GTBank

Guaranty Trust Bank (Rwanda) plc

GUARANTY TRUST BANK (RWANDA) PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

Enriching Lives

WHO WE ARE

Guaranty Trust Bank (Rwanda) plc is a subsidiary of Guaranty Trust Bank plc (Nigeria), a foremost financial institution with 10 subsidiaries spanning West Africa, East Africa and the United Kingdom. In 2013, Guaranty Trust Bank plc acquired Fina Bank Group which had been in operation in Kenya for over 25 years with subsidiaries in Rwanda and Uganda. Sequel to the acquisition, Fina Bank (Rwanda) Ltd was renamed GTBank (Rwanda) Plc. Guaranty Trust Bank plc currently employs over 10,000 professionals across Nigeria, Rwanda, Cote D'Ivoire, Gambia, Ghana, Liberia, Kenya, Uganda, Sierra Leone, Tanzania and the United Kingdom while it is also listed on the Nigerian and London Stock Exchanges.

The entrance of GTBank via the acquisition of Fina Bank Group's operations in Rwanda, Uganda and Kenya enabled the Bank to expand its footprint to East Africa and reinforced its "Proudly African and Truly International' philosophy.

GTBank (Rwanda) Plc has a very strong service culture with 14 branches across the 4 provinces in Rwanda.

VISION

We are a team driven to deliver the utmost in customer service. We are synonymous with innovation, building excellence and superior financial performance and creating role models for society.

MISSION

We are a high-quality financial services provider, possessing the urge to be the best at all times whilst adding value to all stakeholders.

ORANGE RULES

Guaranty Trust Bank is a friendly brand that truly cares and this permeates through every sphere of our business. We have a value system that is hinged on professionalism, ethics, integrity, and superior customer service. We maintain a culture of excellence and go to great lengths to actualize the popular phrase; The Customer Is King.

Our style of operation, staff conduct and service delivery models are built on 8 core principles aptly dubbed; The Orange Rules in line with the Bank's vibrant Orange corporate colour.

The Orange Rules are principles for progression, success, relationships and life. They guide our approach to banking and everything we do.

- **Simplicity**: We are straightforward, direct and easy to deal with, making the complex uncomplicated.
- **Professionalism**: We are thorough and efficient, always inspiring confidence.
- **Service**: This is our major strength; we're constantly improving on our ability to delight our customers.
- **Friendliness**: We enjoy working together to fulfil customers' needs, building mutually rewarding relationships.
- **Excellence**: We stand out from the crowd, always refreshing, always beyond the ordinary.
- **Trustworthiness**: We are reliable, what we say is what we do; trust us to always do what is right.
- **Social Responsibility**: We care, we believe in building and sharing for the good of all.
- **Innovation**: We evoke inspiration and respect, our originality is second to none, we are bold, classy and always setting the pace.

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Distinguished shareholders, fellow Board members, management, staff and our esteemed customers. I wish to present the 2020 Annual report of Guaranty Trust Bank (Rwanda) plc.

The year 2020 was a very challenging year with the onset of the COVID-19 pandemic the world over. Rwanda was not exempted in the significant challenges caused by the pandemic which was first recorded in the country in March 2020. I wish to congratulate the government of Rwanda under the stewardship of his excellency the President Paul Kagame on the exemplary handling of the challenges caused by the pandemic. The Rwandan economy recorded significant decline in economic activity in the year which was the norm the world over. However, the government remained proactive in a bid to revive the economy and one major initiative was the establishment of the Economic Recovery fund with an initial allotment of Frw150billion to be offered to businesses significantly affected by the COVID-19 through commercial banks and micro finance institutions. Most business welcomed the initiative and participated in the uptake of the funds. This was timely and an effective stimulus to the economy. The silver lining in 2020 was that some sectors were thriving even under the challenges of COVID-19 especially the Fast-Moving Consumer Goods (FMCG), telecommunication and internet service providers (ISP) among others.

It is my pleasure to report that despite the challenges encountered in 2020 the Bank was able to navigate the bottlenecks and managed to have a successful financial year with significant growth recorded in majority of the key metrics. This was mainly achieved on the back of efficiency and effective management of the Bank with focus on lending to the sectors that were thriving and supporting the ones facing challenges under the COVID-19 pandemic.

The Bank recorded a Profit Before Tax (PBT) of Frw4.4Billion representing an increase of 60.7% compared to Frw2.76billion recorded in 2019. The enhanced profitability emanated from the Bank's total assets which recorded a 21.4% increase represented by Frw114.1billion and Frw98.98billion for 2020 and 2019 respectively. The key growth lines were mainly attributable to growth in investment in government securities and loans and advances being the contributors of the growth in total assets. On the liabilities the customers' Deposits increased by 22.6% over the same period.

The improved performance of the Bank is in other key metrics for the year 2020, the Capital Adequacy Ratio (CAR) stood at 24.2% higher than the minimum regulatory requirement of 15%. The leverage ratio stood at 11.7%, compared to 6% minimum prudential requirement as stipulated by the prudential guidelines reaffirming that the Bank is adequately solvent. The Liquidity Coverage Ratio (LCR) stood at 373.3% as at end December 2020 above 100% minimum prudential requirements. The aggregate Net Stable Funding Ratio (NSFR) stood at 150.1%, above the 100% regulatory requirement.

The investor related pre-tax ratios also reflected growth with the Return on Assets (ROA) increasing from 2.96% in December 2019 to 3.90% in December 2020, Return on Equity (ROE) increase from 17.4% to 23.2% between December 2019 and December 2020 respectively. The NPLs ratio as end December, 2020 was at 4.6% which is under the maximum regulatory requirement of 5%.

The Bank will continue focusing on an exceptional customer service experience which is amongst its competitive advantage in the industry. In addition, the Bank will continue developing a unique, outstanding and the most innovative Digital banking service in the Industry as well as focusing on retail Banking and Treasury services.

We strongly believe that the Bank will continue growing in all areas: efficiency, size and profitability and be able to create shareholders' value and serve our highly valued customers and our community.

Sincerely,

Pipian Hakizabera

Chairman

Dear Esteemed Stakeholders,

I would like to use this opportunity to present GTBank (Rwanda) Plc's scorecard for the 2020 financial year. In the year 2020, the culture of innovation was so enthroned in our systems that it helped in driving service delivery to our customers. Through this, we navigated over the challenges that came with the COVID-19 global pandemic which initially emerged as a medical challenge, and eventually became an economic bottleneck with countries enforcing lockdowns among other measures to curb its spread. In Rwanda, measures put in place to curb the spread of COVID-19 included; enforcing lockdown, suspension of domestic travel, cancellation of public gatherings, institutions teleworking, closure of schools, places of worship and non-essential businesses. These have had some adverse effects on the livelihoods of many Rwandans, especially those who earn their living on a daily basis. These measures also considerably affected the Banking sector which serves the majority of the SMEs, Corporates, Consumers/Salaried class, and the general population. However, we are transforming our organization digitally, to ensure that we can efficiently and effectively attend to the ever-evolving needs of our customers during this period.

A review of our financial results shows positive performance across all financial indices, reaffirming the Bank's focus on efficiency with enhanced profitability being the end-game. This strategy ensured that despite our relatively small balance sheet compared to peers, the Bank was able to achieve 61% growth in profitability during the year. The strong profitability growth was supported by 14% growth in loan book, 23% growth in customers' deposits and 21% growth in total assets - all being critical milestones for the Bank. Management remain cognizant that sustained growth is required to enhance the Bank's market share while increasing shareholders and stakeholders' value.

Human Capital remains our greatest asset as a Bank. Our staff are dedicated, passionate and committed to the highest standards of ethical conduct — values that form the foundation of trust we have with our customers, our communities and with each other. In the year under review, the Bank continued empowering its employees to achieve their long-term career goals and ambitions by investing in trainings aimed at deepening staff knowledge and enhancing their effectiveness and productivity. The COVID-19 pandemic challenges necessitated for staff to be trained on the changing nature of work and also, to stay fully prepared for service delivery using unconventional ways in order to comply with the safety rules adopted by the government and the Bank aimed at keeping our staff members safe.

Our alternative channels continue to be a key focus for the Bank in line with the government of Rwanda agenda to promote a cashless economy. The Bank improved the various platforms aimed at enhancing the customer experience with security and convenience being paramount. The Bank also rolled out its Quick Credit Payday Loan on the USSD option where customers can borrow loans for up to one month using their phones.

Corporate Social Responsibility is an integral part of the Bank, we are lending ourselves more strongly than ever to causes within our home communities and beyond, in order to touch lives and uplift communities, especially those on the margins of society. During the year, we donated Frw8,917,000 worth of foodstuff to families affected by the COVID-19 pandemic lockdown across several Districts in Kigali and the four Provinces. The foodstuff were distributed by our Branches with the support of the various District government officials. We also supported Nyacyonga Primary School by donating water filter and school furniture, in order to make the school's learning environment more conducive and improve the health and wellbeing of its pupils. In both instances of social support, the residents who benefitted from the good gesture of the Bank expressed gratitude thus reinforcing the need for the Bank to continue offering support.

Given our improved performance in 2020, the expectations on the Bank in 2021 are even greater. Management and staff will endeavor to demonstrate excellence in everything that we do with the strategic aspiration to be one of the top 5 most profitable banks in Rwanda by 2023 being the focus.

We pride ourselves on innovation and first mover advantage in enhancing our customer experience through the marketing and utilization of alternative channels. This strategy will persist into the future of the Bank and will be used to facilitate selling to existing and potential customers.

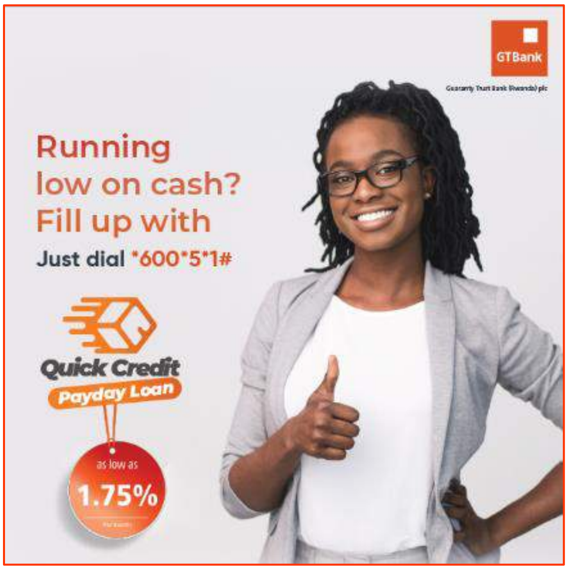
We acknowledge the support of our various stakeholders, particularly our most esteemed customers, the National Bank of Rwanda, our Board of Directors, Management and members of staff. We pledge to continue to delight them as we strive to achieve our corporate mission and vision.

Emmanuel Ejizu

Managing Director,

LAUNCH OF QUICK CREDIT PAYDAY LOAN

The Payday Loan enables a salary earner whose account is domiciled with GTBank (Rwanda) Plc to access needed cash instantly and pays back over a maximum period of 1 month or at the receipt of the next salary.



LAUNCH OF HIRWA CASH POWER AGENTS

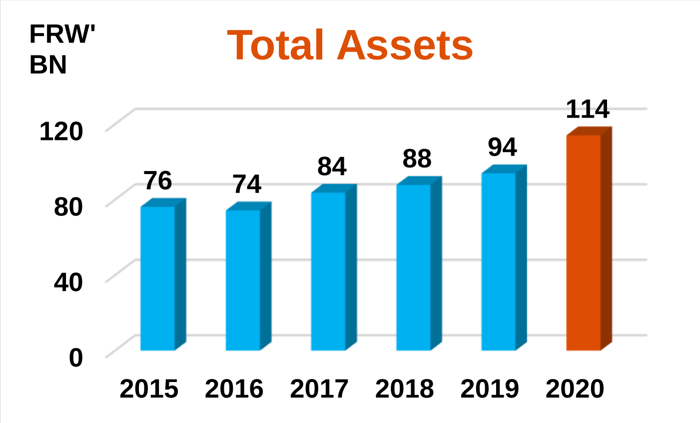
Through Hirwa Cash Power Agents, the Bank wholesale cash power services on behalf of EUCL with a 3% commission on every cash power sale. The product is also based on a commission sharing with the agents with an aim of enhancing economic benefits to the agents.

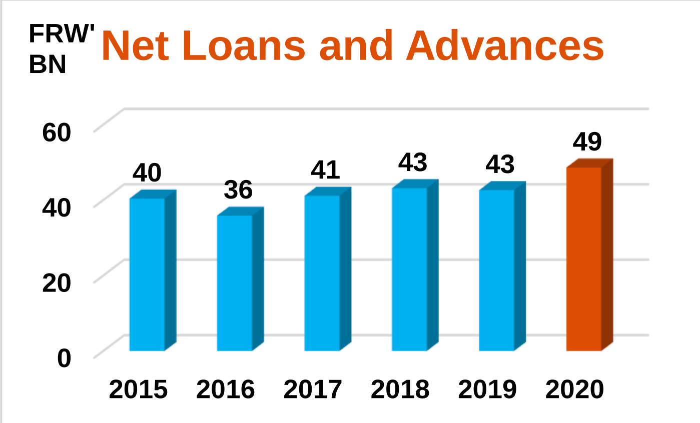
2020 CORPORATE SOCIAL RESPONSIBILITY PROGRAM

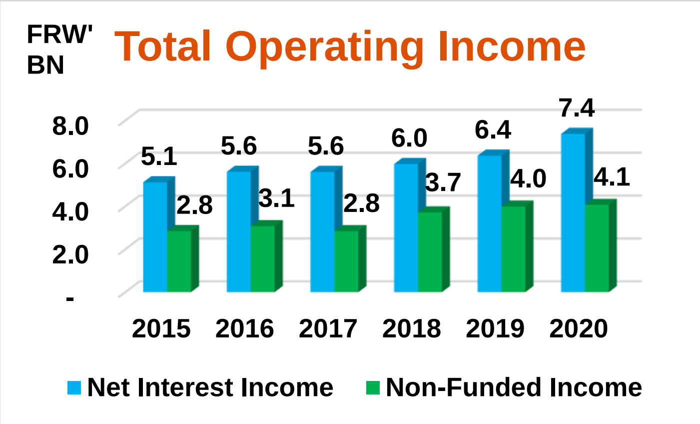
At Guaranty Trust Bank, we believe in growing and sustaining the value of our business by giving back to our host communities. This is why Corporate Social Responsibility (CSR) is a major component of the Bank's strategy and business activities. GTBank Rwanda's CSR activities are focused on promoting education and sports, fostering community development, promoting arts and culture and protecting the environment. Through these activities, the Bank seeks to make profound positive impact on the environment, customers, employees, communities, stakeholders and other members of the public.

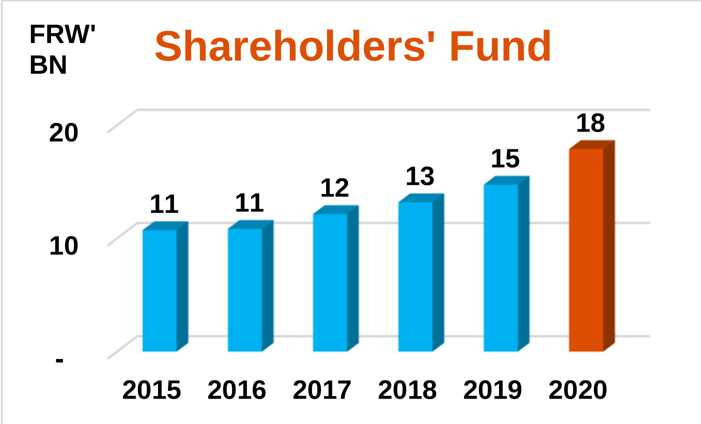
In 2020, the Bank donated 30 desks, 10 teachers' workstations, 4 library shelves and water filter to Nyacyonga Primary School, Jabana Sector, Gasabo District, Kigali, in order to make the school's learning environment more conducive and improve the health and wellbeing of its pupils.

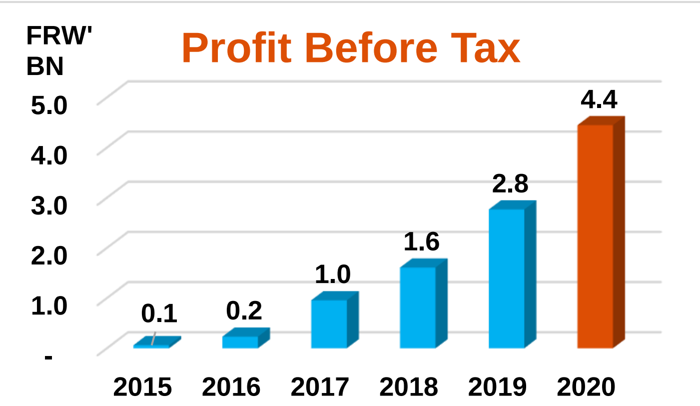
The Bank also donated foodstuff comprising 8.6tonnes of maize flour and 4.5tonnes of beans as palliatives to 2,075 families affected by the COVID-19 lockdown across several Districts in Kigali and the four Provinces in Rwanda.

