2021 Annual Report

GTCO

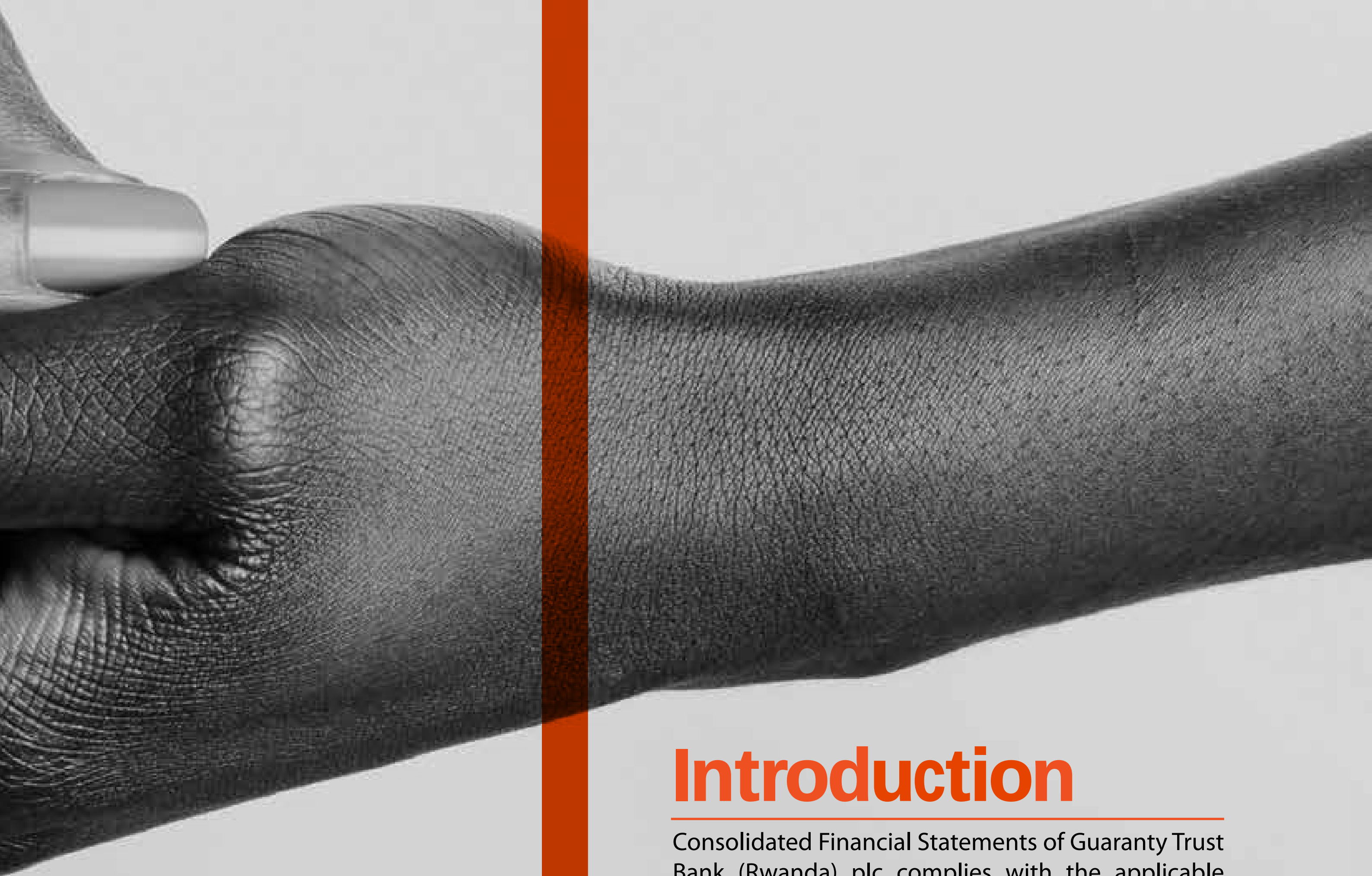
Guaranty Trust Bank (Rwanda) plc

SAME BANK NEW LOGO

Proudly African, Truly International

www.gtbank.co.rw

Guaranty Trust Bank (Rwanda) plc



Introduction

Consolidated Financial Statements of Guaranty Trust Bank (Rwanda) plc complies with the applicable legal Requirements of the National Bank of Rwanda regarding Annual Financial Statements and comprises Separate and Consolidated Financial Statements of the Group for the year ended 31 December 2021. The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. For better understanding, certain disclosures and some prior year figures have been presented in line with current year figures. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

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Company Overview.

Guaranty Trust Bank (Rwanda) plc is a subsidiary of Guaranty Trust holding Company plc (GTCO), a foremost financial institution with 11 subsidiaries spanning West Africa, East Africa and the United Kingdom. In 2013, GTCO 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. GTCO 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.

Our 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.

Our Mission

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

Orange rules

1. Simplicity
2. Professionalism
3. Service
4. Friendliness
5. Excellence
6. Trustworthiness
7. Social Responsibility
8. Innovation

Our Transition

Guaranty Trust Bank plc has transitioned to a Holding Company Structure in view of the trends in financial services and in line with our vision of creating more value beyond banking for our customers, the communities in which we operate, and all our stakeholders. The Holding Company Structure will enable our organization to operate a corporate centre known as Guaranty Trust Holding Company Plc (GTCO) that is responsible for setting strategic direction, providing group-wide oversight, and aligning corporate governance and management roles for all our businesses which will extend beyond banking to include other financial services.

All existing subsidiaries of Guaranty Trust Bank Plc became a subsidiary of Guaranty Trust Holding Company Plc, also known as GTCO Plc.

Guaranty Trust Holding Company Plc is also the parent company of every non-banking business that will be established following this transition.

Business Achievements.

In 2021 the Bank introduced several products and services to ease our customers' needs instantly.

Instant Cards

In December 2021, the bank launched Instant Card, where the issuance of the debit card is immediately made upon request of the customer. The implementation of this project has reduced the 10-business day waiting period for the card issuance to one day.
This project will increase the card portfolio through effective and fast issuance of the card and will increase customer satisfaction.

Mobicash

Guaranty Trust Bank (Rwanda) plc made a partnership with Mobicash in September on agency banking services. This service will enable customers to deposit cash, withdrawal cash, transfer funds, bills payments, check balance, to purchase airtime and data and other transactions.
Those agents may be individuals (mostly) or businesses which generate cashflows on daily basis (e.g., supermarkets, pharmacies, restaurants etc.)

This project will enable all our customers to benefit our services like Account Opening, Cash deposits and withdrawal account balance inquiry, generate mini-statements, cheque book application, funds transfer, buy goods and services without cash, pay taxes (RRA & RSSB), pay bills in the areas where the Bank does not have Branches.

Board of Directors

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.

EMMANUEL N. 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

ERIC CYAGA

INDEPENDENT DIRECTOR

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.

ENATHA 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).

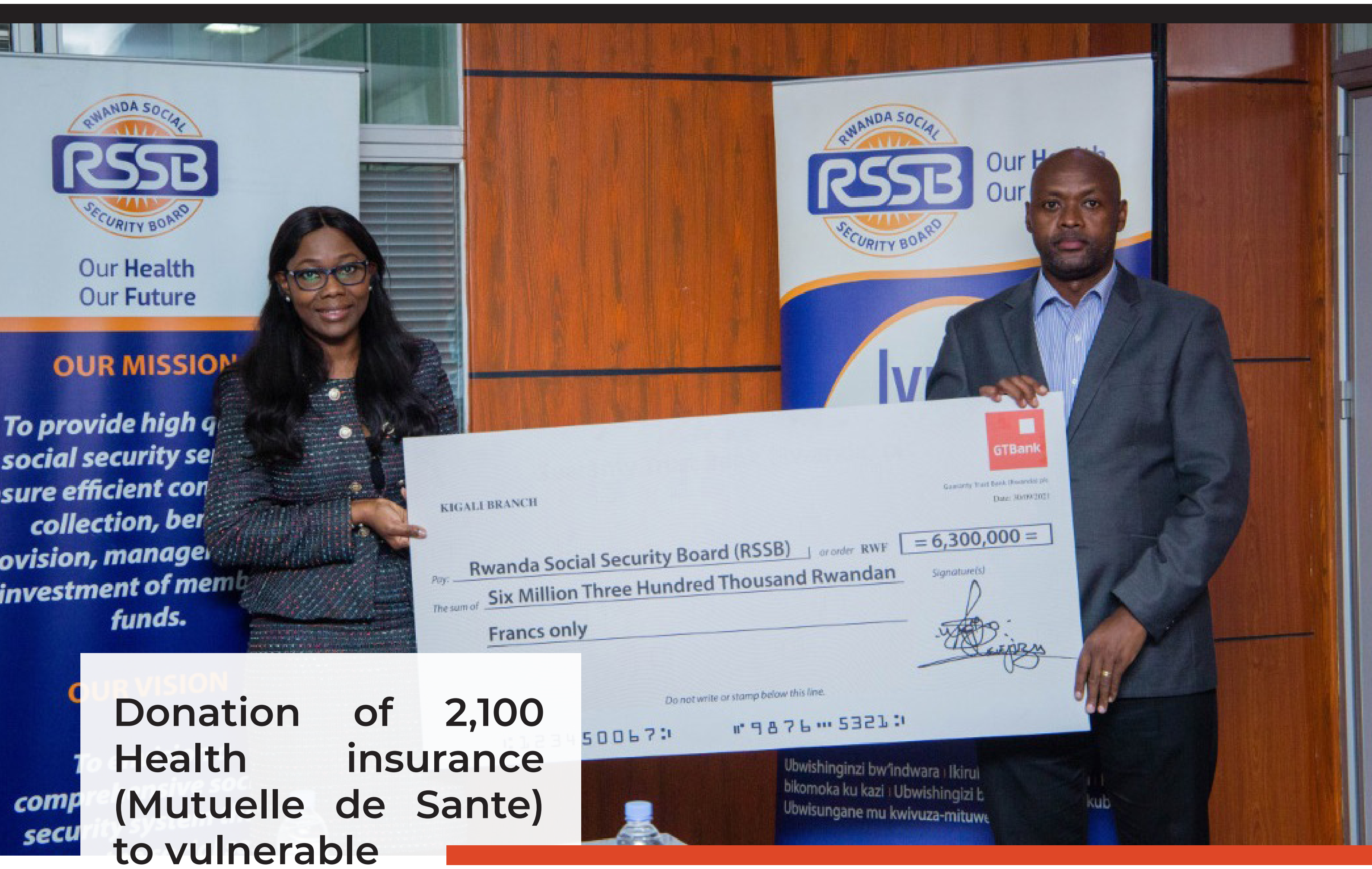
FLORIDA KABASINGA

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.

Corporate Social Responsibility



Donation of 2,100 Health insurance (Mutuelle de Sante) to vulnerable people living in different districts across the country

Guaranty Trust Bank plc, through its clearly defined Corporate Social Responsibility, empowers underserved people and communities and expands access to healthcare across all its locations.

The Bank is committed to creating enduring partnerships for sustainable development and undertakes several community and health development projects every year across Rwanda and beyond to expand opportunities for individuals and families in the communities wherein it operates.

Recently, the Bank donated Medical Insurance packages to vulnerable people living in Rubavu, Ngoma, Musanze, Karongi, Kayonza, Rusizi, and Muhanga. These donations were done to provide medical assistance, enrich lives and improve the well-being of people in our host communities. A total of 2,100 Medical Insurance packages (Mutuelle de Sante) which will provide medical cover for a year to beneficiaries in the communities were donated.

Guaranty Trust Bank (Rwanda) plc will continue embarking on Corporate Social Responsibility initiatives to add value to communities in which it operates.

Corporate Governance.

Guaranty Trust Bank (Rwanda) plc ("the Bank" or "the Company") has acquired over the years, an enviable reputation built on a solid foundation of integrity, professionalism, quality and value adding service delivery, and excellent corporate governance practices. Our guiding principles ("the Orange Rules") are Simplicity, Professionalism, Service, Friendliness, Excellence, Trustworthiness, Social Responsibility and Innovation. These principles, on which the Bank was founded, remain the bedrock upon which we have built and developed our exemplary corporate governance practices.

At Guaranty Trust Bank (Rwanda) plc, the principles of good corporate governance practices remain one of our core values and an important ingredient in creating and sustaining shareholder value and providing excellent service to our customers, while ensuring that behaviour is ethical, legal and transparent.

The Bank is mindful of its obligations to remain committed to safeguarding and improving shareholders' value through transparent best practices fashioned along local regulatory standards as well as international best practices.

Guaranty Trust Bank (Rwanda) plc ensures compliance with the tenets of Corporate Governance in Rwanda as formally codified by the National Bank of Rwanda's Corporate Governance Regulation, which enumerates best practices for the Board of Directors of Banks in Rwanda, as well as disclosures and transparency in financial matters.

The Bank is governed by a framework that facilitates checks and balances and ensures that appropriate controls are put in place. It encompasses authority, accountability, stewardship, leadership, direction and control and ensures that the responsibilities and functions of the Board as well as the senior management of the Bank are well defined.

BOARD COMMITTEES

Under the Articles of Association, Directors appoint committees consisting of such members of their body and such other persons as they think fit and delegate any of their powers to such committees. Any committee so formed in the exercise of its powers so delegated, conforms with Regulations laid down by the Regulator.

The Board committees are: Board Risk Management; Board Credit Committee and Board Audit Committee.

Board Risk Management Committee

The Committee is tasked with the responsibility of setting and reviewing the Bank's risk policies. The coverage of supervision includes the following: credit risk, reputation risk, operations risk, technology risk, market and rate risks, liquidity risk and other pervasive risks as may be posed by the events in the industry at any point in time.

The Committee's major responsibilities are to set policies on the Company's risk profile and limits, determine the adequacy and completeness of the Company's risk detection and measurement systems, assess the adequacy of the mitigants to the risks, review and approve the contingency plan for specific risks and ensure that all units in the Company are fully aware of the risks involved in their functions.

This Committee is charged with the quarterly review of the Company's central liability report and summary of criticized loans with the concurrent power of recommending adequacy of the reserves for loan losses and approving possible charge-offs.

The committee is also responsible to derive the most appropriate strategy for the bank in terms of the mix of assets and liabilities given its expectations of the future and the potential consequences of interest-rate movements, liquidity constraints, and foreign exchange exposure and capital adequacy.

The committee ensures that all strategies conform to the bank's risk appetite and levels of exposure.

The Committee meets quarterly.

