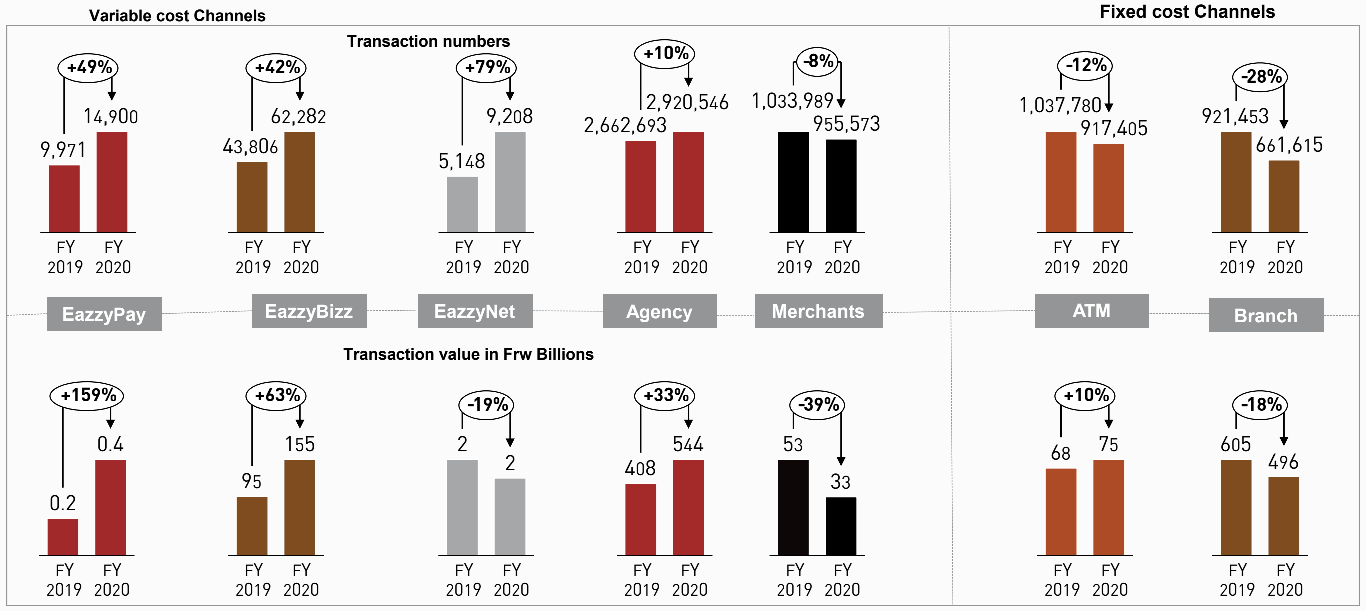


BUSINESS PERFORMANCE (continued)

PERFORMANCE AGAINST OUR FOCUS AREAS (continued)

6. Business Transformation - Innovation and Digitization

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, EazzyBanking App, Agency network and Merchants. M-commerce has been a key focus area for us as we continue to collaborate through 3rd party infrastructure to bring value added services to our customers. Under Diaspora banking, we have added new remittance partners such as World remit and this has seen the value of remittance values continue to grow year on year.



Equity Bank Rwanda Plc Female customers and staff during International Women's day event held at Ubumwe Grand Hotel In Kigali.

BUSINESS PERFORMANCE (continued)

PERFORMANCE AGAINST OUR FOCUS AREAS (continued)

7. Efficiency and Cost Optimization

Our strategy focuses on disciplined operational efficiency with key emphasis on cost optimization. Overall, we want to transform our cost structure to manage discretionary costs and incur costs that enhance value for stakeholders and the business. We analyse our costs on a monthly basis to ensure greater discipline and adherence to our cost optimisation agenda. We have also focused on our delivery channels, aiming to move transactions to our variable cost channels such as our digital channels, which provide us with a preferable cost structure compared to fixed cost channels like branches. Digitization and automation of processes and operations continue to enable us to reduce our cost of operation. All these efforts have led to a cost-to-income ratio of 46.6% without loan loss provisions. Total cost grew by 25% to Frw 17.3Billion from Frw 14.0 Billion. The Bank continues to roll out Digitization and automation of processes and operations to contain the costs.

8. Impact Investment & Social Brand Development

Equity Bank Rwanda contributed of 22,225 testing kits at a cost of FRW 1Billion to the Government of Rwanda in support efforts of combating the spread of COVID-19 pandemic in the country. The contribution is in support of the government initiatives already in place. When handing over the contribution to the Honorable Minister of State in charge of Treasury, Mr. Richard Tushabe, Equity Bank Rwanda PLC's Board Chairperson, Mrs. Evelyn Kamagaju Rutagwenda, said "This amount is made up of a contribution of Frw 500 million from the bank, board members and staff, a similar amount of Frw 500 million from the family of Dr. James Mwangi, The Group Managing Director and CEO of Equity Group Holdings. We believe that the testing kits will boost Government's commendable efforts to promptly diagnose COVID-19 cases and take the necessary measures to reduce the spread. We are humbled to make our contribution, she added. When sending his family contribution to boost the contribution of Equity Bank Rwanda PLC, Dr. Mwangi said "kindly accept my family's contribution of 500 Million Rwanda Francs to boost Equity Bank Rwanda's contribution towards the national initiative that the Government of Rwanda has put in place in preventing the spread of COVID-19 in the country. We can only overcome this global pandemic in Africa if we partner with our governments, and by committing to our social contract where our respective Governments and Ministries of health design the best medical policies and protocols, and we as citizens adhere to them faithfully." The Bank's Managing Director, Mr. Hannington Namara said "Equity bank Rwanda PLC family empathizes with persons who have unfortunately been infected with COVID-19 and wish them a quick recovery. We are optimistic that our country will go back to normalcy much sooner." Equity Bank Rwanda is continuing to adhere to all the necessary preventive measures in place. During these challenging times, the bank continues to facilitate customers to access banking services 24/7 hours through our digital channels.

Equity Bank Rwanda PLC agent serves a customer using a POS

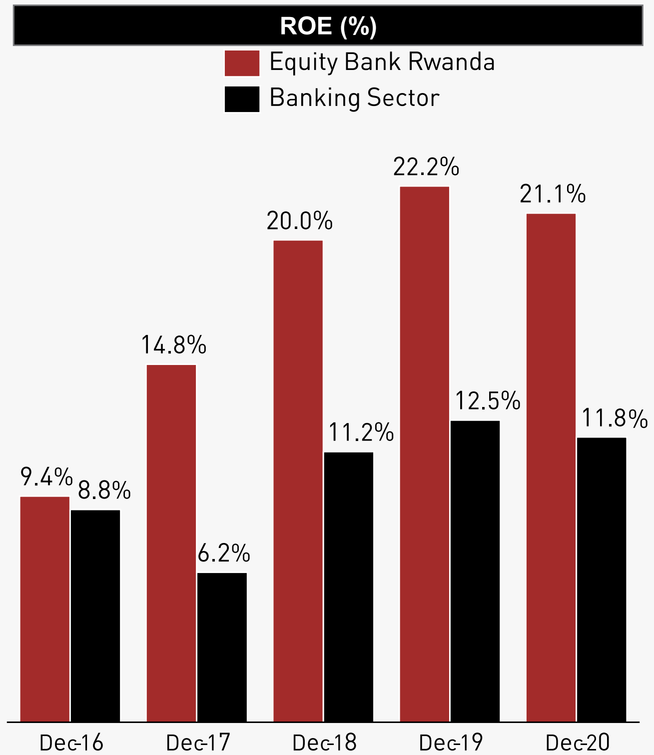
OUR CAPITALS

OUR CAPITALS

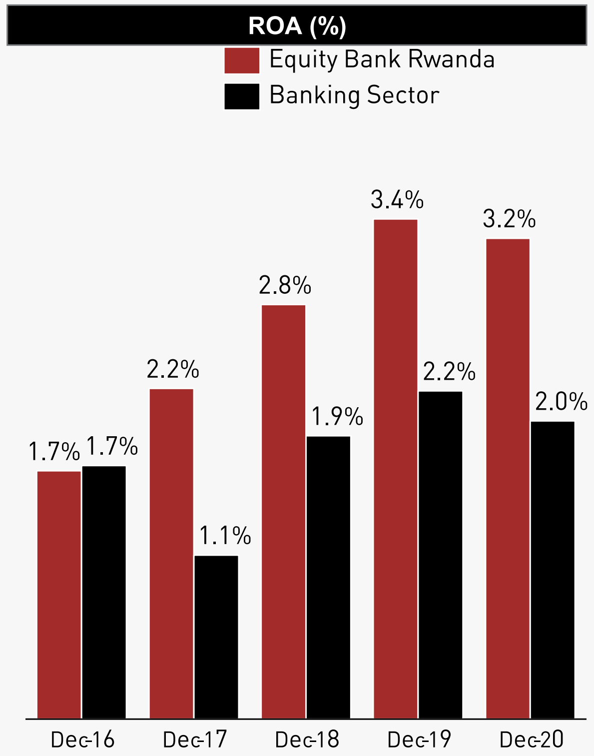
FINANCIAL CAPITAL

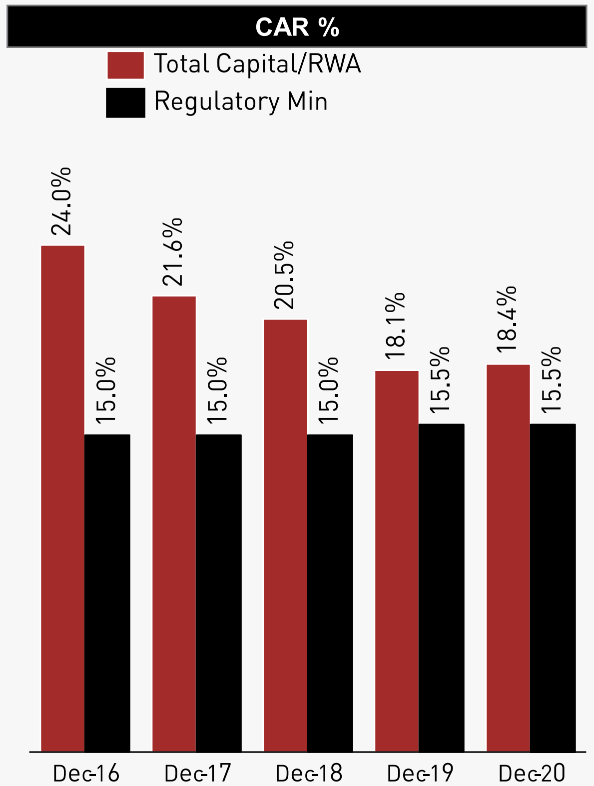
Our financial capital is made up of ordinary share capital (Frw18,175Million), share premium (Frw 2,112.69Million), retained earnings of current year profit (Frw31,044Million) as at December 2020. While ensuring the cost of funds is at the most reasonable rates, we deploy our financial strength to sustain our business, leverage growth, achieve sustainable returns and create value for our stakeholders as we also manage our operating costs with utmost rigor ensuring financial capital is deployed in productive avenues. We are committed to obtaining funds from diversified sources and to utilizing them in the most effective and prudent manner as we seek to generate sustainable value.

Our approach to financial management in underpinned by prudence. We are concerned with how we raise, control, administer and deploy our finances catering for risks, costs and control while seeking to be profitable. Capital allocation is governed by a comprehensive capital allocation strategy framework through the ICAAP process that provides for the approaches and procedures that ensure we have adequate capital resources with due attention to all material risk and capital adequacy requirements. This approach also provides stewardship for our cost optimisation measures as we diligently oversee the utilisation of financial resources in the Bank's operations.



Capital allocation focuses on supporting value creation and ensuring high returns on deployed financial capital. Customer deposit grew by 21% to Frw 240.Billion as our customers held precautionary saving with the Bank.





OUR CAPITALS (continued)

Equity Bank Rwanda plc family celebrated the International Women's day on Saturday 7th March 2020 at Ubumwe Grand Hotel. The event was, among others, attended by Equity Bank female staff, female clients, Hannington Namara, Equity Bank Rwanda Managing Director, Evelyn Kamagaju Rutagwenda, Equity Bank Rwanda Board Chairperson, and Honorable Paula Ingabire, Minister of ICT and Innovation who was the Guest Speaker

HUMAN CAPITAL

In 2020, the People Function continued to focus on enhancing staff productivity, which is a key measure of efficiency, effectiveness, and business continuity. This is in line with our culture of being customer centric and highly performing in all parameters guided by our values and purpose. In this respect, our emphasis in the year was on policy revamp, specifically aimed at enhancing policies that support productivity; performance management; learning & development; BCP and remote working policies in response to the environment. We were able to create a set of standard guidelines, tools for managers and employees to track and reinforce productivity, enhance learning & skills development and support stakeholders in the wake of the pandemic.

COVID-19 Response and Support to Staff

From the onset, the Bank, as a responsible citizen sought to safeguard the health and overall wellness of staff and customers in the face of the pandemic. This led to evoking the Business Continuity Plan (BCP), which provided key guidance on remaining operational while keeping safe, and protecting our stakeholders.

Our immediate approach was to provide staff with information about the pandemic to enable them to identify and practice appropriate behaviours to protect themselves and their families. We established clear workplace protocols and practices expected of all employees. Due to new ways of working; productivity management was even more critical in the year due to the increased number of employees deployed to work remotely in response to the COVID-19 pandemic. In instances where staff were infected, the necessary support was provided and employees were able to utilize the requisite information to navigate through the challenge.

We established remote working arrangements that enabled us to deploy employees to diverse physical locations and also adopt alternative working arrangements. These included branches with extra space, and working from home - all aimed at decongesting the workplace. In addition, the Bank instituted a two-team approach with half of the staff working from home while the other half remained in the offices. We had clear arrangements and protocols in the case where a team member/s are infected ensuring that our employees are provided with care, consistently protected and operations safeguarded.

Remote working was a key facet of our approach to tackling this pandemic. This required increased digitization of work and job related documents and tools to provide employees with the necessary means to perform their work related tasks. We were cognizant that this was a new norm and therefore is a major change in the workplace expecting that work would continue to be conducted virtually over the long-midterm. Given this virtual context, we have enhanced our systems, communication lines, relationship management and support functions to support customers, our other stakeholders and our teams internally.

We provided all our staff with personal protective equipment including masks and sanitizers. This was in addition to providing psycho-social support to staff and their families,

OUR CAPITALS (continued)

HUMAN CAPITAL (continued)

conducting training and awareness sessions and ensuring adherence to the health protocols. We upgraded hygiene and sanitation standards including deep cleaning and fumigation of our offices and premises on a consistent basis.

Despite this challenging environment, our employees exhibited an exceptional level of resilience, commitment and loyalty with a marked improvement in work productivity and utmost vigilance..

Digitization and the future of work

We have championed the transformation of our workplace into a digital workplace over the years. This was accelerated by the reality of COVID-19 and the inevitable need for virtual working. We recognize that this calls for digitization of our work and have issued Key Performance Indicators for all departments focusing on digitization to ensure that all key processes and policies are digitized.

Learning and Development

Capacity building remains paramount in positioning the Bank to achieve its strategic goals and fulfil its purpose. Our revamped learning and development policy provides for Annual Training Needs Analysis, provides study leave for Bank sponsored programs, ensuring learning content is competency based, amongst other provisions. In 2020, we adopted virtual learning to ensure our employees can access trainings and pursue their learning objectives to support the diverse segments of the business holistically. Trainings on non-funded income, leadership development and pandemics were also undertaken in line with our key strategic objectives and the COVID-19 situation.

Employee retention

We want our employees to be attracted to the Bank due to their resonance with our corporate purpose and philosophy. This is an important aspect of our employee retention approach as we seek to ensure employment fulfils a greater purpose than the mere need for work. We are keen to develop our employees and support them to achieve their career goals and personal aspirations. In difficult times as experienced in 2020, we enhanced our employee value proposition by ensuring job security, providing medical treatment support for infected employees and their families beyond our medical cover.

Leadership

We take leadership seriously and invest in equipping our staff with key leadership skills as a critical requirement

Equity Bank Rwanda PLC Board of Directors with our customer and Senior Management during the rebranding external launch.

EQUITY BANK RWANDA PLC INTEGRATED REPORT & FINANCIAL STATEMENTS / FOR THE YEAR ENDED 31 DECEMBER 2020

OUR CAPITALS (continued)

HUMAN CAPITAL (continued)

for delivering on their tasks. We place extra emphasis on those tasked with leadership positions as we require them to model sound leadership through interpersonal and soft skills, and technical knowledge. We completed the Executive Leadership Development Program taken by 30 managers and offered by Redwoods Leadership. Following that lead, we are developing inhouse leadership development modules to ensure we offer continuous development to our leaders, providing them with the knowledge and skills to direct the Bank.

INTELLECTUAL CAPITAL

Intellectual capital refers to the Bank's intangible assets and can broadly be defined as the collection of all informational resources Equity has at its disposal that can be used to drive profits, gain new customers, create new products, or otherwise improve the business. It is the sum of employee expertise, organizational processes, and other intangibles that contribute to our bottom line. Aspects of intangible value include technical knowledge, the value relating to relationships, reputation and brand, intellectual property, proprietary practices, and capacity for innovation.

At Equity, our intellectual capital includes highly talented human capital, cutting-edge technological innovations and digital channels, intricately designed systems and processes and our heritage brand that resonates with over 800 thousand customers in Rwanda and diaspora. This intellectual capital is invaluable since it creates our most important societal value, namely, trust. We therefore place great emphasis in protecting our intellectual capital and strategically enhancing it.

Technology and Innovation

Technology continues to play a pivotal role in driving our growth, performance, and operations, especially in the current circumstances where in-person services have to be reduced due to the COVID-19 pandemic. We made several technological changes and innovations to accommodate this new reality enabling our employees, customers, suppliers and stakeholders to continue interfacing with the Bank. COVID-19 accelerated the drive towards transforming the Bank into a digital bank with increased emphasis on digital channels rather than physical infrastructure like bank branches and ATMs.

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

The year was marked by an increased usage of technology-based channels as stakeholders adapted to government directives aimed at reducing the spread of COVID-19. For example, the social distancing and work from home requirements enhanced the adoption and usage of Digital Banking solutions, driving the use of internet and mobile banking.

Customer-centered technology

Our core focus in 2020 was to find ways to better operate in the new business setting in order to redefine relationships with our customers and continue to provide them with seamless services, seize the opportunities provided by the emerging trends to drive return-on-investments in technology. We remain customer-centered and continue to leverage our strengths in risk management, trusted relationships, clients' data protection and customer experience to the benefit of the ecosystem and to the interest of regulators.

Process digitization was a critical in ensuring we remained available and accessible to customers. This included aspects like customer onboarding, Individual account opening, standing orders processing, change of mandates, change of signatories, dormant account activation and lending processes. Services that are available in branches could also be accessed on digital channels such as USSD, Eazzy App and EazzyNet.

Innovations

Our IT teams continued to work on different projects to improve technology availability, stability and optimization. We have also leveraged on Artificial Intelligence to allow business get insights on the daily operations thus enable them to make data driven decisions.

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

OUR CAPITALS (continued)

INTELLECTUAL CAPITAL (continued)

Managing technology

Due to the upsurge in usage of digital channels and technology, there was also an increase in risks that target technology solutions and clients on these platforms. We enhanced cyber-security enabling us to repulse several attempts on our systems and also emphasized data driven fraud as a key concern. We provide our customers with information and counsel to protect them from social engineering frauds that increasingly have a technology facet.

