GTCO

Guaranty Trust Bank (Rwanda) plc

# 2022 ANNUAL REPORT

Proudly African, Truly International

www.gtbank.co.rw

# 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 Bank for the year ended 31 December 2022. 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

## Business Achievements.

In 2022, our Bank achieved significant milestones that focused on improving customer experiences and expanding our services. We introduced faster personal loan processing with lower interest rates and an extended tenor of up to 5 years for loans up to RWF40 Million, providing Customers with quicker and more affordable access to credit. Additionally, our successful test phase of agency banking services allowed us to extend basic banking services beyond traditional Branches through local agents strategically located in communities. This initiative brought banking services closer to Customers' doorsteps, enhancing convenience and accessibility. Furthermore, our collaboration with Airtel Money enabled seamless push and pull transactions between our Bank and their mobile money platform, simplifying financial transactions for our customers. These achievements reflect our dedication to innovation, customer-centricity, and promoting financial inclusion.

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# AML/CFT/CFP FRAMEWORK

**Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) framework**

Guaranty Trust Bank (Rwanda) Plc, is committed to the fight against all forms of financial crime, which includes, money laundering, terrorism financing, Proliferation financing and bribery and corruption. To show this commitment, the Company has continually implemented a framework for Anti-Money Laundering ("AML"), Combating the Financing of Terrorism ("CFT") and Combating Proliferation financing (CPF). Strict adherence to this framework is mandatory for all employees.

Guaranty Trust Bank (Rwanda) Plc's framework ensures compliance with AML/CFT/CPF legislation and regulations in Rwanda and has incorporated leading best practices including, but not limited to:

- The Financial Action Task Force (FATF) 40 Recommendations.
- Money Laundering (Prevention and Prohibition)
- Terrorism (Prevention and Prohibition)
- BNR AML/CFT/CPF Regulations, 2022.
- Corrupt Practices and Other Related Offences
- Central Bank of Rwanda (BNR) Circulars.

**Structure of the Framework**

The Company has developed policies and procedural guidelines and these documents are regularly reviewed/revised to ensure that they remain relevant and current and are in line with the evolving regulatory requirements and best practices. The policies and procedures clearly articulate the Bank's AML/CFT/CPF stance in the global fight against financial crime and are available on the Company's intranet site for access to all employees at any point in time.

Annually, the Company's Compliance Policies are reviewed and approved by the Board of Directors and where it is necessary to update the policies between cycles, an addendum is issued for implementation and incorporated in the relevant Policy at the next annual review.

Consequently, the Bank identifies and assesses the risks from a proactive stance and allocates the requisite resources which center around systems and controls to manage these risks.

**Scope of the Framework**

The scope of the AML/CFT/CPF framework includes the following:

**(i) Board and Management Responsibilities:**

In accordance with AML/CFT/CPF global best practice, the "tone is set from the top". The Board of Directors of the Group have oversight responsibilities for the AML/CFT/CPF framework of the Bank.

The Board ensures that the Banks' Management and all employees adhere strictly to all regulatory and internal procedures relating to AML/CFT/CPF and that the Bank maintains a zero-tolerance threshold to regulatory infraction. The Bank's Head of Risk and Compliance is appointed by the Board of Directors and approved by the Central Bank of Rwanda (BNR).

**(ii) Reports to Senior Management and the Board:**

On a monthly and quarterly basis, AML/CFT/CPF reports are submitted to the Bank's Senior Management and the Board members respectively. These reports provide the Board and Senior Management with information to enable them to assess the Bank's compliance with its regulatory obligations. The reports also ensure that Directors and Senior Management are kept abreast of current trends and developments in the financial industry, particularly in the area of AML/CFT/CPF risk management.

**(iii) Know Your Customer (KYC) Procedures:**

In order to ensure that only customers that align with the Bank's risk appetite are on-boarded, duly completed account opening forms, identification document and other relevant information and documents are provided.

Customer Due Diligence (CDD) is conducted by the Bank prior to entering any banking relationship with a customer. This includes at a minimum, identity and address verification as well as ascertaining the source of income and wealth of the customer.

Customers that are identified as high risk are subjected to an Enhanced Due Diligence (EDD). EDD is conducted on such customers including Politically Exposed Persons (PEPs) to assess and manage the risks that the customers may pose. The approval of Senior Management and the Compliance team is required prior to the commencement of a banking relationship with such high- risk customers

In compliance with regulatory requirements and perceived AML/ CFT/CPF risk threats, Designated Non-Financial Businesses and Professionals (DNFBPs) and other similar businesses are required to undertake requisite and regulatory measures prior to account opening.
As part of the Bank's KYC and CDD procedures, identification documents are requested and obtained to confirm the ultimate beneficial owners of a business and the organization's control and structure.

The Bank has procedures in place to ensure sanction screening is conducted prior to entering into a relationship as well as prior to effecting a transaction, so that we do not enter into a relationship with a sanctioned person/ entity.

The Bank is also in compliance with the Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards criteria, and thus, have put measures in place to identify the defined persons in the Group's database. All identified US persons are required to complete the requisite tax forms i.e., W8 BEN, W8 BEN-E and W9.

**(iv) Transaction Monitoring:**

Transaction monitoring is done using manual and automated methods across the Bank. The former is performed by employees, who regularly identify red flags in transactions/activities and the latter resides within the Compliance team with the aid of transaction monitoring solutions. Employees are aware that suspicious activities/ transactions should immediately be referred to the Compliance team.

Suspicious Transactions are brought to the attention of the Compliance team on a manual or automated basis; the former by way of employees filing internal suspicious transaction reports to the Compliance team and the latter by way of transaction monitoring tools reviewed by Compliance Officers. If deemed appropriate, reports are filed to the respective Financial Intelligence Centre (FIC).