Board Credit Committee

This Committee is responsible for approval of credit facilities in the Company. It reviews all credits granted by the Company and approves specific loans above the Management Credit Committee's authority limit as defined from time to time by the Board. The Committee is also responsible for ensuring that the Company's internal control procedures in the area of risk assets remain high to safeguard the quality of the Company's risk assets.

The Committee meets at least once quarterly.

Audit Committee of the Bank

This Committee is responsible for ensuring that the Bank complies with all the relevant policies and procedures both from the regulators and as laid- down by the Board of Directors. Its major functions include:

(i) approval of the annual audit plan of the internal auditors,

(ii) review and approval of the audit scope and plan of the external auditors,

(iii) review of the audit report on internal weaknesses observed by both the internal and external auditors during their respective examination and to ascertain whether the accounting and reporting policies of the company are in accordance with legal requirements and agreed ethical practices.

The Committee also reviews the Bank's annual and interim financial statements, including reviewing the effectiveness of the Company's disclosure controls and systems of internal control and areas of judgment involved in the compilation of the Company's results.

The Committee is responsible for the review of the integrity of the Company's financial reporting and oversees the independence and objectivity of the external auditors.

The membership at the Board level is based on relevant experience of the Board
member.

The Committee consists of not less than three members, at least two of whom are independent directors.

The Committee has access to external auditors to seek for explanations and additional information.

The Committee meets at least four times a year.

MANAGEMENT COMMITTEES

These are Committees comprising of senior management of the Bank. The Committees are risk driven as they are basically set up to identify, analyse, synthesize and make recommendations on risks arising from day-to-day activities of the Bank. They also ensure that risk limits as contained in the Board and Regulatory policies are complied with at all times. They provide inputs for the respective Board Committees and also ensure that recommendations of the Board Committees are effectively and efficiently implemented. They meet as frequently as the risk issues occur to immediately take actions and decisions within the confines of their powers.

The key Management Committees in the Bank are:

(i) Executive Divisional Heads Committee

(ii) Management Credit Committee;

(iii) Criticized Assets Committee;

(iv) Assets and Liability Management Committee (ALCO);

(v) IT Steering Committee

(vi) Risk Management Committee

Executive Divisional Heads Committee

The Executive Committee is responsible for implementation of operational plans, annual budgeting and periodic reviews of operations, strategic plans, ALCO strategies, credit proposals review, identification and management of key risks and opportunities. The committee reviews and approves guidelines for employees' remuneration.

This Committee assists the Chief Executive Officer to manage the banking insti-tution and to guide and control the overall direction of the business of the bank-ing institution and acts as a medium of communication and co-ordination be-tween business units and the board.

The Committee consists of a combination of senior management officials and meets on a monthly basis.

Management Credit Committee (MCC)

This is the Committee responsible for ensuring that the Company complies fully with the Credit Policy Guide as laid down by the Board of Directors.

The Committee also provides inputs for the Board Credit Committee. This Committee reviews and approves credit facilities to individual obligors not ex-ceeding in aggregate a sum to be determined by the Board from time to time. The Management Credit Committee is responsible for reviewing and approv-ing all credits that are above the approval level of the Managing Director as determined by the Board. The Committee reviews the entire credit portfolio of the Company and conducts periodic assessment of the quality of risk assets in the Company. It also ensures that adequate monitoring of credits/facilities is carried out. The Committee meets weekly depending on the number of credit applications to be considered.

Criticized Assets Committee (CAC)

This Committee is responsible for the assessment of the risk asset portfolio of the Bank. It highlights the status of the Bank's assets in line with the internal and ex-ternal regulatory framework, and ensures that triggers are sent in respect of de-linquent assets. The Committee also ensures that adequate provisions are taken in line with the regulatory guidelines. The members of the Committee include the Managing Director, the Chief Operating Officer, and other relevant Senior Management Staff of the Bank.

Assets and Liability Management Committee (ALCO)

This Committee is responsible for the management of a variety of risks arising from the Bank's business including, market and liquidity risk management, loan to deposit ratio analysis, cost of funds analysis, establishing guidelines for pricing on deposit and credit facilities, exchange rate risks analysis, balance sheet structuring, regulatory considerations and monitoring of the status of imple-mented assets and liability strategies. The members of the Committee include the Managing Director; Chief Operating Officer; the Treasurer; the Head, Finan-cial Control; Head, Risk and Compliance; and a representative of the Assets and Liability Management Unit.

IT Steering Committee

This Committee is responsible for assisting Management with the implementa-tion of IT Strategy approved by the Board. The roles and responsibilities of the Committee include: (i) Planning, Budgeting and Monitoring; (ii) Ensuring Opera-tional Excellence and (iii) IT Risk Assurance.

Risk Management Committee

The Risk Management Committee is the committee charged with monitoring the entire risk spectrum inherent in the Bank's business. These risks have been primarily identified as Credit Risk, Operational Risk, Market and Liquidity Risk, Strategy and Reputational risks, Information security Risk and compliance risk; in order to provide reasonable assurance on the achievement of the Bank's Risk Management's objectives and compliance with internal and external policies and regulations. The Risk Management Committee derives its powers from the Board of Directors through the Board Risk Management Committee and advises the Board Risk Management Committee on risk areas and possible internal control weaknesses, and execution of related action plans.

CHAIRMAN'S STATEMENT

Distinguished shareholders, fellow Board members, Management, staff and our esteemed customers. I wish to present the 2021 Annual Report of Guaranty Trust Bank (Rwanda) plc.
As the previous year, the year 2021 was also a challenging year with the onset of new variants of COVID-19 virus infections the world over; Rwanda was not exempted in the significant challenges caused by the pandemic. I however wish to congratulate the Government of Rwanda under the stewardship of His Excellency President Paul Kagame in their exemplary handling of the challenges caused by the pandemic. The Government continues to implement different initiatives and remains exceptionally proactive in ensuring the revival of the economy. In this regard, a memorandum of understanding was signed with BioNTech to initiate the construction of the state-of-the-art manufacturing plant in the efforts to implement sustainable end-to-end vaccine supply solutions on the African continent that was largely exposed by the inequalities of COVID-19 vaccines distribution. The initiative is also crucial for transferring knowledge and know-how, bringing in new jobs and skills and ultimately strengthening Africa's health security. The country's GDP was revised upward from initial 5.1% to 10.2% which reaffirms the strong projected economic recovery.
It is my pleasure to report that despite the challenges encountered in 2021 Guaranty Trust Bank (Rwanda) plc 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 effectiveness of the management of the Bank.
The Bank recorded a Profit Before Tax (PBT) of Rwf6.46Billion representing an increase of 45% compared to Rwf4.45billion recorded in 2020. The enhanced profitability emanated from the Bank's total assets which recorded a 16.2% increase represented by Rwf132.57billion for year ended 2021 relative to Rwf114.1billion recorded in 2020. The key growth lines were mainly attributable to growth in balances held with other banks and cash and balances held at the National Bank by Rwf8.1billion and Rwf7.8billion respectively, similarly investment in government securities and loans and advances also contributed to the growth in total assets. On the liabilities the customers' deposits increased by 15.3% in comparison to year ended 2020.

The improved performance of the Bank is also in other key metrics for the year 2021. The Capital Adequacy Ratio (CAR) stood at 26.4% higher than the minimum regulatory requirement of 15%. The leverage ratio stood at 12.9%, 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 340.1% as at end December 2021 above 100% minimum prudential requirements. The aggregate Net Stable Funding Ratio (NSFR) stood at 152.7%, above the 100% regulatory requirement. The investor related pre-tax ratios also reflected growth with the Return on Assets (ROA) increasing from 3.9% in December 2020 to 4.9% in December 2021, Return on Equity (ROE) increase from 23.2% to 26.5% over the same period respectively.

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 and innovative digital banking service in the industry as well as focusing on retail banking, SMEs business and treasury services to sustain its growth objectives.
We strongly believe that the Bank will continue growing in all areas: efficiency, size and profitability and be able to create higher shareholders' value and better serve our esteem customers and our community.

Sincerely,

Enata Dusenge
Acting Chairperson

MANAGING DIRECTOR'S STATEMENT

Dear Stakeholders,

It is with pleasure that I present the performance of Guaranty Trust Bank (Rwanda) plc, the Rwandan financial sector, highlights of our Business achievements and Corporate Social Responsibility initiatives for 2021.

The COVID-19 pandemic effects eased out in the year and paved way for the Bank to have a very successful year reflected in a 45% year on year growth in Profit Before Tax (PBT) from Rwf4.4billion in 2020 to Rwf6.5billion in 2021. The Bank's total assets registered a 16% growth mainly attributable to 15% growth in customer deposits. Our contingent liabilities registered a 19.2% growth whilst total assets and contingents grew by 17% during the same period. The improved performance was attained on the backdrop of higher Net Interest Margin (NIM), improved cost of funds, enhanced recoveries, cost efficiency and efficient balance sheet management.

In the year 2021, the financial sector recorded an optimistic growth, with total assets of the sector increasing by 19.3% to Rwf7,531billion in December 2021 from Rwf6,315billion in December 2020. The Banking Industry assets improved to 17.5% compared to 24.0% in the previous year from Rwf4,310billion to Rwf5,064billion. This growth was largely driven by growth in customer deposits. Deposits recorded a 16.6% growth represented by Rwf3,087billion from Rwf2,647billion for 2021 and 2020 respectively. However, the risk assets recorded a lower growth rate from 21.2% in 2020 to 15% in 2021 equivalent to Rwf2,525billion and Rwf2,903billion respectively. The moderation of the growth of loans is largely linked to loans written off by banks that increased to Rwf75billion in 2021 from Rwf22billion in 2020.

Despite the challenges faced in last couple of years, following the global pandemic of COVID-19, giving the best customer service/experience to all our customers has been our priority and shall remain fundamental in everything we do to ensure the sustenance of superior customer service delivery, achieving our strategic objectives and build a strong and profitable relationship with our customers. Creativity and Innovation will continue to be enhanced in all domains of our activities to ensure that we offer value to all our stakeholders.

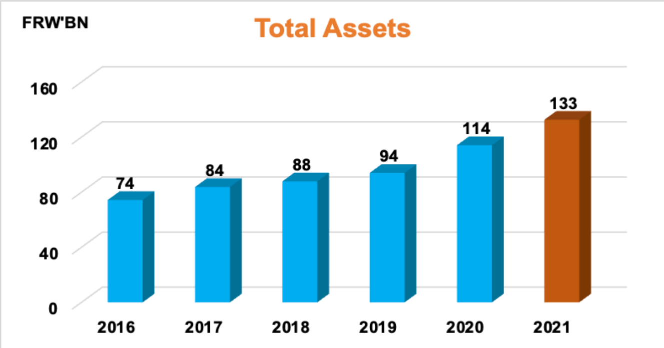
The Bank had other achievements is the year, mainly the expansion the service capacity through Digital Banking (E-Channels) to ease customer service delivery and enhance customer satisfaction. This comprised, the launch of MOBICASH for our customers to facilitate making payments and an easy access to our services through MOBICASH agents and the launch of Instant Card Issuance that significantly decreased the waiting period from 10 business days to 1 day thus enhancing customer satisfaction. The Bank donated Medical Insurance packages to 2,100 vulnerable people living different districts in a bid of providing medical assistance, enriching lives and improve the well-being of people in our host communities.

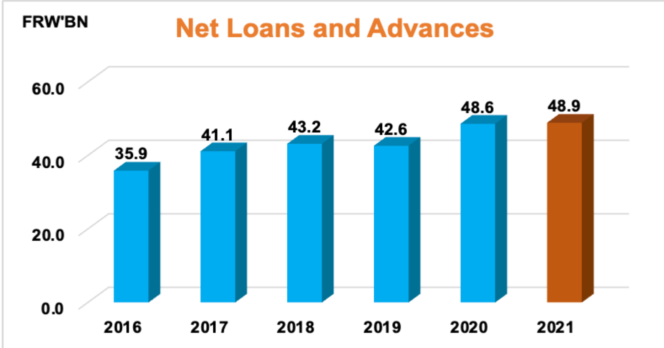
We acknowledge the support of our various stakeholders; particularly our most esteemed customers, The National Bank of Rwanda, our Board of Directors, Management and Members of Staff. We will remain committed and devoted to our core values whilst striving to continue building a first-class institution.

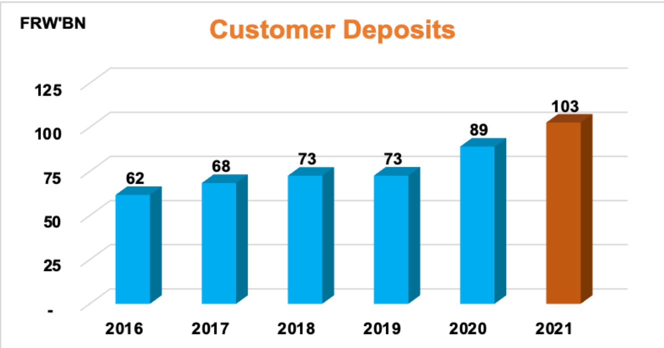
Thank you,

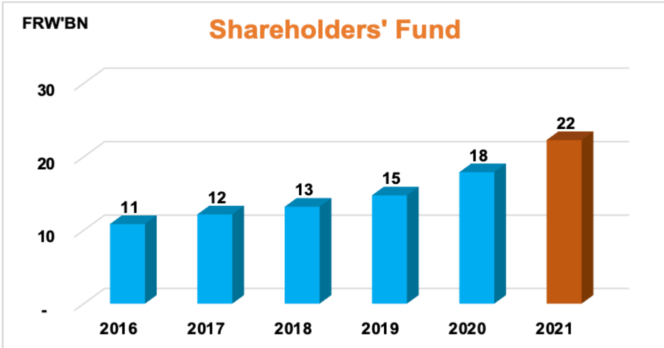
Emmanuel Ejizu
Managing Director
Guaranty Trust Bank (Rwanda) plc