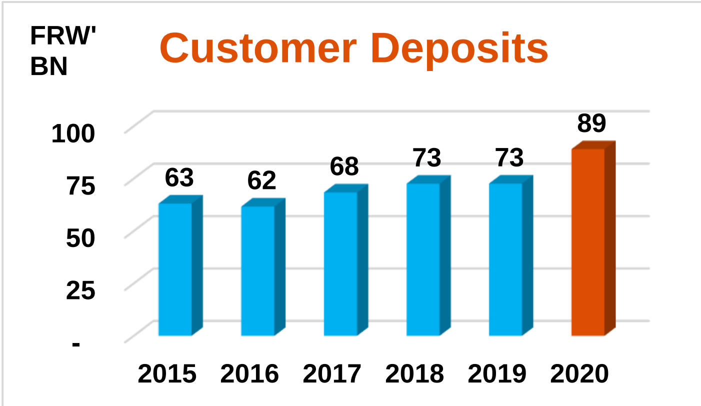












Financial Soundness Highlights	2020 %	2019 %	2018 %	2017 %	2016 %	2015 %
Capital Strength Ratios						
Capital Adequacy Ratio (MIN 15%)	24.3%	21.0%	21.2%	19.6%	18.1%	19.8%
Core Capital / Risk Weighted Assets (MIN 10.5%)	22.1%	19.4%	19.0%	18.5%	16.8%	18.6%
Leverage ratio (MIN 6%)	11.7%	11.0%	11.8%	11.3%	11.8%	12.0%
Coverage/ Asset Quality Ratios						
NPLs / Gross Loans	4.6%	3.6%	14.3%	21.3%	21.9%	20.3%
Provisions / NPLs	50.0%	79.1%	72.2%	55.9%	35.7%	46.3%
Earning Assets / Total Asset	72.5%	77.5%	83.5%	84.9%	79.5%	86.9%
Loan Loss Reserve / Gross Loans	2.3%	2.8%	10.3%	11.9%	7.8%	9.4%
Profitability Ratios						
Post-Tax Return on Assets	2.8%	1.7%	1.2%	0.7%	0.2%	-0.1%
Post-Tax Return on Equity	17.6%	11.1%	8.3%	5.0%	1.1%	-0.6%
Net Interest Margin	8.6%	8.0%	6.9%	7.2%	7.7%	7.1%
Cost to Income	63.4%	75.6%	85.7%	90.2%	97.7%	99.4%
Liquidity Ratios						
Liquid Assets / Total Deposits	62.7%	56.8%	54.2%	52.5%	45.4%	40.9%
Gross Loans / Total Deposits	55.9%	60.4%	66.3%	66.7%	63.1%	70.7%
Net Loans/Total Asset	42.6%	45.4%	49.1%	48.5%	48.3%	53.0%
Total Deposits / Total Assets	78.0%	77.3%	82.6%	82.6%	83.0%	82.8%

Mr. Pipian Hakizabera

CHAIRMAN

Mr. Pipian Hakizabera holds a Masters' Degree in Economics and Social Sciences from the University of Fribourg in Switzerland (1978).

Mr. Hakizabera has over 30+ years of experience in national and regional institutions and organizations both in the public and private sectors. He has worked for the UNESCO Regional Office in Nairobi, Kenya for more than 10 years and various public and private companies in Rwanda since 1995; including as Managing Director of Business Machines and Office Products Limited (BMOP), Executive Secretary (CEO) of the Rwanda Private Sector Federation (PSF), Managing Director of the Rwanda Housing Bank (RHB), Director-General of the Rwanda SME Support Centre (CAPMER), Head of Trade and Manufacturing at Rwanda Development Board (RDB) and CEO of GENIMMO, a real estate development and management company part of the first private insurance company in Rwanda (SORAS).

Mr. Hakizabera served as a Board Member of different leading Rwandan institutions including the Rwanda Social Security Board, SORAS Group, and its Life Insurance branch (SORAS-VIE). He also served as the Board Chairman of the Rwanda Credit Reference Bureau (CRB - part of TransUnion Global) since its establishment in Rwanda in 2011, as well as of its sister debt recovery company Collection Africa Limited (CAL).

Mr. Hakizabera joined the Board of Guaranty Trust Bank (Rwanda) plc in October 2018.

Mr. Emmanuel Ejizu

MANAGING DIRECTOR

Mr. Emmanuel Nnamaka Ejizu has over 17 years' banking experience which spans through Corporate, Commercial, SME, and Retail Banking businesses. He joined Guaranty Trust Bank (Nigeria) plc in 2004 as an entry-level Executive Trainee within the Commercial Banking Group and rose through the ranks to become a Group Head in the Commercial Banking Division of Guaranty Trust Bank plc in Nigeria. Since 2014, he served on the board of Guaranty Trust Bank (Rwanda) plc as an Executive Director until his appointment in 2018 as the Managing Director.

Mr. Ejizu holds a Bachelor of Science degree in Sociology from the University of Ibadan, Nigeria where he graduated at the top of his class, and a Master of Business Administration in Leadership and Organizational Development from Oklahoma Christian University, United States of America where he graduated with distinction and awarded/certified member of "Delta Mu Delta" for international honor society in business, in recognition of his high scholastic attainment (Eta Iota Chapter Oklahoma Christian University). He has attended a number of executive management and banking specific training programs in leading educational institutions like the Michigan Ross Executive Leadership Development program and the prestigious Lagos Business School (LBS) where he is an alumnus

Mr. Eric Cyaga

INDEPENDENT DIRECTOR

Adv. CYAGA N. Eric MANAGING PARTNER, K-SOLUTIONS & PARTNERS

Eric is the Managing Partner at K-Solutions & Partners in Kigali, Rwanda. Eric's role is to ensure the legality of commercial transactions, advise companies on their legal rights and duties. Eric has a deep understanding of the aspects of contract law, securities law, insolvency, business organization, and employment law.

He is a member of the Rwanda Bar Association. As a Senior lawyer, Eric together with others led the transformation of the leadership of the Rwanda Bar Association laws in 2015 with the aim of making an extraordinary impact on the career of the legal professionals.

He serves on the boards of directors of a number of organizations including GTBank (Rwanda) plc.

Eric is also the honorary Consul for Côte d'Ivoire in Rwanda, a position that he has held since September 14, 2018.

Mrs. Enata Dusenge

INDEPENDENT DIRECTOR

Enata joined the Board of GTBank (Rwanda) plc in February 2016.

She has more than 20 years of experience working at the senior level in private and public enterprises as well as Government Institutions.

She served as a member of the Board of Directors for Sonarwa General Ltd, Banque Populaire du Rwanda Ltd, and HIDA.

She is currently a freelance consultant providing management support services with a focus on Human Resource & Organizations development.

Mrs. Dusenge holds an Executive MBA from Maastricht School of Management (Netherland) majoring in Corporate Strategy & Economic policy, a Bachelor of Laws from Kigali Independent University, and a Bachelor's degree in Human Resource Management from Universite Catholique de Louvain (Belgium).

Mrs. Florida Kabasinga

NON-EXECUTIVE DIRECTOR

Florida Kabasinga is the Founder and Managing Partner of Certa Law Chambers, one of Rwanda's leading Law Firms. After almost a decade practicing on the international legal circuit with the International Criminal Tribunal for Rwanda as variously Case Manager, Assistant Appeals Counsel and Appeals Counsel, Florida returned to Rwanda where she occupied different positions from 2012. In 2016, Florida established Certa Law which primarily represents banks and commercial clients. She leads Certa's strategic vision and heads its Alternative Dispute Resolution practice (mediation & arbitration). She is an expert in labor matters and is a prolific litigator, mediator and arbitrator in different aspects of legal practice in Rwanda. She has appeared as an expert witness in different national jurisdictions and lectures in law at different universities.

Florida holds a Master of Laws degree (Magna cum Laude) from the University of Notre Dame in Indiana, USA and a Bachelor of Laws degree (Hons) from Makerere University in Kampala, Uganda. She is a member of the Rwanda Bar Association, the East African Law Society, the American Bar Association, the Chartered Institute of Arbitrators, the Kigali Arbitration Center and is a court appointed mediator.

Mr. Demola Odeyemi

NON-EXECUTIVE DIRECTOR

Demola started his working life as a lecturer in Social Studies at the Obafemi Awolowo University, Ile-Ife Nigeria, in 1990. He graduated with a First Class Hons, holds Masters and Ph.D degrees from Obafemi Awolowo University

He joined the Lagos Office of Arthur Andersen in 1992 and rose to the level of Senior Consultant in 1996. In 1997, he joined Guaranty Trust Bank Plc and had the responsibility of running the Financial Control Department. He moved to First City Monument Bank in 2000 where he was responsible for the Financial Control and Strategy of the Bank. In 2002, he was appointed the Chief Operating Officer for 4 of the companies in FCMB Capital Markets Group. He also had a short stint at Platinum Bank as Vice President and Group Head Performance Management Group before returning to Guaranty Trust Bank in October 2003.

He is a Chartered Accountant (Fellow), Associate of The Chartered Institute of Stockbrokers of Nigeria, also a Chartered member of the Institute of Taxation in Nigeria. He attended strategy, entrepreneurial and other advance management programmes in Harvard Business School, Boston, Wharton Business School, Philadelphia both in the USA, Melbourne Institute of Finance, Australia, IMD Lausanne Switzerland and Cambridge University's Judge Business School.

Directors and Statutory Information

Shareholding

The Bank's shareholding as at 31 December 2020 is as shown below.

Shareholders	Number of Shares	% holding
Guaranty Trust Bank (Kenya) Limited	10,596,682	96.38%
Agaciro Development Fund (AGDF)	398,200	3.62%
Total	**10,994,882**	**100%**

The price per share equal to FRW1,000

BOARD OF DIRECTORS

Mr. Pipian Hakizabera	(Rwandan) Chairman - Independent
Mrs. Enata Dusenge	(Rwandan) Independent
Mr. Eric Cyaga	(Rwandan) Independent
Mrs. Florida Kabasinga	(Rwandan) Non-Independent
Mr. Ademola Ayodeji Odeyemi	(Nigeria) Non-Independent
Mr. Nnamaka Emmanuel Ejizu	(Nigeria) Managing Director

BOARD AUDIT COMMITTEE

Mrs. Enata Dusenge	Chairperson
Mr. Ademola Ayodeji Odeyemi	Member
Mrs. Florida Kabasinga	Member

BOARD CREDIT COMMITTEE

Mr. Ademola Ayodeji Odeyemi	Chairperson
Mrs. Florida Kabasinga	Member
Mr. Nnamaka Emmanuel Ejizu	Member

BOARD RISK COMMITTEE

Mrs. Florida Kabasinga	Chairperson
Mr. Ademola Ayodeji Odeyemi	Member
Mr. Eric Cyaga	Member
Mr. Nnamaka Emmanuel Ejizu	Member

NOMINATION AND REMUNARATION COMMITTEE

Mr. Eric Cyaga	Chairperson
Mr. Ademola Ayodeji Odeyemi	Member
Mr. Nnamaka Emmanuel Ejizu	Member

BOARD IT COMMITTEE

Mr. Ademola Ayodeji Odeyemi	Chairperson
Mrs. Enata Dusenge	Member
Mr. Nnamaka Emmanuel Ejizu	Member

Attendance of Board and Board Committee Meetings

The table below shows the frequency of meetings of the Board of Directors and Board Committees, as well as Members' attendance for the financial year ended December 31, 2020.

	Full Board	Board Credit Committee	Nomination and remuneration Committee	Board Risk Committee	Board Audit Committee	Board IT Committee
Date of Meetings	**11.05.2020 28.08.2020 27.11.2020**	**11.05.2020 28.08.2020 27.11.2020**	**11.05.2020 28.08.2020 27.11.2020**	**11.05.2020 28.08.2020 27.11.2020**	**11.05.2020 28.08.2020 27.11.2020**	**11.05.2020 28.08.2020 27.11.2020**
Number of Meetings	3	3	3	3	3	3
Mrs. Enata Dusenge	3	n/a	2	n/a	3	1
Mr. Ademola Ayodeji Odeyemi	3	3	3	3	3	3
Mr. Pipian Hakizabera	3	n/a	n/a	n/a	n/a	n/a
Mr. Eric Cyaga	3	n/a	3	3	n/a	n/a
Mrs. Florida Kabasinga	3	1	n/a	n/a	3	2
Mr. Nnamaka Emmanuel Ejizu	3	3	3	3	n/a	3

EXECUTIVE MANAGEMENT (EXCO)

Mr. Nnamaka Emmanuel Ejizu	Managing Director – Chairman
Mr. Yusuf Ayokunle	Chief Operating Officer
Mr. Stephen Njuguna Mwangi	Chief Financial Officer
Mr. Louis Hategekimana	Head of Legal Services and Company Secretariat - Secretary
Mr. Jean Pierre Makelele	Head of Systems & Control
Mr. Joel Gatanazi	Head of Business Division
Mrs. Gicari Mahoro Jeanne	Ag. Head of Credit Risk Management
Mr. Ishimwe Aubain Consolateur	Ag. Head of Information Technology
Mr. Henry Ntaganzwa	Head of Human Resources
Mr. Rogers Rukotana	Head of Information Security

ASSETS AND LIABILITIES COMMITTEE (ALCO)

Mr. Nnamaka Emmanuel Ejizu	Chairman
Mr. Yusuf Ayokunle	Member
Mr. Shyaka Annibale	Secretary
Mr. Stephen Njuguna Mwangi	Member
Mr. Louis Hategekimana	Member
Mrs. Gicari Mahoro Jeanne	Member
Mr. Joel Gatanazi	Member
Mr. Jean Pierre Makelele	Member

MANAGEMENT CREDIT COMMITTEE

Mr. Nnamaka Emmanuel Ejizu	Chairman
Mr. Yusuf Ayokunle	Member
Mr. Stephen Njuguna Mwangi	Member
Mr. Louis Hategekimana	Member
Mr. Joel Gatanazi	Member
Mrs. Gicari Mahoro Jeanne	Secretary
Mr. Jean Pierre Makelele	Member

IT STEERING COMMITTEE

Mr. Nnamaka Emmanuel Ejizu	Chairman
Mr. Yusuf Ayokunle	Member
Mr. Stephen Njuguna Mwangi	Member
Mr. Henry Ntaganzwa	Member
Mr. Rogers Rukotana	Member
Mr. Jean Pierre Makelele	Member
Mr. Ishimwe Aubain Consolateur	Secretary
Mr. Joel Gatanazi	Member

RISK MANAGEMENT COMMITTEE

Mr. Yusuf Ayokunle	Chairperson
Ms. Gisele Mutamba	Secretary
Ms. Peace Inkindi	Member
Mr. Ishimwe Aubain Consolateur	Member
Mr. Louis Hategekimana	Member
Mr. Makelele Jean Pierre	Member
Mrs. Vestine Uwineza	Member
Mrs. Gicari Mahoro Jeanne	Member

RISK MANAGEMENT COMMITTEE(Continued)

Mr. Marcellin Dukuzimana	
Ms. Diane Mushimiyimana	Member
Mr. Joel Gatanazi	Member
Mr. Stephen Njuguna Mwangi	Member
Mr. Henry Ntaganzwa	Member

CRITICIZED ASSET COMMITTEE

Mr. Nnamaka Emmanuel Ejizu	Chairperson
Mrs. Gicari Mahoro Jeanne	Secretary
Mr. Emile Gashumba	Member
Mr. Yusuf Ayokunle	Member
Mr. Louis Hategekimana	Member
Mr. Joel Gatanazi	Member
Mr. Makelele Jean Pierre	Member

CYBER SECURITY COMMITTEE

Mr. Nnamaka Emmanuel Ejizu	Chairman
Mr. Yusuf Ayokunle	Member
Mr. Stephen Njuguna Mwangi	Member
Mr. Henry Ntaganzwa	Member
Mr. Rogers Rukotana	Secretary
Ms. Peace Inkindi	Member
Mr. Jean Pierre Makelele	Member
Mr. Ishimwe Aubain Consolateur	Member
Mr. Joel Gatanazi	Member