To properly monitor transactions passing through the Bank, the SAS AML tool, has been deployed and it provides an advancement in the means by which transactions are monitored and investigated.

**(v) Transaction Reporting:**

Regulatory and statutory requirements stipulate that certain reports and returns are made to regulatory bodies. The Compliance team ensures that all regulatory and statutory returns are submitted as and when due to the relevant authorities.

**(vi) Relationship with Regulators and Law Enforcement Agencies:**

The Bank maintains a cordial and supportive relationship with all regulatory and law enforcement agencies. The Bank promptly complies with and responds to all requests made, pursuant to the law, and provides information to regulators including the NFIC, the BNR and other relevant agencies.

We are also at the forefront of cooperating with regulators to give feedback on new regulations and means to mitigate the risks that are being encountered in the financial industry brought on by new innovations and developing trends.

**(vii) Sanctions Compliance Management:**

As a policy, the Bank does not enter in any relationship with sanctioned individuals/ entities. All Branches are required to screen names of individuals and organizations who have or plan to enter a business relationship or carry out a transaction with/ through the any Branch against the Bank's internal watch list.

The internal watch list contains amongst others, the names of individuals and entities, who have been blacklisted by various regulatory bodies worldwide: Office of Foreign Asset Control (OFAC); European Union (EU); Her Majesty's Treasury (HMT); The Ministry of Economy, Finance and Industry in France (MINEFI); The United Nations (UN) and The Local List as provided by local regulatory and enforcement bodies.
Employees are required, as part of the Bank's policy, to refrain from any relationship and/or transaction which yield a true or positive match and follow the escalation procedure. Sanctions screening is done at account opening and on a real time basis for all SWIFT transactions.

**(viii) Politically Exposed Persons (PEPs)**

PEPs are individuals who are or have been entrusted with prominent public functions and the classification includes people or entities associated with them. Enhanced due diligence measures are applied to PEPs, as with other high-risk customers to mitigate the AML/CFT/ CPF risk they pose. This is to ensure that the Bank is not unknowingly supporting activities such as money laundering and/or the financing of terrorism.
In line with Financial Action Task Forces recommendation, the Bank employs the use of an automated monitoring tool in identifying and monitoring PEP transactions. This is achieved through the thorough review of information provided by customers and their transaction trends. Continuous monitoring is also carried out on these accounts.

On-boarding of new PEP accounts, as well as continuity of such accounts (for those already existing in the system) is subject to the approval of Senior Management or an Executive Director and the Compliance Team.

**(ix) AML/CFT/CPF principles for Correspondent Banking:**

The Bank only on-boards and maintains correspondent banking relationships with financial institutions that have implemented adequate AML/CFT/CPF policies and procedures. The Bank does not enter in any form of relationships with shell banks nor maintain any payable through accounts. The Compliance team ensures that due diligence, including adverse media searches, are performed annually on our correspondent relationships to mitigate potential AML/CFT/CPF risks.

**(x) Prohibited Business Relationships**

In line with international best practice, the Bank does not open accounts or conduct transactions for customers using pseudonyms or numbers instead of actual names or maintain relationships with individuals or entities that have been sanctioned.

**(xi) Risk Assessment**

The Bank ensures Risk Assessment is conducted on its customers, products and services. This is to ensure that AML/CFT/CPF risks are identified, assessed and mitigated.

**(xii) Anti-Bribery and Corruption (ABC) and Anti-Fraud)**

The Bank upholds the highest standards of ethical conducts in all its activities and interactions. The Bank has zero tolerance for any form of bribery, corruption, fraud and unethical practices. The Bank's Board Approved Ethics policy provides the requisite standards and principles on ethical conducts and practices expected and required across the Bank and our related stakeholders.

**(xiii) AML/CFT/CPF Training:**

The Company places a great importance on the training of its employees. Training is conducted to ensure employees are well informed and up to date on the AML/CFT/CPF laws, KYC principles and the red flags of money laundering or terrorism financing which may occur in their job functions.
Annual Compliance training is mandatory for the Board mem-bers and all levels of staff, including Senior Management. Trainings are conducted via e-learning, face to face or on an ad hoc basis by email or via intranet slides to the appropriate personnel in relation to topical national and international find-ings. Tests are also conducted annually after the trainings to ensure that all employees have understood the training con-tents.

**(xiv) AML/CFT/CPF Audits:**

To ensure compliance with laws and regulations and to ensure an ever-evolving fit for use of the Compliance function, the in-ternal audit of the AML/CFT/CPF function is conducted on a quarterly basis. The purpose of the audit is to test the ade-quacy of the AML/CFT/CPF functions and ensure that the AML/CFT Measures are put in place, up to date and effective.

The reports and findings of the audit are circulated to Senior Management. A follow-up to the audits takes place to ensure that the relevant issues are closed out and that the highlighted recommendations have been implemented. The Compliance function also undergoes a periodic independent audit by an external consultant in accordance with regulatory requirements.

**(xv) Record Retention:**

In accordance with regulations, customer identification docu-ments are retained throughout the life of the account and for ten (10) years after the cessation of the banking relationship. Transaction instruments are retained for ten (10) years after the transaction date. In litigation and/ or regulatory investigations, the records will be kept for as long as they are required.

**(xvi) Data Protection:**

The Bank's Data Protection Policy is revised on an ad-hoc basis to reflect the legal, regulatory and operating environment. The Bank adheres strictly to both local and international data protection policies such as the National Data Protection Reg-ulations in countries where we operate and the European Union General Data Protection Regulation (EU-GDPR.)