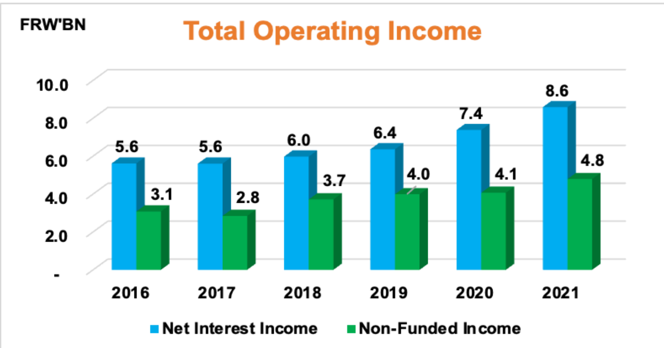
FINANCIAL PERFORMANCE HIGHLIGHTS

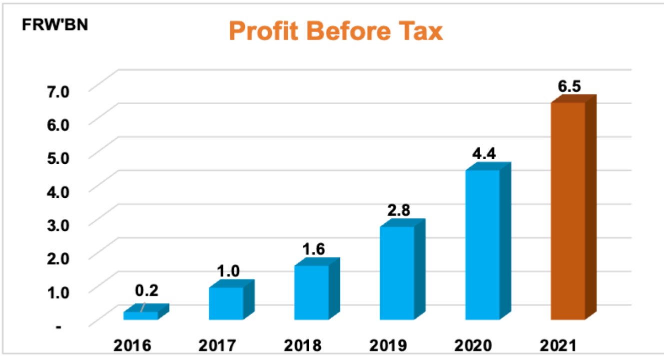












Financial Soundness Highlights	2021 %	2020 %	2019 %	2018 %	2017 %	2016 %
Capital Strength Ratios						
Capital Adequacy Ratio (MIN 15%)	26.4%	24.3%	21.0%	21.2%	19.6%	18.1%
Core Capital / Risk Weighted Assets (MIN 10.5%)	25.3%	22.1%	19.4%	19.0%	18.5%	16.8%
Leverage ratio (MIN 6%)	12.9%	11.7%	11.0%	11.8%	11.3%	11.8%
Coverage/ Asset Quality Ratios						
NPLs / Gross Loans	5.2%	4.6%	3.6%	14.3%	21.3%	21.9%
Provisions / NPLs	107.3%	50.0%	79.1%	72.2%	55.9%	35.7%
Earning Assets / Total Asset	69.7%	72.5%	77.5%	83.5%	84.9%	79.5%
Loan Loss Reserve / Gross Loans	5.6%	2.3%	2.8%	10.3%	11.9%	7.8%
Profitability Ratios						
Post-Tax Return on Assets	3.3%	2.8%	1.7%	1.2%	0.7%	0.2%
Post-Tax Return on Equity	19.7%	17.6%	11.1%	8.3%	5.0%	1.1%
Net Interest Margin	9.0%	8.6%	8.0%	6.9%	7.2%	7.7%
Cost to Income	54.2%	63.4%	75.6%	85.7%	90.2%	97.7%
Liquidity Ratios						
Liquid Assets / Total Deposits	68.1%	62.7%	56.8%	54.2%	52.5%	45.4%
Gross Loans / Total Deposits	50.4%	55.9%	60.4%	66.3%	66.7%	63.1%
Net Loans/Total Asset	36.9%	42.6%	45.4%	49.1%	48.5%	48.3%
Total Deposits / Total Assets	77.4%	78.0%	77.3%	82.6%	82.6%	83.0%

DIRECTORS & AUDITORS REPORTS

Directors and Statutory Information

Shareholding

The Bank's shareholding as at 31 December 2021 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) Chairperson - Independent
Mrs. Enatha Dusenge Twizere	(Rwandan) Independent
Mr. Eric Cyaga	(Rwandan) Independent
Mrs. Florida Kabasinga	(Rwandan) Non-Independent
Mr. Nnamaka Emmanuel Ejizu	(Nigeria) Managing Director

BOARD AUDIT COMMITTEE

Mrs. Enatha Dusenge Twizere	Chairperson
Mrs. Florida Kabasinga	Member
Mr. Nnamaka Emmanuel Ejizu	Member

BOARD CREDIT COMMITTEE

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

BOARD RISK COMMITTEE

Mr. Eric Cyaga	Chairperson
Mrs. Florida Kabasinga	Member
Mrs. Enatha Dusenge Twizere	Member
Mr. Nnamaka Emmanuel Ejizu	Member

NOMINATION AND REMUNARATION COMMITTEE

Mr. Eric Cyaga	Chairperson
Mr. Nnamaka Emmanuel Ejizu	Member

BOARD IT COMMITTEE

Mrs. Enatha Dusenge Twizere	Chairperson
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, 2021.

	Full Board	Board Credit Committee	Nomination and remuneration Committee	Board Risk Committee	Board Audit Committee	Board IT Committee
Date of Meetings	24.05.2021 27.08.2021 12.11.2021	24.05.2021 27.08.2021 12.11.2021	24.05.2021 27.08.2021 12.11.2021	24.05.2021 27.08.2021 12.11.2021	24.05.2021 27.08.2021 12.11.2021	24.05.2021 27.08.2021 12.11.2021
Number of Meetings	3	3	2	3	3	2
Mrs. Enatha Dusenge Twizere	3	n/a	n/a	1	3	2
Mr. Pipian Hakizabera	3	n/a	n/a	n/a	n/a	n/a
Mr. Eric Cyaga	3	1	2	3	n/a	n/a
Mrs. Florida Kabasinga	3	3	n/a	2	2	n/a
Mr. Nnamaka Emmanuel Ejizu	3	3	2	3	3	2

EXECUTIVE MANAGEMENT (EXCO)

Mr. Nnamaka Emmanuel Ejizu	Managing Director – Chairperson
Mrs. Irenosen B. Ohiwerei	Chief Operating Officer
Mr. Stephen Njuguna Mwangi	Chief Financial Officer
Mr. Louis Hategekimana	Head of Legal Services and Company Secretariat - Secretary
Mr. Joel Gatanazi	Head of Business Division
Mr. Jules Mukulira	Head of Risk and Compliance
Mr. Henry Ntaganzwa	Head of Human Resources

ASSETS AND LIABILITIES COMMITTEE (ALCO)

Mr. Nnamaka Emmanuel Ejizu	Chairperson
Mrs. Irenosen B. Ohiwerei	Member
Mr. Stephen Njuguna Mwangi	Member
Mr. Andrew Rukundo	Secretary
Mr. Jules Mukulira	Member
Mr. Joel Gatanazi	Member
Mr. Henry Ntaganzwa	Member
Mr. Jean Pierre Makelele	Member

MANAGEMENT CREDIT COMMITTEE (MCC)

Mr. Nnamaka Emmanuel Ejizu	Chairperson
Mrs. Irenosen B. Ohiwerei	Member
Mr. Stephen Njuguna Mwangi	Member
Mr. Louis Hategekimana	Member
Mr. Joel Gatanazi	Member
Ms. Felicite Umurutasate	Secretary
Mr. Emile Gashumba	Member
Mr. Jean Pierre Makelele	Member

IT STEERING COMMITTEE

Mr. Nnamaka Emmanuel Ejizu	Chairperson
Mrs. Irenosen B. Ohiwerei	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

Mrs. Irenosen B. Ohiwerei	Chairperson
Ms. Gisele Mutamba	Secretary
Ms. Peace Inkindi	Member
Mr. Louis Hategekimana	Member
Mr. Ishimwe Aubain Consolateur	Member
Mr. Louis Hategekimana	Member
Mr. Makelele Jean Pierre	Member
Mrs. Vestine Uwineza	Member
Mr. Joel Gatanazi	Member
Mr. Marcellin Dukuzimana	Member
Mr. Stephen Njuguna Mwangi	Member

RISK MANAGEMENT COMMITTEE (Continued)

Mr. Jules Mukulira	Member
Mr. Henry Ntaganzwa	Member

CRITICIZED ASSET COMMITTEE (CAC)

Mr. Nnamaka Emmanuel Ejizu	Chairperson
Ms. Felicite Umurutasate	Secretary
Mr. Emile Gashumba	Member
Mrs. Irenosen B. Ohiwere	Member
Mr. Louis Hategekimana	Member
Mr. Joel Gatanazi	Member
Mr. Makelele Jean Pierre	Member

PROCUREMENT COMMITTEE

Mr. Louis Hategekimana	Chairman
Mr. Jules Mukulira	Member
Mr. Stephen Njuguna Mwangi	Member
Mr. Didier Mugiraneza	Member
Mr. Badiel Rubangutsangabo	Secretary
Ms. Jasmine Isimbi Busoro	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

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.co.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 Peace House
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
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(+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 2021, 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 13.

DIVIDEND

The Directors do not recommend the payment of a dividend for the year 2021 (2020: 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: 31/03/2022

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 2021, 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, in accordance with International Financial Reporting Standards, in the manner required by Law No. 007/2021 of 05/02/2021 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. 007/2021 of 05/02/2021 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 and were signed on its behalf by:

....
Managing Director

....
Director

Date: 31/3/2022

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 2021, 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 2021, 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. 007/2021 of 05/02/2021 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.

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

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.

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

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Guaranty Trust Bank (Rwanda) plc Financial Statements for the Year ended 31 December 2021 which includes the Directors' Report as required by the Law No. 007/2021 of 05/02/2021 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Law No. 007/2021 of 05/02/2021 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

31/3/2022


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FINANCIAL STATEMENTS

	Notes	2021 Frw'000	2020 Frw'000
Interest income*	1	9,325,147	8,092,792
Interest expense*	2(a)	(739,134)	(712,830)
Net interest income		**8,586,013**	**7,379,962**
Fee and commission income	3 (a)	3,235,324	2,951,920
Fee and commission expense	3 (b)	(946,198)	(796,060)
Net fee and commission income		**2,289,126**	**2,155,860**
Foreign exchange income	4(a)	1,509,785	1,063,459
Other income	4(b)	50,697	59,635
Total operating income		**12,435,621**	**10,658,916**
Net impairment charge on loans and advances	5	7,215	(705,228)
Employee benefits expense	6	(2,594,359)	(2,403,533)
Depreciation and amortization	7 (a)	(682,761)	(679,056)
Other operating expenses[1]	7 (b)	(2,563,004)	(2,264,068)
Finance Cost[1]	2(b)	(139,361)	(159,617
Profit before income tax		**6,463,351**	**4,447,414**
Income tax expense	8	(2,076,956)	(1,303,771)
Profit for the year		**4,386,395**	**3,143,643**
Other comprehensive income		-	-
Total comprehensive income for the year		**4,386,395**	**3,143,643**
Attributable to:			
Equity holders of the parent[2]		4,386,395	3,143,643

*Interest income and interest expense were calculated using the effective interest rate method.

[1] The company has disaggregated the presentation within the current financial reporting period relating to finance cost, which previously presented within the other operating expenses line item within the prior year, These are classifications had no impact on any reported totals or on any amounts presented in the statement of financial position.
[2] The attribution of the profit was not presented in the prior year. The additional presentation done in the current year has no impact on any reported totals or on any amounts presented in the statement of financial position

	Notes	2021 Frw'000	2020 Frw'000
ASSETS			
Cash and balances with the National Bank of Rwanda	9	31,720,667	23,898,032
Amounts due from other banks	10	14,911,472	6,800,072
Investment securities	11	28,972,542	27,426,389
Loans and advances	12	48,908,518	48,622,677
Other assets	13a	2,520,549	1,686,903
Asset held for sale	13b	400,000	-
Intangible assets	14	570,914	743,062
Property and equipment	15	2,715,466	2,767,362
Right of use asset	16	1,851,472	2,182,113
TOTAL ASSETS		**132,571,600**	**114,126,610**
LIABILITIES			
Customer deposits	17(a)	102,653,687	89,046,813
Amounts due to other banks	17(c)	-	-
Other Borrowings	17(b)	911,048	964,817
Provisions	19(a)	132,367	155,034
Other liabilities	19(b)	3,824,965	2,841,087
Lease liability	18	2,064,264	2,371,049
Current income tax payable	8	534,273	578,723
Deferred income tax	20	167,735	272,221
TOTAL LIABILITIES		**110,288,339**	**96,229,744**
EQUITY			
Share capital	21	10,994,882	10,994,882
Revaluation reserves	22	368,693	368,693
Retained earnings	23(a)	10,395,947	6,474,539
Statutory Reserve	23(b)	523,739	58,752
TOTAL EQUITY		**22,283,261**	**17,896,866**
TOTAL EQUITY AND LIABILITIES		**132,571,600**	**114,126,610**

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

Managing Director

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 2021						
At 1 January 2021		**10,994,882**	**368,693**	**6,474,539**	**58,752**	**17,896,866**
Comprehensive income:						
Profit for the year		-	-	4,386,395	-	**4,386,395**
Total comprehensive income for the year		-	-	**4,386,395**	-	**4,386,395**
Transfer to Statutory reserve	23 (b)	-	-	(464,987)	464,987	-
At 31 December 2021		**10,994,882**	**368,693**	**10,395,947**	**523,739**	**22,283,261**
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**

	Notes	2021	2020
		Frw'000	Frw'000
Cash flows from operating activities			
Profit before income tax		6,463,351	4,447,414
Adjustments for:			
Depreciation on property and equipment	15	433,486	419,439
Amortization of intangible assets	14	249,275	259,617
(Gain)/loss on disposal of fixed assets		855	(11,243)
Accrued interest on term borrowings	17(b)	6,642	533
Amortization on right-of-use asset	16	348,493	348,699
Interest on lease liability	18	139,361	159,617
IFRS 16- Lease cost net changes P/L impact	16&18	(6,595)	(2,829)
Cash flows from operating activities before changes in operating assets and liabilities		**7,634,868**	**5,621,247**
Changes in operating assets and liabilities:			
- Loans and advances		(285,841)	(5,988,681)
- Investment securities		(866,632)	(9,937,522)
- Other assets		(1,233,646)	(268,414)
- Customer deposits and cash reserves		12,993,500	16,922,698
- Amounts due to other banks		-	(1,000,000)
- Provision for litigation		(22,667)	11,771
- Other liabilities		983,877	907,855
Income tax paid	8	(2,225,891)	(1,322,864)
Net cash generated from operations		**16,977,568**	**4,946,091**
Cash flows from investing activities			
Purchase of property and equipment	15	(385,550)	(296,986)
Purchase of intangible assets	14	(77,128)	(73,200)
Proceeds from sale of property and equipment		3,105	13,001
Net cash used in investing activities		**(459,573)**	**(357,185)**
Cash flows from financing activities			
Long term borrowings acquired	17(b)	108,877	964,284
Principal repayment on long term borrowings	17(b)	(157,837)	-
Interest payment on long term borrowings	17(b)	(11,451)	-
Interest payment on lease liability	18	(139,361)	(159,617)
Principal repayment of lease liability[4]	18	(318,043)	(298,735)
Net cash flows generated from/(used in) financing activities		**(517,815)**	**505,932**
Net increase / (decrease) in cash and cash equivalents		**16,000,180**	**5,094,838**
Cash and cash equivalents at start of year	25	37,953,302	32,858,464
Cash and cash equivalents at end of year	**25**	**53,953,482**	**37,953,302**
Additional information on operational cash flows from interest and dividends:			
Interest paid[3]		763,789	700,346
Interest received[3]		9,019,159	7,972,241

[3]The interest received and paid disclosure was not available in the prior year. The additional presentation done in the current year has no impact on any reported totals or on any amounts presented in the statement of financial position.