PROCUREMENT COMMITTEE

Mr. Louis Hategekimana	Chairman
Mr. Yusuf Ayokunle	Member
Mr. Stephen Njuguna Mwangi	Member
Ms. Nicole Umutoni	Member
Mr. Badiel Rubangutsangabo	Secretary
Mrs. Gicari Mahoro Jeanne	Member

REGISTERED OFFICE

The Bank is incorporated in Rwanda as a public company limited by shares and is domiciled in Rwanda.
The address of its registered office is:
Guaranty Trust Bank (Rwanda) plc
R.C No. 100003180 Kigali
Muhima Investment Company Building
Nyarugenge District–Kigali City
KN 2 Ave, 1370
P O Box 331 Kigali, Rwanda
Tel: + 250 788 149 600
Email: Inforw@gtbank.com
Website: www.gtbank.co.rw

AUDITOR

Ernst & Young Rwanda Limited
Certified Public Accountants
P.O. Box 3638
M-Peace Plaza - 6th Floor, Executive Wing
KN4 AV, 72 ST
Kigali, Rwanda

LAWYER

B&A Advocates
Company Code: 103475958
P O BOX 4067
Address KK 31 AV Gikondo
Kigali, Rwanda

CORRESPONDENT BANK

Bank details

1. **Guaranty Trust Bank (UK) Limited**
   60-62 Margaret street, London W1W 8TF

2. **Crown Agents Bank**
   St Nicholas House, St Nicholas Road, Sutton, Surrey, SM1 1EL, United Kingdom

3. **Banque de Commerce et des Placements (BCP) S.A**
   Rue de la Fontaine 1, P.O.Box 3069, CH-1211 Geneva 3

4. **SwedBank AB (Publ)**
   Landsvagen 40, 105 34 Stockholm, Sweden

5. **Absa Bank Ltd**
   15 Alice Lane, Sandtone, 2196, South-Africa

BRANCH NETWORK

RESIDENT BRANCH
Muhima Investment Company Building
Nyarugenge District–Kigali City
KN 2 Ave, 1370
P.O. Box 331, Kigali
Tel: (+ 250) 252 598 600
(+ 250) 788 149 600
E-mail: info@gtbank.com
Website: www.gtbank.com.rw

NGOMA BRANCH (Ex Kibungo)
Ngoma District–Eastern Province
P.O. Box 331, Kigali
Telephone: (+250) 788 149 717
(+250) 788 149 718

KIGALI CITY MARKET BRANCH
Nyarugenge District–Kigali City
P.O. Box 331, Kigali
Telephone: (+250) 788 149 735
(+250) 788 149 736

REMERA BRANCH
Gasabo District–Kigali City
Yussa Plaza
P.O. Box 331, Kigali
Telephone: (+250) 788 149 701
(+250) 788 149 702

KARONGI BRANCH (Ex Kibuye)
Karongi District
Western Province PeaceHouse
P.O. Box 331, Kigali
Telephone: (+250) 788 149 721
(+250) 788 149 722

RUSIZI BRANCH (Ex Cyangugu)
Rusizi district - Western Province
Amani House
P.O. Box 331, Kigali
Telephone: (+250) 788 149 731
(+250) 788 149 732

RUBAVU BRANCH (Ex Gisenyi)
Rubavu District, Western Province
P.O. Box 331, Kigali
Telephone: (+250) 788 149 713
(+250) 788 149 714

KIMIRONKO BRANCH
Gasabo District–Kigali City
P.O. Box 331, Kigali
Telephone: (+250) 788 149 753
(+250) 788 149 754

KAYONZA BRANCH
Kayonza District–Eastern Province
P.O. Box 331, Kigali
Telephone: (+250) 788 149 744
(+250) 788 149 745

NYABUGOGO BRANCH
Nyarugenge District, Kigali City
P.O. Box 331, Kigali
Telephone: (+250) 788 149 728
(+250) 788 149 729

MUHANGA BRANCH (Ex Gitarama)
Muhanga District, Southern Province
P.O. Box 331, Kigali
Telephone: (+250) 788 149 705
(+250) 788 149 706

MUSANZE BRANCH (Ex Ruhengeri)
Musanze District - Northern Province
P.O. Box 331 Kigali
Telephone: (+250) 788 149 709
(+250) 788 149 710

GISOZI BRANCH
Gasabo District, Kigali City
P.O. Box 331, Kigali
Telephone: (+250) 788 149 756
(+250) 788 149 757

KICUKIRO BRANCH
Gasabo District, Kigali City
P.O. Box 331, Kigali
Telephone: (+250) 788 149 747
(+250) 788 149 749

Directors' report

The directors submit their report together with the audited financial statements for the year ended 31 December 2020, which disclose the state of affairs of Guaranty Trust Bank (Rwanda) plc ("the Bank").

PRINCIPAL ACTIVITIES

The Company is engaged in the business of banking and the provision of related services.

RESULTS

The results for the year are set out on page 10.

DIVIDEND

The Directors do not recommend the payment of a dividend for the year 2020 (2019: Nil).

DIRECTORS

The Directors who served during the year are set out on page 1.

AUDITOR

The auditors, Ernst & Young Rwanda Limited, were appointed in 2020 in accordance with Regulation N°14/2017 of 23/11/2017 on accreditation and other requirements for external auditors of banks, insurers and insurance brokers.

BY ORDER OF THE BOARD

Secretary

Date: 31 March 2021

Statement of directors' responsibilities

The Directors are responsible for the preparation of financial statements that give a true and fair view of Guaranty Trust Bank (Rwanda) plc which comprise the statement of financial position as at 31 December 2020, and the statements of profit or loss and other 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 as set out on page 14 to 74, in accordance with International Financial Reporting Standards, in the manner required by Law No. 17/2018 of 13/04/2018 governing companies in Rwanda and Regulation No. 28/2019 of 09/09/2019 on publication of financial statements and other disclosures by banks in Rwanda.

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 Bank to continue as going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The independent auditors are responsible for reporting on whether the financial statements give a true and fair view in accordance with the International Financial Reporting Standards and in the manner required by Law No. 17/2018 of 13/04/2018 governing companies, and Regulation No. 28/2019 of 09/09/2019 on publication of financial statements and other disclosures by banks in Rwanda.

Approval of financial statements

The financial statements of Guaranty Trust Bank (Rwanda) plc, as identified in the first paragraph, were approved by the board of directors on and were signed on its behalf by:

……………………………………………
Chief Executive Officer

……………………………………………
Director

Date: 31 March 2021

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Guaranty Trust Bank (Rwanda) plc which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Law No. 17/2018 of 13/04/2018 governing companies.

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 are independent of Guaranty Trust Bank Rwanda PLC in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Rwanda and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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. These matters were 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 these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How the matter was addressed in our audit
IFRS 9. Expected Credit Losses **Refer to Note 28 (c) of the financial statements**	
IFRS 9 requires the Bank to recognise expected credit losses ("ECL") on financial instruments which involves significant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Bank's implementation of IFRS 9 are: — **Economic scenarios** – IFRS 9 requires the Bank to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. Significant management judgment is applied to determining the economic scenarios used and the probability weightings applied to them especially for the corporate portfolios — **Significant increase in credit risk ("SICR")** – for the retail and corporate portfolios the criteria selected to identify a significant increase in credit risk is a key area of judgement within the Bank's ECL calculation as these criteria determine whether a 12 month or lifetime provision is recorded. — **Model estimations** – inherently judgemental modelling is used to estimate ECL which involves determining probabilities of default ("PD"), loss given default ("LGD"), and exposures at default ("EAD"). The PD models used in the retail and corporate portfolios are the key drivers of the Bank's ECL results and are therefore the most significant judgemental aspect of the Bank's ECL modelling approach. — ***Qualitative adjustments*** – adjustments to the model driven ECL results are raised by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts especially in relation to the retail and corporate portfolios. The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers to be a key audit matter due to the high degree of estimation uncertainty and significant management judgement involved in determination of ECL.	Our audit procedures in this area included, among others: — Performing end to end process walkthroughs to identify the key systems, applications and controls used in the ECL processes. — Assessed the appropriateness of the Bank's methodology for determining the economic scenarios used. — Assessing key economic variables used as well as the overall reasonableness of the economic forecasts by comparing the Bank's forecasts to our own modelled forecasts with a focus on the retail and corporate portfolios. — On a sample basis, testing the key inputs and assumptions impacting ECL calculations to assess the reasonableness of economic forecasts, weights, and PD assumptions applied including key aspects of the Bank's SICR determinations and assessing model predictions against actual results; and — Evaluating on a sample basis the post model adjustments, considering the size and complexity of management overlays, in order to assess the reasonableness of the adjustments by challenging key assumptions, inspecting the calculation methodology and tracing a sample back to source data. — Assessing whether the disclosures appropriately disclose and address the uncertainty which exists when determining the expected credit losses and the key judgements and assumptions made was sufficiently clear.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Guaranty Trust Bank Financial Statements for the Year ended 31 December 2020 which includes the Directors' Report as required by the Law No. 17/2018 of 13/04/2018 governing companies. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines 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, management is 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.

Those charged with governance are 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.

INDEPENDENT AUDITOR’S REPORT(CONTINUED)
TO THE SHAREHOLDERS OF GUARANTY TRUST BANK (RWANDA) PLC

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

As required by the Law No. 17/2018 of 13/04/2018 governing Companies,

We confirm that:

i) We have no relationship, interests and debts in the company;

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

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

iv) We have communicated to you through the management letter, internal control weaknesses identified in the course of our audit including our recommendations with regard to those matters.

Stephen K Sang
For Ernst & Young Rwanda Limited

31 March 2021

	Notes	2020 Frw'000	2019 Frw'000
Interest income	1	8,092,792	7,346,128
Interest expense	2	(712,830)	(984,988)
Net interest income		**7,379,962**	**6,361,140**
Fee and commission income	3 (a)	2,951,920	2,846,637
Fee and commission expense	3 (b)	(796,060)	(875,919)
Net fee and commission income		**2,155,860**	**1,970,718**
Foreign exchange income	4(a)	1,063,459	987,720
Other operating income	4(b)	52,649	156,768
Total operating income		**10,651,930**	**9,476,346**
Net impairment charge on loans and advances	5	(705,228)	(841,489)
Employee benefits expense	6	(2,446,805)	(2,376,948)
Depreciation and amortization	7 (a)	(679,056)	(692,306)
Other operating expenses	7 (b)	(2,373,427)	(2,798,050)
Profit before income tax		**4,447,414**	**2,767,553**
Income tax expense	8	(1,303,771)	(1,131,999)
Profit for the year		**3,143,643**	**1,635,554**
Other comprehensive income		-	-
Total comprehensive income for the year		**3,143,643**	**1,635,554**

	Notes	2020 Frw'000	2019 Frw'000
ASSETS			
Cash and balances with the National Bank of Rwanda	9	23,898,032	13,384,277
Amounts due from other banks	10	6,800,072	16,742,210
Government securities	11	27,426,389	13,492,865
Loans and advances	12	48,622,677	42,633,996
Other assets	13	1,686,903	1,418,488
Intangible assets	14	743,062	929,479
Property and equipment	15	2,767,362	2,891,572
Right of use asset	16	2,182,113	2,490,898
TOTAL ASSETS		**114,126,610**	**93,983,785**
LIABILITIES			
Customer deposits	17(a)	89,046,813	72,651,332
Amounts due to other banks	17(c)	-	1,000,000
Other Borrowings	17(b)	964,817	-
Provisions	19(a)	155,034	143,263
Other liabilities	19(b)	2,841,087	1,933,232
Lease liability	18	2,371,049	2,632,698
Current income tax payable	8	578,723	430,845
Deferred income tax	20	272,221	439,192
TOTAL LIABILITIES		**96,229,744**	**79,230,562**
EQUITY			
Share capital	21	10,994,882	10,994,882
Revaluation reserves	22	368,693	562,100
Retained earnings	23(a)	6,474,539	3,196,241
Statutory Reserve	23(b)	58,752	-
TOTAL EQUITY		**17,896,866**	**14,753,223**
TOTAL EQUITY AND LIABILITIES		**114,126,610**	**93,983,785**

The financial statements were approved for issue by the Board of Directors on 31 March 2021 and signed on its behalf by:

Chief Executive Officer

Director

	Notes	Share capital	Revaluation reserve	Retained earnings	Statutory Reserve	Total equity
		Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
Year ended 31 December 2020						
At 1 January 2020		**10,994,882**	**562,100**	**3,196,241**	-	**14,753,223**
Comprehensive income:						
Profit for the year		-	-	3,143,643	-	3,143,643
Transferred in the year		-	(193,407)	193,407	-	-
Total comprehensive income for the year		**-**	**(193,407)**	**3,337,050**	**-**	**3,143,643**
Transfer to Statutory reserve	23 (b)	-	-	(58,752)	58,752	-
At 31 December 2020		**10,994,882**	**368,693**	**6,474,539**	**58,752**	**17,896,866**
At 1 January 2019		**10,994,882**	**562,100**	**1,634,253**	**-**	**13,191,235**
IFRS 16 transition adjustment		-	-	(73,566)	-	**(73,566)**
Adjusted opening balance		**10,994,882**	**562,100**	**1,560,687**	**-**	**13,117,669**
Comprehensive income:						
Profit for the year		-	-	1,635,554	-	**1,635,554**
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		**-**	**-**	**1,635,554**	-	**1,635,554**
At 31 December 2019		**10,994,882**	**562,100**	**3,196,241**	-	**14,753,223**

	Notes	2020 Frw'000	2019 Frw'000
Cash flows from operating activities			
Profit before income tax		4,447,414	2,767,553
Adjustments for:			
Depreciation on property and equipment	15	419,439	455,795
Amortization of intangible assets	14	259,617	236,511
Gain on disposal of fixed assets		(11,243)	(1,581)
Amortization on right-of-use asset	16	348,699	350,386
Interest on lease liability	18	159,617	179,950
IFRS 16- Lease cost net changes P/L impact	16&18	(2,828)	-
Cash flows from operating activities before changes in operating assets and liabilities		**5,620,715**	**3,988,614**
Changes in operating assets and liabilities:			
- Loans and advances		(5,988,681)	524,980
- Government securities		(9,937,522)	(4,914,140)
- Other assets		(268,414)	117,249
- Customer deposits		16,922,698	(72,661)
- Amounts due to other banks		(1,000,000)	1,000,000
- Provision for litigation		11,771	(10,346)
- Other liabilities		907,855	448,971
Income tax paid	8	(1,322,864)	(722,948)
Net cash used in operations		**4,945,558**	**359,717**
Cash flows from investing activities			
Purchase of property and equipment	15	(296,986)	(641,660)
Purchase of intangible assets	14	(73,200)	(70,504)
Proceeds from sale of property and equipment		13,001	4,454
Net cash used in investing activities		**(357,185)**	**(707,710)**
Cash flows from financing activities			
Borrowings taken	17(b)	964,817	-
Repayment of lease liability	18	(458,352)	(462,104)
Net cash flows from financing activities		**506,465**	**(462,104)**
Net increase / (decrease) in cash and cash equivalents		**5,094,838**	**(810,095)**
Cash and cash equivalents at start of year	25	32,858,464	33,668,559
Cash and cash equivalents at end of year	**25**	**37,953,302**	**32,858,464**

1 Interest income

	2020 Frw'000	2019 Frw'000
Loans and advances	6,188,459	5,881,892
Government securities	1,697,042	1,168,596
Placements with banks	207,291	295,640
	8,092,792	**7,346,128**

2 Interest expense

	2020 Frw'000	2019 Frw'000
Other Borrowing (ERF)	533	-
Customer deposits	685,219	955,227
Deposits with banks	27,078	29,761
	712,830	**984,988**

3 Net fee and commission income

(a) Fees and commission income

	2020 Frw'000	2019 Frw'000
Current account ledger fees	160,101	173,578
Credit related fees and commissions	955,517	753,083
Commissions on guarantees	388,402	368,853
Local and international cash transfers	726,804	836,109
Letters of credit commissions	231,007	132,646
Cash withdrawal commissions	120,827	147,573
ATM commissions	43,384	68,790
Cheque book charges	27,448	33,718
Other fee income:		
Bills of Collection fees	1,129	770
E-Business Other Charges	49,021	70,729
Miscellaneous Charges	14,452	24,099
Income on GTB UK transfer	24,731	28,098
Stop Payment Cheque Charges	130	220
Duplicate Statement Charges	14,949	18,574
Insurance Commissions	2,725	1,958
Standing Order Charges	1,947	1,479
Counter Cheques Withdrawal Charges	15,134	19,759
Commissions on Bankers Cheques Issued	819	643
Charge on number of withdrawals	10,729	13,057
Other Fees income	10,793	8,941
Commission Push and Pull	19,247	18,610
Penalties Commission on pre-matured TD	767	619
Visa Card Reimbursement fees	11,790	14,369
Non-Interest-Other Charges	50,573	54,035
GAPS Commission Account	69,494	56,327
	2,951,920	**2,846,637**