Going forward

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

MANUFACTURED CAPITAL

Manufactured capital consists of equipment, physical facilities and digital channels such as ATMs, applications and operational systems that are made available by the organization for use and offer of products and services. Our equipment and facilities primarily provide comfort, convenience and security to our customers and employees. We invest constantly to improve our infrastructure, which is essential for the efficacy and efficiency of our business model.

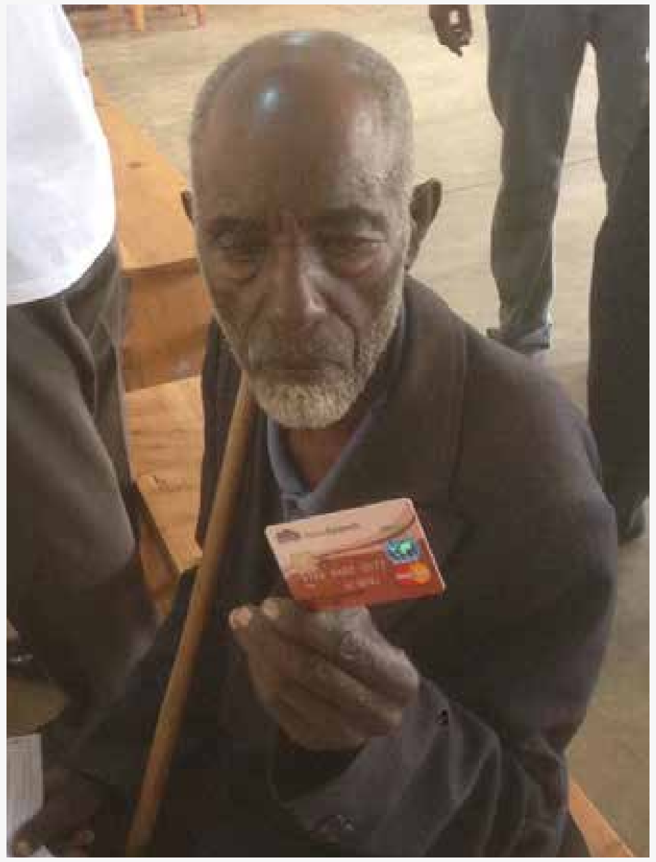
We have created a wide array of channels through which we deliver our services coupled by a large distribution network both locally and internationally. Our channels continue to experience growth in the volumes of transactions conducted on them and the number of customers. A summary of our channels and client numbers indicates a flourishing business.

- Number of branches across the country: 14
- Number of ATMs across the country: 21
- Number of Online banking users: 1,934
- Number of Agents: 2,409
- Number of POs:1,159
- Number of active users on Eazzy App/USSD: 535,911
- Number of EazzyBanking App downloads: 22,621

Digitisation

Digitisation at Equity is about providing customers with a wide variety of options in terms of products, services and channels as well as offering high quality services. These new self-service channels that enable customers to do banking on their own devices has revolutionized money transfer and payments with customers having greater control and freedom to manage their bank accounts. This also confirms that customers want a banking service that is integrated into their everyday lives at anytime.

Eazzy Banking products continued demonstrating phenomenal uptake. EazzyBiz hit Frw 154 Billion in value of transactions in the year up from Frw 95Billion recorded in 2019, EazzyNet transaction hit Frw 1.5Billion in the year. EazzyPay product also start taking shape and moved 14,900 Transaction valued at Frw 414 Million while Eazzy Banking App's and Eazzy 24/7 saw a total of 535,911 customers registered at end 2020 with Monthly transaction numbers averaging 2 Million valued over Frw 20Billion.



Equity Bank Rwanda Plc Customer receive a Payment card that are issued instantly to customers upon opening an account

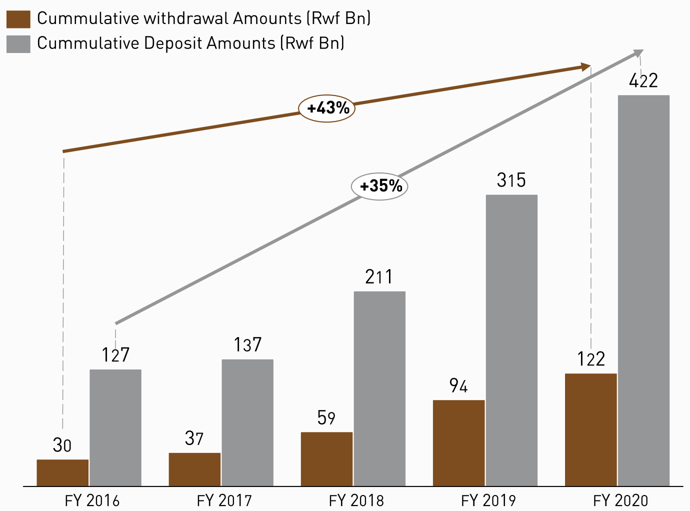
OUR CAPITALS (continued)

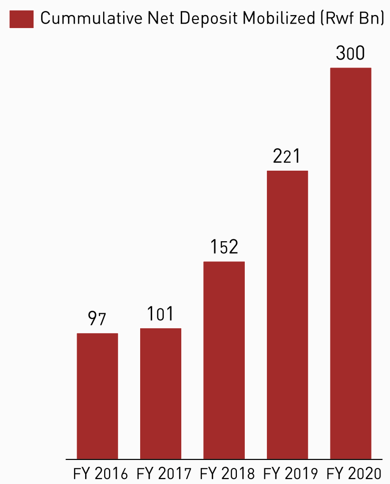
MANUFACTURED CAPITAL (continued)

Agency Banking

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

AGENCY BANKING	Dec-20	Dec-19	Growth
Number of agents	2,409	1,623	48%
Monthly transactions	515,302	476,291	8%
Monthly value of transactions	45.36Bn	34.03Bn	33%
Monthly agent commissions (gross)	52.83Mn	49.96Mn	6%





Cards and Merchants

We have a widely recognized range of card-based payment products, including debit cards, credit cards and the pre-paid 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 the branch, ATM and POS networks. We have partnered with key payment companies to ensure our customers have a variety of choices. The range of products and services that are linked to debit cards and various facilities are regularly reviewed and enhanced in accordance with advances in the market.

The Bank offers a variety of cards products with attractive programs suited to different customers' lifestyles and consumption needs. These include VISA Infinite, Signature, Platinum and Gold cards.

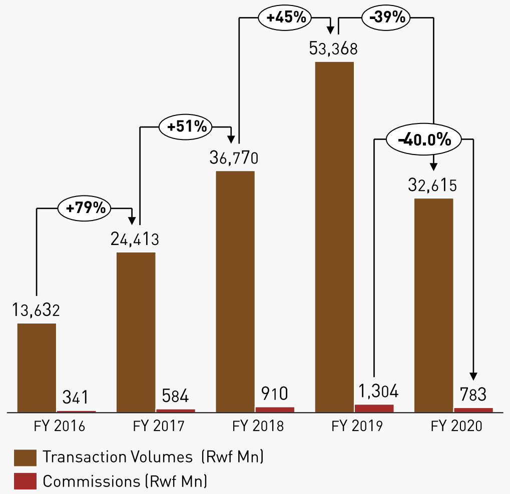
Currently, the Bank have 1,159 POS merchants and 6,199 Eazzypay merchants. We offer:

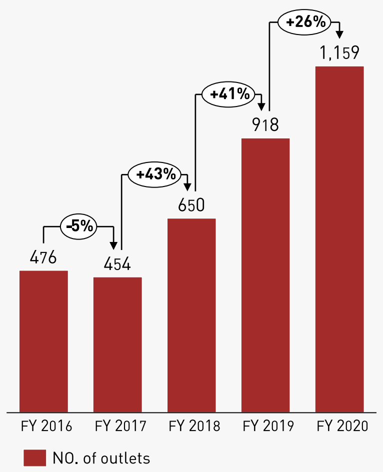
- Stand-alone point of sale terminals which enable businesses to securely accept debit and credit card payments.
- Integrated Retail Solutions (pin-pads) which are suitable for businesses with several pay-points or tills such as medium to large supermarkets, hospitals, and high-traffic retail points.
- E-Commerce payment gateways that enable businesses to accept secure online payments cards for both domestic and international card transactions through their websites.

Despite the devastating effects of Covid-19 that grounded the Hospitality industry given the restricted movement and social gathering, during the year under review, Merchant turnovers totalled Frw 32.6 Billion, it will be noted that this was a -39% drop from the previous year's Frw 53.4 Billion. However, the Bank accelerated the recruitment of additional merchants to facilitate cash less payments solution which saw an additional 241 new merchants added.

OUR CAPITALS (continued)

MANUFACTURED CAPITAL (continued)

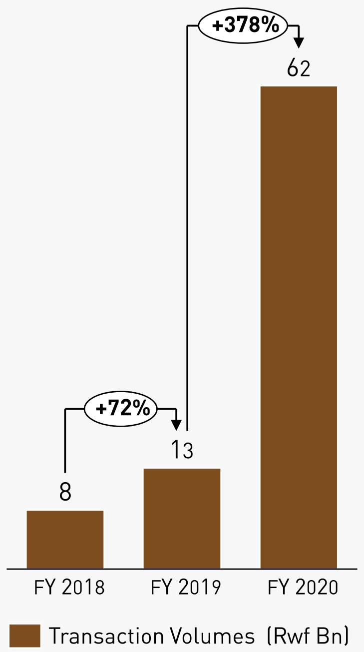


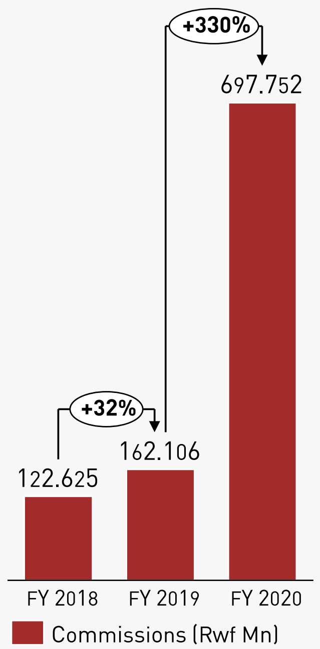


Diaspora Banking

Diaspora banking offers a wide range of services to suit the banking needs of our target clientele that ranges from banking services for individuals and groups, card products, mobile and online banking, credit facilities, investment solutions and insurance products. We have diaspora customers globally and we have segmented ourselves based on five different regions that are overseen by a specialised team who have expertise and experience in the needs of our customers based on their location.

We have partnered with globally recognized remittance partners and we seek to partner with even more, as technology evolves, and new service providers emerge and take the forefront in money transfer. We leverage heavily on online and mobile banking using world class solutions such as EazzyNet and Eazzy Banking App, that allow customers to access their accounts from anywhere in the world as long as they have an internet connection.





OUR CAPITALS (continued)

SOCIAL AND RELATIONSHIP CAPITAL

At Equity, social and relationship capital represents, in broad terms, Equity Bank Rwanda Plc and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information and collaborate to enhance individual and collective well-being. For us, social and relationship capital includes:

- Shared norms, beliefs, common values and behaviours.
- Key stakeholder relationships, and the trust and willingness to engage that Equity has developed and strives to build and protect with customers, suppliers, business partners, and other external stakeholders.
- Our social license to operate based on trust.

CREATING SHARED VALUE

Creating Shared Value (CSV) is fundamental to the mission of Equity Bank Rwanda. We believe that Equity Bank Rwanda has a critical role to play in ensuring the overall success of the Bank by improving society's quality of life by addressing its needs and challenges while at the same time supporting the business.

Equity's CSV priorities are those areas at greatest intersection between the business and society, and where it can create the most value and make the most difference. These include:

Food and Agriculture

Agriculture is the key economic activity in the countries where we operate and the mainstay for community livelihoods. Our work in agriculture seeks to enable farmers to increase their production capabilities, inculcate business acumen in their farming activities, thus viewing farming as business and not subsistence and accessing technology and financial services to improve their performance.

Energy and Environment

Energy is a key component in household, institutional and industrial operations. Clean and sustainable energy has emerged as a focal point globally due to mounting pressure to reduce carbon emissions, preserve resources and reduce operational costs by increasing access to Renewable Energy and Energy Efficiency. Access to affordable and suitable clean energy for all is the focus of SDG No. 7. Utilization of conventional energy sources such as biomass and fossil-based fuels leads to deterioration in people's health and productivity whilst having undesired and sometimes non-reversible damage to the environment. Despite the availability of cleaner and more efficient energy solutions, majority of households, communities and institutions lack knowledge on such solutions or cannot access or afford to invest in them. Continued use of wood and charcoal as primary source of fuel has had devastating effects on the environment through deforestation, greenhouse gas emissions and health. The prices of kerosene and charcoal as well as wood fuel have been on an upward trajectory increasing the cost of energy for institutions and households that rely on solid biomass for cooking and heating needs.

Equity Bank Rwanda Plc MD Hannington Namara (center), Head of HR Aline K. Mutambuka (left) and Head of Marketing & Customers experience Athanasie Niragira (Right) posses for a commemorative photo at Kisimenti Roundabout that was Branded with the new look Equity Logo.

OUR CAPITALS (continued)

SOCIAL AND RELATIONSHIP CAPITAL (continued)

Creating Shared Value (continued)

Social Protection

In partnership with Governments, Humanitarian and Development agencies, Equity provides inclusive financial services to thousands of marginalized and vulnerable households living in Rwanda through Cash Transfer Programs.

The programs are delivered through Equity Bank's vast distribution network (Branches, Agents, Merchants, ATMs). The Bank leverages innovative delivery models to co-create enrolment and payment solutions for Refugees and other Vulnerable Persons.

Key Partnerships include: The United Nations High Commission for Refugees (UNHCR), United Nations Children Fund (UNICEF) and the World Food Programme (WFP).

Financial inclusion enables beneficiaries to be in charge of their own spending and savings through fully-fledged Bank Accounts and Biometric Smart Cards, a model that enhances convenience, security, accessibility and efficiency as well as accountability and preserves their dignity. With the cards, beneficiaries can access their cash allocations and use the card to purchase goods and access services.

Social payments have demonstrated a cost-effective way of transferring cash to the most vulnerable and exposed demographics, promoted socio-economic integration and increased self-reliance. Adoption of cash transfer as a mode of delivery for humanitarian aid fosters financial inclusion leading to more sustainable socio-economic development. Cash additionally offers choice, dignity, and facilitates financial independence.

Natural capital

It consists of renewable and non-renewable environmental resources, consumed or affected by our business for the prosperity of the organization. Here we are mainly talking about water, soil, ores, forests, and biodiversity. We understand that, even though we are a service business, our activities impact the environment, both directly through the operation of our administrative units, branch networks and technology centres and indirectly through our loan and financing operations. Our main sources of electricity and water consumption, for example, come from cooling systems and the use of electronic equipment.

We continuously strive to improve our energy efficiency through the best market practices, ambitious goals and a management increasingly more attentive to the consumption of natural resources. Our management is segregated by administrative units, branches and technology centres, and all areas work together with the sustainability team. Our reduction targets and improvement actions to achieve these goals are managed jointly, seeking the highest efficiency in the use of resources and a smaller environmental impact.

Our strategy to increasingly become a more digital bank has strongly contributed to a reduction in paper consumption. A large part of our internal processes no longer use paper, which is replaced by electronic and digital means. Our operations are highly dependent on the availability of electricity and, therefore, we seek to continually improve our energy efficiency through internal projects and consumption reduction targets.

Equity Bank Rwanda had a financial inclusion day at Mahama Camp and issued master card with multiple wallet to refugees as part of social payments agenda

CONTROL ENVIRONMENT

CONTROL ENVIRONMENT

RISK MANAGEMENT AND COMPLIANCE

RISK MANAGEMENT

The bank has adopted a proactive risk intelligence culture to guide its operations. The Board and senior management lead by setting the risk management tone for the bank.

Risk Governance Structure

For effective risk management, the bank has developed a risk governance structure for the bank that define the roles and responsibilities of the board, the chief risk officer and risk management function, as well as the independent assessment of the risk governance framework. The governance structure sets out an integrated and coherent list of sound practices that establish supervisory expectations for the role and responsibilities of the board as well as the stature, resources, authority and independence of the risk management and internal audit functions, including board reporting. The governance structure is designed to protect against the erosion of prudent risk management culture and practices even in the face of challenging business and economic environments.

The Bank Integrated Risk Management Policy.

The bank Integrated Risk Management Policy outlines the risk management framework, risk appetite setting framework, risk evaluation and reporting, and harmonises risk policies across the bank.

The bank has developed a risk intelligent culture, to help it achieve the following strategic objectives:

- Limiting potential losses.
- Improving profitability.
- Supporting growth.
- Increasing quality of strategic and operational decisions; and
- Improving stakeholder management.

Assurance is guaranteed through the risk and compliance department, internal audit, external audit by PwC, The Central Bank onsite &offsite inspection, as well as credit rating agencies' reviews.

Risk Review

The bank continues to leverage on technology and innovation to transform banking from "somewhere you go" to "something you do". This is characterized by including segmentation for focused strategic delivery, seamless integration of channels to improve experience and convergence of financial products and services.

Having made significant achievements in digitization over the years culminating in recognition of the business as the most innovative bank, the bank focused on opening its financial services and infrastructure to 3rd parties through APIs integration.

In executing its strategy, the bank is faced with economic, financial and other types of risk. These risks are interdependent and require a holistic approach to risk management. The key highlights within the year were as follows:

REGULATORY LANDSCAPE

IT Risk and Information Security

As the bank strategic initiatives under Equity 3.0 strategy are undertaken, the IT risk and information security landscape has been changing. Focus on technology by the industry players has altered existing information supply chains, created data types and data models and expanded IT infrastructure risk and security perimeter. Emerging risks around IT programme & change execution and IT operational resilience have joined cybercrime, data security and third-party management as being the most pressing IT risks identified over the recent past. In 2018, the BNR responded by introducing a guidance note on cybersecurity risk management. The guidance note required banks to formulate and implement cyber risk strategies, IT governance, Third party risk management, policy, procedures, guidelines and set minimum standards. Equity Bank Rwanda Plc is fully compliant with this guidance note.

The bank has responded to the emerging IT Risk threat landscape by developing IT Risk Management Policy and Information Security Management Framework Policy. The establishment of an IT Risk function as part of the Bank's Integrated Risk Management framework is intended to monitor the Bank's IT risk profile and recommend necessary actions. The bank continues to enhance the IT governance structure for effective risk control.

Impairment of Financial Instruments

International Financial Reporting Standard (IFRS) 9 financial instrument became effective on 1st January, 2018. It provides guidance on the recognition, classification and measurement of financial instruments. The standard replaced International Accounting Standard (IAS) 39, which applied an Incurred Credit Loss (ICL) model. IFRS 9 requires entities to recognize Expected Credit Loss (ECL) rather than incurred losses. Full adoption of the standard has led to an increase in provisioning that has impacted the capital position of the bank. Equity Bank Rwanda Plc is observing the 4 year transitional IFRS 9 period arrangement issued to allow banks to be fully compliant

without significant shock to the capital. The bank continues to engage KPMG as well as leverage on internal resources in order to be fully compliant with the standard.

AML/CTF Programs

As a key player in the financial system, the bank is alive to the fact it is imperative upon it to adhere to local and international obligations in the management of money laundering, financing of terrorism and sanctions risks. Subsequently, the bank has a robust Anti-Money Laundering and Counter-Terrorism Financing Program (AML/CTF) which aims to identify, manage and mitigate the money laundering and terrorism financing risks faced by the bank.