**(xvii) Subsidiaries:**

In compliance with international best practice, the Bank en-sures that its branches AML/CFT/CPF provisions are consistent with its framework. These measures are applied to the extent that the respective branches' local laws and regulations permit; However, where there is a variance the stricter regulation will always apply. Greater collaboration has been fostered and control measures taken based on the current international best practices. This is to ensure that all our branches maintain the highest standards for AML/CFT/CPF controls.

# COMPLAINTS AND FEEDBACK

**Introduction**

At Guaranty Trust Bank (Rwanda) Plc, our vision is to deliver the utmost in customer service. We understand the importance of our customers' satisfaction to the achievement of our set goals. Hence, we have incorporated the 'treating Customers fairly' principles into our business strategy to enable us deliver on our promises to our stakeholders.

We recognize that Customer feedback is an important tool in monitoring and responding to Customer expectations hence we continued to embed good conduct practice across our business, with a range of initiatives to further improve the service and experience we offer to customers.

To continuously improve our products and services, we carefully analyze the data and feedback we receive, focusing on identifying recurring issues. The information gathered undergoes thorough analysis, which is then reviewed by the relevant stakeholders. This process serves as a valuable learning experience and helps us prevent the recurrence of identified issues.

**The Feedback Channels/ Customer Touchpoints**

We highly appreciate the feedback provided by our customers, and we encourage their interaction with the company through the following channels and touchpoints:

- The Complaints received via the complaint portal, on the Banks' website and letters;
- GTConnect Contact Center (phone calls);
- Social Media feedback;
- The Customer Service Officers available in all our Branches;
- Intumwa Chatbox

**Complaints Handling and Resolution Structure**

Guaranty Trust Bank (Rwanda) Plc is dedicated to effective complaint handling and values the input received through customer complaints. Our complaint and feedback structure ensure the swift resolution of Customer issues. The Customer Experience unit of the bank is charged with the responsibility for oversight of the resolution of Customers' complaint s, ensuring that they are promptly received, acknowledged, and addressed.

Where a resolution can be provided immediately, the Customer is provided with feedback, if not, the issue raised is referred to the appropriate team in the Bank for prompt resolution. Then the complaint is marked as closed. The complaints handling process is reviewed periodically and complaints received are categorized and reviewed properly with the aim of enhancing the Bank's delivery of efficient and effective services. The Bank ensures that complaints are dealt with in an equitable, objective and unbiased manner. We also endeavor to align our procedures with regulatory requirements and international best practice in a bid to ensure that the complaint handling process is fair and reasonable.

**REPORTS**

In line with the National Bank of Rwanda guidelines on resolution of Customers' complaints, the Bank provides periodic reports to BNR. Below is a breakdown of Complaints received and resolved by the Bank between January to December 2022.

| **Description** | **Numbers** |
|---|---|
| Received Complaints | 484 |
| Resolved Complaints | 461 |
| Unresolved Complaints pending that the Bank carried forward ** | 23 |

Some of the outstanding complaints included complaints on dispense errors on other Bank terminal, failed bill payment and failed money transfers; these were resolved in collaboration with our third-party partners and have been closed.

# BOARD OF DIRECTORS

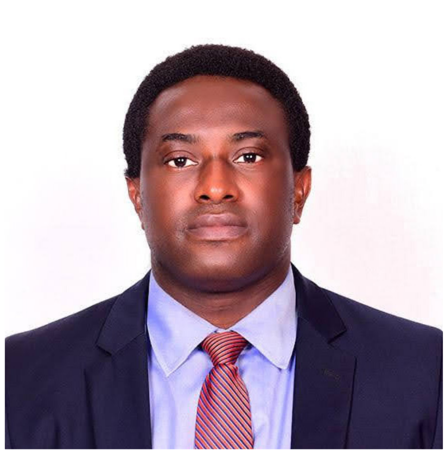
# Board of Directors

## ENATHA DUSENGE

INDEPENDENT DIRECTOR & CHAIRPERSON

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).

## 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.

## OLUSEGUN AGBAJE

NON-EXECUTIVE DIRECTOR

Mr. Segun Agbaje is the Group Chief Executive Officer of GTCO, one of Africa's leading banking groups with a client base of over 20 million customers and business outlays across ten (10) African Countries and the United Kingdom.
Mr. Agbaje started his career in 1988 as an Auditor at Ernst & Young, USA. He subsequently joined GTBank as a pioneer staff in 1991 and rose through the ranks to become Executive Director in 2000 and Deputy Managing Director in 2002. In 2011, he was appointed Managing Director and CEO of GTBank, and under his leadership the Bank became one of Nigeria's most profitable banks, maintaining impressive year-on-year growth in market share and profitability.

Mr. Agbaje is widely regarded as one of Africa's leading CEOs with a reputation for identifying capital opportunities and executing business deals. He holds a Bachelor of Science in Accounting and a Master's in Business Administration, both from the University of San Francisco, USA. He is also an alumnus of the Harvard Business School and has over 30 years of experience in investment, commercial and international banking.

Passionate about innovation and embracing disruptive technologies, Mr. Agbaje is driving the transformation of GTCO by constantly pioneering ground-breaking ideas that offer customers more value beyond financial services. Under his leadership, the Organization has promoted enterprise in the SME sector by empowering small businesses and creating Free Business Platforms such as the GTBank Food and Drink Fair and the GTBank Fashion Weekend.

Mr. Agbaje also revolutionized consumer lending in Nigeria through GTBank's offering of Quick Credit, which gives individuals and small businesses instant, real-time access to loans at a low interest of 1.3 percent monthly.