3 Trading income

(a)	***Fees and commissions expense***	**2020**	**2019**
		Frw'000	**Frw'000**
	Banking services	81,439	113,019
	Transaction charges	436,479	378,558
	Foreign Currency Import/Export Charges	51,657	152,964
	Other fee expenses:		
	MTN Push & Pull Support Fees	147,958	158,627
	Reuters Charges	59,188	54,074
	Mobile & E-Banking Charges	19,339	18,677
		796,060	**875,919**
	Net fees and commissions	**2,155,860**	**1,970,718**

4 Trading income

(a)	**Foreign exchange income**		
	Profit/Loss on Forex Revaluation	5,187	(34,454)
	Profit/Loss on Forex Trading	1,058,272	1,022,174
	Net Foreign exchange income	**1,063,459**	**987,720**
(b)	**Other income**		
	Gains on disposal of property and equipment	11,243	1,581
	Other non-trading Income	41,406	155,187
		52,649	**156,768**

5. Net impairment charges for credit losses

Stage 1	224,450	221,688
Stage 2	25,019	69,037
Stage 3	563,031	1,943,419
Recoveries on amounts previously written off	(107,272)	(1,392,656)
Net Impairment Charges for the year	**705,228**	**841,489**

6. Employee benefits expense

Salaries and wages	2,155,185	2,050,963
Contributions to the RSSB and other funds	55,953	55,607
Staff medical expenses	59,230	80,474
Other employee benefits	176,437	189,904
	2,446,805	**2,376,948**

7(a) Depreciation and amortization

		2020	**2019**
		Frw'000	**Frw'000**
Amortization charge on intangible assets	(Note 14)	259,617	236,511
Depreciation on property and equipment	(Note 15)	419,438	455,795
		679,056	**692,306**

7(b)	Other operating expenses	Frw'000 2020	Frw'000 2019
	Travel Related Expenses	47,828	85,128
	Directors expenses	84,971	99,847
	Lease Expenses	458,058	483,400
	Security costs	99,397	98,452
	Legal fees	104,229	129,176
	Repairs and maintenance	304,409	365,857
	Consultancy costs	401,799	264,846
	Water and electricity costs	148,472	123,240
	Printing and stationery	70,868	81,618
	Connection and communication charges	190,052	174,409
	Periodicals and other book subscriptions	72,240	91,351
	Human Capital Related Expenses	7,982	24,642
	Fines and penalties	6,332	-
	Disallowed VAT and other tax Expenses	13,200	450,527
	Advertising and publicity	19,147	47,665
	Audit fees	46,988	42,601
	Office cash handling charges	36,317	50,153
	Insurance	53,360	56,063
	Sundry losses	68,930	15,641
	Motor vehicle expenses	10,882	7,915
	Donation and grants	-	1,764
	Deposit Protection Insurance	66,363	66,122
	Other administrative expenses	61,603	37,634
		2,373,427	**2,798,051**

8	Income tax expense		
	Current income tax	1,470,741	1,065,451
	Deferred income tax (credit)/charge	(70,677)	66,548
	Over/understatement	(96,293)	-
		1,303,771	**1,131,999**

8 Income tax expense(continued)

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

	2020 Frw'000	2019 Frw'000
Profit before income tax	4,447,414	2,767,553
Tax calculated at the statutory income tax rate of 30% (2019: 30%)	1,334,224	830,266
Tax effect of:		
Permanent timing differences	65,840	301,733
Over/understatement	(96,293)	-
Income tax expense	**1,303,771**	**1,131,999**

Current income tax payable	**2020 Frw'000**	**2019 Frw'000**
At 1 January	430,845	88,342
Income tax charge for the year	1,470,741	1,065,451
Tax paid during the year	(1,322,864)	(722,948)
As at December	**578,722**	**430,845**

9 Cash and balances with National Bank of Rwanda

	2020 Frw'000	2019 Frw'000
Cash at hand	4,064,638	2,107,616
Balances with the National Bank of Rwanda	16,689,273	7,605,321
Cash reserve requirement	3,144,122	3,671,340
	23,898,032	**13,384,277**

The credit quality of unrestricted balances with the National Bank of Rwanda are assessed by reference to external credit ratings from Fitch. As at 31 December 2020, Rwanda's sovereign rating was B+.

10 Amounts due from other banks

	2020 Frw'000	2019 Frw'000
Operating accounts with other banks	2,656,506	9,510,087
Interest earning placements with other banks	4,084,395	6,734,377
Other balances from other banks	59,171	497,746
	6,800,072	**16,742,210**

10 Amounts due from other banks (continued)

The credit ratings, as per Fitch, of the financial institutions where the Bank's placements are held are shown below. Where individual bank ratings were not available, the parent bank's rating has been adopted, in order of preference.

	2020	2019
	Frw'000	Frw'000
B+	6,800,072	16,742,210
	6,800,072	**16,742,210**

11 Government securities

	2020	2019
At amortized cost	**Frw'000**	**Frw'000**
Treasury bills		
Opening	12,175,449	10,100,240
Additions	39,431,507	38,698,081
Repayments	(26,499,160)	**(36,622,872)**
At end of the year	**25,107,796**	**12,175,449**
Treasury bonds		
Opening	1,317,416	-
Additions	1,001,177	1,317,416
Repayments	-	-
At end of the year	**2,318,593**	**1,317,416**
Total at end of year	**27,426,389**	**13,492,865**

The maturity profile of Government securities is as follows:

	2020	2019
	Frw'000	Frw'000
Treasury bonds maturing:		
• within 3 years from the date of acquisition	939,408	939,979
• within 5 years from the date of acquisition	1,379,185	377,437
Sub-Total	**2,318,593**	**1,317,416**
Treasury bills maturing:		
• within 91 days	10,399,319	6,403,317
• within 181 days	3,858,558	3,903,536
• within 1 year	10,849,919	1,868,596
Sub-Total	**25,107,796**	**12,175,449**
Total Investment in Securities	**27,426,389**	**13,492,865**

12 Loans and advances

	2020	2019 Frw'000
Overdrafts	13,641,693	13,389,086
Personal loans	2,238,683	1,890,945
Commercial Loans	26,821,798	21,949,868
Mortgages	7,056,826	6,653,490
Gross loans and advances	**49,759,000**	**43,883,389**
Less:		
Provision for impairment of loans and advances	(1,136,323)	(1,249,393)
Net loans and advances	**48,622,677**	**42,633,996**

Movements in gross loans and advances are as follows:

Bank	**Stage 1 12-month ECL Rwf'000**	**Stage 2 Lifetime ECL Rwf'000**	**Stage 3 Lifetime ECL Rwf'000**	**Total Rwf'000**
Gross carrying amount as at 01 January 2020	29,261,370	7,489,801	7,132,218	43,883,389
Changes in the gross carrying amount				
– Transfer from stage 1 to stage 2	(1,616,274)	1,616,274	-	-
– Transfer from stage 1 to stage 3	(36,754)	-	36,754	-
– Transfer from stage 2 to stage 3	-	(1,859,023)	1,859,023	-
– Transfer from stage 3 to stage 2	-	13,215	(13,215)	-
– Transfer from stage 2 to stage 1	2,453,120	(2,453,120)	-	-
– Write-offs	-	-	(1,123,937)	(1,123,937)
New financial assets originated or purchased	22,444,951	833,978	-	23,278,929
Repayments	(11,640,526)	(2,502,464)	(2,136,391)	(16,279,381)
Gross carrying amount as at 31 December 2020	**40,865,888**	**3,138,662**	**5,754,451**	**49,759,000**

Bank	**Stage 1 12-month ECL Rwf'000**	**Stage 2 Lifetime ECL Rwf'000**	**Stage 3 Lifetime ECL Rwf'000**	**Total Rwf'000**
Gross carrying amount as at 01 January 2019	37,781,166	2,001,366	8,330,590	48,113,122
Changes in the gross carrying amount				
– Transfer from stage 1 to stage 2	(4,716,449)	4,716,449	-	-
– Transfer from stage 1 to stage 3	(288,649)	-	288,649	-
– Transfer from stage 2 to stage 3	-	(287,981)	287,981	-
– Transfer from stage 3 to stage 2	-	9,845	(9,845)	-
– Transfer from stage 2 to stage 1	1,233,889	(1,233,889)	-	-
– Write-offs	-	-	(6,565,512)	(6,565,512)
New financial assets originated or purchased	15,221,193	2,634,856	-	17,856,049
Repayments	(19,969,780)	(350,844)	4,800,354	(15,520,270)
Gross carrying amount as at 31 December 2019	**29,261,370**	**7,489,801**	**7,132,218**	**43,883,389**

12 Loans and advances (continued)

Movements in provisions for impairment of loans and advances are as follows:

	Stage 1 12Months ECL Frw'000	Stage 2 Lifetime ECL Frw'000	Stage 3 Lifetime ECL Frw'000	Total Frw'000
Period ended 31 December 2020				
At start of year	588,442	72,722	588,228	1,249,393
Charge to profit or loss (note 5)	224,450	25,019	563,031	812,500
Transfer from stage 1 to stage 2	(3,955)	3,955	-	-
Transfer from stage 1 to stage 3	(385,573)	-	385,573	-
Transfer from stage 2 to stage 3	-	(49,275)	49,275	-
Transfer from stage 3 to stage 2	-	325	(325)	-
Transfer from stage 2 to stage 1	16,405	(16,405)	-	-
Write offs	-	-	(1,123,937)	(1,123,937)
Adjustment for suspense interest	(314,398)	3,196	509,569	198,368
Net change in the year	(463,072)	(33,184)	383,186	(113,070)
At end of year	**125,371**	**39,539**	**971,414**	**1,136,323**

	Stage 1 12 Months ECL Frw'000	Stage 2 Lifetime ECL Frw'000	Stage 3 Lifetime ECL Frw'000	Total Frw'000
Period ended 31 December 2019				
At start of year	531,046	106,028	4,317,073	4,954,147
Charge to profit or loss (note 5)	221,688	69,037	1,943,419	2,234,145
Transfer from stage 1 to stage 2	(82,261)	82,261	-	-
Transfer from stage 1 to stage 3	(13,128)	-	13,128	-
Transfer from stage 2 to stage 3	-	(3,719)	3,719	-
Transfer from stage 3 to stage 2	-	-	-	-
Transfer from stage 2 to stage 1	2,066	(2,066)	-	-
Write-offs	-	-	(6,565,512)	(6,565,512)
Adjustment for suspense interest	(70,968)	(178,819)	876,400	626,613
Net change in the year	57,397	(33,306)	(3,728,845)	(3,704,754)
At end of year	**588,442**	**72,722**	**588,228**	**1,249,393**

13 Other assets

	2020 Frw'000	2019 Frw'000
Prepayments	257,513	267,743
Other accounts receivable	396,765	221,501
Current Income Tax Recoverable:		
Installment Tax	732,710	567,201
Tax to be recovered from RRA	-	326,601
VAT Claimable	2,859	1,557
Tax recoverable WHT	297,056	33,885
	1,686,903	**1,418,489**
Other accounts receivable:		
Clearing Suspense	48,632	48,632
Money gram funds	41,175	11,395
Western Union funds	20,494	16,429
Suspense new head office	1,658	916
Sundry Debtors	14,929	13,104
Cash Shortage Account	3,679	5,024
Guaranty Deposit Recoverable	27,044	27,044
Utilities Account and Tigo push and pull	23,389	4,038
Other Accounts receivables	215,765	94,918
	396,765	**221,501**

14 Intangible assets

	Intangible -Assets	Intangible -WIP	Total
Cost	**Frw'000**	**Frw'000**	**Frw'000**
At 1 January 2020	2,756,544	66,257	2,822,801
Additions	42,797	30,403	73,200
Additions from WIP	96,660	(96,660)	-
At 31 December 2020	**2,896,001**	**-**	**2,896,001**
Amortization			
At 1 January 2020	(1,893,322)	-	(1,893,322)
Charge for the year	(259,617)	-	(259,617)
At 31 December 2020	**(2,152,939)**	**-**	**(2,152,939)**
Net book value	**743,061**	**-**	**743,061**

14 Intangible assets (continued)

	Intangible -Assets	Intangible -WIP	Total
Cost	**Frw'000**	**Frw'000**	**Frw'000**
At 1 January 2019	2,680,390	71,907	2,752,297
Additions	64,854	5,650	70,504
Additions from WIP	11,300	(11,300)	-
At 31 December 2019	**2,756,544**	**66,257**	**2,822,801**
Amortization			
At 1 January 2019	(1,656,811)	-	(1,656,811)
Charge for the year	(236,511)	-	(236,511)
At 31 December 2019	**(1,893,322)**	**-**	**(1,893,322)**
Net book value	**863,222**	**66,257**	**929,479**

Intangible assets relate to computer software licenses

15 Property and equipment	Land and buildings Frw'000	Leasehold improvements Frw'000	Motor vehicles Frw'000	Furniture & fittings Frw'000	Works in progress Frw'000	Total Frw'000
Cost / valuation						
As at 1 January 2020	946,512	2,107,668	492,217	3,076,008	126,980	6,749,386
Additions	-	-	-	160,197	136,789	296,986
Additions from WIP	-	10,307	-	248,862	(259,169)	-
On disposals	-	(129,645)	-	(46,737)	-	(176,382)
Reclassification	(63,415)	63,415	-	-	-	-
As at 31 December 2020	**883,098**	**2,051,745**	**492,217**	**3,438,330**	**4,600**	**6,869,989**
Accumulated depreciation						
As at 1 January 2020	137,424	877,406	277,183	2,565,801	-	3,857,814
Elimination on disposals	-	(129,645)	-	(44,980)	-	(174,625)
Charge for the year	6,177	119,629	87,799	205,833	-	419,438
Reclassification	(85,062)	77,116	-	7,945	-	-
As at 31 December 2020	**58,540**	**944,507**	**364,982**	**2,734,599**	**-**	**4,102,628**
Net book amount at 31 December 2020	**824,558**	**1,107,238**	**127,236**	**703,730**	**4,600**	**2,767,362**
Cost / valuation						
As at 1 January 2019	1,516,741	1,940,043	387,358	2,912,800	91,454	6,848,396
Additions	-	5,529	179,621	118,107	338,403	641,660
Additions from WIP	-	212,198	-	90,680	(302,878)	-
On disposals	(570,229)	(50,101)	(74,762)	(44,037)	-	(739,129)
Adjustment	-	-	-	(1,541)	-	(1,541)
As at 31 December 2019	**946,512**	**2,107,668**	**492,217**	**3,076,008**	**126,980**	**6,749,386**
Accumulated depreciation						
As at 1 January 2019	675,429	788,490	267,967	2,407,930	-	4,139,817
Elimination on disposals	(570,229)	(50,101)	(74,762)	(41,164)	-	(736,256)
Charge for the year	32,224	139,018	83,977	200,576		455,795
Adjustment	-	-	-	(1,541)	-	(1,541)
As at 31 December 2019	**137,424**	**877,406**	**277,182**	**2,565,801**	**-**	**3,857,814**
Net book amount at 31 December 2019	**809,088**	**1,230,262**	**215,035**	**510,207**	**126,980**	**2,891,572**

15 Property and equipment

Fair value for buildings

An independent valuation of the company's land and buildings was performed by valuers to determine the fair value of the land and buildings as at 31 December 2013. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income. If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2020 Frw'000	2019 Frw'000
Cost	540,172	540,172
Accumulated depreciation	(82,397)	(74,307)
	457,775	**465,865**

The table below analyses the non-financial assets carried at fair value, by valuation method. The different level of fair value measurement hierarchy is described as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Fair value measurements at 31 December 2020 using

	Level 1	Level 2	Level 3
Recurring fair value measurements			
Land and buildings	-	-	883,098

Fair value measurements at 31 December 2019 using

	Level 1	Level 2	Level 3
Recurring fair value measurements			
Land and buildings	-	-	883,098

15 Property and equipment

Land and buildings (Continued)

The company's finance department coordinates the valuations processes of land and buildings required for financial reporting purposes, including level 3 fair values. This team reports directly to the Head of Financial control. Discussions of valuation processes and results are held between the Head of Financial control and the valuation team in line with the accounting policy.

The company engages external, independent and qualified valuers to determine the fair value of the company's land and buildings. As at 31 December 2013, the fair values of the land and buildings have been determined by Eng. Alphonse Marie NGABIJE.