Though AML/CTF falls under the umbrella of Compliance function, the AML/CTF program is given special focus due to considerable reputational risk that this component holds. The program is divided into three distinct components: Customer acceptance and identification program, robust automated information technology solutions as well as reporting and record keeping.

In addition, the program is supported by four pillars to enable proper execution and compliance: an independent reporting officer, risk awareness programs, independent assurance and internal policies and procedures. The Board has the oversight responsibility in ensuring that AML/CTF programs are carried in strict adherence to applicable laws, regulations, statutes and internal controls.

There is an approved Anti-Money Laundering Policy for the bank. The policies are reviewed annually. There exists a structured AML training program which is taken by all staff upon induction. Subsequent trainings to agents and staff are done to ensure they remain updated. The responsibility to manage AML/CTF risks rests upon all staff from both our business and support units so as to protect the bank's assets, the interests of our customers and shareholders.

Internal Capital Adequacy Assessment Process (ICAAP)

Internal Capital Adequacy Assessment Process (ICAAP) is a process to estimate capital requirements through an enterprise-wide quasi-quantitative methodology as part of a detailed risk-based business and capital planning process. It is a formal process through which a bank identifies, measures, aggregates and monitors material risks to ultimately build a risk profile that becomes a basis for capital allocation. ICAAP documents are reviewed by BNR through Supervisory Review Process (SREP) to ensure that banks understand the risk that they take or might be exposed to.

The bank has an approved ICAAP policy in line with The ICAAP directive no 03/2018 on Internal Capital Adequacy Assessment Process by the BNR. In 2020, the bank prepared and submitted on second time, the 5-year ICAAP plan before on 31st March 2020 as per the regulatory requirement. The bank shall continue to assess its capital requirements on a regular basis.

BUSINESS ENVIRONMENT

Liquidity Risk

The bank constantly reviews the business environment against its strategic objectives. Liquidity management remained a key focus in 2020. The bank, had to constantly monitor their liquidity profile on a regular basis. This also involved relooking at the adequacy of their liquidity contingency plan. The bank maintained adequate liquidity buffers. This notwithstanding, the bank regularly monitored the results of 3-day liquidity stress tests to assess resilience in case of a run on deposits. The bank also monitor and run behavioural liquidity mismatch as well as behavioural liquidity run off of 30 days to ensure the bank always have enough liquidity.

Credit Risk

The banking industry performance remained subdued in 2020, with the industry non-performing assets of above the prudential limit of 5%. The low growth in credit portfolio and high non-performing assets was occasioned by Covid 19 impact that led to lockdown and business closure. As guided by BNR, the bank had given relief measure to the customer who were affected by the pandemic. The credit risk assessment changed due to COVID 19 from business segment analysis to economic sector-based risk analysis. Nevertheless, the bank continued to advance credit based on customized and detailed credit risk assessments as a foundation of sustainable asset growth. The bank strategy is embrace SME business and support retail as well as large SME/corporate. For the large credit exposures and those with strategic implications, the board of director is involved to provide guidance. As a result, Equity Bank Rwanda Plc was amongst the bank that maintained a relatively low Portfolio at Risk (PaR) compared to the industry in 2020.

RISK APPETITE

The bank has a risk appetite for various type of businesses and various forms of risks. It's the policy of the bank, however, to set more conservative appetite where a regulatory ratio or best practice is given. Examples:

- **Credit risk** – Ratio of non-performing assets, Concentration of assets per product, sector, currency, counterparty etc.,

CONTROL ENVIRONMENT (continued)

RISK APPETITE (continued)

- **Market risk** – leverage ratios, return on assets, liquidity, value at risk, durations on investment securities etc.

Stress Testing

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

- Identification of stress components involving the different types of material risks and stress factors;
- Identification of methodology for application of stress;
- Estimation of the impact of stressed conditions on the profitability, asset quality and capital adequacy;
- Identification of remedial plans/actions; and
- Reporting of the stress test results and identified remedial plans to the Board and regulators.

PERFORMANCE OVERVIEW OF PRINCIPAL RISKS

Credit Risk

The bank credit management framework is defined by the bank's Integrated Risk Management Policy and Credit Risk Policies. Credit risk is generally evaluated in terms of Portfolio at Risk (PaR) and concentration. The year 2020 was characterized by rising PaR for the industry and loan restructures as a result of COVID 19. For the bank to maintain a good portfolio at Risk, it ensured closely monitoring of the associated risks is done as required ;

The bank has set PaR targets at product level.

- Monthly monitoring of how customer business resumed and their business turnover for decision making
- PaR trends are monitored on a monthly basis and drivers and possible solutions discussed in Credit Risk and ALCO Committees.
- Evaluation of credit risk is conducted at customer, product and sector level.
- The bank employs a proactive approach to credit risk management by gathering market trends that inform customer, product or sector credit outlooks.
- The credit book growth strategies are aligned to expectation in the macro-economic environment.
- Underwriting risks are closely managed through credit committees that start from the branch level to the Board.

The bank continues to leverage on technology in delivery of credit products. Credit scores have been done for the bank's retail customers. Comprehensive model validation is done on a quarterly basis to confirm suitability of the model. The qualitative validation involves evaluation of the effectiveness of the governance model and consistency with the overall bank strategy. The quantitative validation involves assessment of model efficiency, discriminatory power, predictive power, model stability and concentration. The bank has embarked on automation of micro and SME products to enhance efficiency and service delivery.

As the bank seeks to deliver on its financial inclusion objective, investment in solutions and systems to enhance data quality and breadth will continue. This is expected to improve prediction of probability of default, loss given default and recovery rates for both the existing and potential customers.

Market Risk

The bank's market risk management is defined in the bank's Integrated Risk Management Policy and customized through Market Risk Policies by the bank. The policies define the risk appetite and risk metrics for the bank. Market risk is monitored through the following:

- **Return on assets** – this reflects how well assets are managed. The bank's return on assets has remained largely within target.
- **Liquidity** – The bank ensures compliance with liquidity ratios as stipulated by regulators and regularly compares its liquidity position against international standards as provided by Basel III.
- **Efficiency** – this is evaluated in a number of ratios, key one being interest rate spread. Interest rate spread decomposition is intended to indicate how stable the spread is, based on the components.
    - Stop loss limits – ensure that trade does not proceed if losses being realised exceed the set limits.
    - Trader limits – ensure that the bank traders do not take excessive risks that would expose the bank
    - Forex net-open position – the bank maintains a net open position within regulatory limits and constantly manages the size of the position in light of expected forex volatility.

Government securities risk:

Trading book carries many risks and price volatility would reflect on the consolidated income statement. As such, the trading book is not supposed to exceed 10% of the entire Government security portfolio.

EQUITY BANK RWANDA PLC INTEGRATED REPORT & FINANCIAL STATEMENTS / FOR THE YEAR ENDED 31 DECEMBER 2020

CONTROL ENVIRONMENT (continued)

PERFORMANCE OVERVIEW OF PRINCIPAL RISKS (continued)

Government securities risk: (continued)

PV01–is used to evaluate risk for the trading book. The bank has set a value for PV01 that must not be exceeded.

Value at risk (VaR) – The bank has set an appetite for VaR. This ensures that the maximum possible loss in a given unit of time is monitored continuously.

Maximum period in trading book- the bank acknowledges that items in the trading book should be continuously traded and thus sets a time limit beyond which investment security should not be held.

Mark to Market – for the government securities that are available for sale/ fair value through other comprehensive income, the bank monitors mark to market losses to ensure optimal portfolio management. To achieve this, the market risk team continuously monitors the yield curves.

Durations – Market Risk policies define the appetites for investment securities' duration. This is monitored by both the Treasury Middle Office and Market Risk Unit in the enterprise risk department unit.

The Market risk management process also includes a liquidity contingency management plan. The bank Stress Testing Policy is aligned to various market risk appetites and is done assuming a wide range of possibilities. Market risk appetites are reviewed continuously and discussed on a monthly basis by' ALCO, as well as the Group ALCO Committee.

Operational & Compliance Risks

The bank operational risk management gets authority from the bank's Integrated Risk Management Policy. This is customized through Operational Risk Policy by Equity Bank Rwanda Plc. The bank'Operational Risk Management policies was reviewed in 2017 defining governance structures, operational risk department/unit, role and responsibilities and operational risk appetite.

The operational risk & compliance departments have built capacity to carry out their mandate covering: Compliance, agency, fraud, systems and products, business process management, AML/CTF and business continuity planning.

The bank operational risk management involves measurement and analysis tools such as:

Key Risk Indicators

- Risk Controls Self Assessments tools and frameworks
- Risk library
- Scenario analysis covering: external research, trends of internal losses or subjective scenario analysis
- Stress Testing
- Business Process Mapping
- Capital Computation Framework
- Linkage of tools to decision making and controls
- Robust and reliable MIS and
- Comprehensive compliance toolkits: Compliance department has developed comprehensive compliance toolkits guided by existing policies, laws and regulations for compliance assessments. Risk- based compliance programs have been developed to ensure identification of significant rules, policies and regulations where weak enforcement or non- compliance would threaten the bank's assets. The bank has zero tolerance to regulatory breaches.

The bank also maintains Business Continuity Planning and Data Recovery (BCP-DR) Policies. These policies incorporate:

- Business impact analyses
- Recovery strategies
- Periodic testing
- Communication, training and awareness programs
- Crisis management programs
- The BCP-DR policy and processes involve identification of:
- Critical business operations
- Key internal and external dependencies
- Appropriate resilience levels
- Plausible disruptive scenarios are assessed for their financial, operational and reputational impact on a continuous basis.

Risk Culture

Whereas there is the tangible appreciation of tools to help in the identification, assessment, setting of appetites, mitigation and monitoring (the 'what' of risk management), we recognize that "the how" of risk management contributes towards success or otherwise of risk management initiatives. The bank's risk culture, "the set of individual and corporate values, attitudes, competencies and behaviours that determine our commitment to and style of risk management" provides reference against which our conduct is evaluated.

CONTROL ENVIRONMENT (continued)

PERFORMANCE OVERVIEW OF PRINCIPAL RISKS (continued)

Risk Culture (continued)

The bank's risk culture is founded on four pillars, namely:

Transparency;

- Level of insight (Knowledge of the risks)
- Tolerance (how much risk to be taken on account of control effectiveness)
- Communication (purposeful and deliberate sharing of risk events)

Acknowledgement

- Confidence, that we are vulnerable and risks can crystallize
- Challenge, of behaviours not consistent with those ascribed
- Openness, as regards experiences of control failures /weaknesses

Respect

- Adherence to rules; following laid down procedures
- Coordination; acknowledging that controls are not self-standing

Response

- Calling for speedy response
- Diligence in response, to ensure that weaknesses are effectively addressed.

The aim is to achieve a "strong risk-culture" through creating awareness and competency of the risks around us and driving the goal of consistency in how we react to them.

This emphasizes on;

- Setting the "Tone at the Top", using the Board and senior management to walk the talk on risk management
- Data mining and analysis; use of data to inform on progress or otherwise
- Compensation and reward; honouring good risk behaviour and discouraging / punishing the opposite
- Communication; deliberate sharing of lessons learnt to shape values and behaviours.

Future Risk Priorities

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

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The concept of corporate governance has gained prominence at both the local and global levels as enshrined in various codes of corporate governance and guidelines. The objective of all these codes and guidelines is to promote the highest standards of governance by establishing a series of principles that all companies should adhere to.

Equity Bank Rwanda Plc Board recognises that sound corporate governance principles are the foundation upon which stakeholder trust is built. The Board further recognizes the need to conduct business operations with integrity and in accordance with generally accepted corporate governance principles. Board members take their responsibility for the corporate governance agenda within the Bank seriously and will 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 the various stakeholders.

As part of the Equity Group Holdings PLC (''Equity Group''), there exists a Corporate Governance Framework which sets out a schedule of matters with the objective of ensuring effective governance across the Bank and furthering a common brand.

During the year 2018 , the Bank complied with 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 as illustrated below:

RISK MANAGEMENT FRAMEWORK

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

COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS

The Bank is licensed by the National Bank of Rwanda as a Banking institution. Pursuant to the above, the Bank is bound by and complies with:

- Law n° 47/2017 of 23/9/2017 governing the organization of banking and all prudential guidelines and directions given by the National Bank of Rwanda.
- Law n° 17/2018 of 13/04/2018 governing companies, its regulations, and amendments thereto.
- BNR's Regulation n° 01/2018 of 24/01/2018 on corporate governance for banks; and
- All other applicable laws and regulations governing the various lines of businesses it is engaged in.

In addition, the Board ensures compliance of the Bank with all relevant laws, orders, regulations, directives, governance practices, accounting, and auditing standards and that the Bank adheres its rules, codes and standards.

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.

In the same note, 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 the 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.

BANK'S OPERATIONAL STRUCTURE

The Board and senior management clearly understand the structure and the organization of the Bank and the formal and informal links and relationships between the Management and the Board. There is clear distinction of the Role of Chairperson and 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 Company 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 Company 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 implementing appropriate processes for staff succession planning.

Disclosure Requirements

The Bank has sustained 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 recognizes 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 to enable stakeholders to speak up on their experiences, observations and opinions on products, service delivery, expectations, and challenges among others. 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 Bank's Board has developed a Bank Procurement Policy, so as to:

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

Code of Ethics and Conduct

The Bank has established a Code of Ethics and Conduct. Through the Code, the Bank has adopted 12 principles to ensure that its 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 it operates. The Bank has 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.

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 the recommendations therein. The 2019 Board Evaluation was conducted, and the results noted for action while the report was filed with the National Bank of Rwanda.

CORPORATE GOVERNANCE (continued)

ETHICS & SOCIAL RESPONSIBILITY

The Board 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/is respectful to its beneficiaries and or customers. The Bank ensures it 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.

The Bank believes 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 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.

BOARD OF DIRECTORS

The Board meetings were held on a quarterly basis in the months of February, April, July and October. During the year, there were 2 ad hoc meetings in, April, and December. The Committee meetings on the other hand were held on a quarterly basis in February, April, July and October with ad hoc meetings convened as required. The key areas of focus during the Board meetings were as follows:

- Review of the macro-economic environment and developments in the banking industry;
- Review of financial and management performance and approval of accounts;
- Review of compliance with Anti-Money Laundering/ Combating the Financing of Terrorism Regulations;
- Review of the Business Continuity management in view of the Covid – 19 pandemics.
- Review of Board Evaluation Report; and

During the period, Dr. James Mwangi retired from the Board and Amb. William Kayonga, and Col. (Rtd) Eugene Haguma Murashi were appointed to the Board.

EQUITY BANK RWANDA PLC BOARD MEMBERS

Name	Profession	Executive/Non-Executive	Independent/ Non-Independent	Gender	Meeting Attendance	Nationality
Mrs. Evelyn Rutagwenda	Accountant/ Auditor	Non-Executive Chairperson	Independent	Female	6/6	Rwandan
****Dr. James Mwangi**	Banker/Accountant/ Auditor	Group Chief Executive Officer & Managing Director	Non-independent	Male	1/6	Kenyan
Mrs. Mary Wamae	Lawyer	Group Executive Director	Non-Independent	Female	6/6	Kenyan
Dr. Patrick Uwizeye	Accountant, Risk specialist and Consultant	Non-Executive Director	Independent	Male	6/6	Rwandan
Mr. James Mutuku	Asset and Liability Management, Forex dealership, Treasury & Money Markets expert	Non-Executive Director	Non-Independent	Male	6/6	Kenyan
Mr. Emmanuel Butare	Lawyer/Arbitrator	Non-Executive Director	Independent	Male	6/6	Rwandan
Mr. Steven Mutabazi	Engineer and ICT Consultant	Non-Executive Director	Independent	Male	6/6	Rwandan
Robert Bafakulera	Entrepreneur	Non-Executive Director	Independent	Male	5/6	Rwandan
***Amb. William Kayonga**	Diplomatic, Entrepreneur	Non-Executive Director	Independent	Male	2/6	Rwandan
***Col. (Rtd) Eugene Haguma Murashi**	Financial Analyst, CFA, Consultant	Non-Executive Director	Independent	Male	2/6	Rwandan

* Appointed to the Board within the year 2020

** Retired from the Board within the year 2020

EQUITY BANK RWANDA PLC INTEGRATED REPORT & FINANCIAL STATEMENTS / FOR THE YEAR ENDED 31 DECEMBER 2020

CORPORATE GOVERNANCE (continued)

BOARD COMMITTEES

The Bank Board has established Board Committees, governed by charters and aligned to the Bank's delivery of its vision and mission.

The secretary to each Board Committee is the head of the relevant function within the Bank and Company. The Bank Board has six committees which support it in discharging its responsibilities. These are:

- Audit Committee;
- Nominations and Compensation Committee;
- IT and Innovations Committee.
- Credit Committee.
- Risk & Compliance Committee, and
- Assets and Liabilities Management Committee (ALCO).

NB: Board Committees were reconstituted following changes in the composition of the Board in the year.

1. Audit Committee

The Bank Audit Committee is appointed by the Board and is responsible for providing independent oversight on:

- The integrity of the financial statements of the Bank;
- The effectiveness of the Bank's financial reporting, internal control and risk management systems;
- The effectiveness of the Bank internal audit function; and
- The external auditors' qualifications, independence and performance.

The Committee is currently composed of 3 Independent and Non-Executive Directors, 1 of whom is a Certified Public Accountant. The following is the current membership and attendance to the Committee meetings in the year 2020:

Dr. Patrick Uwizeye	Chairperson	(4/4)
Mr. Emmanuel Butare	Member	(4/4)
Mr. Robert Bafakulera	Member	3/4)

The key areas of focus for the committee meetings were as follows:

- Review of the External Audit Plan for the year ending 31st December 2020;
- Consideration and recommendation of financial Statements for Board approval;
- Status of issues raised in previous Internal Audit Reports, Management Letters and Regulatory Onsite Examination Reports;
- Significant internal audit findings and coverage of audit plans;
- Consideration and approval of the Bank Internal Audit Plan; and
- Consideration and recommendation of the Board Audit Committee Charter.
- Considering rotation of external auditors as per regulatory requirement

2. Nominations and Compensation Committee

The Committee derives its mandate from the Board and its purpose is to:

- Recommend to the Board the remuneration packages offered to its Non-Executive Directors.
- Recommend 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;
- Recommend general staff remuneration and human resource related practices;
- Periodically review 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 shall consist of at least three (3) Members mainly Independent and Non-Executive Directors. The Chairperson of the committee shall be an independent non- Executive Director and shall not be, at the same time, Chairperson of the Board. All Committee members have extensive experience in business management in key positions and have adequate understanding of the impact of compensation practices on the Bank's risk profile. The following is the membership and attendance to the Committee meetings:

Mr. Robert Bafakulera	Chairperson	(3/4)
Mrs. Mary Wamae	Member	(4/4)
Mr. Hannington Namara	Member	(4/4)
Mrs. Evelyn Rutagwenda	Member	(4/4)
Mr. James Mutuku	Member	(4/4)

The key areas of focus for the meetings were as follows:

- Review and recommend appointment of new Board Directors;
- Responsible for Board Evaluation;
- Guide HR Strategy; and
- Guide on Compensation and Remuneration of staff & Board Directors.