In recognition of his sterling leadership and consistent outstanding performance, Mr. Agbaje has been the recipient of several awards over the years, some of which include: the African Banker of the Year Award by the African Banker Magazine, the Banker of the Year, Africa by the World Finance Magazine and CEO of the Year at the Africa Investor Awards.

Mr. Agbaje currently serves on the boards of GTBank (Ghana) Limited, GTBank (UK) Limited, GTBank (Kenya) Limited, and GTBank (Tanzania) Limited. He is also a Director on the MasterCard Advisory Board (the Middle East and Africa), and was elected to the Board of Directors of PepsiCo Inc., USA as an Independent Director and a member of the company's audit committee in July 2020.

## FRANÇOISE KAGOYIRE

INDEPENDENT DIRECTOR

Françoise joined the Board of GTBank Rwanda in June 2022. Previously, she sited on different Boards of various institutions including AGACIRO Development Fund for nine years.
Françoise has over 30 years of work experience with more than 25 years as a financial regulator expert with exceptional skills bank's soundness assessment and deep financial risks analytical capacity.
In her career, she has occupied various managerial positions in the National Bank of Rwanda mainly as a Director of the Bank Supervision Department in the Directorate of Financial Stability and also as a Director of Conduct Supervision and Financial inclusion Department; for more than 10 years.

Françoise has a Degree in Banking from ITB (INSTITUT DES TECHNIQUES BANCAIRES) located in Paris-France and an Associate Degree in Accounting from the University of Rwanda. Françoise is currently an independent consultant in the financial sector with a focus on financial institutions compliance with applicable standards; financial inclusion and customer empowerment.

# EMPOWERING WOMEN WITH DIGITAL SKILLS


## Corporate Social Responsibility

### Empowering Women in SMEs: Bridging the Digital Skills Gap

In line with our commitment to Corporate Social Responsibility (CSR) and empowering the local community, our bank recently organized a training program focused on empowering women in small and medium-sized enterprises (SMEs) with essential digital skills. The program, titled "Empowering Women with Digital Skills," was conducted in collaboration with ImpactHER, a nonprofit organization dedicated to supporting African female entrepreneurs and bridging the gender business financing gap.

The training program aimed to address the growing importance of digital literacy in today's business landscape. Recognizing that digital skills are vital for success and growth, particularly for women entrepreneurs, the program focused on equipping participants with the necessary knowledge and expertise to navigate the digital realm effectively. Through a series of interactive sessions and practical workshops, participants learned about various digital tools, online marketing strategies, financial technology solutions, and other relevant aspects of digital entrepreneurship.

The program's impact extended beyond the SME sector, as it also attracted Corporate Communication Officers who recognized the importance of enhancing their digital skills. By bringing together participants from diverse backgrounds, the training fostered a collaborative learning environment, where experiences and knowledge could be shared. The engagement of both women entrepreneurs and corporate professionals further emphasized the significance of digital skills in today's interconnected business world.

By offering this training program, our bank aimed to empower women in SMEs, support their entrepreneurial journeys, and promote gender equality in business. Through partnerships with organizations like ImpactHER, we actively contribute to bridging the gender business financing gap and enabling women to unlock their full economic potential. With a total of 40 participants benefiting from this program, our Bank takes pride in making a positive impact beyond financial services, fostering entrepreneurship, and helping create a more inclusive and prosperous society.

Overall, the "Empowering Women with Digital Skills" training program exemplifies our bank's dedication to supporting the local community and championing gender equality in entrepreneurship. By bridging the digital skills gap and equipping women in SMEs with the necessary tools for success, we strive to empower them to thrive in the digital age.

# 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 2022 Annual Report of Guaranty Trust Bank (Rwanda) plc. The year 2022 was a challenging year as the world including Rwanda were still facing economic challenges consequences caused by the pandemic. Also, the supplier and economic challenges caused by the war between Russia and Ukraine impacted negatively the world economy which was still recovering from covid-19 pandemic. I wish to congratulate the Government of Rwanda under the stewardship of His Excellency President Paul Kagame in their exemplary handling of the challenges currently being faced by the world economy. The Government continues to implement different initiatives and remains exceptionally proactive in ensuring the revival of the economy. In this regard, Rwanda will become the first African country to access funds under the new Resilience and Sustainability Trust (RST) facility, an International Monetary Fund program aimed at helping low-income and vulnerable middle-income countries build resilience to external shocks and ensure sustainable growth, contributing to their longer-term balance of payments stability. The country's economy registered 8.2% growth in 2022 compared to 10.9% recorded in 2021.

In 2022, we delivered a solid performance while navigating substantial global economic change with the main effects of the pandemic subsiding, inflationary cost pressures and significant fluctuations in currency exchange. Against this backdrop, I am pleased to report a strong performance in Bank's revenue increasing by 15.7% compared to the previous year. This growth was driven by increased interest income, fee-based revenue, and efficient cost management. We continue to focus on efficiency while growing the base. Our bank maintained a strong capital position, exceeding regulatory requirements and ensuring our ability to absorb potential shocks. This capital strength provides a solid foundation for sustainable growth and enhances the confidence of our stakeholders.

Our commitment to rigorous risk management practices has resulted in a high-quality loan portfolio. This disciplined approach has minimized credit losses and enhanced the overall stability of our bank. We remain steadfast in our commitment to understanding and fulfilling the financial needs of our customers. By offering innovative products, personalized services, and seamless digital experiences, we have deepened customer relationships and enhanced customer satisfaction. We continued to invest in technology infrastructure and process automation, improving operational efficiency and reducing costs. This focus on operational excellence has enabled us to provide superior service, streamline internal processes, and optimize resource allocation.