[4]The repayment of finance cost on lease liabilities of Frw 159,617,000 as well as the principal repayment of lease liabilities of Frw 298,735,000 was incorrectly presented on an aggregated basis in the prior year as Lease repayments during the year, but has correctly been disaggregated and presented separately within the current financial reporting period. This reclassification had no impact on any reported totals or on any amounts presented in the statement of financial position.

NOTES TO FINANCIAL STATEMENTS

1 Interest income*

	2021 Frw'000	2020 Frw'000
Loans and advances	7,133,942	6,188,459
Investment securities	2,045,266	1,697,042
Placements with banks	145,939	207,291
	9,325,147	**8,092,792**

2 a) Interest expense*

Other Borrowing (ERF)	11,055	533
Customer deposits	676,538	685,219
Deposits with banks	51,541	27,078
	739,134	**712,830**

*Interest income and interest expense were calculated using the effective interest rate method.

b) Finance Cost[1]

Interest on lease liability	139,361	159,617
	139,361	159,617

3 Net fee and commission income

***(a)* Fees and commission income**

Current account ledger fees	164,379	160,101
Credit related fees and commissions	810,519	955,517
Commissions on guarantees	356,277	388,402
Local and international cash transfers	1,165,230	726,804
Letters of credit commissions	273,093	231,007
Cash withdrawal commissions	111,959	120,827
ATM commissions	36,968	43,384
Cheque book charges	27,413	27,448
Other fee income:		
Bills of Collection fees	1,417	1,129
E-Business Other Charges	46,253	49,021
Miscellaneous Charges	7,404	14,452
Income on GTB UK transfer	34,011	24,731
Stop Payment Cheque Charges	198	130
Duplicate Statement Charges	20,492	14,949
Insurance Commissions	3,427	2,725
Standing Order Charges	1,106	1,947
Counter Cheques Withdrawal Charges	13,624	15,134
Commissions on Bankers Cheques Issued	510	819
Charge on number of withdrawals	10,704	10,729
Other service fee income	11,378	10,793
Commission Push and Pull	13,962	19,247
Penalties Commission on pre-matured TD	1,078	767
Visa Card Reimbursement fees	15,487	11,790
Non-Interest-Other Charges	35,635	50,573
GAPS Commission Account	72,800	69,494
	3,235,324	**2,951,920**

3 Net fee and commission income (continued)

	2021	2020
(a) Fees and commissions expense	**Frw'000**	**Frw'000**
Banking services	103,432	81,439
Transaction charges	488,377	436,479
Foreign Currency Import/Export Charges	147,040	51,657
Other fee expenses:		
MTN Push & Pull Support Fees	126,049	147,958
Reuters Charges	63,863	59,188
Mobile & E-Banking Charges	17,437	19,339
	946,198	796,060
Net fees and commissions	**2,289,126**	**2,155,860**

4 Trading income

(a) Foreign exchange income		
Profit/Loss on Forex Revaluation	4,303	5,187
Profit/Loss on Forex Trading	1,505,482	1,058,272
Net Foreign exchange income	**1,509,785**	**1,063,459**
(b) Other income		
Gain/(loss) on disposal of property and equipment	(855)	11,243
Other non-trading income	46,290	48,392
Sundry Losses	5,262	-
	50,697	**59,635**

5. Net impairment charges for credit losses

Stage 1	192,338	224,450
Stage 2	37,976	25,019
Stage 3	1,123,792	563,031
Recoveries on amounts previously written off	(1,361,321)	(107,272)
Net Impairment Charges for the year	**(7,215)**	**705,228**

6. Employee benefits expense

Salaries and wages	2,212,343	2,155,185
Contributions to the RSSB and other funds	66,413	55,953
Staff medical expenses	70,723	59,230
Other employee benefits	244,880	133,165
	2,594,359	**2,403,533**

7(a) Depreciation and amortization

		2021	2020
		Frw'000	Frw'000
Amortization charge on intangible assets	(Note 14)	249,275	259,617
Depreciation on property and equipment	(Note 15)	433,486	419,439
		682,761	**679,056**

7(b) Other operating expenses[1]

	2021	2020
Travel Related Expenses	53,865	47,828
Directors' expenses	69,966	84,971
Other operating expense	4,992	-
Amortization on right-of-use asset	348,493	348,699
Security costs	99,011	99,397
Legal fees	95,845	104,229
Repairs and maintenance	278,513	304,409
Consultancy costs	546,644	401,799
Water and electricity costs	145,357	148,472
Printing and stationery	61,800	70,868
Connection and communication charges	220,101	190,052
Periodicals and other book subscriptions	86,614	91,351
Human Capital Related Expenses	28,688	7,982
Fines and penalties	500	6,332
Disallowed VAT and other tax Expenses	215,775	13,200
Advertising and publicity	22,790	19,147
Audit fees	36,412	46,988
Office cash handling charges	47,248	36,317
Insurance	56,752	53,360
Sundry losses	-	68,930
Motor vehicle expenses	14,051	10,882
Deposit Protection Insurance	77,810	66,363
Other administrative expenses	51,777	42,492
	2,563,004	**2,264,068**

8 Income tax expense

	2021	2020
Current income tax (@30%)	2,181,442	1,470,741
Deferred income tax (credit)/charge	(104,486)	(70,677)
Over/understatement	-	(96,293)
Income tax expense	**2,076,956**	**1,303,771**

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:

	2021 Frw'000	2020 Frw'000
Profit before income tax	6,463,351	4,447,414
Tax calculated at the statutory income tax rate of 30% (2020: 30%)	1,939,005	1,334,224
Tax effect of:		
Permanent timing differences:		
-Other non-deductible expenses*	137,951	65,840
Over/understatement	-	(96,293)
Income tax expense	**2,076,956**	**1,303,771**
Effective tax rate*	**32.1%**	**29.3%**

*The effective tax rate percentage was disclosure was not available in the prior year. The additional presentation done in the current year has no impact on any reported totals or on any amounts presented in the statement of financial position.
*The other non-deductibles expenses include staff welfare expenses, travel expenses, professional fees etc.

Current income tax payable	**2021 Frw'000**	**2020 Frw'000**
At 1 January	578,722	430,845
Income tax charge for the year	2,181,442	1,470,741
Tax paid during the year	(2,225,891)	(1,322,864)
As at December	**534,273**	**578,722**

	2021	2020
9 Cash and balances with National Bank of Rwanda	**Frw'000**	**Frw'000**
Cash at hand	7,025,010	4,064,638
Balances with the National Bank of Rwanda	20,938,160	16,689,273
Cash reserve requirement	3,757,497	3,144,121
	31,720,667	**23,898,032**

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 2021, Rwanda's sovereign rating was B+.

	2021	2020
10 Amounts due from other banks	**Frw'000**	**Frw'000**
Operating accounts with other banks	1,709,789	2,656,506
Interest earning placements with other banks	13,187,522	4,084,395
Other balances from other banks	14,161	59,171
	14,911,472	**6,800,072**

11 Investment securities

	2021 Frw'000	2020 Frw'000
At amortized cost		
Treasury bills		
Opening	25,107,796	12,175,449
Additions	56,823,401	39,431,507
Repayments	(58,637,796)	(26,499,160)
At end of the year	**23,293,401**	**25,107,796**
Treasury bonds		
Opening	2,318,593	1,317,416
Additions	3,360,549	1,001,177
Repayments	-	-
At end of the year	**5,679,141**	**2,318,593**
Total at end of year	**28,972,542**	**27,426,389**

The maturity profile of Investment securities is as follows:

	2021 Frw'000	2020 Frw'000
Treasury bonds maturing:		
• within 3 years	4,299,956	939,408
• within 5 years	1,379,185	1,379,185
Sub-Total	**5,679,141**	**2,318,593**
Treasury bills maturing:		
• within 91 days	11,078,840	10,399,319
• within 181 days	2,907,135	3,858,558
• within 1 year	9,307,426	10,849,919
Sub-Total	**23,293,401**	**25,107,796**
Total investment in securities	**28,972,542**	**27,426,389**

12 Loans and advances

	2021	2020
	Frw'000	Frw'000
Overdrafts	14,988,776	13,641,693
Treasury loans	26,610,945	24,846,622
Equipment loans	1,561,180	1,953,735
Consumer loans	2,271,397	1,949,167
Mortgage loans	5,697,207	6,924,390
Accrued interests	654,088	443,393
Gross loans and advances	**51,783,592**	**49,759,000**
Less:		
Provision for impairment of loans and advances	(2,875,074)	(1,136,323)
Net loans and advances	**48,908,518**	**48,622,677**

Movements in gross loans and advances are as follows:

Bank	**Stage 1 12-month ECL Frw'000**	**Stage 2 Lifetime ECL Frw'000**	**Stage 3 Lifetime ECL Frw'000**	**Total Frw'000**
Gross carrying amount as at 01 January 2021	45,513,543	1,219,291	3,026,166	49,759,000
Changes in the gross carrying amount				
– Transfer from stage 1 to stage 2	(5,922,082)	5,922,082	-	-
– Transfer from stage 1 to stage 3	(456,622)	-	456,622	-
– Transfer from stage 2 to stage 3	-	(87,090)	87,090	-
– Transfer from stage 3 to stage 1	5,230	-	(5,230)	-
– Transfer from stage 2 to stage 1	1,013,151	(1,013,151)	-	-
– Write-offs	-	-	(150,782)	(150,782)
New financial assets originated or purchased	27,958,577	-	-	27,958,577
Accrued interest	486,123	146,829	21,136	654,088
Repayments	(24,762,404)	(1,551,018)	(123,869)	(26,437,291)
Gross carrying amount as at 31 December 2021	**43,835,515**	**4,636,943**	**3,311,133**	**51,783,592**

Bank	**Stage 1 12-month ECL Frw'000**	**Stage 2 Lifetime ECL Frw'000**	**Stage 3 Lifetime ECL Frw'000**	**Total Frw'000**
Gross carrying amount as at 01 January 2020	36,119,942	4,937,862	2,825,585	43,883,389
Changes in the gross carrying amount				
– Transfer from stage 1 to stage 2	(2,436,503)	2,436,503	-	-
– Transfer from stage 1 to stage 3	(35,364)	-	35,364	-
– 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	2,453,122	(2,453,122)	-	-
– Write-offs	-	-	(1,123,937)	(1,123,937)
New financial assets originated or purchased	22,835,536	-	-	22,835,536
Accrued interest	428,253	13,750	1,390	443,393
Repayments	(13,851,443)	(1,869,894)	(558,044)	(16,279,381)
Gross carrying amount as at 31 December 2020	**45,513,543**	**1,219,291**	**3,026,166**	**49,759,000**

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 2021				
At start of year	125,371	39,539	971,414	1,136,323
Provision for loan impairment/Remeasurement	87,111	37,976	1,123,792	1,248,879
Provision for new financial assets	105,227	-	-	105,227
Transfer from stage 1 to stage 2	(71,759)	71,759	-	-
Transfer from stage 1 to stage 3	(92,004)	-	92,004	-
Transfer from stage 2 to stage 3	-	(23,419)	23,419	-
Transfer from stage 3 to stage 1	6	-	(8)	-
Transfer from stage 2 to stage 1	147	(147)	-	-
Write offs	-	-	(150,782)	(150,782)
Adjustment for suspense interest	(25,456)	(87,732)	648,616	535,427
Net change in the year	3,272	(1,563)	1,737,041	1,738,751
At end of year	**128,643**	**37,976**	**2,708,455**	**2,875,074**

	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 2020				
At start of year	588,442	72,723	588,228	1,249,393
Provision for loan impairment	126,627	25,019	563,031	714,677
Provision for new financial assets	97,823	-	-	97,823
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	-	(42,882)	42,882	-
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)	515,962	198,368
Net change in the year	(463,072)	(33,184)	383,186	(113,070)
At end of year	**125,370**	**39,539**	**971,414**	**1,136,323**

13 Other assets and Asset held for sale

a) Other Assets

	2021 Frw'000	2020 Frw'000
Prepayments	288,264	257,513
Other accounts receivable	536,381	396,765
Tax Recoverable:		
Installment Tax	1,290,336	732,710
VAT Claimable	5,723	2,859
Tax recoverable WHT	399,845	297,056
	2,420,549	**1,686,903**

	2021 Frw'000	2020 Frw'000
Other accounts receivable breakdown:		
Clearing Suspense	48,632	48,632
Money gram funds	20,831	41,175
Western Union funds	17,066	20,494
Advance payment suspense	32,758	1,658
Sundry Debtors	15,126	14,929
Cash Shortage Account	8,202	3,679
Guaranty Deposit Recoverable	30,833	27,044
Utilities Account and Tigo push and pull	43,331	23,389
Interest receivables on placements	36,490	4,404
VISA and Mobile money clearing Account	283,112	211,361
	536,381	**396,765**

b) Asset held for sale

	2021	2020
Residential house	400,000	-
	400,000	-

Asset held for sale: The Customer defaulted to meet his loan obligations and forced the Bank to sell the collateral (residential house) held under auction. Interested buyers of the building quoted less compared to its market value. As a result, at the third auction round, the Bank decided to repossess the house and should be sold under normal circumstances in less than 12- month period from the date of the purchase.