CORPORATE GOVERNANCE (continued)

3. IT & Innovations Committee and disruptive technologies

The IT and Innovations Committee derives its authority from the Board, and its mandate included the following:

a) 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 advising the Bank on the same.
b) Ensuring that the Bank fosters a culture of innovation.
c) Overseeing appropriate mergers & acquisitions that would introduce new technology and business models to the Bank.
d) Maintaining focus on key strategic issues in relation to Information Technology and Innovation
e) Ensuring that the Bank's IT, information & cyber security 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; and
f) 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 the Bank remains innovative. The Board IT Committee comprise of Not less than three directors, majority of whom being non-executive directors. The membership of the Committee together with attendance was as follows:

Mr. Steven Mutabazi	Chairperson	(4/4)
Dr. Patrick Uwizeye	Member	(4/4)
Mr. Robert Bafakulera	Member	(3/4)

The key areas of focus for the meetings were as follows:

- Digitizing to the Core: what the Bank is doing with existing technology, architecture & processes to enhance customer experience and consider the resilience of IT systems;
- Future ready: actions being taken to transform data and technology capabilities and deploy "forward-looking" technology;
- Collaboration: partnership and/or M&A opportunities that can help deliver the Bank's strategy;
- Innovation: oversee development and delivery of innovation approach in support of the Bank's long-term strategic priorities – including balance and priorities in the innovation pipeline; and
- Key threats and opportunities resulting from new business models and disruptive technologies.

4. Risk & Compliance Committee

The Risk & 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 the Bank risk is adequately managed;
- Ensuring compliance with statutory and legal requirements and Bank's policies and procedures; and
- Reviewing on an annual basis the effectiveness of the Bank's risk management practices.

The Committee consists of four members, Independent Non-Executive Directors. The membership of the Committee together with attendance is as follows:

Mr. Emmanuel Butare	Chairperson	(4/4)
Dr. Patrick Uwizeye	Member	(4/4)
Mr. James Mutuku	Member	(4/4)
Mr. Stephen Mutabazi	Member	(4/4)

The key areas of focus for the meetings were as follows:

- Review of the Business Continuity Programme (BCP) for the Bank and impact of Covid-19 pandemic;
- The review of leading risk issues as defined in the Bank Risk Management Policy;
- Enterprise Information, Risk and Security;
- Cyber security strategy
- Review of Business Continuity Management Strategy
- Review of Internal Capital Adequacy Assessment Process; and
- Review of compliance with AML/CTF Laws, Regulations and Standards.

5. Assets & Liability (ALCO) Committee

The Assets & Liability (ALCO) Committee derives its authority from the Board and is responsible for:

- Review capital structure and adequacy of the Bank.
- Set and observe loans to deposit ratio as well as other key performance ratios.
- Identification of all regulatory requirements governing capital/funding and investment mix.
- Ensure adherence to these regulatory requirements.
- Securities maturity profile and yield on securities.

CORPORATE GOVERNANCE (continued)

The Committee consists of five members, three of whom are non-Executive, with three being Independent. The current membership of the Committee together with attendance is as follows:

Mr. James Mutuku	Chairperson	(4/4)
Dr. Patrick Uwizeye	Member	(4/4)
Mr. Emmanuel Butare	Member	(4/4)
Mr. Stephen Mutabazi	Member	(4/4)
Mr. Hannington Namara	Member	(4/4)

The key areas of focus for the meetings were as follows:

- Update on the macro economy.
- Assets and Liability Management (ALM).
- Consideration and approval of Committee Charter

6. Credit Committee

The Credit Committee derives its authority from the Board. The Board Credit Committee is entrusted principally with the evaluation and review of loans and advances subject to the specified approval limits. The Committee serves as a forum for members to discuss credit matters extensively. Such discussions form the basis for a proper evaluation and consideration of all issues related to loans and thereby provide appropriate safeguards for arriving at credit or related decisions.

The Committee consists of Seven members, four of whom are Independent Non-Executive Directors. The membership of the Committee together with attendance is as follows:

**Mr. Robert Bafakulera	Chairperson	(3/4)
Mr. Emmanuel Butare	Chairperson	(4/4)
*Dr. James Mwangi	Member	(1/4)
Dr. Patrick Uwizeye	Member	(4/4)
Mr. Hannington Namara	Member	(4/4)
Mrs. Mary Wamae	Member	(4/4)
Mrs. Evelyn Rutagwenda	Member	(4/4)

* Retired from the Committee within the year 2020
** Appointed to the Committee within the year 2020

The key areas of focus for the meetings were as follows:

- Ensuring that the evaluation and approval of credit applications is within the set approval limits;
- Ensuring that the loans approved by the Committee continue to perform within the agreed upon terms and conditions. In the event that they are not performing, ensure that the necessary recovery measures are put in-place;
- Ensuring that credit policies and procedures are adequate and support the business; and
- Ensuring that the Bank is kept informed on industry trends, norms etc and where necessary make recommendations.

Statement of the Responsibility of Directors

Directors have a statutory duty to promote the success of the Company for the benefit of its stakeholders. In promoting the success of the Company, Directors must have due regard to 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 the Company's operations on the community and the environment, and the desire to maintain a reputation for high standards of business conduct.

The Board is committed to ensuring that the Company is in compliance with the laws, regulations and standards applicable to it. The Board ensures high standards and practices in Corporate Governance and more specifically the principles, practices and recommendations set out under the National Bank of Rwanda Guideline on Corporate Governance are adhered to.

The Board 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 Company's compliance efforts.

The Bank Board has the overall responsibility for adequate corporate governance across the Bank and ensures that the governance policies and mechanisms are appropriate to the structure, business and risks of the Bank. The Board ensures there is in place appropriate Governance documents that define appropriate corporate governance principles that shall provide appropriate incentives for the Bank to pursue objectives that are in the best interests of the Bank, its shareholders and other stakeholders whilst protecting their interests.

FINANCIAL STATEMENTS

TABLE OF CONTENTS

FINANCIALS 2020

FINANCIAL STATEMENTS

DIRECTOR PROFILES

BANK INFORMATION

REGISTERED OFFICE

2nd Floor, Grand Pension Plaza Building
KN 4 avenue de la Paix,
P.O. Box 494
Kigali, Rwanda

LAWYERS

Mr. Frank Karemera
F K Advocates
KG 599 ST 50, Remera-Kigali
Plot No.574 besides RCN Justice & Democratie Office
P. O. Box 6936 Kigali, Rwanda

Maitre Jean Bosco Rusanganwa
Avocat au Barreau du Rwanda
P.O. Box 1890 Avenue de la Justice
Kigali, Rwanda

BANKERS

National Bank of Rwanda
P.O. Box 531
Kigali

AUDITOR

PricewaterhouseCoopers Rwanda Limited
Blue Star House
5th Floor 35 KG 7 Avenue, Kacyiru
P. O. Box 1495
Kigali, Rwanda

COMPANY SECRETARY

Christine Browne
9 Floor, Equity Centre
P.O. Box 75104 - 00200
Nairobi, Kenya

STATEMENT OF DIRECTORS' RESPONSIBILITIES

1. Principal activity

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

2. Results

The results for the year are set out on page 73

3. Directors

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

Names	Title	Nationality
Mrs. Evelyn Rutagwenda*	Board Chairperson	Rwandan
Mr. Hannington Namara**	Managing Director	Rwandan
Dr Patrick Uwizeye*	Director	Rwandan
Mrs. Mary Wamae**	Group Executive Director	Kenyan
Mr. Emmanuel Butare*	Director	Rwandan
Mr. Robert Bafakulera*	Director	Rwandan
Mr. James Mutuku**	Director	Kenyan
Mr. Steven Mutabazi Luzima	Director Appointed14 February 2020	Rwandan
Mr. Eugene Haguma Murashi	Director Appointed 09 November 2020	Rwandan
Amb George William Kayonga	Director Appointed 09 November 2020	Rwandan
Dr James Mwangi, CBS*	Director Resigned 21 July 2020	Kenyan

* Independent
** Non-Independent

STATEMENT AS TO DISCLOSURE TO THE BANK'S AUDITOR

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

a) there is, so far as the director is aware, no relevant audit information of which the Bank's auditor is unaware; and
b) the director has taken all the steps that the director ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

TERMS OF APPOINTMENT OF THE AUDITOR

The auditors, PricewaterhouseCoopers Rwanda Limited have expressed their willingness to continue in office in accordance with the law no. 17/2018 of 13/04/2018 governing companies
The directors monitor the effectiveness, objectivity, and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

By order of the Board

Company Secretary

29 March 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Company's directors are responsible for the preparation of financial statements that give a true and fair view of Equity Bank (Rwanda) Plc (the "Bank" / "Company")'s financial statements comprising the statement of financial position as at 31 December 2020, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Law No.17/2018 of 13/04/2018 governing companies.

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

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

The independent auditors are responsible for reporting on whether the financial statements give a true and fair view in accordance with the International Financial Reporting Standards, the requirements of the Law No. 17/2018 of 13/04/2018 governing companies.

Approval of financial statements

The financial statements of the Company from pages 73- 137 were approved for issue by the board of directors on 29 March 2021 and signed on its behalf by:

Director	Director	Managing Director

Independent Auditor's Report
To the Shareholders of Equity Bank Rwanda Plc (continued)

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 2020, 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.17/2018 of 13/04/2018 Governing Companies.

What we have audited

The Company's financial statements as set out in pages 73 to 137 comprise:

- the statement of financial position as at 31 December 2020;
- 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). We have fulfilled our other ethical responsibilities in accordance with the 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 Ave, 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

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. Changes to the assumptions and estimates used by management could generate significant fluctuations in the Bank's financial results and materially impact the valuation of the portfolio of loans and advances. In addition, the evolving economic impact of the COVID-19 pandemic has heightened the general risk of credit default and significant increase in credit risk, increasing the uncertainty around the management judgements and estimation process. The policies for estimating ECL are explained in note 2(i) of the financial statements. The key areas where significant judgement has been exercised and therefore, an increased level of audit focus applied, include: • 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; • the assumptions applied in deriving the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD) for the various segments of loans and advances, including any adjustments in relation to COVID-19 overlays; and • the appropriateness of forward-looking information used in the model; • the conceptual logic, soundness and accuracy of the expected credit losses models used by the Bank • the relevance of forward-looking information used in the models; and • 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: • We evaluated the Bank's methodology for determining ECL and evaluated this against the requirements of IFRS 9; • We tested how the Bank extracts 'days past due (DPD)' applied in classifying the loan book into the three stages required by IFRS 9. For a sample of loans, we recalculated the DPD applied in the model and agreed these to the DPD as per the Bank's IT system and the respective customer files; • We evaluated judgments applied in the staging of loans and advances; • Obtained an understanding of the basis used to determine the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD) and the COVID-19 impact overlays; • For LGD, we tested the assumptions on the timing of the cash flows based on empirical evidence. In addition, for secured facilities, we agreed the collateral values used in the ECL model to external valuer reports; • We tested the completeness and accuracy of the historical data used in derivation of PDs, LGDs and EADs, and re-calculated the outcomes on a sample basis. For LGD, we tested the assumptions on the timing of the cash flows based on historical empirical evidence. In addition, for secured facilities, we agreed the collateral values used in the ECL model to external valuer reports. • We tested, on a sample basis, the reasonableness of EAD for both on and off balance sheet exposures; • For forward-looking assumptions used in the ECL calculations, we corroborated the assumptions using publicly available information; • We assessed whether the disclosures in the financial statements on the key judgements and assumptions were adequate.

Independent Auditor's Report
To the Shareholders of Equity Bank Rwanda Plc (continued)

Other information

The directors are responsible for the other information. The other information comprises the Directors' report, Statement of directors' responsibilities and the Supplementary information, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the other information that will be included in the Integrated report which is expected to be made available to us after that date.

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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the other information that will be included in the Integrated report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

Responsibilities of the directors for the financial statements

Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of Law No.17/2018 of 13/04/2018 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.
- 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.

Independent Auditor's Report
To the Shareholders of Equity Bank Rwanda Plc (continued)

- 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.

Report on other legal and regulatory requirements

Article 132 of Law No.17/2018 of 13/04/2018 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 123 of Law No.17/2018 of 13/04/2018 Governing Companies.

For PricewaterhouseCoopers Rwanda Limited, Kigali,

Moses Nyabanda   31 March 2021
Director

PricewaterhouseCoopers Rwanda Limited, 5th Floor, Blue Star House, 35 KG 7 Ave, 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

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2020	2019
		Frw'000	Frw'000
Interest income	5	31,525,295	26,301,174
Interest expense	6	(7,327,907)	(6,537,763)
Net interest income		**24,197,388**	**19,763,411**
Provision for impairment losses on loans and advances	10	(2,648,710)	(1,479,640)
Net interest income after loan impairment provision		21,548,678	18,283,771
Fee and commission income	7 (a)	7,963,882	7,205,087
Fee and commission expense	7 (b)	(2,112,118)	(1,760,003)
Net fee and commission income		**5,851,764**	**5,445,084**
Net foreign exchange income	8	2,458,633	1,583,841
Other operating income	9	277,414	156,211
Net operating income		**30,136,489**	**25,468,907**
Employee benefits	11	(6,075,171)	(5,281,142)
Depreciation and amortisation	13	(1,184,332)	(1,259,171)
Depreciation of right of use assets	20	(783,845)	(748,541)
Short term operating lease expenses	12	(92,900)	(94,435)
Other operating expenses	14	(7,149,835)	(4,827,520)
Operating expenses		**(15,286,083)**	**(12,210,809)**
Profit before income tax		**14,850,406**	**13,258,098**
Income tax expense	15	(4,562,991)	(4,059,086)
Profit for the year		**10,287,415**	**9,199,012**

	Notes	2020	2019
		Frw'000	Frw'000
Other comprehensive income			
Items that will be reclassified to profit or loss:			
FVOCI investment securities			
Fair value gains	18	1,213,000	84,776
Deferred income tax	23	(363,900)	(25,433)
Total other comprehensive income for the year		**849,100**	**59,343**
Total profit after tax and other comprehensive income		**11,136,515**	**9,258,355**

The notes on pages 77 to 137 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	2020 Frw'000'	2019 Frw'000'
ASSETS			
cash, deposits, and balances due from financial institutions	16	79,618,456	64,883,075
Investment securities at amortised cost	18	15,046,737	17,252,625
Investment securities at FVOCI	18	46,999,001	28,552,058
Due from related parties	30(d)	29,426	117,504
Loans and advances to customers	17	189,955,663	156,299,235
Other assets and prepaid expenses	19	8,131,827	2,955,981
Non-current assets held for sale		-	245,000
Property and equipment	21	2,577,892	3,021,673
Intangible assets	22	233,297	274,937
Right of use assets	20	2,220,602	2,498,711
Deferred income tax	23	586,877	-
Total assets		**345,399,778**	**276,100,799**
LIABILITIES			
Deposits from customers	24	215,876,054	184,177,472
Deposits from banks	24	24,162,066	13,913,744
Due to related parties	30(e)	481,258	255,093
Borrowed funds	26	33,718,963	27,782,541
Other liabilities and deferred income	25	14,487,539	3,468,045
Lease liabilities	20(b)	2,237,593	2,472,123
Current income tax	15	1,578,361	2,139,161
Deferred tax liabilities	23	-	171,191
Total liabilities		**292,541,834**	**234,379,370**
EQUITY			
Share capital	27(a)	18,175,000	18,175,000
Share premium	27(a)	2,112,690	2,112,690
FVOCI reserve	27(a)	1,526,387	677,287
Retained earnings		31,043,867	20,756,452
Total equity		**52,857,944**	**41,721,428**
Total liabilities and equity		**345,399,778**	**276,100,799**

The notes on pages 77 to 137 form an integral part of these financial statements.

Statement of changes in equity

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital Frw' 000'	Share premium Frw' 000'	Retained earnings Frw' 000'	FVOCI reserve Frw' 000'	Total equity Frw' 000'
At 1 January 2019		**18,175,000**	**2,112,690**	**11,557,440**	**617,944**	**32,463,074**
Profit for the year		-	-	9,199,012	-	9,199,012
Fair value gains on FVOCI investments	27(a)	-	-	-	84,776	84,776
Deferred tax on fair value gain on FVOCI investments	23	-	-	-	(25,433)	(25,433)
Total comprehensive income for the year		**-**	**-**	**9,199,012**	**59,343**	**9,258,355**
At 31 December 2019		**18,175,000**	**2,112,690**	**20,756,452**	**677,287**	**41,721,429**
Year ended 31 December 2020						
At 1 January 2020		**18,175,000**	**2,112,690**	**20,756,452**	**677,287**	**41,721,429**
Profit for the year		-	-	10,287,415	-	10,287,415
Fair value gains on FVOCI investments	27(a)	-	-	-	1,213,000	1,213,000
Deferred income tax on fair value gains on FVOCI investments	23	-	-	-	(363,900)	(363,900)
Total comprehensive income for the year		**-**	**-**	**10,287,415**	**849,100**	**11,136,515**
At 31 December 2020		**18,175,000**	**2,112,690**	**31,043,867**	**1,526,387**	**52,857,944**

The notes on pages 77 to 137 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Statement of cash flows	Notes	2020 Frw'000'	2019 Frw'000'
OPERATING ACTIVITIES			
Profit before income tax		14,850,406	13,258,098
Adjustments for:			
Depreciation on property and equipment	21	1,098,793	1,179,241
Depreciation on right of use assets		783,845	748,541
Amortisation of intangible assets	22	85,540	79,930
Unrealised exchange gains		-	-
Profit/Loss on disposal of property & equipment and intangible assets		7,418	(527)
Provision for impairment losses on loans and advances	10	2,825,329	1,578,229
Operating profit before changes in operating assets and liabilities		**19,651,331**	**16,843,512**
Loans and advances		(36,481,757)	(25,741,148)
Other assets		(5,175,847)	8,538,317
Right of use assets		(505,736)	(3,247,252)
Non-current assets held for sale		245,000	(245,000)
Deposits from customers		31,698,582	24,599,435
Deposits from banks		10,248,321	(596,389)
Due from related party balances		88,078	134,468
Due to related party balances		226,166	(33,302)
Other liabilities		11,019,496	759,154
Lease liabilities		427,197	3,198,112
Prepaid operating lease rentals		-	111,204
Deferred tax assets		(586,877)	-
Deferred tax liabilities		(171,192)	(349,273)
Movement in restricted cash balances	16	1,878,484	(4,426,910)
Cash generated from operations		**32,561,245**	**19,544,927**
Income taxes paid	15	(5,123,791)	(3,071,499)
Net cash from operating activities		**27,437,454**	**16,473,429**
INVESTING ACTIVITIES			
Purchase of property and equipment	21	(662,431)	(1,198,904)
Purchase of intangible assets	22	(43,900)	(46,322)
Proceeds from sale of property, equipment, and intangible assets		-	5,208
Purchase of investment securities	18	(57,900,890)	(39,454,915)
Sale of investment securities	18	42,508,936	25,307,664
Net cash used in investing activities		**(16,098,285)**	**(15,387,269)**
FINANCING ACTIVITIES			
Borrowed funds		5,936,422	5,866,704
Interest expense on lease liability		179,316	226,201
Principal elements of lease payments		(841,043)	(952,190)
Net cash used in financing activities		**5,274,695**	**5,140,715**
Net increase in cash and cash equivalents		**16,613,865**	**6,226,875**
Movement in cash and cash equivalents			
At start of year		**53,442,633**	**47,215,758**
At end of year	**16**	**70,056,498**	**53,442,633**

The notes on pages 77 to 137 form an integral part of these financial statements.

EQUITY BANK RWANDA PLC INTEGRATED REPORT & FINANCIAL STATEMENTS / FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES

1. General information

Equity Bank (Rwanda) PLC (the "Bank") is incorporated in Rwanda in accordance with law 17/2018 of April 2018 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:
2nd Floor, Grand Pension Plaza Building
KN 4 avenue de la Paix,
P.O. Box 494 Kigali, Rwanda

2. 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 loan note at fair value through profit or loss which have been measured at fair value.
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

i. New and amended standards adopted by the Bank

The following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2020:

Definition of Material – Amendments to IAS 1 and IAS 8

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

Definition of a Business – Amendments to IFRS 3

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions,

events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

The Bank also elected to adopt the following amendment early:

Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39

The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms.