The Bank's performance improved in other key metrics for the year 2022. The Capital Adequacy Ratio (CAR) stood at 33.4% higher than the minimum regulatory requirement of 15%. The leverage ratio stood at 14.8%, 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 416.8% as at end December 2022 above 100% minimum prudential requirements. The aggregate Net Stable Funding Ratio (NSFR) stood at 162.2%, above the 100% regulatory requirement. 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**
**Chairperson**

# MANAGING DIRECTOR'S STATEMENT

## Focused Growth and Commitment to Retail & SME Excellence

Dear Stakeholders,

It is with great pleasure that I present to you the performance of Guaranty Trust Bank (Rwanda) plc, highlighting the achievements and significant milestones attained in 2022.

The bank recorded Profit Before Tax (PBT) of Rwf 3.9 Billion for the year ended December 2022 compared to Profit Before Tax (PBT) of Rwf 6.5 Billion generated in 2021 representing a drop of 40%. The reduction was mainly attributable to enhanced provisioning on investment in financial securities done during the year. The Bank's total assets decreased marginally by 2.4%, primarily attributed to a 24% decrease in net loan and advances. The decrease in net loans and advances was mainly attributable to pay-down of loans by various customers during the period. Customers Deposits also decreased by 4% at the back of the transactional deposit movements during the same period.

Guaranty Trust Bank (Rwanda) plc focuses on the pivotal retail and SME sectors to drive economic development. By leveraging digital platforms and strategic investments in technology, we provide seamless access to a comprehensive range of services, tailored to the evolving needs of individuals and businesses. Collaborating with Airtel Rwanda's Airtel Money, we introduce the Push & Pull feature for effortless financial management. Our successful pilot phase of Agency Banking enhances accessibility across diverse locations. We are dedicated to fostering a vibrant and inclusive economy, creating opportunities for all.

In 2022, we partnered with ImpactHER to organize the transformative "EMPOWERING WOMEN WITH DIGITAL SKILLS" training program for 40 inspiring women entrepreneurs in SMEs. Bridging the gender business financing gap, this initiative empowers local female entrepreneurs to unlock their economic potential. Corporate Social Responsibility is integral to our bank, playing a pivotal role in both our activities and the communities we serve. We are committed to uplifting and empowering those around us, making a lasting impact.

At Guaranty Trust Bank (Rwanda) plc, our exceptional people, embodying our values of talent, work ethic, and unwavering capabilities, are the driving force behind our continued success. We prioritize their well-being and foster a culture of learning and excellence, revitalizing our workforce through optimized training programs. With a commitment to attracting and retaining the industry's best minds, we cultivate a vibrant workplace culture that inspires innovation and personal growth. Together, we forge ahead with determination, resilience, and a shared vision of surpassing expectations. At Guaranty Trust Bank (Rwanda) plc, we empower individuals and businesses through segmentation, service excellence, and relevant products. By investing in our talented workforce and fostering a vibrant workplace culture, we shape the future of banking and drive economic growth, creating boundless opportunities for success.

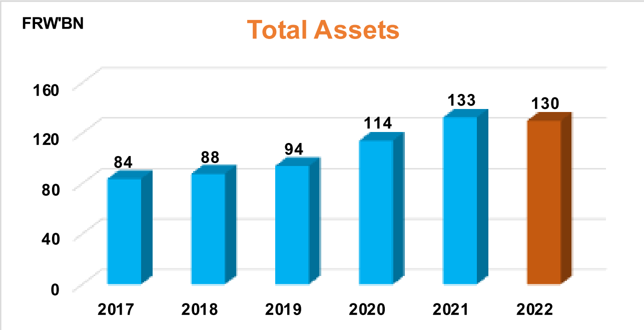
We express our heartfelt gratitude to our esteemed stakeholders, including our valued customers, the National Bank of Rwanda, our visionary Board of Directors, dedicated management teams, and staff members. Your unwavering support has been crucial to our unparalleled success. We value the trust you place in us, which serves as the foundation of our remarkable achievements. Together, we will surpass expectations and achieve unrivaled accomplishments.

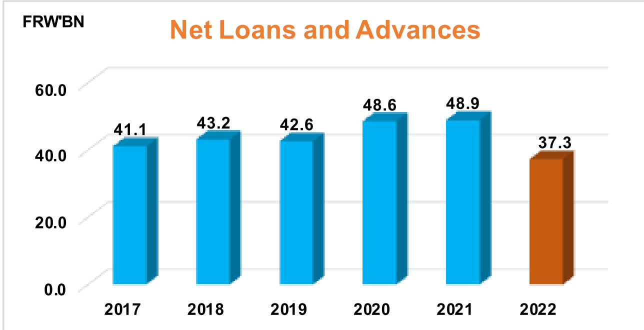
Moving forward, Guaranty Trust Bank (Rwanda) plc remains committed to our core values, delivering exceptional value to stakeholders, and focusing on the retail segment. We embrace innovation, adapt to market dynamics, and seize emerging opportunities to ensure sustainable growth.
Thank you for your unwavering trust and continued partnership.