The external valuations of the level 3 land and buildings have been performed using a sales comparison approach. However due to the limited number of similar sales in the local market and the valuations have been performed using unobservable inputs. Based on the external valuers' report, the finance team has determined these inputs based on the size, age and condition of the land and buildings, the state of the local economy and comparable prices in the corresponding national economy.

For purposes of disclosures, the directors have done a desktop review to determine the approximate carrying values

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value	Valuation technique(s)	Unobservable inputs	Relationship of unobservable inputs to fair value
31 December 2020	**Frw'000**			
Land and buildings	682,876	Sales comparison approach	Price per square meter	The higher the price per square meter, the higher the fair value
31 December 2019				
	Frw'000			
Land and buildings	725,125	Sales comparison approach	Price per square meter	The higher the price per square meter, the higher the fair value

16 Right-of-use asset

	2020	2019
	Frw'000	Frw'000
Year ended 31 December 2020		
At start of year	2,490,898	-
Additions	-	2,841,284
Increase/ reduction on lease cost	39,914	-
Depreciation charge	(348,699)	(350,386)
At end of year	**2,182,113**	**2,490,898**

The company leases various office buildings, branches, and equipment in the normal course of business. The leases for buildings and branches are typically for a period of between year 2015 and 2028, with option to renewal at the end of the term. The Bank has no leases of equipment. None of these leases contains any restrictions or covenants other than the protective rights of the lessor or carries a residual value guarantee.

16(a) IFRS 16- Leases assumption

(i) Lease Term Assumptions

The Bank considered two consecutive terms for the existing lease periods for the various premises used for the Bank activities. The periods range between 1 year for the short ones and 10 years for the longest lease period. These is premised on the going concern of the Bank's activities in the foreseeable future.

(ii) Incremental Borrowing Rate

The Bank settled on using the incremental borrowing rate in measuring the lease liability since the interest rate implicit on them could not be readily determined. The Bank adopted the incremental borrowing rates that it would have to pay to borrow over the specified lease periods and with a similar security, for the funds necessary to obtain an asset of a similar value to the right-of-use asset. The incremental borrowing rates are as below:

Lease Period	Borrowing Rate
1-3years	10%
4-7years	7%
8years and above	5%

17 Due to customers and financial institution

17 (a) Customer deposits

	2020	2019
	Frw'000	Frw'000
Current and demand accounts	77,208,586	63,058,720
Term deposits accounts	3,030,258	1,963,470
Savings accounts	8,807,968	7,629,142
Total	**89,046,813**	**72,651,332**

Customers' deposits only include financial instruments classified as liabilities at amortized cost.
Interest earning fixed and demand deposits are at fixed interest rates.

17(b) Other Borrowings

	2020	2019
	Frw'000	Frw'000
At 1 January	-	-
Additions in the year	964,284	-
Accrued interest on other borrowing	533	-
Repayment in the year	-	-
At 31 December	964,817	-

The borrowing amount relates to the funds received from Central Bank of Rwanda (BNR) as economic stimulus to support customers whose business activities were adversely affected by COVID-19. By end of the year, the Bank received funds in two categories; 1) under Hotel Financing Window at 0% interest rate and 2) under Working Capital Financing Window at 2% interest rate payable within the period equivalent to that given to the respective customers ranging between 1 to 5 years.

17(c) Amount due to other banks

	2020	2019
	Frw'000	Frw'000
At 1 January	1,000,000	-
Additions	28,150,000	35,900,000
Repayment	(29,150,000)	(34,900,000)
At 31 December	**-**	**1,000,000**

Amount due to other banks relates to 1 to 7 days overnight interbank borrowings at an interest rate between 4.5% p.a to 5.5% p.a.

18 (a) Lease Liabilities

	2020	2019
	Frw'000	Frw'000
Expected to be settled more than 12 months after the year end	2,371,049	2,632,698
The total cash outflow for leases in the year was:		
Payments of principal portion of the lease liability	298,735	282,154
Interest paid on lease liabilities	159,617	179,950
Total lease payments in the year	**458,352**	**462,104**

(b) Lease liability movement

	2020	2019
At 1 January	2,632,698	2,914,852
Increase on lease cost	37,086	-
Interest paid on lease liabilities	159,617	179,950
Lease payments in the year	(458,352)	(462,104)
At 31 December	**2,371,049**	**2,632,698**

19 Other Liabilities

19(a) Provision for litigations

	2020 Frw'000	2019 Frw'000
At 1 January	143,263	153,610
Charged to statement of profit or loss	60,311	60,311
Payouts from provision	(48,541)	(70,658)
At 31 December	**155,034**	**143,263**

Provision for litigation arise out of actual claims or pursuits alleging non-compliance with contractual or other legal or regulatory responsibilities, which have resulted or may arise in claims from customer, counter parties or other parties in civil litigations. The Bank is of the opinion that disclosing these events on a case by case basis would prejudice their outcome, hence such detailed disclosures have not included in the Bank financials statement. The Bank continues to vigorously defend its position. The Directors continue to monitor the development of these matters and to the extent those developments may have a major impact on its financial position, or may significantly affect its ability to meet its commitments, the Bank shall disclose those developments in line with relevant reporting standard.

19(b) Other liabilities

	2020 Frw'000	2019 Frw'000
Accrued expenses	768,974	596,466
Unearned interest, deferred fees and commissions	261,135	231,992
Other taxes payable	1,138,853	788,093
Clearing accounts - liabilities	190,556	50,948
Other payables	481,570	265,733
Total	**2,841,088**	**1,933,232**

20 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2019: 30%). The movement on the deferred income tax account is as follows:

	2020 Frw'000	2019 Frw'000
At start of year	439,192	372,644
Deferred tax (Credit)/Charge for the year	(70,678)	66,548
Under/over statement	(96,293)	-
	272,221	**439,192**

The deferred income tax liability, deferred income tax charge/(credit) to profit and loss (PL) and deferred income tax charge to other comprehensive income (OCI) are attributable to the following items:

Deferred income tax details	**01-Jan Frw'000**	**Under/over provision Frw'000**	**(Credited) / Charged to PL Frw'000**	**31-Dec Frw'000**
Year ended 31 December 2020				
Property and equipment				
On a historical basis	267,089	197,859	(19,373)	445,574
On a revaluation basis	240,900	(82,817)	-	158,083
IFRS 16 application	22,070	(64,610)	(14,141)	(56,681)
Other temporary differences	(90,867)	(146,724)	(37,164)	(274,755)
Net Balance	**439,192**	**(96,293)**	**(70,678)**	**272,221**

20 Deferred income tax(continued)

Deferred income tax details	01-Jan	(Credited) / Charged to PL	31-Dec
	Frw'000	Frw'000	Frw'000
Year ended 31 December 2019			
Property and equipment			
- On a historical basis	222,611	44,478	267,089
- On a revaluation basis	240,900	-	240,900
IFRS 16 transition adjustment	-	22,070	22,070
Other temporary differences	(90,867)	-	(90,867)
Net Balance	**372,644**	**66,548**	**439,192**

21 Share capital

	2020	2019
	Frw'000	Frw'000
Balance at 1 January	10,994,882	10,994,882
Balance at 31 December	**10,994,882**	**10,994,882**

The total authorized and issued number of ordinary shares is 10,994,882 (2019: 10,994,882) with a par value of Frw1,000 per share (2019: Frw1000 per share). All issued shares are fully paid. The Bank has not paid any dividend to the shareholders for the year 2020 (2019: Nil).

22 Revaluation reserve

The revaluation reserve represents the surplus on the revaluation of buildings that is not distributable. Movements in the revaluation reserve are shown on the statement of changes in equity.

	2020	2019
	Frw'000	Frw'000
At beginning of year	562,100	562,100
Transferred during the year	(193,407)	-
At end of year	**368,693**	**562,100**

23(a) Retained earnings

At beginning of year	3,196,241	1,634,253
IFRS16 transition adjustment	-	(73,566)
Transferred in the year	193,407	-
Transfer to statutory reserve	(58,752)	-
Profit after tax for the year	3,143,643	1,635,554
At the end of year	**6,474,539**	**3,196,241**

23(b) Statutory Reserve	58,752	-

Article 26 of Regulation No. 12/2017 of 23/11/2017 on credit classification and provisioning requires that where provisions determined using IFRS are lower than provisions determined using the National Bank of Rwanda Regulation, the difference shall be treated as an appropriation from retained earnings and placed in a non-distributable reserve. The excess amount in the current year is Frw58,752,314.

24 Related party transactions

The Bank is controlled by Guaranty Trust Bank (Kenya) Limited incorporated in Kenya, which is in turn controlled by Guaranty Trust Bank plc incorporated in Nigeria, the latter being the ultimate parent of the Group. There are other companies that are related to Guaranty Trust Bank (Rwanda) plc through common shareholdings or common directorships.
A number of banking transactions are entered into with related parties. These include operation of current accounts, placement of deposits and foreign currency transactions.
The volumes of related-party transactions, outstanding balances at the year-end, and related expense and income for the year are as follows:

	2020 Frw'000	2019 Frw'000
(a) Placements and operating accounts with related parties		
Parent company	240,088	1,060,398
Guaranty Trust Bank (Kenya) Limited	6,469	4,832,549
Guaranty Trust Bank (UK) Limited	1,113,870	5,302,149
	1,360,427	**11,195,096**
Interest income earned on placements with related parties	8,085	180,018
(c) Non-interest-bearing amounts due to related parties:		
Guaranty Trust Bank (Kenya) Limited	44	70
Total	**44**	**70**

(d)	**Loans to Directors**	**Frw'000**	**Frw'000**
	At start of year	6,881	13,938
	Advanced during the year	-	-
	Interest earned on loans to directors	395	1,835
	Repaid during the year	(7,276)	(8,892)
	At end of year	**-**	**6,881**

Loans to directors were issued at interest rates ranging between 14% and 20% (2019: 14% and 20%) and were all performing as at 31 December 2020 and 2019.

		2020 Frw'000	2019 Frw'000
	Interest income earned on loans to directors	395	1,835
(e)	**Deposits by Directors**		
	At start of year	137,987	3,791
	Deposits added	158,849	134,195
	At end of year	**296,836**	**137,987**
(f)	**Key management compensation**		
	Salaries and other short-term employment benefits	381,109	323,414
(g)	**Directors' remuneration**		
	Fees for services as a director	81,793	94,337

25 Analysis of cash and cash equivalents as shown in the cash flow statement

	2020 Frw'000	2019 Frw'000
Cash and Balances with Central Bank of Rwanda (Note 9)	23,898,032	13,384,277
Less: Cash Reserve Requirement (see below)	(3,144,122)	(3,671,340)
Treasury bills maturing within 91 days (Note 11)	10,399,319	6,403,317
Placements with other banks (Note 10)	6,800,072	16,742,210
	37,953,302	**32,858,464**

For purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 91 days to maturity including: cash and balances with the National Bank of Rwanda, treasury bills and other eligible bills, and amounts due from other banks. Cash and cash equivalents exclude the cash reserve requirement held with the National Bank of Rwanda.

Banks are required to maintain a prescribed minimum cash balance with the National Bank of Rwanda that is not available to finance the Bank's day-to-day activities. The amount is determined as 4% (2019: 5%) of the average outstanding customer deposits over a cash reserve cycle period of two weeks.

26 Off balance sheet financial instruments, contingent liabilities and commitments

In common with other Banks, the Bank conducts business involving acceptances, letters of credit, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

	2020 Frw'000	2019 Frw'000
Contingent liabilities		
Acceptances and letters of credit	4,814,470	5,118,426
Guarantees and performance bonds	18,180,366	16,865,085
Total	**22,994,837**	**21,983,511**

Nature of contingent liabilities

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Company expects most acceptances to be presented, and reimbursement by the customer is normally immediate. Letters of credit commit the Company to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.
Guarantees are generally written by a bank to support performance by a customer to third parties. The Company will only be required to meet these obligations in the event of the customer's default.

Other commitments

	2020 Frw'000	2019 Frw'000
Undrawn formal stand-by facilities, credit lines and other commitments to lend	4,414,215	3,429,924

26 Off balance sheet financial instruments, contingent liabilities and commitments (Continued)

Nature of commitments

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

27 Financial risk management

The Bank's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Bank's business, and the financial risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance.
Risk management is carried out by the Board Assets and Liabilities Committee (ALCO), Board Credit Committee (BCC) and Board Risk Committee (BRC) under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as currency risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments.

(a) Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Bank by failing to pay amounts in full when due. Credit risk is the most important risk for the Bank's business: management therefore carefully manages the exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. Credit risk management and control is centralized in the credit risk management team in the Credit department, which reports regularly to the Board of Directors.

(i) Credit risk measurement

(a) Loans and advances (including commitments and guarantees)
The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.
In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank reflects three components (i) the probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Bank derives the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

Probability of default

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty.

For regulatory purposes and for internal monitoring of the quality of the loan portfolio, all the customers are segmented into five rating classes as shown below:

27 Financial risk management(continued)

(a) Credit risk (continued)

The Bank's internal ratings scale

Description of the grade	Grade characteristics	Regulatory rating	Bank's rating
Performing	Facilities whose payments of principal and interest are up to date/overdue by up to 29 days	I	I
Watch	Facilities whose payments of principal and/ interest are overdue by up to 89 days	II	II
Substandard	Facilities whose payments of principal and/ interest are overdue by up to 179 days	III	III
Doubtful	Facilities whose payments of principal and/ interest are overdue by up to 1 year	IV	IV
Loss	Facilities whose payments of principal and/ interest are overdue by over 1 year	V	V

Exposure at default

Exposure at default is based on the amounts the Bank expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

Loss given default

Loss given default or loss severity represents the Bank's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure. It typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

(ii) Risk limit control and mitigation policies

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent review. Limits on the level of credit risk by product, and industry sector are approved annually by the Board of Directors. The Board of Directors also approves individual borrower limits above specified amounts.

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

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over properties;
- Charges over business assets such as premises, plant and equipment; and
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured.

(iii) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

27 Financial risk management(continued)

(a) Credit Risk (Continued)

(ii) Credit related commitments(continued)

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

(iii) Impairment and provisioning policies

The impairment allowance shown in the balance sheet at year-end is de rived from each of the five internal rating grades. The bank determines the impairment provision on loans and advances to customers as the difference between the carrying amount of a loan balance and the present value of estimated future cash flows, discounted at the loan's effective interest rate.

Movement in provisions for impairment of loans and advances are as follows:

	2020	**2019**
	Frw'000	**Frw'000**
At 1 January	1,249,393	4,954,147
Provision for loan impairment:		
-Against Stage 1	224,450	221,688
-Against Stage 2	25,019	69,037
-Against Stage 3	563,031	1,943,419
Adjustment for suspended interest	198,368	626,613
Amounts written off during the period	(1,123,937)	(6,565,512)
Net change in the period	(113,070)	(3,704,754)
As at 31 December	**1,136,323**	**1,249,393**

iv) Definition of default

In line with the accounting standard, the Bank adopts a multi factor approach in assessing changes in credit risk – quantitative (primary), qualitative (secondary) and back stop indicators. These factors are critical in allocating financial assets into stages.

The Bank has considered the following in determining the staging of facilities:

(i) Qualitative factors
The customer's risk rating

(ii) Quantitative factors

- The facility's arrears status
- Number of restructures, if any
- Change in customer rating since origination

(iii) The indicators of Significant Increase in Credit Risk (SICR) are:

- Is the facility more than 30 days past due?
- Has there been a decline of two points or higher in rating since origination?

27 Financial risk management(continued)

(a) Credit Risk (Continued)

Classification and measurement of financial instruments

(a) Categorization of Loans and advances

The table below analyses the group's Loans and advances based on the categorization by Performance of the Loans and the allowances taken on them.