14 Intangible assets*

	Intangible -Assets Frw'000	Intangible -WIP Frw'000	Total Frw'000
Cost			
At 1 January 2021	2,896,001	-	2,896,001
Additions	39,943	37,185	77,128
Additions from WIP	17,237	(17,237)	-
At 31 December 2021	**2,953,181**	**19,948**	**2,973,129**

14. Intangible assets (continued)

Amortization			
At 1 January 2021	(2,152,939)	-	(2,152,939)
Charge for the year	(249,275)	-	(249,275)
At 31 December 2021	**(2,402,214)**	-	**(2,402,214)**
Carrying amount	**550,967**	**19,948**	**570,914**

	Intangible -Assets	**Intangible -WIP**	**Total**
	Frw'000	**Frw'000**	**Frw'000**
Cost			
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)**
Carrying amount	**743,061**	**-**	**743,061**

*Intangible assets include computer software and work in progress includes acquisition of intangible assets which are half capitalized pending installations. Intangible assets do not include internally generated assets

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 2021	883,098	2,051,745	492,217	3,438,330	4,600	6,869,989
Additions	-	3,598	-	352,114	29,837	385,550
Additions from WIP	-	-	-	25,461	(25,461)	-
On disposals	-	-	-	(7,350)	-	(7,350)
Reclassification	-	-	-	-	-	-
As at 31 December 2021	**883,098**	**2,055,343**	**492,217**	**3,808,555**	**8,976**	**7,248,189**
Accumulated depreciation						
As at 1 January 2021	58,540	944,507	364,982	2,734,599	-	4,102,628
Elimination on disposals	-	-	-	(3,391)	-	(3,391)
Charge for the year	6,177	120,135	65,247	241,926	-	433,486
Reclassification	-	-	-	-	-	-
As at 31 December 2021	**64,717**	**1,064,642**	**430,229**	**2,973,134**	**-**	**4,532,723**
Carrying amount at 31 December 2021	**818,381**	**990,701**	**61,988**	**835,420**	**8,976**	**2,715,466**
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**
Carrying amount at 31 December 2020	**824,558**	**1,107,238**	**127,236**	**703,730**	**4,600**	**2,767,362**

15 Property and equipment (continued)

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:

	2021 Frw'000	2020 Frw'000
Cost	540,172	540,172
Accumulated depreciation	(90,487)	(82,397)
	449,685	**457,775**

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 2021 using

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

Fair value measurements at 31 December 2020 using

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

15 Property and equipment (continued)

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 Bank commissioned the internal property valuer to perform 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 2021	**Frw'000**			
Land and buildings	891,256	Sales comparison approach	Price per square meter	The higher the price per square meter, the higher the 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

16 Right-of-use asset

	2021 Frw'000	2020 Frw'000
Year ended 31 December		
At start of year	2,182,113	2,490,898
Additions	56,244	-
Derecognition	(38,690)	-
Modification on lease cost	298	39,914
Depreciation charge	(348,493)	(348,699)
At end of year	**1,851,472**	**2,182,113**

The company leases various office buildings for branches in the normal course of business. The leases for office buildings for 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. 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 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

	2021 Frw'000	2020 Frw'000
Current and demand accounts	90,438,952	77,208,586
Term deposits accounts	3,007,524	3,030,258
Savings accounts	9,207,211	8,807,969
Total	**102,653,687**	**89,046,813**

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

	2021	2020
	Frw'000	Frw'000
At 1 January	964,817	-
Additions in the year	108,877	964,284
Accrued interest on other borrowing	6,642	533
Principal repayment	(157,837)	-
Interest payment	(11,451)	-
At 31 December	**911,048**	**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. 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 15 years.

17(c) Amount due to other banks

	2021	2020
	Frw'000	Frw'000
At 1 January	-	1,000,000
Additions	72,250,000	28,150,000
Repayment	(72,250,000)	(29,150,000)
At 31 December	**-**	**-**

Amount due to other banks relates to 1 to 7 days overnight interbank borrowings at an interest rate between 4.5% p.a to 5.2% p.a (2020: 4.5% p.a to 5.5% p.a)

18 (a) Lease Liabilities

	2021	2020
	Frw'000	Frw'000
Maturity analysis*		
Expected to be settled within 1 year	442,534	471,334
Expected to be settled within 1 to 5 years	1,572,224	1,654,653
Expected to be settled within 5 years and above	410,245	757,155
Total	**2,425,003**	**2,883,142**

*The presentation of the lease liability maturities in the prior year was not disaggregated. This has been disaggregated in the current financial reporting period. This disaggregation had no impact on any reported totals or on any amounts presented in the statement of financial position

The total cash outflow for leases in the year was:		
Payments of principal portion of the lease liability	318,043	298,735
Interest accrued on lease liabilities	139,361	159,617
Total lease payments in the year	**457,404**	**458,352**

(b) Lease liability movement

At 1 January	2,371,049	2,632,698
Additions	56,244	-
Derecognition	(42,535)	-
Increase/(decrease) on lease cost	(2,451)	37,086
Interest accrued on lease liabilities	139,361	159,617
Lease payments in the year	(457,404)	(458,352)
At 31 December	**2,064,264**	**2,371,049**

19 Other Liabilities

19(a) Provision for litigations

	2021	2020
	Frw'000	Frw'000
At 1 January	155,034	143,263
Charged to statement of profit or loss	33,500	60,311
Payouts from provision	(56,167)	(48,541)
At 31 December	**132,367**	**155,034**

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. These provisions are best estimate at the end of the reporting period. 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

	2021	2020
	Frw'000	Frw'000
Accrued expenses	980,057	768,974
Deferred fees and commissions*	189,359	242,088
Other taxes payable	196,358	246,834
Income tax payable	1,647,168	892,019
Clearing accounts - liabilities	116,235	190,556
Other payables*	695,788	500,617
Total	**3,824,965**	**2,841,088**

*The other payables include liabilities relating to money transfers channels such as world remit, visa master cards etc.

Deferred fees and commissions reconciliation*	**2021**	**2020**
	Frw'000	**Frw'000**
As at 1 January	242,088	229,074
Additions	480,936	652,690
Recognized	(533,665)	(639,676)
As at 31 December	**189,359**	**242,088**

*The deferred fees and commission reconciliation disclosure was not available in the prior year. The additional presentation done in the current year has no impact on any reported totals or on any amounts presented in the statement of financial position

20 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2020: 30%). The movement on the deferred income tax account is as follows:

	2021 Frw'000	2020 Frw'000
At start of year	272,221	439,192
Deferred tax (Credit)/Charge for the year	(104,486)	(70,678)
Under/over statement	-	(96,293)
	167,735	272,221

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 2021				
Property and equipment				
- On a historical basis	591,748	-	(51,953)	539,795
- On a revaluation basis	11,908	-	6	11,913
IFRS 16 application	(56,681)	-	(7,157)	(63,837)
Provision for staff bonus*	(133,356)		(80,090)	(213,446)
Provisions for loan loss*	(49,473)		(513)	(49,986)
Other provisions*	(91,925)	-	35,221	(56,704)
Net Balance	272,221	-	(104,486)	167,735

*The presentation of the temporary timing differences in the prior year was not disaggregated. This has been disaggregated in the current financial reporting period. This disaggregation had no impact on any reported totals or on any amounts presented in the statement of financial position

	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	369,531	241,590	(19,373)	591,748
- On a revaluation basis	94,725	(82,817)	-	11,908
IFRS 16 application	22,070	(64,610)	(14,141)	(56,681)
Provision for staff bonus	-	-	(133,356)	(133,356)
Provisions for loan loss	-	(168,386)	118,912	(49,473)
Other provisions	(47,135)	(22,070)	(22,720)	(91,925)
Net Balance	439,192	(96,293)	(70,678)	272,221

21 Share capital

	2021 Frw'000	2020 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 (2020: 10,994,882) with a par value of Frw1,000 per share (2020: Frw1000 per share). All issued shares are fully paid. The Bank has not paid any dividend to the shareholders for the year 2021 (2020: 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.

	2021	2020
	Frw'000	Frw'000
At beginning of year	368,693	562,100
Transferred during the year	-	(193,407)
At end of year	**368,693**	**368,693**

23(a) Retained earnings

At beginning of year	6,474,539	3,196,241
Transferred in the year	-	193,407
Transfer to statutory reserve	(464,987)	(58,752)
Profit after tax for the year	4,386,395	3,143,643
At the end of year	**10,395,947**	**6,474,539**

23(b) Statutory Reserve

At beginning of year	58,752	-
Transferred in the year	464,987	58,752
At the end of year	**523,739**	**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.

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:

	2021 Frw'000	2020 Frw'000
(a) Placements and operating accounts with related parties		
Parent company	303,440	240,088
Guaranty Trust Bank (Kenya) Limited	820,723	6,469
Guaranty Trust Bank (UK) Limited	806,794	1,113,870
	1,930,958	**1,360,427**
Interest income earned on placements with related parties	1,986	8,085
(b) Non-interest-bearing amounts due to related parties:		
Guaranty Trust Bank (Kenya) Limited	20	44
Total	**20**	**44**
(c) Loans to Directors	**Frw'000**	**Frw'000**
At start of year	-	6,881
Advanced during the year	-	-
Interest earned on loans to directors	-	395
Repaid during the year	-	(7,276)
At end of year	**-**	**-**

No Loans to directors were issued in 2021 while interest rates were ranging between 14% and 20% in 2020 and were all performing during the year 2020.

	2021 Frw'000	2020 Frw'000
Interest income earned on loans to directors	**-**	**395**
(d) Deposits by Directors		
At start of year	296,836	137,987
Deposits/ (withdrawals)	(242,333)	158,849
At end of year	**54,503**	**296,836**
(e) Key management compensation		
Salaries and other short-term employment benefits	**582,388**	**381,109**
(f) Directors' remuneration		
Fees for services as a director	**57,431**	**81,793**

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

	2021	2020
	Frw'000	Frw'000
Cash and Balances with Central Bank of Rwanda (Note 9)	31,720,667	23,898,032
Less: Cash Reserve Requirement (see below)	(3,757,497)	(3,144,122)
Treasury bills maturing within 91 days (Note 11)	11,078,840	10,399,319
Placements with other banks (Note 10)	14,911,472	6,800,072
	53,953,482	**37,953,302**

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% (2020: 4%) 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.

	2021	2020
	Frw'000	Frw'000
Contingent liabilities		
Acceptances and letters of credit	11,412,762	4,814,470
Guarantees and performance bonds	15,345,522	16,456,029
Total	**26,758,284**	**21,270,499**

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

	2021	2020
	Frw'000	Frw'000
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**4,193,510**	**4,414,215**

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)

(iii) 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.

(iv) 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:

	2021 **Frw'000**	**2020** **Frw'000**
At 1 January	1,136,323	1,249,393
Provision for loan impairment:		
-Against Stage 1	192,338	224,450
-Against Stage 2	37,976	25,017
-Against Stage 3	1,123,792	563,031
Adjustment for suspended interest	535,427	198,368
Amounts written off during the period	(150,782)	(1,123,937)
Net change in the period	1,738,751	(113,070)
As at 31 December	**2,875,074**	**1,136,323**

v) 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):
-The facility more than 30 days past due
-The 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.

	December-2021			December-2020		
	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	7,298,356	36,537,159	**43,835,515**	7,135,015	38,378,528	**45,513,543**
Stage 2	136,763	4,500,179	**4,636,942**	261,668	957,623	**1,219,291**
Stage 3	129,211	3,181,924	**3,311,135**	450,069	2,576,098	**3,026,166**
Gross Loans and Advances	**7,564,330**	**44,219,262**	**51,783,593**	**7,846,751**	**41,912,249**	**49,759,000**
Less expected credit losses:						
Stage 1	20,834	107,809	**128,644**	2,256	123,115	**125,371**
Stage 2	2,830	35,146	**37,976**	1,563	37,976	**39,539**
Stage 3	86,810	2,621,644	**2,708,455**	204,296	767,118	**971,414**
Total allowance	**110,474**	**2,764,600**	**2,875,074**	**208,114**	**928,209**	**1,136,323**
Net Loans and Advances	**7,453,856**	**41,454,663**	**48,908,518**	**7,638,637**	**40,984,040**	**48,622,677**

27 **Financial risk management(continued)**

(a) Credit Risk (Continued)

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

	December-2021			December-2020		
	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	7,026,828	22,770,876	**29,797,704**	7,059,943	25,227,882	**32,287,825**
Overdrafts	271,528	13,766,283	**14,037,811**	75,072	13,150,645	**13,225,718**
Stage 1	**7,298,356**	**36,537,159**	**43,835,515**	**7,135,015**	**38,378,528**	**45,513,543**
Loans	136,749	3,620,247	**3,756,996**	261,434	551,043	**812,477**
Overdrafts	15	879,932	**879,947**	233	406,580	**406,814**
Stage 2	**136,763**	**4,500,179**	**4,636,943**	**261,668**	**957,623**	**1,219,291**
Loans	128,370	3,111,747	**3,240,117**	449,281	2,567,723	**3,017,005**
Overdrafts	841	70,176	**71,017**	787	8,374	**9,162**
Stage 3	**129,211**	**3,181,923**	**3,311,134**	**450,068**	**2,576,098**	**3,026,166**
Gross Loans and Advances	**7,564,331**	**44,219,261**	**51,783,592**	**7,846,751**	**41,912,249**	**49,759,000**

27 Financial risk management(continued)

(a) Credit Risk (Continued)

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

	December-2021			December-2020		
	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	20,828	61,453	**82,281**	1,505	84,049	**85,554**
Overdrafts	7	46,355	**46,362**	751	39,066	**39,817**
Sub-total	**20,835**	**107,808**	**128,643**	**2,256**	**123,115**	**125,371**
Stage 2:						
Loans	2,829	34,377	**37,207**	1,556	35,357	**36,913**
Overdrafts	-	769	**769**	7	2,619	**2,626**
Sub-total	**2,829**	**35,146**	**37,976**	**1,563**	**37,976**	**39,539**
Stage 3:						
Loans	86,810	2,169,614	**2,256,424**	204,150	766,046	**970,195**
Overdrafts	-	452,032	**452,032**	146	1,072	**1,218**
Sub-total	**86,810**	**2,621,646**	**2,708,455**	**204,296**	**767,118**	**971,414**
Total allowance	**110,474**	**2,764,600**	**2,875,074**	**208,114**	**928,209**	**1,136,323**

ECL computed on bank balances, other on-balance sheet assets and off-balance sheet items was immaterial.