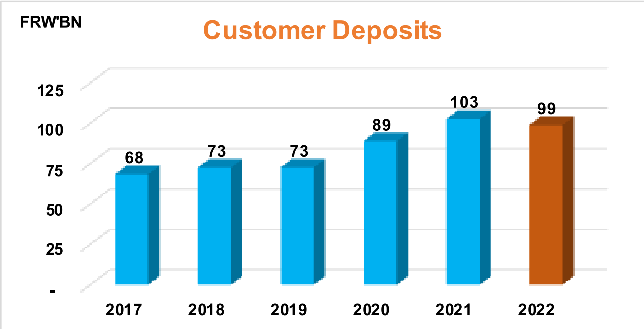
Sincerely,

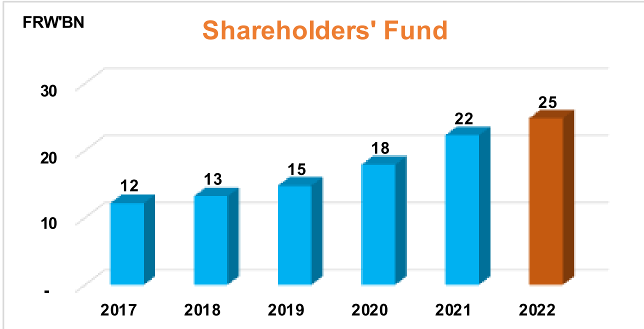
**Emmanuel Ejizu**
**Managing Director**
**Guaranty Trust Bank (Rwanda) plc**

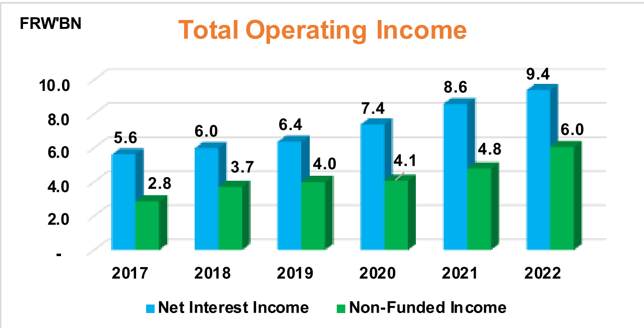
# PERFOMANCE HIGHLIGHTS

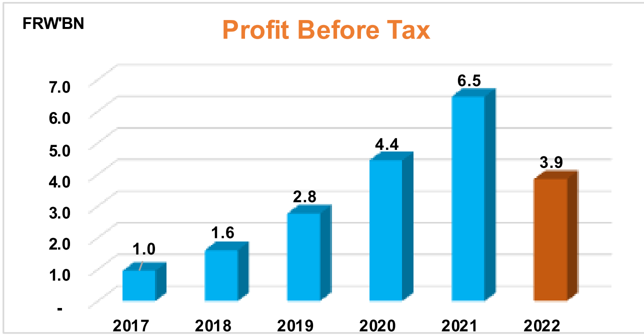



| Financial Soundness Highlights | 2022 % | 2021 % | 2020 % | 2019 % | 2018 % | 2017 % |
|---|---|---|---|---|---|---|
| **Capital Strength Ratios** | | | | | | |
| Capital Adequacy Ratio (MIN 15%) | 33.4% | 26.4% | 24.3% | 21.0% | 21.2% | 19.6% |
| Core Capital / Risk Weighted Assets (MIN 10.5%) | 32.5% | 25.3% | 22.1% | 19.4% | 19.0% | 18.5% |
| Leverage ratio (MIN 6%) | 14.8% | 12.9% | 11.7% | 11.0% | 11.8% | 11.3% |
| **Coverage/ Asset Quality Ratios** | | | | | | |
| NPLs / Gross Loans | 3.5% | 5.2% | 4.6% | 3.6% | 14.3% | 21.3% |
| Provisions / NPLs | 87.7% | 107.3% | 50.0% | 79.1% | 72.2% | 55.9% |
| Earning Assets / Total Asset | 67.2% | 69.7% | 72.5% | 77.5% | 83.5% | 84.9% |
| Loan Loss Reserve / Gross Loans | 3.0% | 5.6% | 2.3% | 2.8% | 10.3% | 11.9% |
| **Profitability Ratios** | | | | | | |
| Post-Tax Return on Assets | 1.9% | 3.3% | 2.8% | 1.7% | 1.2% | 0.7% |
| Post-Tax Return on Equity | 10.2% | 19.7% | 17.6% | 11.1% | 8.3% | 5.0% |
| Net Interest Margin | 9.1% | 9.0% | 8.6% | 8.0% | 6.9% | 7.2% |
| Cost to Income | 76.4% | 54.2% | 63.4% | 75.6% | 85.7% | 90.2% |
| **Liquidity Ratios** | | | | | | |
| Liquid Assets / Total Deposits | 80.6% | 68.1% | 62.7% | 56.8% | 54.2% | 52.5% |
| Gross Loans / Total Deposits | 38.8% | 50.4% | 55.9% | 60.4% | 66.3% | 66.7% |
| Net Loans/Total Asset | 28.7% | 36.9% | 42.6% | 45.4% | 49.1% | 48.5% |
| Total Deposits / Total Assets | 76.2% | 77.4% | 78.0% | 77.3% | 82.6% | 82.6% |

# DIRECTORS & AUDITORS REPORTS

**Directors and Statutory Information**

**Shareholding**

The Bank's shareholding as at 31 December 2022 is as shown below.

| **Shareholders** | **Number of Shares** | **% holding** |
|---|---|---|
| Guaranty Trust Bank (Kenya) Limited | 19,276,000 | 96.38% |
| Agaciro Development Fund (AGDF) | 724,000 | 3.62% |
| **Total** | **20,000,000** | **100%** |

The price per share equal to Frw1,000

**BOARD OF DIRECTORS**

| | |
|---|---|
| Mrs. Enatha Dusenge Twizere | (Rwandan) Chairperson - Independent |
| Mrs. Francoise Kagoyire | (Rwandan) Independent |
| Mr. Eric Cyaga | (Rwandan) Independent |
| Mr. Olusegun Agbaje | (Nigeria) Non-Independent |
| Mr. Nnamaka Emmanuel Ejizu | (Nigeria) Managing Director |