	Dec-2020			Dec-2019		
	Loans to Individual	**Loans to non-Individual**	**Total**	**Loans to Individual**	**Loans to non-Individual**	**Total**
	FRW'000	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**
Stage 1	7,135,015	38,378,528	**45,513,543**	5,008,014	31,943,164	**36,951,178**
Stage 2	261,668	957,623	**1,219,291**	464,603	1,959,476	**2,424,080**
Stage 3	450,069	2,576,098	**3,026,166**	699,149	3,808,982	**4,508,131**
Gross Loans and Advances	**7,846,751**	**41,912,249**	**49,759,000**	**6,171,767**	**37,711,622**	**43,883,389**
Less expected credit losses:						
Stage 1	2,256	123,115	**125,371**	50,815	537,627	**588,442**
Stage 2	1,563	37,976	**39,539**	13,938	58,784	**72,722**
Stage 3	204,296	767,118	**971,414**	40,055	548,173	**588,228**
Total allowance	**208,114**	**928,209**	**1,136,323**	**104,808**	**1,144,585**	**1,249,393**
Net Loans and Advances	**7,638,637**	**40,984,040**	**48,622,677**	**6,066,959**	**36,567,037**	**42,633,996**

27 Financial risk management(continued)

(a) Credit Risk (Continued)

Each category of the gross loans is further analyzed into Product lines as follows:

	Dec-2020			Dec-2019		
	Loans to Individual	**Loans to non-Individual**	**Total**	**Loans to Individual**	**Loans to non- Individual**	**Total**
	FRW'000	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**	**FRW'000**
Loans	7,059,943	25,227,882	**32,287,825**	4,878,723	19,043,801	**23,922,524**
Overdrafts	75,072	13,150,645	**13,225,718**	129,291	12,899,363	**13,028,654**
Stage 1	**7,135,015**	**38,378,528**	**45,513,543**	**5,008,014**	**31,943,164**	**36,951,178**
Loans	261,434	551,043	**812,477**	464,389	1,951,797	**2,416,186**
Overdrafts	233	406,580	**406,814**	214	7,679	**7,894**
Stage 2	**261,668**	**957,623**	**1,219,291**	**464,603**	**1,959,476**	**2,424,080**
Loans	449,281	2,567,723	**3,017,005**	697,624	3,457,970	**4,155,593**
Overdrafts	787	8,374	**9,162**	1,526	351,013	**352,538**
Stage 3	**450,069**	**2,576,098**	**3,026,166**	**699,149**	**3,808,982**	**4,508,131**
Gross Loans and Advances	**7,846,751**	**41,912,249**	**49,759,000**	**6,171,767**	**37,711,622**	**43,883,389**

27 Financial risk management(continued)

(a) Credit Risk (Continued)

The impairment allowance on loans is further analyzed along the product lines as follows:

	Dec-2020			Dec-2019		
	Loans to Individual	Loans to non-Individual	Total	Loans to Individual	Loans to non-Individual	Total
	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000	FRW'000
Stage 1:						
Loans	1,505	84,049	**85,554**	49,503	320,521	**370,025**
Overdrafts	751	39,066	**39,817**	1,312	217,106	**218,418**
Sub-total	**2,256**	**123,115**	**125,371**	**50,815**	**537,627**	**588,442**
Stage 2:						
Loans	1,556	35,357	**36,913**	13,932	58,554	**72,486**
Overdrafts	7	2,619	**2,626**	6	230	**237**
Sub-total	**1,563**	**37,976**	**39,539**	**13,938**	**58,784**	**72,722**
Stage 3:						
Loans	204,150	766,046	**970,195**	39,967	497,657	**537,624**
Overdrafts	146	1,072	**1,218**	87	50,516	**50,604**
Sub-total	**204,296**	**767,118**	**971,414**	**40,055**	**548,173**	**588,228**
Total allowance	**208,114**	**928,209**	**1,136,323**	**104,808**	**1,144,585**	**1,249,393**

27 Financial risk management(continued)

(a) Credit Risk (Continued)

(b) Summary of collaterals pledged by customers against loans and advances

An estimate of the fair value of any collateral and other security enhancements held against loans and advances to customers shown below:

Loans and advances to customers

Dec-2020	**Gross Loans**	**Collateral**	**Excess Cover**
	FRW'000	**FRW'000**	**FRW'000**
Against Stage 1 Loans and Advances	45,513,543	77,424,351	31,910,808
Against Stage 2 Loans and Advances	1,219,291	2,692,373	1,473,082
Against Stage 3 Loans and Advances	3,026,166	7,620,164	4,593,997
Total	**49,759,000**	**87,736,888**	**37,977,888**

Dec-2019	**Gross Loans**	**Collateral**	**Excess Cover**
	FRW'000	**FRW'000**	**FRW'000**
Against Stage 1 Loans and Advances	36,951,178	61,060,294	24,109,116
Against Stage 2 Loans and Advances	2,424,080	3,389,812	965,732
Against Stage 3 Loans and Advances	4,508,131	8,284,643	3,776,512
Total	**43,883,389**	**72,734,749**	**28,851,360**

27 Financial risk management(continued)

(a) Credit Risk (Continued)

Summary of collaterals pledged by customers against loans and advances

Analysis of credit collateral is further shown below:

Collaterals against:	**Loans and advances to customers Dec-20**			**Loans and advances to customers Dec-19**		
In FRW'000	**Term Loans**	**Overdrafts**	**Total**	**Term Loans**	**Overdrafts**	**Total**
Against Stage 1 Loans and Advances:						
Property	57,218,755	17,705,901	74,924,657	41,671,169	14,789,120	56,460,289
Cash	630,777	949,249	1,580,025	136,168	356,072	492,240
Guarantees	-	919,669	919,669	1,181,812	-	1,181,812
Negative Pledge	-	-	-	-	2,925,953	2,925,953
Total	**57,849,532**	**19,574,819**	**77,424,351**	**42,989,149**	**18,071,145**	**61,060,294**
Against Stage 2 Loans and Advances:						
Property	2,361,975	270,470	2,632,445	3,389,812	-	3,389,812
Cash	59,928	-	59,928	-	-	-
Total	**2,421,903**	**270,470**	**2,692,373**	**3,389,812**	**-**	**3,389,812**
Against Stage 3 Loans and Advances:						
Property	7,476,643	143,521	7,620,164	7,355,186	929,457	8,284,643
Total	**7,476,643**	**143,521**	**7,620,164**	**7,355,186**	**929,457**	**8,284,643**
Grand total	**67,748,078**	**19,988,810**	**87,736,888**	**53,734,146**	**19,000,603**	**72,734,749**

27 Financial risk management(continued)

(a) Credit Risk (Continued)

v) Maximum exposure to credit risk before collateral held or other credit enhancements

Maximum exposure to credit risk before collateral held

	2020 Frw'000	2019 Frw'000
Balances with Central Bank	16,689,273	11,276,661
Amounts due from other banks	6,800,072	16,742,210
Loans and advances to customers	48,622,677	42,633,996
Government securities	27,426,389	13,492,864
Other assets	1,686,903	1,418,489
Credit risk exposures relating to off-balance sheet items:		
- Acceptances and letters of credit	4,814,470	5,118,426
- Guarantee and performance bonds	18,180,366	16,865,085
- Commitments to lend	4,414,215	3,429,924
	128,634,365	**110,977,656**

The above table represents a worst-case scenario of credit risk exposure to the Bank at 31 December 2020 and 31 December 2019, without taking account of any collateral held or other credit enhancements attached. For on-statement of financial position assets, the exposures set out above are based on carrying amounts as reported on the statement of financial position.

Loans and advances to customers are secured by collateral in the form of charges over land and buildings and/or plant and machinery or corporate guarantees.

Financial assets that are past due or impaired

Loans and advances are summarized as follows:

	Bank's rating	2020 Frw'000	2019 Frw'000
Neither past due nor impaired	Class I	45,670,274	37,760,870
Past due but not impaired	Class II	1,817,757	4,543,086
Individually impaired	Class III, IV & V	2,270,969	1,579,433
Gross loans and advances		**49,759,000**	**43,883,389**
Less: Expected credit losses (Note 12)		(1,136,323)	(1,249,393)
Net Loans and Advances		**48,622,677**	**42,633,996**

No other financial assets are either past due or impaired. All financial assets that are neither past due nor impaired are within their approved exposure limits and none have had their terms renegotiated. None of the Bank's credit risk counter parties are rated except the Government of Rwanda, the issuer of the Bank's government securities which has B rating.

Different loan facilities held by the Bank are supported by collaterals as shown below:

	2020 Frw'000	2019 Frw'000
Overdrafts	19,988,810	19,000,603
Personal loans	1,484,368	4,713,396
Commercial Loans	48,006,061	32,921,365
Mortgages	18,257,648	16,099,385
Total collateral fair value	**87,736,888**	**72,734,749**

27 Financial risk management

(a) Credit Risk (Continued)

Loans and advances neither past due nor impaired (Class I)

Loans and advances neither past due nor impaired (Class I)

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

	2020 Frw'000	2019 Frw'000
Standard	39,325,615	36,333,612
Fair value of collateral held	67,295,853	58,503,185

Loans and advances past due but not impaired

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

	2020 Frw'000	2019 Frw'000
Past due 1 – 89 days	8,162,416	5,970,344
Fair value of collateral held	15,643,756	10,747,361

Financial risk management objectives and policies

Loans and advances individually impaired

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

	2020 Frw'000	2019 Frw'000
Individually assessed impaired loans and advances		
Class III	1,739,061	472,022
Class IV	38,155	124,192
Class V	493,753	983,219
	2,270,969	**1,579,433**
Fair value of collateral held	4,797,279	3,484,203

Collaterals repossessed

The company's policy is to sell all repossessed assets. In its normal course of business, the company engages external agents to recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the collateral under legal repossession processes are not recorded on the reporting date.

27 Financial risk management

(a) Credit Risk (Continued)

vi) Concentrations of risk

(i) On-balance sheet Items

Economic sector risk concentrations within the customer loans and advances portfolios were as follows:

	2020	2019
	%	%
Manufacturing	20	21
Wholesale and retail trade	28	27
Transportation and Warehousing	3	2
Business services	8	8
Agricultural	2	2
Individuals	10	8
Construction and real estate	16	17
Education	3	3
Information and communication	-	1
Petroleum & Energy	10	11
	100	**100**

(ii) Off-balance sheet Items

	2020	2019
	%	%
Manufacturing	14	9
Wholesale and retail trade	12	9
Transportation and Warehousing	-	1
Business services	3	1
Construction and real estate	58	62
Information and communication	12	5
Others	-	13
	100	**100**

(b) Liquidity risk

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

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

The tables below present the undiscounted cash flows payable by the Bank under financial liabilities by remaining contractual maturities at the balance sheet date and from financial assets by expected maturity dates.

27 Financial risk management (continued)

(b) Liquidity risk(continued)

At 31 December 2020

	Up to 1 Month FRW'000	1 to 3 months FRW'000	3to12 months FRW'000	1 to 5 Years FRW'000	Over 5 years FRW'000	Total FRW'000
Liabilities						
Customer deposits	14,531,306	12,940,798	45,369,234	16,205,474	-	89,046,813
Other Borrowing	-	-	-	664,284	300,000	964,284
Other liabilities	2,841,088	-	-	-	-	2,841,088
Lease liability	-	-	-	316,349	2,566,793	2,883,142
Total liabilities (Contractual maturities)	**17,372,394**	**12,940,798**	**45,369,234**	**17,186,107**	**2,866,793**	**95,735,327**
Assets						
Cash and balances with National Bank of Rwanda	23,898,032	-	-	-	-	23,898,032
Government securities	3,500,000	6,000,000	16,500,000	2,318,593	-	28,318,593
Amounts due from other banks	5,244,112	972,475	583,485	-	-	6,800,072
Loans and advances to customers	5,847,648	9,062,736	8,998,769	20,801,065	3,912,459	48,622,677
Other assets	396,765	-	-	-	-	396,765
Total assets (Expected maturities)	**38,886,557**	**16,035,211**	**26,082,254**	**23,119,658**	**3,912,459**	**108,036,139**
Net liquidity gap	**21,514,163**	**3,094,413**	**(19,286,980)**	**5,933,551**	**1,045,666**	**12,300,812**

27 Financial risk management (continued)
(b) Liquidity risk(continued)
At 31 December 2019

	Up to 1 Month FRW'000	1 to 3 months FRW'000	3 to 12 months FRW'000	1 to 5 Years FRW'000	Over 5 years FRW'000	Total FRW'000
Liabilities						
Customer deposits	11,998,769	10,528,796	36,981,675	13,142,091	-	72,651,332
Other liabilities	1,933,232	-	-	-	-	1,933,232
Lease liability	-	-	-	246,900	3,075,073	3,321,973
Balances with other banks	1,000,000	-	-	-	-	1,000,000
Total liabilities (Contractual maturities)	**14,932,001**	**10,528,796**	**36,981,675**	**13,388,991**	**3,075,073**	**78,906,537**
Assets						
Cash and balances with National Bank of Rwanda	13,384,277	-	-	-	-	13,384,277
Government securities	1,500,000	4,986,400	6,000,000	1,317,416	-	13,803,816
Amounts due from other banks	15,542,938	1,199,273	-	-	-	16,742,210
Loans and advances to customers	4,031,419	7,661,412	10,963,711	17,276,998	3,949,849	43,883,389
Other assets	221,501	-	-	-	-	221,501
Total assets (Expected maturities)	**35,680,135**	**13,847,085**	**16,963,711**	**18,594,413**	**3,949,849**	**88,035,193**
Net liquidity gap	**20,748,134**	**3,318,289**	**(20,017,963)**	**5,205,422**	**874,775**	**9,128,654**

27 Financial risk management (continued)

(c) Market risk

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimizing the return on risk. Overall responsibility for managing market risk rests with the Assets and Liabilities Committee (ALCO). The Treasury department is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day implementation of those policies.

(i) Currency risk

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

The table below summarizes the Bank's exposure to foreign currency exchange rate risk at 31 December 2020 and 31 December 2019. Included in the table are the Bank's financial instruments, categorized by currency.

The Bank had the following significant foreign currency positions (all amounts expressed in thousands of Rwandan Francs):

At 31 December 2020

Assets	**USD**	**GBP**	**EUR**	**Other**	**Total**
Cash and balance with National Bank of Rwanda	13,451,359	34,963	3,303,355	895	**16,790,572**
Amounts due from other banks	6,214,428	52,575	530,278	2,790	**6,800,072**
Loans and advance to customers	5,656,923	-	-	-	**5,656,923**
Other assets	17,124	-	59,171	-	**76,296**
	25,339,835	**87,538**	**3,892,804**	**3,686**	**29,323,863**
Liabilities					
Customer deposits	26,244,037	85,574	3,831,125	-	**30,160,736**
Other liabilities	28,806	33	258	-	**29,097**
Total liabilities	**26,272,843**	**85,607**	**3,831,383**	**-**	**30,189,833**
Currency exposure gap	**(933,009)**	**1,932**	**61,421**	**3,686**	**(865,970)**

27 Financial risk management (continued)
(c) Market risk(continued)
(i) Currency risk

At 31 December 2019	**USD**	**GBP**	**EUR**	**Other**	**Total**
Assets					
Cash and balance with National Bank of Rwanda	3,008,706	-	2,258,766	907	**5,268,380**
Amounts due from other banks	16,195,516	5,846	537,615	3,233	**16,742,210**
Loans and advance to customers	5,256,033	-	21	-	**5,256,054**
Other assets	501,241	-	35,802	-	**537,043**
	24,961,496	**5,846**	**2,832,204**	**4,140**	**27,803,686**
Liabilities					
Customer deposits	25,016,809	15,834	2,929,951	-	**27,962,595**
Other liabilities	43,094	13	649	-	**43,755**
Total liabilities	**25,059,903**	**15,847**	**2,930,600**	**-**	**28,006,350**
Currency exposure gap	**(98,407)**	**(10,000)**	**(98,397)**	**4,140**	**(202,663)**

Currency risk exposure is predominantly as a result of exposure to US dollar denominated balances. The following table demonstrates the sensitivity to a reasonably possible change in the below mentioned exchange rates of major transaction currencies, with all other variables held constant, of the Bank's profit before tax (due to changes in the fair value of monetary assets and liabilities).