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		
December-2021	**Gross Loans**	**Collateral**	**Excess Cover**
	FRW'000	**FRW'000**	**FRW'000**
Against Stage 1 Loans and Advances	43,835,515	76,251,312	32,415,797
Against Stage 2 Loans and Advances	4,636,943	9,709,580	5,072,637
Against Stage 3 Loans and Advances	3,311,134	4,588,421	1,277,286
Total	**51,783,592**	**90,549,313**	**38,765,720**

December-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	1,473,083
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**

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 December-21**			**Loans and advances to customers December-20**		
In FRW'000	**Term Loans**	**Overdrafts**	**Total**	**Term Loans**	**Overdrafts**	**Total**
Against Stage 1 Loans and Advances:						
Property	39,947,288	29,532,935	69,480,223	57,218,755	17,705,901	74,924,657
Cash	330,173	1,370,843	1,701,015	630,777	949,249	1,580,025
Guarantees	-	707,305	707,305	-	919,669	919,669
Others	1,791,727	2,571,041	4,362,768	-	-	-
Total	**42,069,188**	**34,182,124**	**76,251,312**	**57,849,532**	**19,574,819**	**77,424,351**
Against Stage 2 Loans and Advances:						
Property	8,419,355	843,390	9,262,745	2,361,975	270,470	2,632,445
Cash	-	-	-	59,928	-	59,928
Guarantees	-	151,443	151,443	-	-	-
Others	22,757	272,636	295,392	-	-	-
Total	**8,442,112**	**1,267,468**	**9,709,580**	**2,421,903**	**270,470**	**2,692,373**
Against Stage 3 Loans and Advances:						
Property	3,221,405	373,150	3,594,555	7,476,643	143,521	7,620,164
Others	993,866	-	993,866	-	-	-
Total	**4,215,271**	**373,150**	**4,588,421**	**7,476,643**	**143,521**	**7,620,164**
Grand total	**54,726,571**	**35,822,742**	**90,549,313**	**67,748,078**	**19,988,810**	**87,736,888**

27 Financial risk management(continued)

(a) Credit Risk (Continued)

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

Maximum exposure to credit risk before collateral held

	2021 Frw'000	2020 Frw'000
Balances with Central Bank	24,695,657	19,833,395
Amounts due from other banks	14,911,472	6,800,072
Loans and advances to customers	48,908,518	48,622,677
Investment securities	28,972,542	27,426,389
Other assets	536,381	396,765
Credit risk exposures relating to off-balance sheet items:		
- Acceptances and letters of credit	11,412,764	4,814,470
- Guarantee and performance bonds	15,345,522	16,456,029
- Commitments to lend	4,193,510	4,414,215
	148,976,366	**128,764,012**

The above table represents a worst-case scenario of credit risk exposure to the Bank at 31 December 2021 and 31 December 2020, 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	2021 Frw'000	2020 Frw'000
Neither past due nor impaired	Class I	44,167,018	45,670,274
Past due but not impaired	Class II	4,936,769	1,817,757
Individually impaired	Class III, IV & V	2,679,805	2,270,969
Gross loans and advances		**51,783,592**	**49,759,000**
Less: Expected credit losses (Note 12)		(2,875,074)	(1,136,323)
Net Loans and Advances		**48,908,518**	**48,622,677**

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 investment securities which has B rating.

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

	2021 Frw'000	2020 Frw'000
Overdrafts	35,822,741	19,988,810
Personal loans	3,247,124	1,484,368
Commercial Loans	33,902,368	48,006,061
Mortgages	17,577,080	18,257,648
Total collateral fair value	**90,549,313**	**87,736,888**

27 Financial risk management

(a) Credit Risk (Continued)

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:

	2021 Frw'000	2020 Frw'000
Standard	43,490,965	39,325,615
Fair value of collateral held	78,606,435	67,295,853

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:

	2021 Frw'000	2020 Frw'000
Past due 1 – 89 days	5,627,204	8,162,416
Fair value of collateral held	10,351,520	15,643,756

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:

	2021 Frw'000	2020 Frw'000
Individually assessed impaired loans and		
Class III	29,335	1,739,061
Class IV	480,238	38,155
Class V	2,170,233	493,753
	2,679,805	**2,270,969**
Fair value of collateral held	1,591,358	4,797,279

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 collaterals under legal repossession processes are not recorded on the reporting date.

27 Financial risk management

(a) Credit Risk (Continued)

Financial assets without ECL due to collaterals held*

	2021 Frw'000	2020 Frw'000
Loans and advances	20,116,094	17,052,889
Exposure relating to off-balance sheet items	13,822,113	9,031,221
Other financial assets	36,365,166	28,300,612
	70,303,373	**54,384,722**

The financial assets present above have no ECL at the end of the year (2020: Nil) attributable to acceptable collaterals such as properties and guarantees held against the credit exposures held at the end of each reporting period.

*This represent a nondisclosure in the prior year financial statement relating to the financial assets without ECL but are backed with collateral. The disclosure has been added correctly in the current financial reporting period. The nondisclosure had no impact on any reported totals or on any amounts presented in the statement of financial position

(vii) Concentrations of risk

(i) On-balance sheet Items

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

	2021 %	2020 %
Manufacturing	26	20
Wholesale and retail trade	22	28
Transportation and Warehousing	2	3
Business services	6	8
Agricultural	1	2
Individuals	12	10
Construction and real estate	8	16
Education	2	3
Information and communication	7	-
Petroleum & Energy	14	10
	100	**100**

(ii) Off-balance sheet Items

	2021 %	2020 %
Manufacturing	6	14
Wholesale and retail trade	9	12
Transportation and Warehousing	-	-
Business services	3	3
Construction and real estate	47	58
Information and communication	33	12
Others	2	-
	100	**100**

27. Financial Risk Management(continued)
Credit risk (continued)

Credit quality of financial instruments (loans and advances)*

	2021	202
	Frw'000	Frw'00
Stage I	43,835,515	45,513,54
Stage II	4,636,943	1,219,29
Stage III	3,311,134	3,026,16
Gross loan and advances	**51,783,592**	**49,759,00**

		31 December 2021			
	12-month Basel PD	Frw000	Frw000	Frw000	Frw0C
Internal rating grade	**range**	**Stage 1**	**Stage 2**	**Stage 3**	**Tot**
Performing					
High grade	0.00%-0.5%	11,642,616	1,483,296	-	13,125,91
Standard grade	0.50%-11.70%	32,192,900	861,255	580,790	33,634,94
Sub-standard grade	11.70-29.50%	-	2,292,392	-	2,292,39
Low-grade	29.50%-100%	-	-	64,920	64,92
Non-performing					
Individually impaired	100%	-	-	2,665,424	2,665,42
Total		**43,835,515**	**4,636,943**	**3,311,134**	**51,783,5**

	12-month Basel PD	31 December 2020			
Internal rating grade	**range**	**Stage 1**	**Stage 2**	**Stage 3**	**Tot**
Performing					
High grade	0.00%-0.5%	14,920,455	-	-	14,920,4
Standard grade	0.50%-11.70%	30,593,088	969,627	641,287	32,204,0
Sub-standard grade	11.70-29.50%	-	243,278	-	243,2
Low-grade	29.50%-100%	-	6,386	340,300	346,6
Non-performing					
Individually impaired	100%	-	-	2,044,580	2,044,5
Total		**45,513,543**	**1,219,291**	**3,026,166**	**49,759,0**

*This represents a nondisclosure in the prior year financial statement relating to the credit quality of financial instruments. The disclosure has been added correctly in the current financial reporting period. The nondisclosure had no impact on any reported totals or on any amounts presented in the statement of financial position

27. Financial risk management(continued)

(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 2021

	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	21,898,264	15,838,195	49,360,109	16,378,950	-	103,475,518
Other Borrowing	-	-	5,287	856,960	77,483	939,730
Other liabilities	1,981,439	-	-	-	-	1,981,439
Lease liability	39,078	110,034	293,423	1,572,224	410,245	2,425,003
Total liabilities (Undiscounted contractual maturities)	**23,918,781**	**15,948,229**	**49,658,820**	**18,808,133**	**487,728**	**108,821,691**
Assets						
Cash and balances with National Bank of Rwanda	31,720,667	-	-	-	-	31,720,667
Investment securities	5,400,000	5,770,600	13,922,600	4,358,890	-	29,452,090
Amounts due from other banks	11,781,657	2,826,930	302,885	-	-	14,911,472
Loans and advances to customers	9,094,177	4,474,372	12,246,543	35,947,273	9,176,799	70,939,163
Other assets	536,381	-	-	-	-	536,381
Total assets (Expected maturities)	**58,532,882**	**13,071,902**	**26,472,028**	**40,306,163**	**9,176,799**	**147,559,774**
Net liquidity gap	**34,614,101**	**(2,876,327)**	**(23,186,792)**	**21,498,030**	**8,689,070**	**38,738,083**
***Liquidity analysis for Off balance sheets items**						
Financial guarantees issued	4,044,762	1,831,290	6,421,611	2,369,527	678,332	15,345,522
Commitments	329,303	561,741	3,302,466	-	-	4,193,510
Letter of credits	2,204,269	9,141,291	67,202	-	-	11,412,762
Total off-balance sheet items	**6,578,334**	**11,534,322**	**9,791,279**	**2,369,527**	**678,332**	**30,951,794**

*The cashflows presented in the above liquidity analysis table are undiscounted

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	14,543,778	12,957,460	45,719,711	16,789,682	-	90,010,631
Other Borrowing	-	-	-	693,113	318,540	1,011,653
Other liabilities	1,702,235	-	-	-	-	1,702,235
Lease liability	67,878	110,034	293,423	1,654,653	757,154	2,883,142
Total liabilities (Contractual maturities)	**16,313,891**	**13,067,493**	**46,013,134**	**19,137,448**	**1,075,694**	**95,607,662**
Assets						
Cash and balances with National Bank of Rwanda	23,898,032	-	-	-	-	23,898,032
Investment 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	7,356,629	9,250,476	10,312,182	31,725,478	7,808,932	66,453,697
Other assets	396,765	-	-	-	-	396,765
Total assets (Expected maturities)	**40,395,539**	**16,222,951**	**27,395,667**	**34,044,071**	**7,808,932**	**125,867,159**
Net liquidity gap	**24,081,647**	**3,155,458**	**(18,617,468)**	**14,906,622**	**6,733,237**	**30,259,497**
***Liquidity analysis for Off balance sheets items**						
Financial guarantees issued	3,701,461	2,159,190	7,818,179	2,777,199	-	16,456,029
Commitments	1,008,494	1,283,406	2,122,314	-	-	4,414,215
Letter of credits	1,168,620	1,803,168	1,842,683	-	-	4,814,470
Total off-balance sheet items	**5,878,575**	**5,245,764**	**11,783,175**	**2,777,199**	**-**	**25,684,714**

The cashflows presented in the above liquidity analysis table are undiscounted
* This represents a nondisclosure in the prior year financial statement relating to the liquidity analysis for off balance sheet items. The disclosure has been added correctly in the current financial reporting period. The nondisclosure had no impact on any reported totals or on any amounts presented in the statement of financial position

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 2021 and 31 December 2020. 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 2021					
Assets	**USD**	**GBP**	**EUR**	**Other**	**Total**
Cash and balance with National Bank of Rwanda	22,744,845	52,620	3,457,184	898	**26,255,546**
Investment securities	4,381,217	-	-	-	**4,381,217**
Amounts due from other banks	10,772,204	-	152,185	12,918	**10,937,307**
Loans and advance to customers	905,663	-	-	-	**905,663**
Other assets	21,475	-	14,161	-	**35,637**
	38,825,405	**52,620**	**3,623,530**	**13,815**	**42,515,370**
Liabilities					
Customer deposits	38,744,775	26,649	3,608,426	-	**42,379,849**
Other liabilities	16,050	-	150	-	**16,201**
Total liabilities	**38,760,825**	**26,649**	**3,608,576**	**-**	**42,396,050**
Currency exposure gap	**64,580**	**25,971**	**14,954**	**13,815**	**119,320**

27 Financial risk management (continued)

(c) Market risk(continued)

(i) Currency risk

At 31 December 2020	**USD**	**GBP**	**EUR**	**Other**	**Total**
Assets					
Cash and balance with National Bank of Rwanda	13,451,359	34,963	3,303,355	895	**16,790,572**
Investment securities	1,001,978	-	-	-	**1,001,978**
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**
	26,341,812	**87,538**	**3,892,804**	**3,686**	**30,325,840**
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	**68,969**	**1,932**	**61,421**	**3,686**	**136,008**

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**	**2021**	**2020**
		Rwf'000	**Rwf'000**
USD	+/-10%	6,458	6,897
GBP	+/-10%	2,597	193
EURO	+/-10%	1,495	6,142

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 Company's fixed interest rate financial instruments are deposits with financial institutions, customer deposits, loans and advances. The Company had no variable interest rate financial instrument as of 31 December 2021. No limits are placed on the ratio of variable rate financial instruments to fixed rate financial instruments. Investment contracts with fixed and guaranteed terms deposits with financial institutions held to maturity are accounted for at amortized cost and their carrying amounts are not sensitive to changes in the level of interest rates.

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 2021	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%	-	-	-	-	31,720,667	**31,720,667**
Investment securities	9%	5,383,423	5,695,417	13,138,260	4,755,441	-	**28,972,542**
Amounts due from other banks	1%	11,767,496	2,826,930	302,885	-	14,161	**14,911,472**
Loans and advances to customers	16%	6,263,286	1,731,861	8,446,122	32,467,249	-	**48,908,517**
Other assets	0%	-	-	-	-	2,520,549	**2,520,548**
Total assets	**5%**	**23,414,205**	**10,254,208**	**21,887,268**	**37,222,690**	**34,255,376**	**127,033,747**
Liabilities							
Customer deposits	5%	2,652,552	5,865,601	12,576,399	-	81,559,135	**102,653,687**
Other borrowing	1%	-	-	-	556,250	354,798	**911,048**
Other liabilities	0%	-	-	-	-	1,981,439	**1,981,439**
Income tax payable	0%	-	-	-	-	534,273	**534,273**
Provisions	0%	-	-	-	-	132,367	**132,367**
Lease Liability	7%	33,265	93,665	249,774	1,687,560	-	**2,064,264**
Total liabilities	**2%**	**2,685,817**	**5,959,267**	**12,826,173**	**2,243,810**	**84,562,013**	**108,277,079**
Interest sensitivity gap	**3%**	**20,728,389**	**4,294,941**	**9,061,095**	**34,978,880**	**(50,306,637)**	**18,756,668**
Interest sensitivity P/L impact	**+/-1%**	**17,274**	**10,737**	**90,611**	**349,789**	**-**	**468,411**

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

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**
Investment securities	9%	3,463,844	5,851,501	15,792,450	2,318,593	-	**27,426,389**
Amounts due from other banks	0%	5,184,941	972,475	583,485	-	59,171	**6,800,072**
Loans and advances to customers	16%	4,724,625	12,643,959	7,066,749	24,187,344	-	**48,622,677**
Other assets	0%	-	-	-	-	1,686,903	**1,686,903**
Total assets	**5%**	**13,373,410**	**19,467,936**	**23,442,685**	**26,505,937**	**25,644,106**	**108,434,073**
Liabilities							
Customer deposits	4%	2,742,798	4,798,929	14,773,113	-	66,731,972	**89,046,813**
Other borrowing	1%	-	-	-	300,000	664,817	**964,817**
Other liabilities	0%	-	-	-	-	1,702,235	**1,702,235**
Income tax payable	0%	-	-	-	-	578,722	**578,722**
Provisions	0%	-	-	-	-	155,034	**155,034**
Lease Liability	7%	55,822	90,490	241,306	1,983,431	-	**2,371,049**
Total liabilities	**2%**	**2,798,620**	**4,889,419**	**15,014,419**	**2,283,431**	**69,832,781**	**94,818,670**
Interest sensitivity gap	**3%**	**10,574,790**	**14,578,517**	**8,428,265**	**24,222,506**	**(44,188,675)**	**13,615,403**
Interest sensitivity P/L impact	**+/-1%**	**8,812**	**36,446**	**84,283**	**242,225**	**-**	**371,766**

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.