The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

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

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments.

In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

Cetain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 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.

(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.

NOTES

(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.

(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.

(g) 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 2020, 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 4 years have been included in the lease liability and right of use asset.

If the financial effect of revising lease terms to reflect the effect of exercising extension options was not included, the carrying value of the lease liabilities and related right of use assets would be lower by Frw 785 million.

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
- any initial direct costs, and
- restoration costs.

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.

EQUITY BANK RWANDA PLC INTEGRATED REPORT & FINANCIAL STATEMENTS / FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES

(h) 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.

(i) Financial assets and liabilities

i) Classification and subsequent measurement

Financial assets

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

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

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

Amortised cost

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

it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

Fair Value through Other Comprehensive Income (FVOCI) – Debt

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

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

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

Fair Value through Other Comprehensive Income (FVOCI) – Equity

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made

NOTES

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.

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.

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.
- Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The table below summarises the key features of each type of business model and the resultant measurement category:

BUSINESS MODEL	KEY FEATURES	CATEGORY
Held to collect	The objective of the business model is to hold assets to collect contractual cash flows. Sales are incidental to the objective of the model. This model typically involves the lowest level of sales in comparison with other business models (in frequency and volume).	Amortised cost(1)
Both held to collect and for sale	Both collecting contractual cash flows and sales are integral to achieving the objective of the business model. • This model typically has more sales (in frequency and volume) than the held-to-collect business model.	FVOCI(1)
Other business models, including: trading managing assets on a fair value basis maximising cash flows through sale	The business model is neither held-to-collect nor held to collect and for sale. The collection of contractual cash flows is incidental to the objective of the model.	FVTPL(2)
Notes 1. Subject to meeting the SPPI criterion. 2. The SPPI criterion is irrelevant - i.e. assets in all business models are measured at FVTPL.		

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

i) Classification and subsequent measurement (continued)

Financial liabilities

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

Reclassification

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

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.

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

Impairment – financial assets, loan commitments and financial guarantee contracts

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

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

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

NOTES

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

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

Debt investment securities that are determined to have low credit risk at the reporting date. The Bank will consider a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade' and investments in Government securities; and

Other financial instruments (other than trade and lease receivables) for which credit risk has not increased significantly since initial recognition.

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

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

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

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

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

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

Significant increase in credit risk (SICR)

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

The Bank identifies a significant increase in credit risk where

exposures have a regulatory risk rating of 'WATCH';

- an exposure is greater than 30 days past due – this is in line with the IFRS 9 30 DPD rebuttable presumption;
- an exposure has been restructured in the past due to credit risk related factors or which was NPL and is now regular (subject to the regulatory cooling off period);or

by comparing an exposures:

- credit risk quality at the date of reporting; with
- the credit risk quality on initial recognition of the exposure.

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

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

All loans whose business activity, in our assessment, was significantly lower than the pre-COVID period as at 31 December 2020, was considered to have a significant increase in credit risk and downgraded to Stage 2.

Loans in high risk industry segments (see the section "Restructuring" below) were assessed for significant increase in credit risk.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month 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 Central Bank which requires the prediction of the risk of default and applying experienced credit judgement. The Bank shall use these classifications in identifying significant increases in credit risk under IFRS 9. The risk classifications are defined using the regulator's guidance, days past due, management assessment, qualitative and quantitative factors that are indicative of the risk of default.

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

Determining whether credit risk has increased significantly

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

Quantitative factors

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

Qualitative factors

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

and judgement will include the following assessments:

- 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.

Backward transitions

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

Modified financial assets

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

Restructuring

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

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 twelve 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

NOTES

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.

LGD

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

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

- Legal certainty and enforceability
- History of enforceability and recovery

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

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

	Collateral Type
1.	Cash Under Lien
2.	Corporate Guarantees
3.	Debenture/Land
4.	Government Guarantee
5.	Hire Purchase Agreement
6.	Land & Buildings-Commercial
7.	Land & Buildings-Residential
8.	Logbooks
9.	Shares
10.	Treasury Bonds/Bills

NOTES

ECL model (continued)

LGD (continued)

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.

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.

(j) 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.

NOTES

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.

(k) 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.

(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.

(l) 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.

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.

NOTES

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.

(m) 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.

(n) 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.

(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.

(o) Sale and repurchase agreements

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

(p) 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.

(q) 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.

(r) Derivative financial assets and liabilities

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

The Bank uses the following derivative instruments:

Currency forwards

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

Swaps

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

Spots

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

(r) Comparatives

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

(s) Financial guarantee contracts and loan commitments

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

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

The amount of loss allowance and;

The premium received on initial recognition less recognition in accordance with the principles of IFRS 15.

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

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and undrawn commitment and the Group cannot separately identify the 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).

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.

(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.

NOTES

4. Financial Risk Management (continued)

(b) Credit risk (continued)

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:

		2020		2019	
	Note	Frw'000'	%	Frw'000'	%
Credit exposures					
On – balance sheet items					
Balances and deposits due from financial institutions	16	59,251,629	19%	50,168,468	19.6%
Investment securities	18	62,045,738	19%	45,804,683	17.9%
Due from related parties	30	29,426	0.01%	117,504	0.05%
Loans and advances to customers at amortized cost	17	189,955,663	59%	156,299,235	61.2%
Other assets	19	8,131,827	2.55%	2,955,981	1.2%
Non-current assets held for sale		-	0%	245,000	0.1%
		319,414,283		**255,590,871**	
Off-balance sheet items					
Guarantees and standby letters of credit	28	46,788,545	90%	35,621,631	97%
Letters of credit, acceptances and other credits	28	5,090,423	10%	1,268,423	3%
		51,878,968		**36,890,054**	
		371,293,251		**292,516,544**	-

EQUITY BANK RWANDA PLC INTEGRATED REPORT & FINANCIAL STATEMENTS / FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES

4. Financial Risk Management (continued)

(b) Credit risk (continued)

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 2020.

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.

Exposure to credit risk

	2020				2019
	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	-	-	1,492,480	1,492,480	1,610,160
Grade 4: Doubtful	-	-	610,808	610,808	750,039
Grade 5: Loss	-	-	3,590,206	3,590,206	3,185,666
Gross amount	**-**	**-**	**5,620,836**	**5,620,836**	**5,545,865**
Provision for impairment losses	-	-	(3,957,837)	(3,957,837)	(1,984,176)
Carrying amount	**-**	**-**	**1,662,999**	**1,662,999**	**3,561,689**
Grade 1: Normal	171,107,320	-	-	171,107,320	146,098,236
Grade 2: Watch	-	18,980,374	-	18,980,374	8,645,121
Gross amount	**171,107,320**	**18,980,374**	**-**	**190,087,694**	**154,743,357**
Provision for impairment losses	(1,001,469)	(793,561)	-	(1,795,030)	(2,005,811)
Carrying amount	**170,105,851**	**18,186,813**	**-**	**188,292,664**	**3,561,689**
Total gross loans	**171,107,320**	**18,980,374**	**5,620,836**	**195,708,530**	**160,289,222**
Total provision	**(1,001,469)**	**(793,561)**	**(3,957,837)**	**(5,752,867)**	**(3,989,988)**
Total carrying amount	**170,105,851**	**18,186,813**	**1,662,999**	**189,955,663**	**156,299,235**

NOTES

4. Financial Risk Management (continued)

(b) Credit risk (continued)

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.

Exposure to credit risk LCs and Guarantees

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

EQUITY BANK RWANDA PLC INTEGRATED REPORT & FINANCIAL STATEMENTS / FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES

4. Financial Risk Management (continued)

(b) Credit risk (continued)

Allowances for impairment

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

Write-off policy

The Bank writes off a loan balance when the credit department determines that the loans are 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;

	2020	2019
	Frw'000'	Frw'000'
Against collectively impaired		
Property	397,045,599	453,725,495
Other	66,966,449	44,187,723
Against individually impaired		
Property	155,750,222	7,171,364
Other	1,150,150	267,886
Against past due but not impaired		
Property	10,506,648	6,263,779
Other	1,011,509	1,102,220
Total	**632,430,577**	**512,718,466**

NOTES

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:

Concentration by sector	2020 Frw'000'	2019 Frw'000'
	8,441,496	-
Building and construction	5,553,400	-
Energy and water	-	-
Financial services	7,581,109	-
Food and agriculture	6,564,306	-
ICT and telecommunication	11,907,585	-
Manufacturing	636,754	-
Mining & quarrying	42,108,755	-
Personal household	40,509,628	-
Real estate	34,185,057	-
Tourism and hospitality	22,875,081	-
Trade	15,345,360	-
Transport and logistics	8,441,496	-
Consumer loans	-	14,690,742
Mortgage loans	-	45,046,400
Equipment loans	-	2,156,196
Corporate loans	-	72,508,715
Others	-	15,344,326
	195,708,530	**160,289,222**

(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;

NOTES

4. Financial Risk Management (continued)

(c) Liquidity risk (continued)

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

Management of liquidity risk

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

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

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

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

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

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:

At 31 December	2020	2019
Average for the year	267%	210%
Maximum for the year	392%	365%
Minimum for the year	149%	125%
Minimum statutory requirement	100%	100%

NOTES

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.

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

NOTES

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.

	Carrying amount	Non-interest bearing	Less than 3 Months	3-6 Months	6-12 Months	1-5 Years	More than 5 years
31 December 2019	Frw'000'	Frw'000'	Frw'000'	Frw'000'	Frw'000'	Frw'000'	Frw'000'
Assets							
Cash balances and deposits in financial institutions	64,883,075	14,714,606	39,513,844		25,369,231	-	-
Loans and advances to customers	156,299,235		13,344,258	2,416,600	2,972,011	36,182,352	101,384,013
Investment securities	45,804,683		3,648,539	9,749,977	3,418,852	25,976,951	3,010,365
	266,986,993	**14,714,606**	**56,506,641**	**12,166,577**	**31,760,094**	**62,159,303**	**104,394,378**
Liabilities							
Deposits from customers and banks	198,091,216		176,547,546	11,871,317	9,640,994	31,359	-
Borrowed funds	27,782,541		3,161,104	-	24,621,437	-	-
	225,873,757	**-**	**179,708,650**	**11,871,317**	**34,262,431**	**31,359**	**-**
Interest rate sensitivity gap at 31 December 2019	**41,113,236**	**14,714,606**	**-123,202,009**	**295,260**	**-2,502,337**	**62,127,944**	**104,394,378**

4. Financial Risk Management (continued)

(c) Liquidity risk (continued)

31 December 2020	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	13,816,771	4,449,639	4,770,214	23,751,921	46,788,545
Letters of credit, acceptances and other documentary credits	5,090,423	-	-	-	5,090,423
Capital commitments	1,128,600	-	59,400	-	1,188,000
Loans approved but not disbursed	-	-	662,569	1,453,253	2,115,822
Total commitments and guarantees	**20,035,794**	**4,449,639**	**5,492,183**	**25,205,175**	**55,182,791**

31 December 2019	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	10,291,368	13,414,834	5,899,574	6,015,855	35,621,631
Letters of credit, acceptances and other documentary credits	247,434	-	1,020,989	-	1,268,423
Capital commitments	-	-	-	-	627,680
Loans approved but not disbursed	-	-	403,290	562,765	966,055
Total commitments and guarantees	**10,538,802**	**13,414,834**	**7,323,853**	**6,578,620**	**37,856,109**

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)

(d) Market risk

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

Market risk comprises of:

Non-traded market risk

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

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

Management of market risk

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

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

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

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

Exposure to interest rate risk – non-trading portfolios

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

NOTES

4. Financial Risk Management (continued)
(d) Market risk (continued)

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

Interest rate risk table

31 December 2020	Carrying amount Frw'000'	Non-interest bearing Frw'000'	Less than 3 Months Frw'000'	3-6 Months Frw'000'	6-12 Months Frw'000'	1-5 Years Frw'000'	More than 5 years Frw'000'	Total Frw'000'
Assets								
Cash and cash equivalents	79,618,456	20,356,837	40,877,465		9,724,750	19,449,500	9,566,741	79,618,456
Loans and advances to customers	189,955,663	-	15,935,062	2,440,368	7,217,722	65,552,654	98,809,857	189,955,663
Investment securities	62,045,738	-	6,158,421	2,914,063	7,840,982	25,455,323	19,676,948	62,045,737
	331,619,857	**20,356,837**	**62,970,948**	**5,354,431**	**24,783,454**	**110,457,477**	**128,053,546**	**331,619,856**
Liabilities								
Deposits from customers and banks	240,038,119	-	224,392,562	5,904,048	9,687,872	53,637	-	240,038,119
Borrowed funds	33,718,963	-	-	-	9,892,041	-	23,826,923	33,718,963
Lease liabilities	2,237,593	-	644,119	-	-	-	1,593,474	2,237,593
	275,994,675	**-**	**225,036,681**	**5,904,048**	**19,579,913**	**53,637**	**25,420,396**	**275,994,675**
Interest rate sensitivity gap at 31 December 2020	**55,625,182**	**20,356,837**	**(162,065,733)**	**(549,617)**	**5,203,541**	**110,403,840**	**102,633,149**	**55,625,181**

NOTES

4. Financial Risk Management (continued)
(d) Market risk (continued)

Interest rate risk table

31 December 2019	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
Assets								
Cash and cash equivalents	64,883,075	14,714,606	39,513,844	-	25,369,231	-	-	64,883,075
Loans and advances to customers	156,299,235	-	13,344,258	2,416,600	2,972,011	36,182,352	101,384,013	156,299,235
Investment securities	45,804,683	-	3,648,539	9,749,977	3,418,852	25,976,951	3,010,365	45,804,683
	266,986,993	**14,714,606**	**56,506,641**	**12,166,577**	**31,760,094**	**62,159,303**	**104,394,378**	**266,986,993**
Liabilities								
Deposits	198,091,216	-	176,547,546	11,871,317	9,640,994	31,359	-	198,091,216
Borrowed funds	27,782,541	-	3,161,104	-	24,621,437	-	-	27,782,541
	225,873,758	**-**	**179,708,651**	**11,871,317**	**34,262,431**	**31,359**	**-**	**225,873,758**
Interest rate sensitivity gap at 31 December 2019	**41,113,236**	**14,714,606**	**(123,202,009)**	**295,260**	**(2,502,337)**	**62,127,944**	**104,394,378**	**41,113,236**

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

NOTES

4. Financial Risk Management (continued)

(d) Market risk (continued)

During the year, a 2% increase / decrease (2019: 2%) of the annual interest rate would have the following effect on the profit or loss and equity:

	Sensitivity	Impact on profit or loss	Impact on equity
		Frw'000'	Frw'000'
2020	+/-2%	+/- 1.1%	+/-3,040,787
2019	+/-2%	+/- 1.1%	+/-1,980,435

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.

31 December 2020	US$	GBP	Euro	Others	Total
	Frw'000'	Frw'000'	Frw'000'	Frw'000'	Frw'000'
Assets					
Cash and cash equivalents	65,220,254	546,291	3,739,262	5,883	69,511,691
Loans and advances to customers	23,581,010	157	58	-	23,581,225
Investment securities	9,620,128	-	-	-	9,620,128
Due from group companies	26,694	-	-	526	27,220
Other assets	2831161	-	(1080)	-	2,832,241
Total assets	**101,279,247**	**546,448**	**3,740,400**	**6,409**	**105,572,504**
Liabilities					
Customer deposits	96,180,623	455.773	3,668,268	-	100,304,663
Borrowed funds	-	-	-	-	-
Due to group companies	440.595	-	-	30,461	471,056
Other liabilities	7,360,117	95,467	-	-	7,455,584
Total liabilities	**103,981,334**	**551,240**	**3,668,268**	**30,461**	**108,231,303**
Net financial position	**(2,702,088)**	**(4,792)**	**(72,133)**	**(24,052)**	**(2,658,799)**

NOTES

4. Financial Risk Management (continued)

(d) Market risk (continued)

31 December 2019	US$	GBP	Euro	Others	Total
	Frw'000'	Frw'000'	Frw'000'	Frw'000'	Frw'000'
Assets					
Cash and cash equivalents	44,557,258	253,046	2,156,853	63,919	47,031,077
Loans and advances to customers	26,461,282	19	4,604	-	26,465,905
Investment securities	3,195,372	-	-	-	3,195,372
Amounts due from group companies	108,764		-	6,632	115,396
Other assets	366787	3166	8.84576	-	369,962
Total assets	**74,689,464**	**256,231**	**2,161,466**	**70,552**	**77,177,712**
Liabilities					
Customer deposits	78,381,025	255,626	1,993,718	-	80,630,370
Borrowed funds	-	-	-	-	-
Due to group companies	211,676	-	-	10,149	221,825
Other liabilities	240,099	5,612	-	89,987	335,698
Total liabilities	**78,832,800**	**261,238**	**1,993,718**	**100,136**	**81,187,893**
Net financial position	**(4,143,337)**	**(5,008)**	**167,748**	**(29,584)**	**(4,010,181)**

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.

	2020			2019		
	Change in currency	Effect on profit before income tax	Effect on equity	Change in currency	Effect on profit before tax	Effect on equity
		Frw'000'	Frw'000'		Frw'000'	Frw'000'
USD	+ / - 4%	(27,021)	(8,376)	+ / - 4%	(41,433)	(12,844)
GBP	+ / - 5%	(383)	(119)	+ / - 5%	(401)	(124)
EUR	+ / - 5%	5,049	1,565	+ / - 5%	11,742	3,640
Others	+ / - 4%	(962)	(298)	+ / - 4%	(1,183)	(367)

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.

(e) 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,

NOTES

4. Financial Risk Management (continued)

(e) Capital management (continued)

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:

	2020 Frw'000'	2019 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
Prior year retained earnings+50% of current year profit	25,900,159	16,221,479
Less –intangibles	(233,297)	(274,937)
Total	45,954,552	36,234,232
Collective impairment provisions and regulatory reserves (include Max 1.25% of RWA)	2,402,842	2,232,405
Total regulatory capital	48,357,394	38,466,636
Total risk-weighted assets	266,451,434	215,482,420

NOTES

4. Financial Risk Management (continued)

(e) Capital management (continued)

	2020	2019
Total tier 1 capital expressed as a percentage of total risk-weighted assets	17.29%	16.815%
Total minimum regulatory capital expressed as a percentage of total	13.00%	13.00%
Total tier 2 capital expressed as a percentage of total risk-weighted assets	18.37%	18.065%
Total minimum regulatory capital expressed as a percentage of total	15.500%	15.500%

Fair value

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 2020 (2019: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.