Currency	**Increase/decrease in exchange rate**	**2020**	**2019**
		Rwf'000	**Rwf'000**
USD	+/-10%	93,301	9,841
GBP	+/-10%	193	1,000
EURO	+/-10%	6,142	9,840

27. Financial risk management (continued)
(c) Market risk(continued)
(ii) Interest rate risk

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

At 31 December 2020	Av. Int. Rate %	Up to 1 month Frw'000	1 – 3 months Frw'000	3 – 12 Months Frw'000	Over 1 year Frw'000	Non-interest bearing Frw'000	Total Frw'000
Assets							
Cash and balances with Central Bank of Rwanda	0%	-	-	-	-	23,898,032	**23,898,032**
Government securities	9%	3,500,000	6,000,000	16,500,000	2,318,593	-	**28,318,593**
Amounts due from other banks	0%	5,184,941	972,475	583,485	-	59,171	**6,800,072**
Loans and advances to customers	16%	5,847,648	9,062,736	8,998,769	24,713,525	-	**48,622,677**
Other assets	0%	-	-	-	-	1,686,903	**1,686,903**
Total assets	**5%**	**14,532,589**	**16,035,211**	**26,082,254**	**27,032,118**	**25,644,106**	**109,326,277**
Liabilities							
Customer deposits	4%	2,742,798	4,798,929	14,773,113	-	66,731,972	**89,046,813**
Other liabilities	0%	-	-	-	-	2,841,088	**2,841,088**
Income tax payable	0%	-	-	-	-	578,722	**578,722**
Provisions	0%	-	-	-	-	155,034	**155,034**
Lease Liability	7%	-	-	-	2,883,142	-	**2,883,142**
Total liabilities	**2%**	**2,742,798**	**4,798,929**	**14,773,113**	**2,883,142**	**70,306,817**	**95,504,799**
Interest sensitivity gap	**3%**	**11,789,790**	**11,236,282**	**11,309,141**	**24,148,976**	**(44,662,711)**	**13,821,478**

27. Financial risk management (continued)
(c) Market risk(continued)
(ii) Interest rate risk

At 31 December 2019	Av. Int. Rate %	Up to 1 month Frw'000	1 – 3 months Frw'000	3 – 12 Months Frw'000	Over 1 year Frw'000	Non-interest bearing Frw'000	Total Frw'000
Assets							
Cash and balances with Central Bank of Rwanda	0%	-	-	-	-	13,384,277	**13,384,277**
Government securities	7%	1,496,642	4,907,259	5,771,548	1,317,416	-	**13,492,864**
Amounts due from other banks	2%	15,045,192	1,199,273	-	-	497,746	**16,742,210**
Loans and advances to customers	16%	4,031,419	7,661,412	10,963,711	21,226,846	-	**43,883,389**
Other assets	0%	-	-	-	-	1,418,489	**1,418,489**
Total assets	**5%**	**20,576,611**	**13,847,085**	**16,963,711**	**22,544,262**	**15,300,512**	**89,232,181**
Liabilities							
Customer deposits	4%	7,174,745	2,388,482	9,422,195	-	53,665,910	**72,651,332**
Other liabilities	0%	-	-	-	-	1,933,232	**1,933,232**
Income tax payable	0%	-	-	-	-	430,845	**430,845**
Provisions	0%	-	-	-	-	143,263	**143,263**
Lease Liability	7%	-	-	-	3,321,973	-	**3,321,973**
Amount due to other Banks	5%	1,000,000	-	-	-	-	**1,000,000**
Total liabilities	**3%**	**8,174,745**	**2,388,482**	**9,422,195**	**3,321,973**	**56,173,251**	**79,480,646**
Interest sensitivity gap	**2%**	**12,401,866**	**11,458,603**	**7,541,516**	**19,222,289**	**(40,872,739)**	**9,751,535**

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

27 Financial risk management (continued)

(d) Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the statement of financial position, are

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

The Bank's regulator National Bank of Rwanda (BNR) sets and monitors capital requirements for the Bank as a whole. The parent company and individual banking operations are directly supervised by their local regulators.

The Bank's regulator National Bank of Rwanda (BNR) sets and monitors capital requirements for the Bank as a whole. The parent company and individual banking operations are directly supervised by their local regulators.

In implementing current capital requirements, BNR, requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

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

The Bank's policy is to maintain a strong capital base 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 recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank's Tier 1 capital expressed as a percentage of risk-weighted assets is set out on the next page. The regulatory capital met the minimum required ratio of 15% and the bank has complied with all externally imposed capital requirements throughout the period.

The Bank's regulatory capital position is as follows:

	2020 Frw'000	2019 Frw'000
Ordinary share capital	10,994,882	10,994,882
Prior years' retained profits	3,676,838	2,041,283
Transferred in the year	193,407	-
Profit for the current year	3,143,643	1,635,554
Tier 1 Core capital	**18,008,769**	**14,671,719**
Revaluation reserves on fixed assets (25%)	92,173	140,525
Tier 2 (supplementary capital)	**92,173**	**140,525**
Total capital (Tier 1 + Tier 2)	**18,100,943**	**14,812,244**
Total risk weighted assets (see details below)	**71,566,905**	**66,294,769**
Total capital expressed as a percentage of risk-weighted assets	25.29%	22.34%
Minimum statutory ratio	15%	15%

27 Financial risk management (continued)

(d) Capital management (continued)

Risk weighted assets were as follows:

	2020 Frw'000	Risk Weight Per Asset %	2019 Frw'000
Cash and balances with Central Bank of Rwanda	-		-
Amounts due from other banks	1,360,014	20%	3,348,442
Long term securities	2,318,593	100%	1,317,416
Loans and advances to customers	44,847,485	100%	39,633,706
Mortgage loans (residential house)	1,887,596	50%	1,500,145
Property and equipment	2,767,362	100%	2,957,829
Right of use asset	2,182,113	100%	2,490,898
Intangible assets	743,062	100%	863,222
Other Assets	1,686,903	100%	1,418,489
Financing Commitments given to customers	9,228,685	100%	8,548,351
Guarantees Commitments given to customers	4,545,092	25%	4,216,271
Total risk weighted assets	**71,566,905**		**66,294,769**

28(a) Critical accounting estimates and judgments in applying accounting policies

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Tax expenses

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

28(a) Critical accounting estimates and judgments in applying accounting policies

IFRS 16 -lease assumptions

(i) Lease Term Assumptions

The Bank considered two consecutive terms for the existing lease periods for the various premises used for the Bank activities. The periods range between 1 year for the short ones and 10 years for the longest lease period. This is premised on the going concern of the Bank's activities in the foreseeable future.

(ii) Incremental Borrowing Rate

The Bank settled on using the incremental borrowing rate in measuring the lease liability since the interest rate implicit on them could not be readily determined. The Bank adopted the incremental borrowing rates that it would have to pay to borrow over the specified lease periods and with a similar security, for the funds necessary to obtain an asset of a similar value to the right-of-use asset. The Bank considered if it was in the market to source for funding with the specified tenor, what would be the interest cost. The Bank considered a previous borrowing that it had with (KFW long-term borrowing) with the specified period and adopted the same. The incremental borrowing rates are as below:

Lease Period	Borrowing Rate
1-3years	10%
4-7years	7%
8years and above	5%

28(b) Fair value of financial instruments

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data. However, such areas as risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. The table below sets out the fair values and classification of financial instruments as at 31 December 2020, and analyses them in the fair value hierarchy into which each fair value measurement is categorized:

Classification **Financial assets**	**Level 3** **Frw'000**
Amounts due from other banks	59,171
Government securities	27,426,389
Loans and advances	48,622,677
Other assets	396,765
	76,505,002
Financial liabilities	
Customer deposits	89,046,813
Other liabilities	261,135
	89,307,948

28(c) IFRS9 –Financial instruments Assumptions

(i) Excepted Credit Loss Modelling

Expected credit losses (ECL) are a probability-weighted estimate of credit losses over the expected life of the financial instrument.

GT Bank's measurement of ECL reflects the following criteria as required by IFRS9:

Criteria	Description
ECL estimates are an unbiased and probability weighted amount	The Bank measures expected credit losses of a financial instrument in a way that it reflects an amount that is determined by evaluating a range of possible outcomes. Three ECL figures are therefore calculated for each account (moderate estimate, best-case estimate and worse case ECLs) and a probability-weighted to arrive at a single ECL impairment for each account. **Forward looking:** The starting point for the ECL computation is historical information; however, adjustments are made to modelling parameters to reflect current and forward-looking information. Each of the ECL parameters i.e. PD, LGD and EAD are calibrated to be point-in-time (PiT) and forward looking. The Forward-Looking Information (FLI) risk parameters reflects how changes in macroeconomic factors affects losses. The Bank leverages on the expertise of credible and reliable sources to obtain economic forecasts applicable to the frameworks. **Scenario Weighting:** When measuring expected credit losses, IFRS 9 requires that an entity shall measure the ECL of a financial instrument in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes/scenarios, (i.e. the weighted average of credit losses with the respective risks of a default occurring as the weights). Although the standard did not specify the minimum number of scenarios to be considered, the IASB expectation is that if relationship is not linear, one forward-looking scenario is not sufficient. The purpose is neither to estimate a worst-case scenario nor to estimate a best-case scenario, but the possibility that a credit loss occurs and the possibility that no credit loss occurs even if the most likely outcome is no credit loss. The Bank's ECL methodology considers weighted average of the multiple economic scenarios for the risk parameters (basically the forecasts macroeconomic variables) in arriving at impairment figure for a particular reporting period.
Discounting	The Bank considers the time value of money when estimating ECL. ECLs are discounted to the reporting date for each account and financial instrument.
Use of reasonable and supportable information	The Bank measures ECL of a financial instrument with available information at the reporting date about past events, current conditions and forecasts of future economic conditions.
Assessment of expected changes to exposures	The Bank ECL model has included the effects of contractual repayments. Expected drawdowns on committed facilities have also been considered in the ECL Model.

28(c) IFRS9 –Financial instruments Assumptions

Consistent with regulatory and industry best practices, the Bank's ECL calculations are based on three components:

- **Probability of Default (PD)**
  This is an estimate of the likelihood of default over a given time horizon. Either 12months of lifetime.

- **Exposure at Default (EAD)**
  This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest and expected drawdowns on committed facilities.

- **Loss Given Default (LGD)**
  This is an estimate of the loan arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

Measuring ECLs

ECLs are generally measured based on the risk of default over one of two different time horizons, depending on whether the credit risk of the borrower has increased significantly since the exposure was first recognized. The loss allowance for those exposures that have not increased significantly in credit risk (Stage 1 exposures) is based on 12-month ECLs. The allowance for those exposures that have suffered a significant increase in credit risk (Stage 2 and Stage 3 exposures) is based on lifetime ECLs.

For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECL is calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognized within Provisions. The Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and the ECL provision. For this purpose, the Bank estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs.

28(c) IFRS9 –Financial instruments Assumptions

(i) Excepted Credit Loss Modelling (Continued)

12-month ECLs

Twelve-month ECLs are the portion of the lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months). Twelve-month ECLs are weighted by the probability of such a default occurring. [IFRS 9.A, B.5.5.43]

Lifetime ECLs

Lifetime ECLs are the losses that result from all possible default events over the expected life of the financial instrument. [IFRS 9.A]

(ii) Write-offs

Financial assets are written off either partially or in their entirety only when the company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

29 Reporting entity

Guaranty Trust Bank (Rwanda) plc, is a company domiciled in Rwanda.
The Bank's registered office is at:
Guaranty Trust Bank (Rwanda) plc, Head office
KN 2 Ave, 1370 Nyarugenge
Kigali, Rwanda

(i) Basis of accounting

These financial statements have been prepared in accordance with IFRS.

(ii) Functional and presentational currency

These financial statements are presented in Rwandan Francs (Frw) which is the Bank's functional currency
All values are rounded to the nearest thousand (Frw'000) except when otherwise indicated.

(iii) Use of estimates and judgments

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The estimates and assumptions are based on the Directors' best knowledge of current events, actions, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2020 is set out in note 28.

30 Changes in Accounting policies and disclosures

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.

New standards, interpretations and amendments adopted by the Bank

The accounting policies adopted in the preparation of the annual financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2019, except for the adoption of new standards and interpretations effective as of 1 January 2020. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the Bank's financial statements as at and for the year ended 31 December 2019. The changes in accounting policies are also expected to be reflected in the Bank's financial statements as at and for the year ending 31 December 2020.

(i) New and amended standards adopted by the Bank

The following new standards and amendments that became effective as at 1 January 2020:

- Definition of Material – Amendments to IAS 1 and IAS 8 -Effective 01 January 2020
- IFRS 3- Definition of a Business to help the entities determine whether an acquired set of activities and assets is a business or not -Effective for annual periods beginning on or after 1 January 2020.
- Covid-19-Related Rent Concessions –Amendment to IFRS 16 Effective for annual periods beginning on or after 1 June 2020.
- Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS Effective for annual periods beginning on or after 1 January 2020.
- The Conceptual Framework for Financial Reporting effective for annual periods beginning on or after 1 January 2020.

Standards Issued but not yet effective

- Classification of Liabilities as Current or Non-current - Amendments to IAS 1 Effective for annual periods beginning on or after 1 January 2022.
- Improvements to International Financial Reporting Standards

30 Changes in Accounting policies and disclosures

Standards and amendments that became effective as at 1 January 2020

Definition of Material - Amendments to IAS 1 and IAS 8

Effective for annual periods beginning on or after 1 January 2020.

Key requirements

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

Obscuring information

The amendments explain that information is obscured if it is communicated in a way that would have a similar effect as omitting or misstating the information. Material information may, for instance, be obscured if information regarding a material item, transaction or other event is scattered throughout the financial statements or disclosed using a language that is vague or unclear. Material information can also be obscured if dissimilar items, transactions or other events are inappropriately aggregated, or conversely, if similar items are inappropriately disaggregated

New threshold

The amendments replaced the threshold 'could influence', which suggests that any potential influence of users must be considered, with 'could reasonably be expected to influence' in the definition of 'material'. In the amended definition, therefore, it is clarified that the materiality assessment will need to take into account only reasonably expected influence on economic decisions of primary users.

Primary users of the financial statements

The current definition refers to 'users' but does not specify their characteristics, which can be interpreted to imply that an entity is required to consider all possible users of the financial statements when deciding what information to disclose. Consequently, the IASB decided to refer to primary users in the new definition to help respond to concerns that the term 'users' may be interpreted too widely.

Other amendments

The definition of material in the Conceptual Framework and IFRS Practice Statement 2: *Making Materiality Judgements* were amended to align with the revised definition of material in IAS 1 and IAS 8.

Transition

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

Impact

Although the amendments to the definition of material is not expected to have a significant impact on an entity's financial statements, the introduction of the term 'obscuring information' in the definition could potentially impact how materiality judgements are made in practice, by elevating the importance of how information is communicated and organized in the financial statements.

30 Changes in Accounting policies and disclosures

Standards and amendments that became effective as at 1 January 2020(Continued)

Definition of Material - Amendments to IAS 1 and IAS 8 (Continued)

Definition of a Business - Amendments to IFRS 3

Effective for annual periods beginning on or after 1 January 2020.

Key requirements

The IASB issued amendments

to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

- *Minimum requirements to be a business*

  The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. They also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs.

- *Market participants' ability to replace missing elements*

  Prior to the amendments, IFRS 3 stated that a business need not include all of the inputs or processes that the seller used in operating that business, 'if market participants are capable of acquiring the business and continuing to produce outputs, for example, by integrating the business with their own inputs and processes'. The reference to such integration is now deleted from IFRS 3 and the assessment must be based on what has been acquired in its current state and condition.

- *Assessing whether an acquired process is substantive*

  The amendments specify that if a set of activities and assets does not have outputs at the acquisition date, an acquired process must be considered substantive only if: (a) it is critical to the ability to develop or convert acquired inputs into outputs; and (b) the inputs acquired include both an organised workforce with the necessary skills, knowledge, or experience to perform that process, and other inputs that the organised workforce could develop or convert into outputs. In contrast, if a set of activities and assets has outputs at that date, an acquired process must be considered substantive if: (a) it is critical to the ability to continue producing outputs and the acquired inputs include an organised workforce with the necessary skills, knowledge, or experience to perform that process; or (b) it significantly contributes to the ability to continue producing outputs and either is considered unique or scarce, or cannot be replaced without significant cost, effort or delay in the ability to continue producing outputs.

- *Narrowed definition of outputs*

  The amendments narrowed the definition of outputs to focus on goods or services provided to customers, investment income (such as dividends or interest) or other income from ordinary activities. The definition of a business in Appendix A of IFRS 3 was amended accordingly.

- *Optional concentration test*

  The amendments introduced an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. Entities may elect to apply the concentration test on a transaction-by-transaction basis. The test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if an entity elects not to apply the test, a detailed assessment must be performed applying the normal requirements in IFRS 3.

  Transition

  The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed.

30 Changes in Accounting policies and disclosures

Standards and amendments that became effective as at 1 January 2020(Continued)

Definition of a Business - Amendments to IFRS 3(Continued)

Impact

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, most entities will likely not be affected by these amendments on transition. However, entities considering the acquisition of a set of activities and assets after first applying the amendments should update their accounting policies in a timely manner.

The amendments could also be relevant in other areas of IFRS (e.g., they may be relevant where a parent loses control of a subsidiary and has early adopted *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to IFRS 10 and IAS 28).

Covid-19-Related Rent Concessions –Amendment to IFRS 16

Effective for annual periods beginning on or after 1 June 2020.

Key requirements

In May 2020, the IASB amended IFRS 16 *Leases* to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment does not apply to lessors.

As a practical expedient, a lessee may elect not to assess whether a covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments before 30 June 2021 and increased lease payments that extend beyond 30 June 2021).
- There is no substantive change to other terms and conditions of the lease.

Transition

Lessees will apply the practical expedient retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the amendment is first applied. The information required by paragraph 28(f) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* is not required to be disclosed.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020.