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform').

Following the decision by global regulators to phase out IBORs and replace them with alternative reference rates, the bank made assessment of their current borrowings and the interest rate if they will be impacted with the reforms. The Bank currently have local borrowings as seen in the note 17, with the BNR and the borrowing are at fixed interest rates which is not subject to any of the IBOR reforms. In the context of IBOR reform, the bank has assessed the transition of financial assets from IBOR to RFRs and concluded that the impact is not material as they don't have financial assets that pegged against the IBORs.

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:

	2021 Frw'000	2020 Frw'000
Ordinary share capital	10,994,882	10,994,882
Prior years' retained profits	6,714,837	3,676,838
Transferred in the year	(464,987)	134,653
Profit for the current year	4,386,395	3,143,643
Statutory reserves	523,740	58,752
Tier 1 Core capital	**22,154,867**	**18,008,769**
Revaluation reserves on fixed assets (25%)	92,173	92,173
Tier 2 (supplementary capital)	**92,173**	**92,173**
Total capital (Tier 1 + Tier 2)	**22,247,040**	**18,100,943**
Total risk weighted assets (see details below)	**83,401,941**	**71,135,820**
Total capital expressed as a percentage of risk-weighted assets	26.67%	25.45%
Minimum statutory ratio	15%	15%

27 Financial risk management (continued)

(d) Capital management (continued)

Risk weighted assets were as follows:

	2021 Frw'000	Risk Weight Per Asset %	2020 Frw'000
Cash and balances with Central Bank of Rwanda	-		-
Amounts due from other banks	2,982,294	20%	1,360,014
Long term securities	5,679,141	100%	2,318,593
Loans and advances to customers	45,570,385	100%	44,847,485
Mortgage loans (residential house)	1,669,067	50%	1,887,596
Property and equipment	2,715,466	100%	2,767,362
Right of use asset	1,851,472	100%	2,182,113
Intangible assets	570,914	100%	743,062
Other Assets	2,920,548	100%	1,686,903
Financing Commitments given to customers	15,606,273	100%	9,228,685
Guarantees Commitments given to customers	3,836,381	25%	4,114,007
Total risk weighted assets	**83,401,941**		**71,135,820**

(e) Financial assets and liabilities measurements*

	Amortized cost 2021 Frw'000	Amortized cost 2020 Frw'000
Financial assets		
Cash and balances with National Bank of Rwanda	31,720,667	23,898,032
Amount due from other banks	14,911,472	6,800,072
Investment securities	28,972,542	27,426,389
Other Assets	536,381	396,765
Loans and advances	48,908,518	48,622,677
Total	**125,049,581**	**107,143,935**
Financial liabilities		
Customer deposits	102,653,687	89,046,813
Other liabilities	1,981,439	1,702,235
Other borrowing	911,048	964,817
Total	**105,546,175**	**91,713,865**

The table above illustrates the carrying amount of financial instruments under each category. All financial assets and liabilities were carried at amortized cost at the end of each year.

*This represents a nondisclosure in the prior year financial statement relating to the financial assets and liabilities measurement. The disclosure has been added correctly in the current financial reporting period. The nondisclosure had no impact on any reported totals or on any amounts presented in the statement of financial.

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.

(i) Lease Term Assumptions
IFRS 16 -lease 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 (a) 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 2021, and analyses them in the fair value hierarchy into which each fair value measurement is categorized:

28(b) IFRS9 – Fair value of financial instruments (continued)

	Level 1	Level 2	Level 3	Carrying value
Financial assets	**Frw'000**	**Frw'000**	**Frw'000**	**Frw'000**
Cash and Balances with National Bank of Rwanda	27,963,170	3,757,497	-	**31,720,667**
Amounts due from other banks	-	14,897,311	14,161	**14,911,472**
Investment securities	-	-	28,972,542	**28,972,542**
Loans and advances	-	-	48,908,518	**48,908,518**
Other assets	-	-	536,381	**536,381**
	27,963,170	**18,654,808**	**78,431,603**	**125,049,581**
Financial liabilities				
Customer deposits	-	-	102,653,687	**102,653,687**
Other borrowing	-	911,048	-	**911,048**
Other liabilities	-	-	1,849,072	**1,849,072**
Provision for litigations	132,367	-	-	**132,367**
	132,367	**911,048**	**104,502,759**	**105,546,175**

Financial assets and liabilities of the Bank were carried at amortized cost for the year 2021 thus the fair value of the financial instruments was similar to the carrying amount.

Valuation methodologies of financial instruments not measured at fair value
Below are the methodologies and assumptions used to determine fair values for the above financial instruments which are not recorded and measured at fair value in the Bank's financial statements. These fair values were calculated for disclosure purposes only.

Short-term financial assets and liabilities
For financial assets and financial liabilities that have a short-term maturity (less than three months), the carrying amounts, which are net of impairment, are a reasonable approximation of their fair value. Such instruments include: cash and balances with the National Bank of Rwanda; Amount due from and to banks; customer deposits without a specific maturity. Such amounts have been classified as Level 1 on the basis that no adjustments have been made to the balances in the statement of financial position.

Loans and advances to customers
The fair values of loans and receivables are estimated by discounted cash flow models that incorporate assumptions for credit risks, foreign exchange risk, probability of default and loss given default estimates. Where such information is not available, the Bank uses historical experience and other information used in its collective impairment models.

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.

GTBank'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.

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

28(c) IFRS9 –Financial instruments Assumptions(continued)

- **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.

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.

Multiple ECL Scenarios

A measure of Expected Credit Loss (ECL) is an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

This section discusses how the Bank has incorporated FLI into its ECL frameworks.

Adjusting ECL parameters for forward looking information
The standard noted that ECL should be based on reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. This implies that in arriving at point-in-time estimates of expected credit losses, it is recommended that a firm incorporates the impact of not only past and current events but also forecasts of future macro-economic conditions.

The Bank on a regular basis reviews the key macro-economic indicators and makes forecasts based on the historical trends observed in the country.

28(c) IFRS9 –Financial instruments Assumptions(continued)

Incorporating FLI into multiple economic scenarios
In addition to incorporating probability weighted outcomes into the ECL computation, the Bank is expected to incorporate FLI forecasts into each scenario (Base, Best and Adverse).

Based on the requirement of the standard, we have identified the various macroeconomic variables that will impact the Bank's IFRS 9 risk model and provided justification for adopting the forecasts (especially where internal estimates are applied)

The following are the various macroeconomic variables that will impact the Bank's IFRS 9 risk model:

- Inflation rate
- Interest rate
- GDP growth rate
- Unemployment rate
- Exchange rate
- Sensitivity Analysis
- The Bank has performed sensitivity analysis of the macro-economic variables to the expected credit loss and disclosed only the Lending rate/Interest rate which is the most sensitive to the bank's performance.
- If the Lending rate had changed by +/-5% expected loss allowance would be impacted as follows:

		2021			2020	
Sensitivity Analysis			**Expected loss allowance impact**			
Frw'000	**Upside (20%)**	**Base (60%)**	**Downside (20%)**	Upside (20%)	Base (60%)	Downside (20%)
31-Dec						
Overdrafts	**37,971**	**42,190**	**44,300**	43,198	47,998	50,398
Treasury loans	**67,414**	**74,904**	**78,650**	78,680	87,423	91,794
Equipment loans	**3,955**	**4,394**	**4,614**	6,187	6,874	7,218
Consumer loans	**5,754**	**6,394**	**6,713**	6,172	6,858	7,201
Mortgage loans	**14,433**	**16,036**	**16,838**	21,927	24,363	25,582
Off-balance sheet exposures	**4,211**	**4,679**	**4,913**	5,871	6,523	6,849
Other financial assets	**980**	**1,088**	**1,143**	684	760	798
Total expected loss allowance	**134,718**	**149,687**	**157,171**	**162,719**	**180,799**	**189,839**

Model Adjustment.

Assessment and calculation of ECL

The level of estimation uncertainty has increased since 31 December 2021 because of the economic disruption and consequential impact of the COVID-19 pandemic. This includes significant judgements relating to:

- The selection and weighting of macro-economic scenarios;
- The effect of Government and other support measures put in place to mitigate the negative economic impact.
- The uncertainty over the duration and severity of the effect of the pandemic as well as the timing and duration of the recovery.

28(c) IFRS9 –Financial instruments Assumptions(continued)

Impact on modelled ECL allowance

The Bank's models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios. There were no model changes relating to what was applied in 2020 and what has been used in 2021.Hence there was no Management overlays

Scenarios to be considered
This section discusses the various scenarios that the Bank shall incorporate FLI into, data source and justification for our forecast (especially where internal estimates are applied).

Base Case Scenario: The Bank shall adopt the macroeconomic forecasts provided by credible and reliable sources as base case FLI.

Best and Adverse Scenario: The Bank shall rely on internal estimates of the macroeconomic variables as prepared by the Strategy desk of the Bank. The estimates were based on the historical review of the macro indicators in the last ten years, the minimum and the maximum rates were adopted for the respective variables. The estimates are based on management's judgement and historical experience, as the past reflects our expectation of the future.

Staging Criteria

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.

GTBank has considered the following in determining the staging of facilities:

1. Qualitative factors
- The customer's risk rating
2. Quantitative factors
- The facility's arrears status
- Number of restructures, if any
- Change in customer rating since origination
3. 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?

28(c) IFRS9 –Financial instruments Assumptions(continued)

Staging Criteria(continued)

The stage allocation criteria used in the frameworks are as follows:

i. If a facility has a rating of 1 or 2 (these are investment grade facilities) it is automatically in stage 1
ii. If a facility's is more than 90 days past due and its rating is greater than or equal to 8, i.e. it is credit impaired as per internal risk rating, it is automatically in stage 3. 90 days past due remains a rebuttable presumption in the staging criteria.
iii. Having failed to meet criteria i and ii above, if a facility has been restructured due to financial constraints, it is categorized as stage 3. However, if the restructure is due to other factors other than financial constraints, management assessment and judgement will be required to determine the staging of the facility based on the reason for the restructure. (Management assesses only the restructures that have been done within the last two years, and for restructures that are due to financial constraints these will be categorized and maintained as stage 3 until they have shown satisfactory performance)
iv. Otherwise, if there has been an increase of 2 or more in the customer's rating, the facility is categorized as stage 2. After 6 months of satisfactory performance, the loan may be moved to stage 1.
v. A facility that has failed to meet criteria i to iv above and is less than 30 days past due is categorized as stage 1, otherwise the facility is categorized as stage 2. However, 30days past due remains a rebuttable presumption.
vi. Management experience and judgement as to a customer's cash flow projections will be required in the determination of rebutting of backstops and reasons for variation of contract terms in restructures.

The stage allocation criteria described above uses a mix of qualitative indicators, quantitative indicators and arrears count. The qualitative and quantitative indicators are encompassed in the internal risk rating, which has been used as one of the indicators of SICR.

Back Stop Indicators

A backstop is typically used to ensure that in the (unlikely) event that the primary (quantitative) indicators do not change and there is no trigger from the secondary (qualitative) indicators, an account that has breached the 30 days past due criteria for SICR and 90 days past due criteria for default is transferred to stage 2 and stage 3 respectively except there is a reasonable and supportable evidence available at an undue cost to rebut the presumption.

30 Days Past Due rebuttable assumption – Significant Increase in Credit Risk

IFRS 9 sets out a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. This 30 days past due simplification permits the use of delinquency or past due status to identify a significant increase in credit risk.

In adherence to the standard, the Bank shall at every reporting period assess the loan portfolio individually for possible breach of the 30 days past due SICR criterion. Where there is a breach and the loan has not been transferred to stage 2, the Bank shall rebut the 30 days rebuttable presumption based on availability of supportable and reasonable information to justify that credit quality has not deteriorated significantly since initial recognition.

For portfolios with shared credit risk, the Bank shall assess the loans collectively for significant increase in credit risk. Where there is evidence of SICR within the portfolio, the Bank shall rebut the 30 days past due presumption based on available supportable evidence. However, at the next reporting date, if there is still evidence of SICR in the portfolio, the Bank shall transfer the entire portfolio to stage 2.

90 Days Past Due rebuttable assumption – Default

The standard sets out a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due (DPD) unless an entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Bank shall at every reporting period assess the loan portfolio individually for possible breach of the 90 days past due default criterion. Where there is a breach and the loan has not been transferred to stage 3, the Bank shall rebut the 90 days past due presumption based on availability of supportable and reasonable information to justify that credit is not impaired.

Staging Criteria

For portfolios with shared credit risk, the Bank shall assess the loans collectively for default. Where there is evidence of default within the portfolio, the Bank shall rebut the 90 days past due presumption based on available supportable evidence. However, at the next reporting date, if there is still evidence of default in the portfolio, the Bank shall transfer the entire portfolio to stage 3.

28(c) IFRS9 –Financial instruments Assumptions(continued)

Definition of default and credit-impaired assets

Loans and advances to customers, loan commitments and financial guarantees constitute assets under scope for this review

Quantitative criteria-When the borrower is more than 90 days past due on its contractual payments.

Qualitative criteria-The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- the borrower is in long-term forbearance
- the borrower is deceased
- the borrower is insolvent
- the borrower is in breach of financial covenant(s)
- an active market for that financial asset has disappeared because of financial difficulties
- concessions have been made by the lender relating to the borrower's financial difficulty
- it is becoming probable that the borrower will enter Bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses
- payment deferral
- extension of payment period

Debt instruments

For Debt instruments, below are considered as default when they occur;

Quantitative and qualitative criteria;

- When repayment of interest and principal are not done on time as per contractual schedules to the extent of 30 days delay.
- When repayments of interest and principal are not done on time as per contractual schedules and that such delays considered are not those caused by operational issues
- When the government is downgraded to below rating "C" status by international rating agency such as Moody's, S & P, or Fitch
- When the Government is declared default/bankrupt by responsible agencies i.e. World Bank, IMF etc.

Due from banks and Cash and Balances with Central Bank

For Due from banks, below are considered as default when they occur

- When repayment of interest and principal are not done on time as per contractual schedules to the extent of 30 days delay
- When a counterparty is taken under management by Statutory Manager
- When a counterparty license has been revoked by the Central bank
- When the counterparty is declared bankrupt by responsible bodies like Registration, Insolvency or court.