**BOARD AUDIT COMMITTEE**

| | |
|---|---|
| Mrs. Francoise Kagoyire | Chairperson |
| Mr. Olusegun Agbaje | Member |
| Mr. Eric Cyaga | Member |
| Mr. Nnamaka Emmanuel Ejizu | Member |

**BOARD CREDIT COMMITTEE**

| | |
|---|---|
| Mr. Olusegun Agbaje | Chairperson |
| Mr. Eric Cyaga | Member |
| Mr. Nnamaka Emmanuel Ejizu | Member |

**BOARD RISK COMMITTEE**

| | |
|---|---|
| Mr. Eric Cyaga | Chairperson |
| Mrs. Francoise Kagoyire | Member |
| Mr. Olusegun Agbaje | Member |
| Mr. Nnamaka Emmanuel Ejizu | Member |

**Attendance of Board and Board Committee Meetings**

The table below shows the frequency of meetings of the Board of Directors and Board Committees, as well as Members' attendance for the financial year ended December 31, 2022

| | **Full Board** | **Board Credit Committee** | **Board Risk Committee** | **Board Audit Committee** |
|---|---|---|---|---|
| **Date of Meetings** | 28.06.2022<br>31.08.2022<br>01.12.2022 | 28.06.2022<br>31.08.2022<br>01.12.2022 | 28.06.2022<br>31.08.2022<br>01.12.2022 | 28.06.2022<br>31.08.2022<br>01.12.2022 |
| Number of Meetings | **3** | **3** | **3** | **3** |
| Mrs. Enata Dusenge | 3 | n/a | 1 | 1 |
| Mr. Olusegun Agbaje | 3 | 3 | 3 | 3 |
| Mr. Eric Cyaga | 3 | 1 | 3 | 3 |
| Mrs. Florida Kabasinga | 1 | 1 | n/a | 1 |
| Mrs. Francoise Kagoyire | 3 | n/a | 2 | 2 |
| Mr. Nnamaka Emmanuel Ejizu | 3 | 3 | 3 | 3 |

Note: The 4th quarter board meeting is scheduled to be held on 17th March 2023

Mrs. Florida Kabasinga resigned from the Board Member position on 13th July, 2022
Mrs. Francoise Kagoyire was appointed for the Board Member position on 14th June, 2022

**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. Wilson Ngyendo | Head of Treasury |

**ASSETS AND LIABILITIES COMMITTEE (ALCO)**

| | |
|---|---|
| Mr. Nnamaka Emmanuel Ejizu | Chairperson |
| Mrs. Irenosen B. Ohiwerei | Member |
| Mr. Stephen Njuguna Mwangi | Member |
| Mr. Wilson Ngyendo | Secretary |
| Mr. Jules Mukulira | Member |
| Mr. Joel Gatanazi | Member |
| Mrs. Alice Natukunda | 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. Wilson Ngyendo | member |
| Mrs. Alice Natukunda | Member |

**IT STEERING COMMITTEE**

| | |
|---|---|
| Mr. Nnamaka Emmanuel Ejizu | Chairperson |
| Mrs. Irenosen B. Ohiwerei | Member |
| Mr. Stephen Njuguna Mwangi | Member |
| Mr. Ismael Sekamana | Member |
| Mrs. Alice Natukunda | Member |
| Mr. Ivan Baudry Boulard Irakoze | Secretary |
| Mr. Joel Gatanazi | Member |

**RISK MANAGEMENT COMMITTEE**

| | |
|---|---|
| Mrs. Irenosen B. Ohiwerei | Chairperson |
| Ms. Gisele Mutamba | Secretary |
| Mr. Louis Hategekimana | Member |
| Mr. Ivan Baudry Boulard Irakoze | Member |
| Mrs. Alice Natukunda | Member |
| Mr. Gilbert Kuradusenge | Member |
| Mrs. Vestine Uwineza | Member |
| Mr. Joel Gatanazi | Member |
| Mr. Jules Mukulira | Member |
| Mrs. Josine Ingabire | Member |
| Mr. Stephen Njuguna Mwangi | 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 |
| Mrs. Alice Natukunda | 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: + 250 252 598 600

**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.com.rw

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

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

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

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

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

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

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

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

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

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

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

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

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

**Directors' report**

The directors submit their report together with the audited financial statements for the year ended 31 December 2022, 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 2022 (2021: 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**

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**Secretary**

Date: 30th March 2023

**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 2022, 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 30th March 2023

**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 2022, 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 2022, 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**<br>**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:<br>— **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<br>— **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.<br>— **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.<br>— ***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.<br><br>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:<br>— Performing end to end process walkthroughs to identify the key systems, applications and controls used in the ECL processes.<br>— Assessed the appropriateness of the Bank's methodology for determining the economic scenarios used.<br>— 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.<br>— 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<br>— 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.<br>— 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 2022 which includes the Directors' Report ,Corporate information and statement of director's responsibilityas 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

30th March 2023

# FINANCIAL STATEMENTS

| | Notes | 2022 Frw'000 | 2021 Frw'000 |
|---|---|---|---|
| Interest income* | 1 | 10,289,195 | 9,325,147 |
| Interest expense* | 2(a) | (903,159) | (739,134) |
| **Net interest income** | | **9,386,036** | **8,586,013** |
| Fee and commission income | 3 (a) | 3,351,698 | 3,235,324 |
| Fee and commission expense | 3 (b) | (1,223,420) | (946,198) |
| **Net fee and commission income** | | **2,128,278** | **2,289,126** |
| Foreign exchange income | 4(a) | 1,875,727 | 1,509,785 |
| Other income | 4(b) | 814,643 | 50,697 |
| **Total operating income** | | **14,204,684** | **12,435,621** |
| Net impairment charge on loans and advances | 5 | (929,106) | 7,215 |
| Impairment charge on investment securities | 5 | (2,681,164) | - |
| Employee benefits expense | 6 | (2,565,541) | (2,594,359) |
| Depreciation and amortization | 7 (a) | (725,531) | (682,761) |
| Other operating expenses | 7 (b) | (3,316,373) | (2,563,004) |
| Finance Cost | 2(b) | (128,677) | (139,361) |
| **Profit before income tax** | | **3,858,292** | **6,463,351** |
| Income tax expense | 8 | (1,335,805) | (2,076,956) |
| **Profit for the year** | | **2,522,487** | **4,386,395** |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year** | | **2,522,487** | **4,386,395** |
| **Attributable to:** | | | |
| Equity holders of the parent[1] | | 2,522,487 | 4,386,395 |