Impact

The amendment to IFRS 16 will provide relief to lessees for accounting for rent concessions from lessors specifically arising from the covid-19 pandemic. While lessees that elect to apply the practical expedient do not need to assess whether a concession constitutes a modification, lessees still need to evaluate the appropriate accounting for each concession as the terms of the concession granted may vary.

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39

Effective for annual periods beginning on or after 1 January 2020.

Key requirements

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

30 Changes in Accounting policies and disclosures

Standards and amendments that became effective as at 1 January 2020(Continued)

The amendments to IFRS 9

The amendments include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

Application of the reliefs is mandatory. The first three reliefs provide for:

- The assessment of whether a forecast transaction (or component thereof) is highly probable
- Assessing when to reclassify the amount in the cash flow hedge reserve to profit and loss
- The assessment of the economic relationship between the hedged item and the hedging instrument

For each of these reliefs, it is assumed that the benchmark on which the hedged cash flows are based (whether or not contractually specified) and/or, for relief three, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.

A fourth relief provides that, for a benchmark component of interest rate risk that is affected by IBOR reform, the requirement that the risk component is separately identifiable need be met only at the inception of the hedging relationship. Where hedging instruments and hedged items may be added to or removed from an open portfolio in a continuous hedging strategy, the separately identifiable requirement need only be met when hedged items are initially designated within the hedging relationship. To the extent that a hedging instrument is altered so that its cash flows are based on an RFR, but the hedged item is still based on IBOR (or vice versa), there is no relief from measuring and recording any ineffectiveness that arises due to differences in their changes in fair value.

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39

The reliefs continue indefinitely in the absence of any of the events described in the amendments. When an entity designates a group of items as the hedged item, the requirements for when the reliefs cease are applied separately to each individual item within the designated group of items.

The amendments also introduce specific disclosure requirements for hedging relationships to which the reliefs are applied.

The amendments to IAS 39

The corresponding amendments are consistent with those for IFRS 9, but with the following differences:

- For the prospective assessment of hedge effectiveness, it is assumed that the benchmark on which the hedged cash flows are based (whether or not it is contractually specified) and/or the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.
- For the retrospective assessment of hedge effectiveness, to allow the hedge to pass the assessment even if the actual results of the hedge are temporarily outside the 80%-125% range, during the period of uncertainty arising from IBOR reform.
- For a hedge of a benchmark portion (rather than a risk component under IFRS 9) of interest rate risk that is affected by IBOR reform, the requirement that the portion is separately identifiable need be met only at the inception of the hedge.

Transition

The amendments must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. Early application is permitted and must be disclosed.

Impact

In finalizing the amendments, the IASB has provided reliefs that are essential to mitigate the hedge accounting issues that could arise during the period of uncertainty before IBOR contracts are amended to new benchmark rates.

30 Changes in Accounting policies and disclosures

Standards and amendments that became effective as at 1 January 2020(Continued)

The Conceptual Framework for Financial Reporting

Effective immediately for the IASB and the IFRS IC. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

Purpose

The revised *Conceptual Framework for Financial Reporting* (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Key provisions

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:

- Chapter 1 – The objective of financial reporting
- Chapter 2 – Qualitative characteristics of useful financial information
- Chapter 3 – Financial statements and the reporting entity
- Chapter 4 – The elements of financial statements
- Chapter 5 – Recognition and derecognition
- Chapter 6 – Measurement
- Chapter 7 – Presentation and disclosure
- Chapter 8 – Concepts of capital and capital maintenance

The Conceptual Framework for Financial Reporting

The Conceptual Framework is accompanied by a Basis for Conclusions. The Board has also issued a separate accompanying document, *Amendments to References to the Conceptual Framework in IFRS Standards,* which sets out the amendments to affected standards in order to update references to the Conceptual Framework. In most cases, the standard references are updated to refer to the Conceptual Framework. There are exemptions in developing accounting policies for regulatory account balances for two standards, namely, IFRS 3 and for those applying IAS 8.

Impact

The changes to the *Conceptual Framework* may affect the application of IFRS in situations where no standard applies to a particular transaction or event.

Standards Issued but not yet effective

Classification of Liabilities as Current or Non-current - Amendments to IAS 1

Effective for annual periods beginning on or after 1 January 2022.

Key requirements

In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 *Presentation of Financial Statements* to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement?
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

30 Changes in Accounting policies and disclosures

Standards and amendments that became effective as at 1 January 2020(Continued)

Standards Issued but not yet effective (Continued)

Classification of Liabilities as Current or Non-current - Amendments to IAS 1(Continued)

Right to defer settlement

The Board decided that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date.

Existence at the end of the reporting period

The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date.

Management expectations

IAS 1.75A has been added to clarify that the 'classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period'. That is, management's intention to settle in the short run does not impact the classification. This applies even if settlement has occurred when the financial statements are authorised for issuance.

Transition

Many entities will find themselves already in compliance with the amendments. However, entities need to consider whether some of the amendments may impact their current practice. Entities need to carefully consider whether there are any aspects of the amendments that suggest that terms of their existing loan agreements should be renegotiated. In this context, it is important to highlight that the amendments must be applied retrospectively.

Improvements to International Financial Reporting Standards

Key requirements

The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS.

2018-2020 cycle (issued in May 2020)

The following is a summary of the amendments from the 2018-2020 annual improvements cycle:

IFRS 1 First Time adoption of International Financial Reporting Standards

Subsidiary as a first-time adopter

- The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS.

This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

- An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.
- An entity applies the amendment for annual reporting periods beginning on or after1 January 2022. Earlier application is permitted.

30 Changes in Accounting policies and disclosures

Standards and amendments that became effective as at 1 January 2020(Continued)

IFRS 9 Financial Instruments

Fees in the '10 per cent' test for derecognition of financial liabilities

- The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.
- An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

Illustrative Examples accompanying IFRS 16 Leases Lease incentives

- The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

31 Summary of significant accounting policies and disclosures

a) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized within 'interest income' or 'interest expense' in the statement of comprehensive income using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.
Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.

b) Fees and commission income

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

c) Property and equipment

Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed every four years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the profit or loss, and depreciation based on the asset's original cost is transferred from `other reserves' to `retained earnings.

31 Summary of significant accounting policies and disclosures(continued)

c) Property and equipment(continued)

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

Buildings :5%
Fixtures, fittings and equipment:12.5%
Motor vehicles :25%
Computer equipment :33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The Bank assesses at each reporting date whether there is any indication that any item of property and equipment is impaired. If any such indication exists, the Bank estimates the recoverable amount of the relevant assets. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

d) Intangible assets

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (ten years).

Costs associated with maintaining computer software programs are recognized 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 recognized as intangible assets, when the following criteria have been met:

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

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.
Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Computer software development costs recognized as assets are amortized over their estimated useful lives, not exceeding five years.

e) Income tax

Current income tax

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

31 Summary of significant accounting policies and disclosures(continued)

e) Income tax(continued)

Deferred income tax

Deferred income tax is recognized, 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 & 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 realized, or the deferred income tax liability is settled.

F) Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and leases. IFRS 16 supersedes the current lease guidance including IAS 17 Leases and the related interpretations.

- *With the Bank as lessee*

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the bank recognizes a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the bank is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the bank's incremental borrowing rate is used. For leases that contain non-lease components, the bank allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortized cost, subject to re-measurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

All right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any re-measurement of the lease liabilities. Depreciation is calculated using the straight-line method to write-down the cost of each asset to its residual value over its estimated useful life. If the ownership of the underlying asset is expected to pass to the bank at the end of the lease term, the estimated useful life would not exceed the lease term.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset if of low value, the total lease payments are recognized in profit or loss on a straight-line basis over the lease period.

g) Cash and cash equivalents

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

31 Summary of significant accounting policies and disclosures(continued)

h) Employee benefits

- *Retirement benefit obligations*

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

- *Other entitlements*

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

i) Financial Liabilities

Financial instruments – initial recognition Date of recognition

Financial liabilities, with the exception of balances due to customers, are initially recognised on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. The Bank recognises balances due to customers when funds are transferred to the Bank.

Initial measurement of financial Liabilities

The classification of financial liabilities at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value), except in the case of financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised

All the Bank's financial liabilities are measured at amortised cost.

Derecognition of Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

j) Share capital

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

K) Dividends payable

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

31 Summary of significant accounting policies and disclosures(continued)

l) Fiduciary activities

The Bank commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Bank. The Bank did not carry out any fiduciary activities during the year 2020 (2019: Nil).

j) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

k) Foreign currency translation

Transactions and balances

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

Recognition and measurement

Purchases and sales of financial assets are recognized on the trade date, which is the date on which the Bank commits to purchase or sell the asset. Financial assets are initially recognized at fair value, plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and financial assets held at amortized cost are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category is included in the statement of comprehensive income in the period in which they arise. Changes in the fair value of monetary and non-monetary securities classified as held-for-trading are recognized in other comprehensive income. When securities classified as held-for-trading are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income as ''gains and losses from investment securities''.

Determination of fair value

For financial assets traded in active markets, the determination of fair values is based on quoted market prices or dealer price quotations. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions. For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated 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. The Bank uses widely recognized valuation models for determining fair values of its government securities.

From 1 January 2018, the Bank applied IFRS 9 and classifies its financial assets in accordance with this standard. Financial assets are measured at initial recognition at fair value and are classified and subsequently measured at fair value through profit or loss (FVTPL) and amortized cost based on our business model for managing the financial instruments and the contractual cash flow characteristics of the instrument. For non-revolving facilities, origination date is the date the facility is disbursed while origination date for revolving facilities is the date the line is availed. Regular-way purchases and sales of financial assets are recognized on the settlement date. All other financial assets and liabilities, including derivatives, are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

31 Summary of significant accounting policies and disclosures(continued)

Determination of fair value

(a) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets the following conditions;

The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and, The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, debt instruments in this category are carried at amortized cost using the effective interest rate method. Amortized cost is calculated taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Impairment on financial assets measured at amortized cost is calculated using the expected credit loss approach. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

(b) Financial assets and liabilities

All other financial assets not classified as measured at amortized cost or FVTOCI as discussed 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 amortized cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(c) Business model assessment

Business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. The Bank made an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management.

Other factors considered in the determination of the business model include;

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management; the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized. The Bank may decide to sell financial instruments held under the business model category with the objective to collect contractual cash flows without necessarily changing its business model if one or more of the following conditions are met;

31 Summary of significant accounting policies and disclosures(continued)

(c) Business model assessment(continued)

(i) When the Bank sells financial assets to reduce credit risk or losses because of an increase in the assets' credit risk. The Bank considers sale of financial assets that may occur in assets held with the sole objective of collecting cashflows to be infrequent if the sale is one-off during the financial year and/or occurs at most once during the quarter or at most three (3) times within the financial year.
(ii) Where these sales are infrequent even if significant in value. A Sale of financial assets is considered infrequent if the sale is one-off during the Financial Year and/or occurs at most once during the quarter or at most three (3) times within the Financial Year.
(iii) Where these sales are insignificant in value both individually and in aggregate, even if frequent. A sale is considered insignificant if the portion of the financial assets sold is equal to or less than five (5) per cent of the carrying amount (book value) of the total assets within the business model.
(iv) When these sales are made close to the maturity of the financial assets and the proceeds from the sales approximates the collection of the remaining contractual cash flows. A sale is considered to be close to maturity if the financial assets has a tenor to maturity of not more than one (1) year and/or the difference between the remaining contractual cash flows expected from the financial asset does not exceed the cash flows from the sales by ten (10) per cent.

Other reasons: The following reasons outlined below may constitute 'Other Reasons' that may necessitate selling financial assets from the portfolio held with the sole objective of collecting cashflows category that will not constitute a change in business model;

- Selling the financial asset to realize cash to deal with unforeseen need for liquidity (infrequent).
- Selling the financial asset to manage credit concentration risk (infrequent).
- Selling the financial assets as a result of changes in tax laws or due to a regulatory requirement e.g. comply with liquidity requirements (infrequent).
- Other situations also depend upon the facts and circumstances which need to be judged by the management

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

Impairment of financial assets

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

(a) significant financial difficulty of the issuer or obligor;

(b) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(c) it becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(d) the disappearance of an active market for that financial asset because of financial difficulties; or

31 Summary of significant accounting policies and disclosures (Continued)

Impairment of financial assets(continued)

(e) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) National or local economic conditions that correlate with defaults on the assets in the portfolio.

Assets Carried at amortized cost

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial instrument's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the profit and loss account. If a loan or held-to-maturity asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.
The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.
For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (e.g. changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and advances to customers are classified in loan impairment charges whilst impairment charges relating to investment securities are classified in 'Net gains/ (losses) on investment securities. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the statement of profit or loss and other comprehensive income.

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31 Summary of significant accounting policies and disclosures (Continued)

Impairment of financial assets(continued)

Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the renegotiated terms apply in determining whether the asset is considered to be past due.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of comprehensive income.

32. Subsequent events

The Directors are not aware of any events after the reporting date that require disclosure in or adjustments to the Financial statements as at the date of this report.

33. Other Statutory Disclosures

Item	2020 Frw'000	2019 Frw'000
1. Credit Risk		
a. Non-performing loans indicators		
a i. Non-Performing Loans (NPL)	2,270,969	1,579,433
a ii. NPL Ratio	2.94%	2.28%
b. Off-balance sheet items	27,409,051	25,413,436
c. Total Gross Credit Risk Exposures	49,759,000	43,883,389
d. Average Gross Credit Exposures		
d i. Loans and Non-derivative Off-balance Sheet Exposures	77,168,052	69,296,825
d ii. Debt Securities	27,426,389	13,492,864
d iii. OTC derivatives	-	-
e. Restructured Loans		
e i. Number of borrowers	97	-
e ii. Amount outstanding	7,537,177	-
e iii. Provision thereon (regulatory)	124,197	-
e iv. Restructured loans as % of gross loans	15.1%	-

33. Other statutory disclosures (Continued)

f. Regional or Geographic Distribution of Exposures

	2020 Frw'000	2019 Frw'000
f i. Kigali City	47,860,111	41,690,773
f ii. Northern Region	204,675	258,916
f iii. Southern Region	770,588	832,085
f iv. Western Region	514,616	704,477
f v. Eastern Region	409,011	397,138
g. Sector Distribution of Exposures		
g i. Government	-	-
g ii. Financial	-	-
g iii. Manufacturing	9,865,470	9,514,541
g iv. Infrastructure and Construction	7,802,170	7,350,960
g v. Services and Commerce	20,993,769	18,328,090
g vi. Others	11,097,592	8,689,798
h. Related Parties		
h i. Loans to Directors, Shareholders and associates	1,183,116	877,024
h ii. Loans to Employees	283,704	508,042
2. Capital Strength		
a. Core Capital (Tier 1)	17,265,707	13,808,497
b. Supplementary Capital (Tier 2)	835,130	873,492
c. Total Capital	18,100,838	14,681,989
d. Total Risk Weighted Assets	78,012,056	71,347,643
e. Tier 1 Ratio	22.13%	19.35%
f. Total Capital/Total Risk Weighted Assets Ratio	23.20%	20.58%
g. Tier 2 Ratio	1.07%	1.22%
h. Leverage Ratio	11.66%	11.02%
3. Liquidity		
a. Liquidity Coverage Ratio	**373.3%**	**226.0%**
a i. Liquid Assets Available (LCR***)	50,706,336	32,291,982
a ii. Short Term Liabilities (LCR***)	13,581,785	14,286,249
a iii. Total Deposit Liabilities	89,046,813	72,651,332
b. Net Stable Fund Ratio (NSFR)	**150.1%**	**150.9%**
b i. Available Stable Funding	75,105,566	61,077,469
b ii. Required Stable Funding	50,033,195	40,463,981
4. Market Risk		
a. Interest Rate Risk	-	-
b. Equity Position Risk	-	-
c. Foreign Exchange Risk	12,220	25,589

33. Other statutory disclosures (Continued)

			2020
5. Operational risk			**Frw'000**
a. Frauds	Fraud Type	Fraud Number	Fraud Amount
From a customer's account	Identity theft	1	22,500

	2020 Frw'000	2019 Frw'000
6. Country Risk		
a. Credit Exposures Abroad	-	-
b. Other Assets Held Abroad	6,800,072	16,742,210
c. Liabilities to Abroad	-	-
7. Management and Board composition	**Number**	**Number**
a. Number of Board Members	6	6
b. Number of Non-independent Directors	3	3
c. Number of Independent Directors	3	3
d. Number of Female Directors	2	2
e. Number of Male Directors	4	4
f. Number of Senior Managers	11	9
g. Number of Female Senior Managers	1	1
h. Number of Male Senior Managers	10	8