Bank's internal ratings scale and PD estimation process

Loans and advances to customers, loan commitments and financial guarantees

The Bank has its internal credit rating tools tailored in accordance with the BNR guidelines that reflect its assessment of the probability of default of individual counterparties. Customers are segmented into five rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class.

28(c) IFRS9 –Financial instruments Assumptions(continued)

BANK rating	Description of the grade	Stage	PD Range		Number of days past due
1	Current	Stage 1	0.06%	2.81%	0
2	Current	Stage 1	0.38%	5.74%	30
3	Especially mentioned 1	Stage 2	1.23%	20.00%	31-60
4	Especially mentioned 2	Stage 2	3.82%	30.00%	61-90
5	Substandard, Doubtful, Loss	Stage 3	100.00%	100.00%	91 and above

Analysis of inputs to the ECL model under multiple economic scenarios

The following table shows a representative summary of the economic variables and asset prices that the Bank considers to be among the most important determinants of the Bank's expected credit loss.

Macroeconomic variable	Average	Maximum	Minimum
GDP Real Rate %	6.86	10.2	-3.4
Inflation Rate %	3.03	7.3	0.7
Lending Rate %	16.82	17.7	8

COVID-19 pandemic had no significant impact on assumptions applied under multiple economic scenarios, hence no significant adjustment as at 31 December 2021 in relation to COVID 19 pandemic. The Bank has performed sensitivity analysis of the macro-economic variables to the expected credit loss and disclosed only the Lending rate which is the most sensitive to the Bank's performance.

Expected Credit Loss Calculation

The guiding principle of IFRS 9 is that Expected Credit Loss (ECL) modelling should reflect the general pattern of deterioration in the credit quality of financial instruments over the life of the instruments. In estimating the expected credit quality of the instrument, the Bank considers, reasonable and supportable information available without undue cost or effort at the reporting date, past events, current conditions and forecasts of future economic conditions.
In line with the standard, the Bank adopts the "three stage" model (General approach) for impairment based on changes in credit quality since initial recognition, these are:

1. **Stage 1** covers financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month Expected Credit Losses ('ECL') are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date.

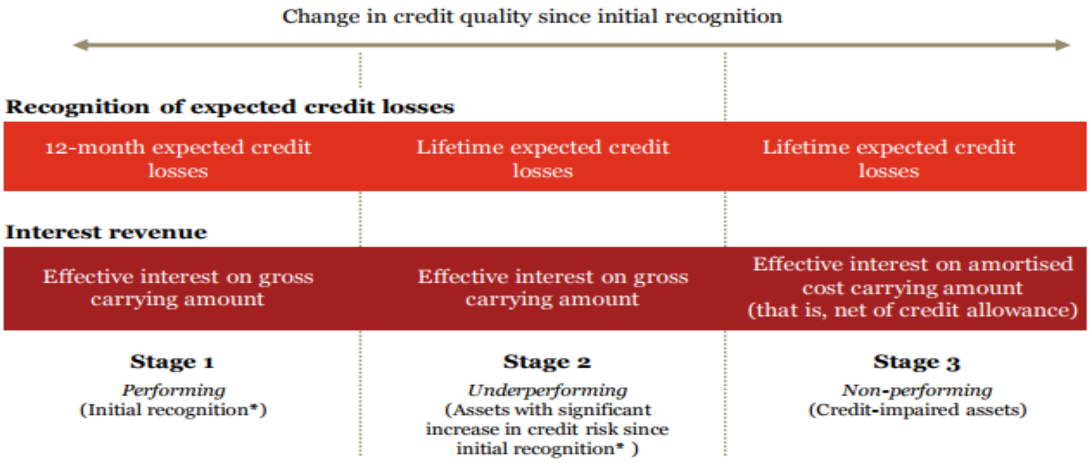
2. **Stage 2** covers financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognized, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

3. **Stage 3** covers financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

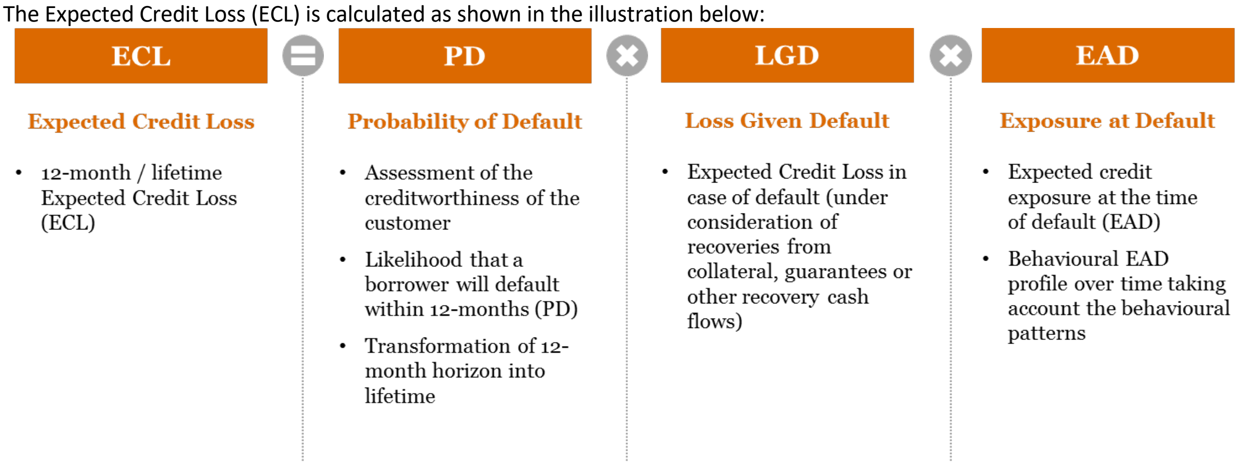
28(c) IFRS9 –Financial instruments Assumptions(continued)

The diagram below provides an overview of the measurement of ECL under IFRS 9.

Figure 1: IFRS 9 Expected Credit Loss Model



The Expected Credit Loss (ECL) is calculated as shown in the illustration below:



Specific ECL Methodology Topics
This section reviews the key elements of the Bank's IFRS 9 framework for the purpose of ECL modelling methodology.

Granularity
The stage allocation and ECL calculations is performed at the most granular – i.e. instrument – level. The estimation of the parameters relies on data aggregation for the purposes of statistical significance. For the purpose of ECL calculation, the Bank estimates risk parameters such as Exposure at Default (EAD) and Loss Given Default (LGD) for each obligor based on entity specific information.

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).

28(c) IFRS9 –Financial instruments Assumptions(continued)

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.

12-month versus Lifetime PDs

IFRS 9 requires the use of 12 month PDs for Stage 1 ECL calculations and lifetime PDs for Stage 2 and 3 ECL calculations. Lifetime PD is computed for all financial instruments that have had a significant increase in credit risk especially stage 2 and stage 3 instruments.

There are different product-specific definitions of "lifetime" depending on the type of instrument and the remaining maturity:

- Lifetime of non-revolving products: adjustment of contractual lifetime with customer-side and/or bank-side early termination clauses;
- Lifetime of revolving products: contractual lifetime does not apply to certain revolving products such as credit cards and overdrafts, as these instruments do not have a contractual termination.
- Term products: the expected life should be used in the calculation rather than the contractual term with the contractual term being the maximum.

29 (i) 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

(ii) Basis of accounting

These financial statements have been prepared in accordance with IFRS.

(iii) 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.

(iv) 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 2021 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 2020, except for the adoption of new standards and interpretations effective as of 1 January 2021. 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 2020. 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 2021.

(i) New and amended standards adopted by the Bank

The following are the new standards and amendments

- Definition of Accounting Estimates - Amendments to IAS 8-effective for annual reporting periods beginning on or after 1 January 2023
- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Effective for annual periods beginning on or after 1 January 2021
- Covid-19-Related Rent Concessions beyond 30 June 2021–Amendment to IFRS 16 Effective for annual periods beginning on or after 1 April 2021.
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 Effective for annual periods beginning on or after 1 January 2022.
- Reference to the Conceptual Framework – Amendments to IFRS 3 Effective for annual periods beginning on or after 1 January 2022.
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Effective for annual periods beginning on or after 1 January 2022

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.
- IFRS 17 Insurance Contracts
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 Effective for annual periods beginning on or after 1 January 2023

30 Changes in Accounting policies and disclosures(continued)

Standards and amendments that became effective as at 1 January 2021

Definition of Accounting Estimates - Amendments to IAS 8

Effective for annual periods beginning on or after 1 January 2023.

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that
period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the company.

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract

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

The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

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.

Standards and amendments that became effective as at 1 January 2021(continued)

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 Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendment includes the following practical expedients:

- To require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- To permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- To provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

Standards issued but not yet effective

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive

model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, Re-measured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cashflows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period).
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
- The recognition of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period

Standards issued but not yet effective(continued)

- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non- distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. The standard will not have an impact to the bank

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

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 (the IASB tentatively decided to defer the effective date of the amendment to no earlier than 1 January 2024) and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

The amendments are not expected to have a material impact on the Company

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

Standards issued but not yet effective(continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. 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 by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. 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.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments 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.

The amendments are not expected to have a material impact on the Company.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 Effective for annual periods beginning on or after 1 January 2023

Key requirements

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

Determining the tax base of assets and liabilities

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability

The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's financial reporting.

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 by the internal property valuer 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 if material. 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. On the derecognition of the asset, the revaluation surplus is transferred from other reserves' to `retained earnings.

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.

31 Summary of significant accounting policies and disclosures(continued)

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.

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.

31 Summary of significant accounting policies and disclosures(continued)

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

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.

31 Summary of significant accounting policies and disclosures(continued)

(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 derecognized

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

Derecognition of Financial liabilities

A financial liability is derecognized 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.

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 2021 (2010: Nil).

m) 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.

31 Summary of significant accounting policies and disclosures(continued)

n) 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 investment 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.

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.

31 Summary of significant accounting policies and disclosures(continued)

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 realizing 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;

(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.

31 Summary of significant accounting policies and disclosures(continued)

(c) Business model assessment(continued)

(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 have 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

(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

31 Summary of significant accounting policies and disclosures (Continued)

Impairment of financial assets(continued)

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.

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 Bank issued an Advance Payment Guarantee (APG) of Frw1.72Billion on behalf of a customer on 27 June 2019 to facilitate the execution of a construction project. A dispute arose on the contract and the parties referred it to arbitration as per the terms of the contract to resolve the dispute. A final arbitral ruling was rendered on 29 October 2020 stating that the obligor should not recall the APG from the Bank.

However, the Bank through resolved to settle the APG on 27th January 2022 by paying Rwf1.247Bn being the combination of utilizing the cash margin and consolidation of cash balances held in the customers' accounts amounting to Rwf465 million and issuing an overdraft of Rwf782 million. The outstanding overdraft of Rwf782 million for the customer Ltd will be recovered through the pledged corporate guarantee of the parent company until its settled in full.

OTHER STATUTORY DISCLOSURES

Other Statutory Disclosures

Item	2021 Frw'000	2020 Frw'000
1. Credit Risk		
a. Non-performing loans indicators		
a i. Non-Performing Loans (NPL)	2,679,805	2,270,969
a ii. NPL Ratio	3.24%	3.01%
b. Off-balance sheet items	30,951,794	25,684,714
c. Total Gross Credit Risk Exposures	51,783,593	49,759,000
d. Average Gross Credit Exposures		
d i. Loans and Non-derivative Off-balance Sheet Exposures	82,735,387	75,443,714
d ii. Debt Securities	28,972,542	27,426,389
d iii. OTC derivatives	-	-
e. Restructured Loans		
e i. Number of borrowers	109	97
e ii. Amount outstanding	4,283,893	7,537,177
e iii. Provision thereon (regulatory)	151,513	124,197
e iv. Restructured loans as % of gross loans	8.3%	15.1%

	2021 Frw'000	2020 Frw'000
f. Regional or Geographic Distribution of Exposures		
f i. Kigali City	50,383,962	47,860,111
f ii. Northern Region	68,695	204,675
f iii. Southern Region	687,990	770,588
f iv. Western Region	433,444	514,616
f v. Eastern Region	209,503	409,011
g. Sector Distribution of Exposures		
g i. Government	-	-
g ii. Financial	-	-
g iii. Manufacturing	13,395,294	9,865,470
g iv. Infrastructure and Construction	4,049,263	7,802,170
g v. Services and Commerce	20,636,784	20,993,769
g vi. Others	13,702,252	11,097,592
h. Related Parties		
h i. Loans to Directors, Shareholders and associates	1,367,654	1,183,116
h ii. Loans to Employees	316,846	283,704
2. Capital Strength		
a. Core Capital (Tier 1)	21,603,899	17,265,707
b. Supplementary Capital (Tier 2)	967,234	835,130
c. Total Capital	22,571,133	18,100,838
d. Total Risk Weighted Assets	85,543,480	77,149,888
e. Tier 1 Ratio	25.25%	22.38%
f. Total Capital/Total Risk Weighted Assets Ratio	26.39%	23.46%
g. Tier 2 Ratio	1.13%	1.08%
h. Leverage Ratio	12.88%	11.81%

Other statutory disclosures (Continued)

3. Liquidity		
a. Liquidity Coverage Ratio	**340.1%**	**373.3%**
a i. Liquid Assets Available (LCR***)	59,511,773	50,706,336
a ii. Short Term Liabilities (LCR***)	17,497,053	13,581,785
a iii. Total Deposit Liabilities	102,653,687	89,046,813
b. Net Stable Fund Ratio (NSFR)	**152.7%**	**150.1%**
b i. Available Stable Funding	87,150,093	75,105,566
b ii. Required Stable Funding	57,070,645	50,033,195
4. Market Risk		
a. Interest Rate Risk	-	-
b. Equity Position Risk	-	-
c. Foreign Exchange Risk	17,952	12,220

5. Operational risk			**2021 Frw'000**
a. Frauds	Fraud Type	Fraud Number	Fraud Amount
Use of Forged Withdrawal Slips	Identity theft	3	7,325

	2021 Frw'000	**2020 Frw'000**
6. Country Risk		
a. Credit Exposures Abroad	-	-
b. Other Assets Held Abroad	9,436,906	7,802,050
c. Liabilities to Abroad	-	-
7. Management and Board composition	**Number**	**Number**
a. Number of Board Members	5	6
b. Number of Non-independent Directors	2	3
c. Number of Independent Directors	3	3
d. Number of Female Directors	2	2
e. Number of Male Directors	3	4
f. Number of Senior Managers	10	11
g. Number of Female Senior Managers	1	1
h. Number of Male Senior Managers	9	10

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