	Valuation technique	Significant observable inputs	Range (Weighted average)
Level 2			
Investment securities - FVOCI	Fair value at closing rate	Quoted yields	6.0%-9.0%
Investment securities - amortised cost	Fair value at closing rate	Quoted yields	10.95%-13.15%
	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	1%-10%
Borrowed funds	Discounted cash flow	Expected cash flows	2%- 8%

NOTES

4. Financial Risk Management (continued)

Fair value (continued)

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

	Level 1	Level 2	Level 3	Total
	Frw'000'	Frw'000'	Frw'000'	Frw'000'
At 31 December 2019				
FVOCI investment securities	-	28,552,058	-	28,552,058
Total financial assets at fair value	**-**	**28,552,058**	**-**	**28,552,058**

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

	Carrying amount	Fair value	Level 1	Level 2	Level 3
At 31 December 2020	Frw'000'	Frw'000'	Frw'000'	Frw'000'	Frw'000'
Cash, balances and deposits in financial institutions	79,618,456	79,618,456	79,618,456	-	-
Amortised investment securities	15,046,737	15,046,737	-	15,046,737	-
Loans and advances at amortised cost	189,955,663	189,955,663	-	-	189,955,663
Due from related parties	29,426	29,426	-	-	29,426
Other assets	8,131,827	8,131,827	-	-	8,131,827
Total financial assets	**292,782,109**	**292,782,109**	**79,618,456**	**15,046,737**	**198,116,916**
Deposits from customers	240,038,119	240,038,119	240,038,119	-	-
Borrowed funds	33,718,963	33,718,963	-	33,718,963	-
Due to related parties	481,258	481,258	-	-	481,258
Other liabilities	14,049,328	14,049,328	-	-	14,049,328
Total liabilities	**288,287,668**	**288,287,668**	**273,757,082**	**-**	**14,530,586**

NOTES

4. Financial Risk Management (continued)

	Carrying amount	Fair value	Level 1	Level 2	Level 3
At 31 December 2019	Frw'000'	Frw'000'	Frw'000'	Frw'000'	Frw'000'
Cash, balances, and deposits in financial institutions	64,883,075	64,883,075	64,883,075	-	-
Amortised investment securities	17,252,625	17,278,853	-	17,278,853	-
Loans and advances at amortised cost	156,299,235	156,299,235	-	-	156,299,235
Due from related parties	117,504	117,504	-	-	117,504
Other assets	2,955,981	2,955,981	-	-	2,955,981
Non current assets held for sale	245,000	245,000	-	-	245,000
Total financial assets	**241,753,420**	**241,779,648**	**64,883,075**	**17,278,853**	**159,617,720**
Deposits from customers	184,177,472	184,177,472	184,177,472	-	-
Deposits from banks	13,913,744	13,913,744			
Borrowed funds	27,782,541	27,782,541	-	27,782,541	-
Due to related parties	255,093	255,093	-	-	255,093
Other liabilities	3,468,045	3,468,045	-	-	3,468,045
Total liabilities	**229,596,895**	**229,596,895**	**-**	**-**	**229,596,895**

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.

	2020	2019
	Frw'000'	Frw'000'
5. Interest income		
Loans and advances to customers	24,905,279	21,345,394
Deposits and balances due from financial institutions	973,523	939,071
Amortised investment securities	1,369,506	1,178,725
FVOCI investment securities	4,276,987	2,837,984
	31,525,295	**26,301,174**
6. Interest expense		
Deposit from customers	4,909,835	4,409,387
Borrowed funds	2,224,647	1,902,175
Interest expense on lease liabilities	193,425	226,201
	(7,327,907)	**(6,537,763)**
Net interest income	**24,197,388**	**19,763,411**

NOTES

7. Net fees and commission income

Fees and commission income	2020 Frw'000'	2019 Frw'000'
Service fees and commissions	7,677,406	6,914,245
Other fees	286,476	290,842
	7,963,882	**7,205,087**
Fee and commission expense		
Fee and commission expense	2,112,118	1,760,003
Net fee and commission income	**5,851,764**	**5,445,084**

8. Net foreign exchange income

	2020 Frw'000'	2019 Frw'000'
Realised Foreign Exchange Gain	2,457,733	1,577,545
Unrealised Foreign Exchange Gain	900	6,296
	2,458,633	1,583,841

9. Other operating income

	2020 Frw'000'	2019 Frw'000'
Profit on disposal of property and equipment	3,379	4,467
Rental income	-	1,160
Other	274,035	150,583
	277,414	**156,210**

10. Credit impairment losses

	2020 Frw'000'	2019 Frw'000'
Increase / (decrease) in stage 1 & 2	912,488	225,230
Increase in stage 3	1,483,730	1,155,547
Net increase in impairment provision	**2,396,218**	**1,380,777**
Loan recoveries	(176,619)	(98,590)
Loan written offs	429,111	197,452
Profit or loss	**2,648,710**	**1,479,639**

NOTES

11. Employee benefits

	2020 Frw'000'	2019 Frw'000'
Salaries and wages	4,475,658	4,235,263
Staff loan fair value movement	204,831	129,695
Pension scheme contribution (RSSB)	417,059	358,875
Other benefits	977,623	557,309
	6,075,171	**5,281,142**

*Other staff costs include staff medical costs, staff training, staff bonus, staff welfare and staff insurance.
The average number of staff in the Bank for the year was 356 (2019:349)

12. Lease rentals

	2020 Frw'000'	2019 Frw'000'
Short term leases and Low value leases	92,900	94,435

The Bank leases a number of branch and office premises under operating lease. The leases typically run for a period of one to ten years, with an option to renew the lease after that period. Lease payments are increased accordingly to reflect market lease rentals detailed in Note 20 from 1 January 2020, the Bank has recognised right-of-use assets for these leases, except for short-term and low-value leases.

13. Depreciation and amortisation

	2020 Frw'000'	2019 Frw'000'
Depreciation on property and equipment (Note 21)	1,098,793	1,179,241
Amortisation of intangible assets (Note 22)	85,540	79,930
	1,184,332	**1,259,171**
Depreciation of right-of-use assets (Note 20)	783,845	748,541
	1,968,178	2,007,712

NOTES

14. Other operating expenses

	2020 Frw'000'	2019 Frw'000'
Software and other IT related costs	254,354	239,598
Electricity, water and repairs and maintenance	538,315	565,364
Marketing, advertising and sponsorship	616,455	453,951
Travel and accommodation	261,525	492,288
Consultancy, legal and professional fees	192,223	269,749
Publications, stationery and communications	909,495	879,941
Auditor's remuneration	76,533	45,606
Shared services recharge	1,103,442	685,881
Other expenses	3,197,492	1,195,141
	7,149,835	**4,827,520**

15. Income tax expense

	2020 Frw'000'	2019 Frw'000'
Recognised in profit or loss:		
Current income tax charge	5,684,960	4,433,794
Deferred income tax/(credit) (Note 23)	(1,121,969)	(374,708)
	4,562,991	**4,059,086**

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:

	2020 Frw'000'	2019 Frw'000'
Profit before income tax	14,850,406	13,258,098
Income tax using the enacted corporation tax rate – 30%	4,455,122	3,977,429
Income not subject to tax	110,187	81,656
Overprovision from previous years	(2,318)	-
Income tax expense	**4,562,991**	**4,059,086**
Recognised in the statement of financial position		
Current income tax asset/(liability) at end of year		
At start of year	2,139,161	1,151,574
Current year income tax expense	5,684,960	4,433,794
Paid during the year	(6,245,760)	(3,446,207)
At end of year – recoverable / (payable)	1,578,361	2,139,161

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

NOTES

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:

	2020 Frw'000'	2019 Frw'000'
Cash in hand	20,356,837	14,714,606
Unrestricted cash with Central Bank of Rwanda	-	3,070,741
Money market placements	31,351,802	28,542,498
Other balances with banks	18,390,099	7,143,147
12-month ECL (Relating to other balances with banks and money market placements	(42,240)	(28,359)
Included in cash and cash equivalents	70,056,498	53,442,633
Restricted cash with Central Bank of Rwanda	9,566,741	11,447,701
12-month ECL (Relating to balances with the Central Bank of Rwanda)	(4,783)	(7,259)
Restricted cash with Central Bank of Rwanda	9,561,958	11,440,442
Cash, deposits, and balances due from financial institutions	79,618,456	64,883,075
Movement in restricted balances:		
At 1 January	11,447,701	7,013,531
Movement during the year	(1,885,743)	4,434,170
At 31 December	**9,561,958**	**11,447,701**

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.

16 (b) Net debt reconciliation

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

	2020 Frw'000'	2019 Frw'000'
Cash and cash equivalents	79,618,456	64,883,075
Liquid investments:		
FVOCI investment securities	46,999,001	28,552,058
Borrowed funds - repayable within one year	(9,892,040)	(27,782,541)
Borrowed funds - repayable after one year	(23,826,923)	-
Net debt	**92,898,494**	**65,652,592**
Cash and liquid investments	126,617,457	93,435,133
Gross debt - fixed interest rates	(33,718,963)	(27,782,541)
Gross debt -variable interest rates	-	-
Net debt	**92,898,494**	**65,652,592**

NOTES

16 (b) Net debt reconciliation (continued)

	Liquid assets	Borrowed funds	Total		
	Cash and cash equivalents	FVOCI investment securities	Due within 1 year	Due after 1 year	
	Frw'000'	Frw'000'	Frw'000's	Frw'000'	Frw'000'
Year ended 31 December 2020					
Net debt as at start of year	64,883,075	28,552,058	(27,782,541)		65,652,592
Cash flows	14,735,381	18,446,943	18,121,154	(23,233,761)	28,069,717
Non cash movements	222,612	545,049	(230,654)	(593,162)	(56,155)
Net debt at end of year	**79,941,068**	**47,544,050**	**(9,892,041)**	**(23,826,923)**	**92,898,493**
Year ended 31 December 2019					
Net debt as at start of year	54,146,445	4,866,950	(22,085,442)		36,927,953
Cash flows	10,475,553	5,561,172	(5,205,599)		10,831,126
Noncash movements	178,232	386,875	(661,104)		(95,997)
Net debt at end of year	**64,880,230**	**10,814,997**	**(27,952,145)**		**47,663,082**

17. Loans and advances to customers

	2020	2019
	Frw'000'	Frw'000'
Classified for IFRS 9 purposes as:		-
Loans and receivables (amortised cost)	189,955,663	156,299,234
	189,955,663	**156,299,234**

(a) Loans and advances at amortised cost

Current	25,593,152	18,732,870
Non-current portion	170,115,378	141,556,352
Gross loans and advances to customers	**195,708,530**	**160,289,222**
Stage 1 impairment	1,001,469	636,957
Stage 2 impairment	793,561	1,368,855
Stage 3 impairment	3,957,837	1,984,176
	5,752,867	**3,989,988**
Net loans and advances to customers	**189,955,663**	**156,299,235**

NOTES

17. Loans and advances to customers (continued)

(b) Provision for impairment of loans and advances

	Stage 1	Stage 2	Stage 3	Total
	12 month ECL	Lifetime ECL	Lifetime ECL	
Year ended 31 December 2020	Frw'000'	Frw'000'	Frw'000'	Frw'000'
Balance at 1 January	636,957	1,368,855	1,984,176	3,989,988
Movements during the year:				
Transfer to 12 months ECL	84,019	(41,970)	(42,049)	-
Transfer to lifetime ECL not credit impaired	(19,952)	54,880	(34,929)	-
Transfer to lifetime ECL credit impaired	(9,252)	(21,493)	30,746	-
Net remeasurements of loss allowance	(351,578)	150,586	1,150,930	949,937
Net financial assets originated or purchased	551,274	483,726	278,295	1,313,295
Financial assets derecognised	(201,049)	(43,135)	302,262	58,078
	690,419	**1,951,449**	**3,669,431**	**6,311,298**
Write offs			(558,431)	(558,431)
Loss allowance as at 31 December	**690,419**	**1,951,449**	**3,111,000**	**5,752,867**

(b) Provision for impairment of loans and advances

	Stage 1	Stage 2	Stage 3	Total
	12 month ECL	Lifetime ECL	Lifetime ECL	
Year ended 31 December 2019	Frw'000'	Frw'000'	Frw'000'	Frw'000'
Balance at 1 January	634,896	215,368	2,593,702	3,443,966
Movements during the year:				
Transfer to 12 months ECL	64,325	(60,740)	(3,585)	-
Transfer to Lifetime ECL not credit impaired	(17,432)	24,585	(7,153)	-
Transfer to Lifetime ECL credit impaired	(21,105)	(66,050)	87,156	-
Net re-measurement of Loss allowance	(135,161)	1,255,700	771,542	1,892,081
Net financial assets originated or purchased	358,382	66,025	139,679	564,087
Financial assets derecognised	(246,948)	(66,033)	344,650	31,669
	636,957	**1,368,855**	**3,925,991**	**5,931,803**
Write offs	-	-	(1,941,815)	(1,941,815)
Loss allowance as at 31 December	**636,957**	**1,368,855**	**1,984,176**	**3,989,988**

NOTES

17. Loans and advances to customers (continued)

(c) Provision for impairment for off balance sheet facilities.

	Stage 1 12 month ECL Frw'000'	Stage 2 Lifetime ECL Frw'000'	Stage 3 Lifetime ECL Frw'000'	Total Frw'000'
Year ended 31 December 2020				
Loss allowance as at 1 January	79,561	5,952	-	85,513
Transfer to 12 months ECL	54	54	-	-
Transfer to Lifetime ECL not credit impaired	-	-	-	-
Transfer to Lifetime ECL credit impaired	-	-	-	-
Net re-measurement of Loss allowance	43,460	67	-	43,393
Net financial assets originated or purchased	46,295	94	-	46,388
Financial assets derecognised	(70,803)	5,740	-	76,543
Loss allowance as at 31 December	98,540	186	-	98,726
Year ended 31 December 2019				
Loss allowance as at 1 January	50,078	4,978	-	55,056
Transfer to 12 months ECL	101	(101)	-	-
Transfer to Lifetime ECL not credit impaired	(37)	37	-	-
Transfer to Lifetime ECL credit impaired	-	-	-	-
Net re-measurement of Loss allowance	2,216	130	-	2,346
Net financial assets originated or purchased	85,852	1,143	-	86,995
Financial assets derecognised	(58,650)	(235)	-	(58,884)
Loss allowance as at 31 December	**79,561**	**5,952**	**-**	**85,513**

NOTES

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:

	Stage 1 12 month ECL Frw'000'	Stage 2 Lifetime ECL Frw'000'	Stage 3 Lifetime ECL Frw'000'	Total Frw'000'
Year ended 31 December 2020				
Gross carrying amount as at 1 January	145,457,096	8,676,752	6,155,374	160,289,222
Transfer to 12 months ECL	1,759,439	(1,094,850)	(664,589)	-
Transfer to lifetime ECL not credit impaired	(4,332,285)	4,514,328	(182,044)	-
Transfer to lifetime ECL credit impaired	(1,044,313)	(315,445)	1,359,757	-
Net remeasurements of loss allowance	(9,885,078)	439,074	(946,028)	(10,392,032)
Net financial assets originated or purchased	71,300,543	7,720,527	512,214	79,533,284
Financial assets derecognised	(32,148,083)	(960,013)	(613,848)	(33,721,944)
Transfer to 12 months ECL	-	-	-	-
Loss allowance as at 31 December	171,107,320	18,980,374	5,620,836	195,708,530

	Stage 1 12 month ECL Frw'000'	Stage 2 Lifetime ECL Frw'000'	Stage 3 Lifetime ECL Frw'000'	Total Frw'000'
Year ended 31 December 2019				
Gross carrying amount as at 1 January	128,023,304	4,869,921	2,687,058	135,580,283
Movements during the year:				
Transfer to 12 months ECL	1,317,375	(1,283,610)	(33,765)	-
Transfer to Lifetime ECL not credit impaired	(6,696,480)	6,804,230	(107,750)	-
Transfer to Lifetime ECL credit impaired	(3,219,221)	(712,761)	3,931,982	-
Net re-measurement of Loss allowance	(6,563,097)	292,355	543,769	(5,726,973)
Net financial assets originated or purchased	66,821,105	1,097,794	496,495	68,415,394
Financial assets derecognised	(33,584,750)	(2,422,807)	(1,971,925)	(37,979,482)
Gross carrying amount as at 31 December	146,098,236	8,645,122	5,545,864	160,289,222

NOTES

17. Loans and advances to customers (continued)

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

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

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

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

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

Concentration by sector	Gross carrying amount as at 31 December 2020	Movements during the year	Gross carrying amount as at 1 January 2019
Building and construction	8,441,496	(4,094,426)	12,535,922
Energy and water	5,553,400	(554,807)	6,108,207
Financial services	-	-	-
Food and agriculture	7,581,109	2,254,353	5,326,756
ICT and telecommunication	6,564,306	33,035	6,531,271
Manufacturing	11,907,585	(163,755)	12,071,340
Mining & quarrying	636,754	258,012	378,742
Personal household	42,108,755	10,520,500	31,588,255
Real estate	40,509,628	10,846,686	29,662,942
Tourism and hospitality	34,185,057	4,212,524	29,972,533
Trade	22,875,081	5,250,713	17,624,368
Transport and logistics	15,345,360	6,856,473	8,488,887
	195,708,530	**35,419,308**	**160,289,222**

NOTES

17. Loans and advances to customers (continued)

(c) Movements per sector -Building construction and energy and water

	Building and construction				Energy and water				Financial services			
	Stage 1 12 month ECL Frw'000'	Stage 2 Lifetime ECL Frw'000'	Stage 3 Lifetime ECL Frw'000'	Total Frw'000'	Stage 1 12 month ECL Frw'000'	Stage 2 Lifetime ECL Frw'000'	Stage 3 Lifetime ECL Frw'000'	Total Frw'000'	Stage 1 12 month ECL Frw'000'	Stage 2 Lifetime ECL Frw'000'	Stage 3 Lifetime ECL Frw'000'	Total Frw'000'
Year ended 31 December 2020												
Gross carrying amount as at 1 January	12,308,577	1	227,344	12,535,922	5,784,934	310,046	13,228	6,108,207	-	-	-	-
Movements during the year:									-	-	-	-
Transfer to 12 months ECL	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to lifetime ECL not credit impaired	(1,098,439)	1,098,439	-	-	-	-	-	-	-	-	-	-
Transfer to lifetime ECL credit impaired	(11)	(1)	12	-	-	(8)	8	-	-	-	-	-
Net remeasurement	(333,519)	(74,665)	(9,154)	(417,337)	(709,947)	(37,155)	(12,225)	(759,327)	-	-	-	-
Net financial assets originated	3,449,094	77,934	54,596	3,581,625	305,726	20	-	305,746	-	-	-	-
Financial assets derecognised	(7,230,546)	-	(28,167)	(7,258,713)	(41,910)	(59,317)	-	(101,227)	-	-	-	-
Gross carrying amount as at 31 December	**7,095,156**	**1,101,709**	**244,631**	**8,441,496**	**5,338,803**	**213,587**	**1,010**	**5,553,400**	**-**	**-**	**-**	**-**
Loss allowance as at 1 January	15,307	-	46	15,353	21,537	13,586	9,575	44,698	-	-	-	-
Movements during the year									-	-	-	-
Transfer to 12 months ECL	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to lifetime ECL not credit impaired	(3,432)	3,432	-	-	-	-	-	-	-	-	-	-
Transfer to lifetime ECL credit impaired	-	-	-	-	-	- 1	1	-	-	-	-	-
Net remeasurements of loss allowance	8,192	4,277	39,833	52,302	(21,007)	(3,015)	(9,562)	(33,584)	-	-	-	-
Net financial assets originated or purchased	5,638	142	1,144	6,924	14	3	-	17	-	-	-	-
Financial assets derecognised	(5,635)	-	(10)	(5,645)	(394)	(2,255)	-	(2,649)	-	-	-	-
Write offs	-	-	-	-	-	-	-	-	-	-	-	-
Loss allowance as at 31 December	20,071	7,851	41,012	68,933	151	8,318	14	8,482	-	-	-	-
Net loans and advances	**7,075,086**	**1,093,858**	**203,619**	**8,372,562**	**5,338,652**	**205,269**	**996**	**5,544,918**	**-**	**-**	**-**	**-**

NOTES

17. Loans and advances to customers (continued)

(d) Movements per sector -Building construction and energy and water

	Food and agriculture				ICT and Telecommunication				Manufacturing			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	12 month	Lifetime	Lifetime		12 month	Lifetime	Lifetime		12 month	Lifetime	Lifetime	
	ECL	ECL	ECL		ECL	ECL	ECL		ECL	ECL	ECL	
Year ended 31 December 2020	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	5,283,548	32,990	10,217	5,326,756	6,531,262	-	9	6,531,271	11,657,340	-	414,000	12,071,340
Movements during the year:												
Transfer to 12 months ECL	-	-	-	-	-	-	-	-	412,449	-	(412,449)	-
Transfer to lifetime ECL not credit impaired	(42,416)	42,416	-	-	-	-	-	-	(219,204)	219,204	-	-
Transfer to lifetime ECL credit impaired	(144,000)	-	144,000	-	-	-	-	-	-	-	-	-
Net remeasurement	(625,455)	(12,438)	54,101	(583,792)	957,204	-	(1)	957,202	(2,739,922)	(102,313)	(1,509)	(2,843,744)
Net financial assets originated	5,799,423	60,142	-	5,859,565	94,185	-	-	94,185	1,158,155	5,765,597	-	6,923,752
Financial assets derecognised	(3,007,392)	(3,853)	(10,175)	(3,021,420)	(1,018,351)	-	-	(1,018,351)	(4,243,722)	-	(42)	(4,243,763)
Gross carrying amount as at 31 December	**7,263,708**	**119,257**	**198,143**	**7,581,109**	**6,564,299**	**-**	**8**	**6,564,306**	**6,025,097**	**5,882,488**	**-**	**11,907,585**
Loss allowance as at 1 January	31,254	1,196	7	32,457	27,180	-	13	27,194	25,599	-	61	25,660
Movements during the year												
Transfer to 12 months ECL	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to lifetime ECL not credit impaired	- 143	143	-	-	-	-	-	-	(742)	742	-	-
Transfer to lifetime ECL credit impaired	(2,848)	-	2,848	-	-	-	-	-	-	-	-	-
Net remeasurements of loss allowance	(12,896)	- 1,062	119,271	105,313	- 14,507	-	-	5	(14,512)	(4,869)	8,172	(21)	3,282
Net financial assets originated or purchased	6,287	220	-	6,507	157	-	-	157	2,287	373,188	-	375,475
Financial assets derecognised	(13,098)	- 75	-	(13,173)	(13)	-	-	(13)	(8,211)	-	(41)	(8,252)
Write offs	-	-	-	-	-	-	-	-				
Loss allowance as at 31 December	8,555	422	122,126	131,103	12,818	-	8	12,826	14,063	382,102	-	396,165
Net loans and advances	**7,255,153**	**118,835**	**76,017**	**7,450,005**	**6,551,481**	**-**	**-**	**6,551,481**	**6,011,034**	**5,500,386**	**-**	**11,511,420**

NOTES

17. Loans and advances to customers (continued)

(c) Movements per sector -Mining , quarrying , personal household and real estate.

	Mining & Quarrying				Personal household				Real estate			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	12 month	Lifetime	Lifetime		12 month	Lifetime	Lifetime		12 month	Lifetime	Lifetime	
	ECL	ECL	ECL		ECL	ECL	ECL		ECL	ECL	ECL	
Year ended 31 December 2020	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	304,208	-	74,534	378,742	28,924,354	1,129,610	1,534,291	31,588,255	26,191,177	821,925	2,649,840	29,662,942
Movements during the year:												
Transfer to 12 months ECL	-	-	-	-	316,849	(239,272)	(77,577)	-	847,140	(703,349)	(143,791)	-
Transfer to lifetime ECL not credit impaired	-	-	-	-	(953,318)	1,042,599	(89,281)	-	(42,035)	42,035	-	-
Transfer to lifetime ECL credit impaired	-	-	-	-	(762,217)	(258,932)	1,021,149	-	-	(2,745)	2,745	-
Net remeasurement	11,316	-	(6,090)	5,225	(4,207,750)	(167,925)	(507,375)	(4,883,050)	1,817,540	(6,453)	(255,624)	1,555,463
Net financial assets originated	252,985	16	-	253,001	23,443,644	594,904	365,672	24,404,220	11,178,163	-	-	11,178,163
Financial assets derecognised	(215)	-	-	(215)	(8,129,851)	(431,043)	(439,776)	(9,000,670)	(1,868,787)	(18,152)	-	(1,886,939)
Gross carrying amount as at 31 December	**568,294**	**15**	**68,444**	**636,754**	**38,631,709**	**1,669,942**	**1,807,103**	**42,108,755**	**38,123,197**	**133,261**	**2,253,171**	**40,509,628**
Loss allowance as at 1 January	2,452	-	-	2,452	387,773	93,216	1,161,929	1,642,918	93,758	34,301	1,524,986	1,653,045
Movements during the year												
Transfer to 12 months ECL	-	-	-	-	55,001	12,953	42,049	-	20,915	- 20,915	-	-
Transfer to lifetime ECL not credit impaired	-	-	-	-	(6,798)	41,727	34,929	-	(246)	246	-	-
Transfer to lifetime ECL credit impaired	-	-	-	-	(5,277)	20,388	25,665	-	-	(40)	40	-
Net remeasurements of loss allowance	538	-	-	538	(266,500)	(23,424)	658,634	368,709	(14,054)	(9,920)	(3,565)	(27,539)
Net financial assets originated or purchased	2,283	1	-	2,284	202,025	74,017	248,222	524,264	66,620	-	-	66,620
Financial assets derecognised	(1)	-	-	(1)	(62,782)	(23,074)	198,928	113,073	(4,095)	(396)	61,572	57,082
Write offs	-	-	-	-	-	-	(409,298)	(409,298)	-	-	(61,572)	(61,572)
Loss allowance as at 31 December	5,271	1	-	5,272	303,442	129,121	1,807,103	2,239,666	162,898	3,277	1,521,460	1,687,636
Net loans and advances	**563,023**	**15**	**68,444**	**631,482**	**38,328,267**	**1,540,822**	**-**	**39,869,089**	**37,960,299**	**129,984**	**731,711**	**38,821,993**

17. Loans and advances to customers (continued)

(c) Movements per sector -tourism, hospitality, trade, transport and logistics.

	Tourism and Hospitality				Trade				Transport and logistics			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	12 month ECL	Lifetime ECL	Lifetime ECL		12 month ECL	Lifetime ECL	Lifetime ECL		12 month ECL	Lifetime ECL	Lifetime ECL	
	Frw'000'	Frw'000'	Frw'000'	Frw'000'	Frw'000'	Frw'000'	Frw'000'	Frw'000'	Frw'000'	Frw'000'	Frw'000'	Frw'000'
Year ended 31 December 2020												
Gross carrying amount as at 1 January	24,201,635	5,713,087	57,811	29,972,533	16,079,214	574,062	971,091	17,624,368	8,190,848	95,031	203,009	8,488,887
Movements during the year:												
Transfer to 12 months ECL	-	-	-	-	152,229	(152,229)	-	-	30,773	-	(30,773)	-
Transfer to lifetime ECL not credit impaired	(1,068,434)	1,068,434	-	-	(743,946)	743,946	-	-	(164,492)	257,255	(92,763)	-
Transfer to lifetime ECL credit impaired	(126,377)	(10,868)	137,245	-	(8,932)	(42,891)	51,823	-	(2,775)	-	2,775	-
Net remeasurement	(2,944,016)	1,042,358	21,938	(1,879,720)	(588,308)	(141,560)	(224,295)	(954,164)	(522,219)	(60,775)	(5,794)	(588,788)
Net financial assets originated	10,601,141	706,791	23	11,307,955	7,500,909	454,978	91,924	8,047,811	7,517,118	60,145	-	7,577,262
Financial assets derecognised	(5,078,618)	(93,103)	(43,990)	(5,215,711)	(1,501,764)	(282,877)	(58,292)	(1,842,934)	(26,927)	(71,669)	(33,406)	(132,002)
Gross carrying amount as at 31 December	**25,585,330**	**8,426,700**	**173,027**	**34,185,057**	**20,889,402**	**1,153,428**	**832,251**	**22,875,081**	**15,022,325**	**279,987**	**43,048**	**15,345,360**
Loss allowance as at 1 January	94,109	24,236	150	118,495	207,858	40,738	83,972	332,567	41,182	3,695	50,273	95,151
Movements during the year												
Transfer to 12 months ECL	-	-	-	-	8,103	8,103	-	-	-	-	-	-
Transfer to lifetime ECL not credit impaired	(1,804)	1,804	-	-	(4,336)	4,336	-	-	(2,451)	2,451	-	-
Transfer to lifetime ECL credit impaired	(1,098)	(289)	1,387	-	(17)	(775)	792	-	(13)	-	13	-
Net remeasurements of loss allowance	36,210	148,424	(1,437)	183,196	(37,855)	30,682	353,635	346,461	(24,829)	(3,548)	(5,851)	(34,228)
Net financial assets originated or purchased	67,115	25,746	21	92,883	162,448	10,244	28,908	201,600	36,399	164	-	36,563
Financial assets derecognised	(23,587)	(2,316)	(100)	(26,003)	(82,861)	(13,097)	75,319	(20,638)	(372)	(1,924)	(33,406)	(35,702)
Write offs	-	-	-	-	-	-	(87,562)	(87,562)	-	-	-	-
Loss allowance as at 31 December	170,946	197,605	21	368,571	253,340	64,026	455,063	772,429	49,915	839	11,030	61,784
Net loans and advances	**25,414,385**	**8,229,095**	**173,006**	**33,816,485**	**20,636,063**	**1,089,402**	**377,187**	**22,102,652**	**972,409**	**279,148**	**32,019**	**15,283,576**

18. Investment securities

	2020	2019
	Frw'000'	Frw'000'
Amortised cost		
At start of year	17,270,959	9,008,169
Purchase of investment securities	33,984,900	21,929,831
Maturity of securities	(36,202,812)	(13,667,041)
At end of year	**15,053,047**	**17,270,959**
12-month ECL:		
At 1 January – Initial re-measurement	(18,932)	-
Re-measurement during the year	12,621	(11,151)
At 31 December	(6,311)	(11,151)
Net carrying amount	**15,046,737**	**17,252,625**
FVOCI		
At start of year	28,552,058	22,604,011
Purchase of investment securities	23,520,298	17,293,391
Sale of investment securities	(6,267,423)	(12,048,064)
Gain on fair valuation	1,213,000	702,720
	47,017,933	**28,552,058**
At 1 January – Initial re-measurement	-	-
Re-measurement during the year	(18,932)	-
At 31 December	(18,932)	-
At end of year	46,999,001	28,552,058
	62,045,738	**45,804,683**

The weighted average effective interest rate on investment securities at 31 December was 11.07% (2019: 11.07%)

19. (a)Other assets and prepaid expenses

	2020	2019
	Frw'000'	Frw'000'
Settlement and clearing accounts	2,701,705	925,544
Prepaid expenses and other prepayments	1,965,250	38,065
Refundable deposits	16,739	16,739
Accounts receivable and sundry debtors	609,855	413,789
Other assets	2,838,277	1,561,844
	8,131,827	**2,955,981**

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

NOTES

19. (a)Other assets and prepaid expenses (continued)

19. (b) Non-current assets held for sale

	2020	2019
	Frw'000'	Frw'000'
Non-current assets held for sale	-	245,000

The assets relate to collaterals for loans and advances which were taken over by the bank at foreclosure.

20 (a). Right of use assets (ROUA)

Right of use assets are made up of the following:

	2020	2019
Cost	Frw"000"	Frw"000"
Initial cost as at 1 Jan 2020	3,247,252	3,247,252
Additions	632,693	-
Disposals	(179,595)	-
Remeasurement of ROUA	(2,205)	-
Total	**3,698,145**	**3,247,252**
Accumulated depreciation		
Beginning balance 01/01/2019	748,541	-
Current period depreciation	783,845	748,541
Disposals	(54,843)	-
Ending balance 31/12/2020	**1,477,543**	**748,541**
Net book value	**2,220,62**	**2,498,711**

During 2020, the Bank did not have any right-of-use assets that would meet the definition of investment property (2019: 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.

EQUITY BANK RWANDA PLC INTEGRATED REPORT & FINANCIAL STATEMENTS / FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES

20(b) Lease liabilities

	2020	2019
	Frw"000"	Frw"000"
Movement in lease liabilities is as follows:		
Balance as at 1 Jan 20	2,472,123	3,198,112
Lease prepayment as at 1 jan 2020	121,463	-
Additions (new and lease modifications accounted for as a separate lease)	615,918	-
Principal settlements during the period	(841,044)	(830,728)
Prepaid lease	(194,418)	(121,463)
Lease termination and lease remeasurement	(120,317)	-
Finance expenses during the period	183,971	226,201
Balance as at 31 December 2019	**2,237,593**	**2,472,123**

Interest expense on lease liabilities paid during the period was amounting Frw 193,425,342 for all assets qualifying for IFRS 16. Include interest expense on provision for restoration cost

	2020	2019
	Frw"000"	Frw"000"
Amounts recognised in the statement of profit or loss		
Depreciation charge of right-of-use assets - buildings	783,845	783,845
Interest expense	183,971	226,201

NOTES

21. Property and equipment

	Leasehold improvements	Motor vehicles	Equipment, furniture & fittings	Computers	ATM	Work-in-progress	Total
	Frw'000'	Frw'000'	Frw'000'	Frw'000's	Frw'000's	Frw'000's	Frw'000'
Year ended 31 December 2020							
Cost							
At start of year	4,220,202	361,203	2,592,977	2,020,697	720,356	-	9,915,483
Additions	145,800	8,220	126,080	337,851	44,421	-	662,372
Transfers	-	-	-	-	-	-	-
Transfer to intangible assets (Note 22)							
Disposals	8,109	-	15,147	(364,107)	-	-	(340,852)
At end of year	**4,374,110**	**369,423**	**2,734,204**	**1,994,441**	**764,777**	**-**	**10,236,955**
Accumulated depreciation							
At start of year	2,784,471	325,994	2,419,316	1,364,029	-	-	6,893,810
Charge for the year	444,855	26,435	236,570	363,318	27,615	-	1,098,793
Transfers to intangible assets (Note 22)	-	-	-	-			-
Disposals	4,730	-	21,448	(359,612)	-	-	(333,434)
At end of year	**3,216,758**	**352,430**	**2,042,137**	**1,369,091**	**678,706**	**-**	**7,659,122**
Net book value at end of year	**1,157,352**	**16,993**	**692,067**	**625,350**	**86,071**	**-**	**2,577,892**

NOTES

21. Property and equipment

	Freehold land & buildings	Leasehold improvements	Motor vehicles	Equipment, furniture & fittings	Computers	Work-in-progress	Total
	Frw'000'	Frw'000'	Frw'000'	Frw'000'	Frw'000's	Frw'000's	Frw'000'
Year ended 31 December 2019							
Cost							
At start of year	-	3,768,698	361,203	3,117,306	1,503,750	-	8,750,958
Additions	-	456,180	-	221,440	521,284	-	1,198,904
Transfers	-	-	-	-	-	-	-
Transfer to intangible assets (Note 22)							
Disposals	-	(4,676)	-	(25,413)	(4,290)	-	(34,379)
At end of year	**-**	**4,220,202**	**361,203**	**3,313,333**	**2,020,744**	**-**	**9,915,483**
Accumulated depreciation							
At start of year	-	2,284,110	300,130	2,084,115	1,075,911	-	5,744,266
Charge for the year	-	504,219	25,864	356,750	292,408	-	1,179,241
Transfers to intangible assets (Note 22)		-	-	-	-		-
Disposals	-	(3,858)	-	(21,549)	(4,290)	-	-29,697
At end of year	**-**	**2,784,471**	**325,994**	**2,419,316**	**1,364,029**	**-**	**6,893,810**
Net book value at end of year	**-**	**1,435,731**	**35,209**	**894,017**	**656,715**	**-**	**3,021,673**

Work in progress includes branch construction pending capitalisation.

NOTES

22. Intangible assets

	Software	Work in progress	Total
	Frw'000'	Frw'000'	Frw'000'
Year ended 31 December 2020			
Cost			
At start of year	595,842	-	595,842
Acquisitions	43,900	-	43,958
At end of year	**639,742**	**-**	**639,800**
Amortisation and impairment losses			
At start of year	320,905	-	320,905
Amortisation	85,540	-	85,540
At end of year	**406,445**	**-**	**406,445**
Net book value at end of year	233,297	-	233,355
Year ended 31 December 2019			
At start of year	549,520	-	549,520
Acquisitions	46,322	-	46,322
Transfer from work in progress			
At end of year	**595,842**	**-**	**595,842**
Amortisation and impairment losses			
At start of year	240,975	-	240,975
Amortisation	79,930	-	79,930
At end of year	**320,905**	**-**	**320,905**
Net book value at end of year	**274,937**	**-**	**274,937**

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

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	Recognised in profit or loss	Recognised in OCI	At 31 December
	Frw'000'	Frw'000'	Frw'000'	Frw'000'
31 December 2020				
Property, equipment, software and Right of use assets	376,519	(129,380)	-	247,139
Allowances for credit losses	(436,064)	(929,164)	-	(1,365,228)
bad debts recoveries	48,942	81,882	-	130,824
Provision for accrued bonus	-	(126,538)	-	(126,538)
Provision for accrued leave	(17,508)	(20,928)	-	(38,43)5
Unrealised foreign exchange Gains and Losses	(1,889)	2,159	-	270
FVOCI investment securities	175,758	-	363,900	565,091
	171,192	**(758,069)**	**363,900**	**(586,877)**
31 December 2019				
Property, equipment, software and right of use Assets	509,673	(133,154)	-	376,519
Allowances for credit Losses	(309,918)	(126,147)	-	(436,064)
Bad debts recoveries	-	48,942	-	48,942
Provision for accrued leave	-	(17,508)	-	(17,508)
Unrealised foreign exchange Gains and Losses	144,952	(146,841)	-	(1,889)
FVOCI investment securities	175,758	-	-	175,758
	520,466	**(374,708)**	**-**	**145,759**

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

	2020	2019
	Frw'000'	Frw'000'
Term deposits	48,325,536	48,056,405
Current deposits	142,228,716	113,796,948
Savings deposit	49,483,867	36,237,863
	240,038,119	**198,091,216**
Current	239,984,482	198,059,857
Non-current	53,637	31,359
	240,038,119	**198,091,216**
Deposits from banks	215,876,054	184,177,472
Deposits from customers	24,162,066	13,913,744
	240,038,119	**198,091,216**

NOTES

The weighted average effective interest rate on interest bearing customer deposits at 31 December 2020 was 4.6% (2019: 3.1 %). The carrying value of customer deposits approximates their fair value.

25. Other liabilities and accrued expenses

	2020	2019
	Frw'000'	Frw'000'
Settlement and clearing accounts	7,881,342	590,766
Accounts payable and sundry creditors	649,181	202,360
Accrued expenses	917,478	420,116
Deferred income	4,392,169	1,617,574
Other liabilities	647,369	637,227
	14,487,539	**3,468,045**

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

26. Borrowed funds

	2020	2019
	Frw	Frw
National Bank of Rwanda (term borrowings)	28,822,727	25,282,541
National Bank of Rwanda (economic recovery fund)	7,757,460	-
Overnight borrowings	-	2,500,000
ERF fair value adjustment	(2,861,224)	
	33,718,963	**27,782,541**
Current	9,892,040	27,782,541
Non-current	23,826,923	-
	33,718,963	**27,782,541**
Movement during the year		
At 1 January	27,782,541	21,915,838
Proceeds from borrowed funds	136,509,022	20,641,751
Repayment of borrowed funds	(125,010,213)	(14,865,839)
Interest charged on borrowed funds	2,224,647	1,797,426
Interest paid on borrowed funds	(2,064,586)	(1,706,635)
	33,718,963	**27,782,541**

EQUITY BANK RWANDA PLC INTEGRATED REPORT & FINANCIAL STATEMENTS / FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES

26. Borrowed funds (continued)

31 December 2020

Lender	Loan balance	Currency	Interest rate	Maturity date	Finance cost recognised in the year
National Bank of Rwanda	4,555,333	Frw	8.0%	9-Oct-2021	85,033
National Bank of Rwanda	4,515,543	Frw	8.0%	13-Aug-2021	145,501
National Bank of Rwanda	18,930,687	Frw	8.0%	9-Aug-2023	590,632
BNR-Economic recovery funds	7,287,460	Frw	0%	16-Oct-2035	-
BNR-Economic recovery funds	205,000	Frw	2%	05-Nov-2025	-
BNR-Economic recovery funds	265,000	Frw	2%	05-Nov-2025	-
Day 1 fair value adjustment for economic recovery funds	(2,861,226)	Frw			-
Total	**33,718,963**				**821,166**

31 December 2019

Lender	Loan balance	Currency	Interest rate	Maturity date	Finance cost recognised in the year
National Bank of Rwanda	9,771,769	Frw	8.0%	9-Oct-2020	169,207
National Bank of Rwanda	6,479,686	Frw	8.0%	13-Aug-2020	202,008
National Bank of Rwanda	9,031,086	Frw	8.0%	9-Aug-2020	289,531
Zigama Css	1,500,000	Frw	5.2%	3-Jan-2020	213
Ecobank	1,000,000	Frw	5.3%	3-Jan-2020	145
Total	**27,782,541**				**661,104**

NOTES

27. Share capital and reserves

(a) Share capital	Share capital	Share premium	Total
	Frw'000'	Frw'000'	Frw'000
Balance as at 1 January 2019	18,175,000	2,112,690	20,287,690
Issues allotted and fully paid	-	-	-
At 31 December 2020	**18,175,000**	**2,112,690**	**20,287,690**

As at 31 December 2020, the authorised share capital comprised of 18,175 million ordinary shares with a par value of Frw 1,000. All issued shares are fully paid.

Share premium

Share premium arose from the issue of shares at a price higher than the par value of the shares.

(b) FVOCI reserve	Balance as at 1 January 2020	Movement during the year	Defered tax	Balance as 31 December 2020
	Frw'000'	Frw'000'	Frw'000'	Frw'000
	677,287	**1,213,000**	**(363,900)**	**1,526,387**

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.

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:

	2020	2019
	Frw'000'	Frw'000'
Guarantees and standby letters of credit	46,788,545	35,621,631
Letters of credit, acceptances, and other credits	5,090,423	1,268,423
	51,878,968	**36,890,055**

NOTES

28. Off-balance sheet contingent liabilities and commitments (continued)

Commitments

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

	2020	2019
	Frw'000'	Frw'000'
Capital commitments	1,188,000	-
Loans approved but not disbursed	2,115,822	966,055
	3,303,822	**966,055**

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 2020	0 - 3 months	3 - 6 months	6 - 12 months	1 - 5 Years	Total
	Frw'000'	Frw'000'	Frw'000'	Frw'000'	Frw'000'
Guarantees and standby letters of credit	13,816,771	4,449,639	4,770,214	23,751,921	46,788,545
Letters of credit, acceptances and other documentary credits	5,090,423	-	-	-	5,090,423
Capital commitments	1,128,600	-	59,400	-	1,188,000
Loans approved but not disbursed	-	-	662,569	1,453,253	2,115,822
Total commitments and guarantees	**20,035,794**	**4,449,639**	**5,492,183**	**25,205,175**	**55,182,791**
31 December 2019					
Guarantees and standby letters of credit	10,291,368	13,414,834	5,899,574	6,015,855	35,621,631
Letters of credit, acceptances, and other documentary credits	247,434	-	1,020,989	-	1,268,423
Capital commitments	-	-	-	-	-
Loans approved but not disbursed	-	-	403,290	562,765	966,055
Total commitments and guarantees	**10,538,802**	**13,414,834**	**7,323,853**	**6,578,620**	**37,856,109**

NOTES

29. Derivative financial assets

The table below shows the fair values of currency forwards recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a currency forward or swap's underlying off-balance sheet asset / liability and is the basis upon which changes in the fair values of currency forwards and swaps are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk.

	2020 Frw'000'	2019 Frw'000'
Fair value asset	29,400,346	25,547,214
Fair value liability	(28,806,068)	(25,268,596)
Net asset/(liability)	**594,279**	**278,618**

30. Related parties and related party transactions

The Bank enters into transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business.

(a) Loans to key management personnel	2020 Frw'000'	2019 Frw'000'
At 1 January	384,362	242,393
Interest charged	32,286	16,840
Loans disbursed	423,187	302,352
Repayments/ reclassified from loans to key management personnel	(144,467)	(177,223)
At 31 December	**695,369**	**384,362**

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.

(b) Amount due from related parties	2020 Frw'000'	2019 Frw'000'
Equity Bank Kenya Limited	23,228	65,605
Equity Bank Uganda Limited	5,644	51,126
Equity Bank Tanzania Limited	553	773
Equity Bank South Sudan Limited	-	-
	29,426	**117,504**

EQUITY BANK RWANDA PLC INTEGRATED REPORT & FINANCIAL STATEMENTS / FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES

30. Related parties and related party transactions (continued)

(c) Amounts due to related parties	2020 Frw'000'	2019 Frw'000'
Equity Bank Kenya Limited	124,620	107,647
Equity Bank Uganda Limited	167,725	77,254
Equity Bank Sudan Limited	975	975
Equity Bank Tanzania Limited	187,938	69,218
	481,258	**255,093**

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 2020, the Bank has not recorded any impairment of receivables relating to amounts owed by related parties (2019: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. As at the reporting date, Equity Group Holdings Plc, the ultimate holding company, controlled the Bank. The other companies are related by virtue of common shareholding and directorship.

(d) Key management personnel compensation	2020 Frw'000'	2019 Frw'000'
Remuneration to key management	1,052,170	875,296
Pensions	88,919	74,599
	1,141,089	**949,895**

(e) Directors' emoluments	**2020** **Frw'000'**	**2019** **Frw'000'**
Directors' emoluments	91,098	113,502
	91,098	**113,502**

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 SUPPLEMENTARY INFORMATION

ITEM	31-Dec-20 Frw 000 Amount/ Ratio/Number
I. CAPITAL STRENGTH	
1.Core Capital (Tier 1)	46,211,990
2.Supplementary Capital (Tier 2)	2,878,213
3.Total Capital	49,090,203
4.Total Risk Weighted Assets	267,301,343
5.Core Capital/ Total Risk Weighted Assets Ratio (Tier 1 Ratio)	17.29%
6.Tier 2 Ratio	1.08%
7.Total Capital/Total Risk Weighted Assets Ratio	18.37%
8.Leverage Ratio	12.00%
II.CREDIT RISK	
1.Total gross credit risk exposures: after accounting offsets and without taking into account credit risk mitigation;	195,708,530
2. Average gross credit exposures, broken down by major types of credit exposure:	
Loans, commitments and other non-derivative off-balance sheet exposures;	
Agriculture	7,776,486
Building and construction	8,669,975
Education	11,934,716
Energy and water	5,679,068
Financial intermediation	353,630
Information and communication	6,712,742
Manufacturing	12,176,844
Mining & quarrying	645,979
Other service activities	3,233,484
Personal/household	37,143,804
Real estate	40,837,305
Tourism, rest & hotels	33,417,106
Trade	11,433,428
Transport and communication	15,693,963
b) Debt securities;	62,045,738
c) OTC derivatives;	-
3. Regional or geographic distribution of gross exposures, broken down in significant areas by major types of credit exposure:	
Kigali	168,237,205
Southern	7,043,406
Western	9,242,514
Northern	6,138,570
Eastern	6,138,570
4.Sector distribution of exposures, broken down by major types of credit exposure and aggregated in the following areas:	
a) Government	11,975,992
b) Financial	353,630
c) Manufacturing	12,176,844
d) Infrastructure and construction	52,040,486
e) Services and commerce	73,577,156
f) Others	45,584,422

OTHER SUPPLEMENTARY INFORMATION

5. OFF- BALANCE SHEET ITEMS	
a) Guarantees issued outward	46,788,545
b) Outward letter of credit contra	5,090,423
6. NON-PERFORMING LOANS INDICATORS	
a) Non-performing loans (NPL)	7,000,861
b) NPL ratio	3.58%
7. RELATED PARTIES	
a) Loans to directors, shareholders, and subsidiaries	183,204
b) Loan to employees	4,997,636
8. RESTRUCTURED LOANS	
a. No. of borrowers	951
b. Amount outstanding	89,319,890
c. Regulatory Provision thereon	2,155,133
c. Restructured loans as % of gross loans	44%
III. LIQUIDITY RISK	
1) Liquidity Coverage Ratio (LCR)	408%
2) Net Stable Funding Ratio (NSFR)	155%
IV. OPERATIONAL RISK	
Number and types of frauds and their corresponding amount	
Type Number	
Identity theft 1	5,200
V. MARKET RISK	
1. Interest rate risk	59,249,225
2. Equity position risk	-
3. Foreign exchange risk % of Core Capital (NOP)	(6.08%)
VI. COUNTRY RISK	
1. Credit exposures abroad	1,431,588
2. Other assets held abroad	34,078,332
3. Liabilities to abroad	22,895,364
VII. Management and board composition	
1. Number of Board members	10
2. Number of independent directors	7
3. Number of non-independent directors	3
4. Number of female directors	2
5. Number of male directors	8
6. Number of Senior Managers	10
7. Number of females senior managers	4
8. Number of males senior managers	6

DIRECTORS PROFILES

EVELYN KAMAGAJU RUTAGWENDA

Evelyn holds a Bachelor of Commerce degree from Makerere University, Kampala. She is a Certified Public Accountant and member of the Institute of Certified Public Accountants of Rwanda (ICPAR). She previously worked as the Auditor General for the Republic of Rwanda; as the Secretary-General of Uganda National Chamber of Commerce and Industry (UNCCI); consultant/project accountant for Decentralization Secretariat (Institutional Capacity Building Project); Ministry of Local Government, Uganda and also as Chief Auditor at UCA Auditing Services among others. Evelyn spearheaded the formation of the Institute of Certified Public Accountants of Rwanda (ICPAR) and subsequently served the Institute in various capacities including, Chairperson of the Interim Governing Council, Ex Officio and elected member of the Governing Council. In 2009, she received an ACCA Achievements Award for her outstanding contribution to developing the accountancy and finance profession. She is currently a Non Executive Director of Equity Bank Uganda Limited, Chair of the Boards of Equity Bank Rwanda Plc, MTN Rwanda and Crystal Telecom Limited, Vice-Chair, Rwanda Development Board, and previously served on the Boards of Total Uganda Limited and Victoria Motors Rwanda Limited.

Boards: Non- Executive Vice Chairperson, Equity Group Holdings Plc; Non-Executive Chairperson, Equity Bank Rwanda Plc; Non-Executive Director, Equity Bank Uganda Limited

HANNINGTON NAMARA

Hannington is the Managing Director of Equity Bank Rwanda. 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 19 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.

Boards: Managing Director, Equity Bank Rwanda Plc

MARY WAMAE

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 serves in the Africa Financial Industry Summit Advisory Board. The Summit brings together the industry's most influencial stakeholders in transforming the financial industry in Africa. She is also a member and mentor under the Women on Boards Network. She is a Certified Public Secretary (Kenya) and member of The Institute of Certified Public 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.

Boards: Executive Director, Equity Group Holdings Plc; Group Executive Director, Equity Bank (Kenya) Limited, Equity Bank (Tanzania) Limited, Equity Bank Rwanda Plc, Equity Bank Uganda Limited; Non-Executive Director, Finserve Africa Limited, Equity Investment Bank Limited, Equity Group Foundation, EquityBCDC S.A., Equity Bank South Sudan Limited, Equity Insurance Agency Limited.

ROBERT BAFAKULERA

Robert holds a Bachelor of Commerce degree from Makerere University, Uganda. He has served as Chairman in several investments and trading companies and has a wealth of experience in entrepreneurship and business. He is currently the Managing Director for Roba General Merchants Limited and the Chairman of the Private Sector Federation of Rwanda.

Boards: Non-Executive Director, Equity Bank Rwanda Plc

DIRECTORS PROFILES (continued)

EMMANUEL BUTARE

Emmanuel holds a Masters Degree in Law from Ottawa University and a Bachelor of Laws degree from the National University of Rwanda. He also holds a Postgraduate Diploma in legal practice from the Institute of Legal Practice and Development (ILPD); A fellow from the London Institute of Chartered Arbitrators (FCIArb) and holds a Certificate in Global Arbitration from Hamline University of Law in conjunction with School of International Arbitration, Queen Mary University in London. He worked as an Assistant Lecturer at the Law School, a Training Coordinator in the Rwandan Judiciary and Principal State Attorney. He was part of the team that negotiated the launch of the Tripartite Free Trade Area between the EAC, COMESA and SADC. He served as Vice President, East African Law Society (EALS) and President of the Strategic Litigation Committee of the EALS. He is a member and on the panel of arbitrators of the Kigali International Arbitration Centre (KIAC), member of CIArb, RBA, EALS, and a court accredited mediator. Emmanuel is currently a Partner, MRB Attorneys.

Boards: Non-Executive Director, Equity Bank Rwanda Plc

DR. PATRICK UWIZEYE

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 Masters 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 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.

Boards: Non-Executive Director, Equity Bank Rwanda Plc, Non-Executive Chairman, Finserve Africa Limited

JAMES MUTUKU

James holds a Bachelor of Arts in Economics and Sociology from Egerton University. He has over 20 years' experience in treasury business having worked as a treasury dealer for Co-operative Bank of Kenya, Head of Money Markets and Fixed Income at KCB Kenya and the East Africa Head of Asset Liability Management (ALM), for Standard Chartered Bank Kenya. Before joining Equity Bank, he was the immediate country Head of Financial Markets for Standard Chartered Bank Uganda, where he also doubled up as the Co-Head SCB Uganda Wholesale Bank. He brings a wealth of experience in balance sheet management, fixed income trading and general treasury management. He joined Equity Bank in 2016.

Boards: Non-Executive Director, Equity Bank Rwanda Plc, EquityBCDC S.A.

STEVEN MUTABAZI

Steve holds a Master of Engineering Science and Bachelor of Engineering degrees from Monash University, Melbourne, Australia. He has over 30 years' experience in corporate governance, as an Executive Board Member of two companies he founded, and later as Chairman of Broadband Systems Corporation Ltd, KT Rwanda Networks Ltd and the National Industrial Research and Development Agency as well as being a member of the Australian Institute of Company Directors. Steve built his entrepreneurial business career in Australia and the Asia Pacific region where he founded and led two technology innovation companies for 20 years and also held senior positions with Telstra Corporation (Australia) and Hewlett Packard Company (Asia Pacific).

In 2012, Steve accepted invitation by the Government of Rwanda to lead key initiatives to develop the country's ICT sector, and over 6 years led the rollout of 4G LTE, the establishment of the Rwanda Innovation Fund to accelerate growth of the technology sector, and developed Kigali Innovation City flagship initiative to position Rwanda as a pan-African talent and innovation hub. Steve currently provides executive advisory services to global technology companies establishing operations in Africa.

Boards: Non-Executive Director, Equity Bank Rwanda Plc

DIRECTORS PROFILES (continued)

AMB. GEORGE KAYONGA

George holds a Masters 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 Board and Member, Advisory Council of One Acre Fund. He has 16-years experience 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. He has 12-years experience in the private sector managing his own supply chain and logistics companies.

Boards: Non-Executive Director, Equity Bank Rwanda Plc

COL (RTD) EUGENE HAGUMA

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.

Boards: Non-Executive Director, Equity Bank Rwanda Plc

Equity Bank Rwanda Plc Board of Directors and Senior Management posing for a photo after the unveiling of the new look Equity logo at Kigali Serena Hotel

EXECUTIVE MANAGEMENT PROFILES

HANNINGTON NAMARA

Managing Director

Hannington is the Managing Director of Equity Bank Rwanda. 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 19 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.

ATHANASIE NIRAGIRA

Head of Marketing and Customer Experience

Athanasie holds a Bachelor's degree in Business Administration / Marketing from National University of Rwanda and a Masters degree in Leadership from Oklahoma Christian University. Prior to joining Equity Bank, Athanasie worked in marketing and sales roles in Agaseke Bank, Kenya Commercial Bank (KCB /Rwanda), The Edge Ltd and Rwandatel SA.

FERNAND KAMANZI

Head of Treasury

Fernand holds a Bachelor's Degree in Economic Sciences and Management from Kigali Independent University (ULK) and is an ACI certified dealer. Prior to joining Equity Bank Rwanda Ltd, Fernand worked in Access Bank Rwanda Ltd for 5years in various positions including Team Leader Treasury 2011 – August 2013, Acting Treasurer 2010 -2011 and Card & Channels Officer 2008 - 2010.

CHANTAL MUKANDOLI KAYIJAMAHE

Head of Credit

Chantal holds a Bachelor's Degree in Business Administration, Accounting option and pursuing Master's Degree in Business Administration University of South Wales, UK.Prior to joining Equity Bank 5 years ago, Chantal worked at the Commercial Bank of Rwanda (now I&M) in Credit Department for more than 11 years; As an Analyst in SME and Corporate Banking, Security Perfection Manager, Personal Lending and Mortgages Manager.

JOSEPH MUTUMA

Head of Finance

Joseph holds an MBA Finance option 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.

JEAN PAUL NGABONZIZA

Head of Internal Audits

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) and a member The Institute of Internal Auditors (IIA). He has over 12 years of experience in Audit with 10 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 7 years and Auditors General's Office of Rwanda as Auditor of Public Business Enterprises for 2 years.

EXECUTIVE MANAGEMENT PROFILES (continued)

CAROLE KAREMA JENI

Head of IT and Business Transformation

Carole holds an MBA from the University of Nicosia in Cyprus, a MIT from the University of Pretoria, a BCOM Honor's degree for the same University, and a BA from Adventist University of Central Africa.

Having lived in different countries, Carole has gained a diverse range of experiences in 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.

Carole is a passionate IT specialist with nearly 20 years of experience. She has specialized herself as a Solution Architecture 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 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 enjoys reading, travelling and innovating. She is also engaged in various benevolent causes that empower children and women.

Carole is currently Head of IT at Equity Bank Rwanda where she oversees the digital transformation of the bank and runs different Business projects. 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.

She also serves in different Boards as a Non-Executive Director.

ALINE KAGOYIRE

Head of Human Capital & Corporate Services

Aline holds a degree in Business Administration from Université de Mons – Hainaut (Belgium University), with more than 10 years' experience in Human Resources Management. She has previously worked for Bralirwa (a Heineken subsidiary) and U-COM Burundi. She joined Equity Bank in July 2017 as head of HR and Administration.

JEAN BIZIMUNGU

Head of Risk & Compliance

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) 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 8 years' experience in banking industry specifically in Risk and compliance management.

NOTES

NOTES

EQUITY BANK RWANDA PLC INTEGRATED REPORT & FINANCIAL STATEMENTS / FOR THE YEAR ENDED 31 DECEMBER 2020

NOTES

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