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

| | Notes | 2022 Frw'000 | 2021 Frw'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances with the National Bank of Rwanda | 9 | 30,842,831 | 31,720,667 |
| Amounts due from other banks | 10 | 14,765,086 | 14,911,472 |
| Investment securities | 11 | 38,945,704 | 28,972,542 |
| Loans and advances | 12 | 37,253,477 | 48,908,518 |
| Other assets | 13a | 991,070 | 873,380 |
| Deferred income tax Asset | 20 | 568,025 | - |
| Asset held for sale | 13b | - | 400,000 |
| Intangible assets | 14 | 341,119 | 570,914 |
| Property and equipment | 15 | 2,492,921 | 2,715,466 |
| Right of use asset | 16 | 1,576,534 | 1,851,472 |
| **TOTAL ASSETS** | | **127,776,768** | **130,924,433** |
| **LIABILITIES** | | | |
| Customer deposits | 17(a) | 98,922,931 | 102,653,687 |
| Other Borrowings | 17(b) | 644,554 | 911,048 |
| Provisions | 19(a) | 144,831 | 132,367 |
| Other liabilities | 19(b) | 1,449,911 | 2,177,797 |
| Lease liability | 18 | 1,808,793 | 2,064,264 |
| Current income tax payable | 8 | - | 534,273 |
| Deferred income tax | 20 | - | 167,735 |
| **TOTAL LIABILITIES** | | **102,971,020** | **108,641,171** |
| **EQUITY** | | | |
| Share capital | 21 | 20,000,000 | 10,994,882 |
| Revaluation reserves | 22 | 368,693 | 368,693 |
| Retained earnings | 23(a) | 3,934,852 | 10,395,947 |
| Statutory Reserve | 23(b) | 502,203 | 523,739 |
| **TOTAL EQUITY** | | **24,805,748** | **22,283,261** |
| **TOTAL EQUITY AND LIABILITIES** | | **127,776,768** | **130,924,433** |

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 2022** | | | | | | |
| **At 1 January 2022** | | **10,994,882** | **368,693** | **10,395,947** | **523,739** | **22,283,261** |
| **Comprehensive income:** | | | | | | |
| Profit for the year | | - | - | 2,522,487 | - | **2,522,487** |
| **Total comprehensive income for the year** | | - | - | **2,522,487** | - | **2,522,487** |
| Transfer to Statutory reserve | 23 (b) | - | - | 21,537 | (21,537) | - |
| Conversion of Retained Earnings to Capital | 21 | 9,005,118 | - | (9,005,118) | - | - |
| **At 31 December 2022** | | **20,000,000** | **368,693** | **3,934,852** | **502,203** | **24,805,748** |
| **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** |

| | Notes | 2022 | 2021 |
|---|---|---|---|
| | | Frw'000 | Frw'000 |
| **Cash flows from operating activities** | | | |
| Profit before income tax | | 3,858,292 | 6,463,351 |
| **Adjustments for:** | | | |
| Depreciation on property and equipment | 15 | 495,218 | 433,486 |
| Amortization of intangible assets | 14 | 230,313 | 249,275 |
| (Gain)/loss on disposal of fixed assets | | (4,393) | 855 |
| Accrued interest on term borrowings | 17(b) | 6,683 | 6,642 |
| Amortization on right-of-use asset | 16 | 370,511 | 348,493 |
| Interest on lease liability | 18 | 128,677 | 139,361 |
| IFRS 16- Lease cost net changes P/L impact | 16&18 | 918 | (6,595) |
| Cash flows from operating activities before changes in operating assets and liabilities | | **5,086,219** | **7,634,868** |
| Changes in operating assets and liabilities: | | | |
| - Loans and advances | | 11,655,042 | (285,841) |
| - Investment securities | | (9,719,868) | (866,632) |
| - Other assets | | 282,310 | (1,233,646) |
| - Customer deposits and cash reserves | | (4,886,086) | 12,993,500 |
| - Provision for litigation | | 12,464 | (22,667) |
| - Other liabilities | | (727,886) | 983,877 |
| Income tax paid | 8 | (2,605,836) | (2,225,891) |
| **Net cash generated from operations** | | **(903,641)** | **16,977,568** |
| **Cash flows from investing activities** | | | |
| Purchase of property and equipment | 15 | (298,280) | (385,550) |
| Purchase of intangible assets | 14 | (518) | (77,128) |
| Proceeds from sale of property and equipment | | 30,000 | 3,105 |
| **Net cash used in investing activities** | | **(268,798)** | **(459,573)** |
| **Cash flows from financing activities** | | | |
| Long term borrowings acquired | 17(b) | 5,189 | 108,877 |
| Principal repayment on long term borrowings | 17(b) | (266,536) | (157,837) |
| Interest payment on long term borrowings | 17(b) | (11,831) | (11,451) |
| Interest payment on lease liability | 18 | (128,677) | (139,361) |
| Principal repayment of lease liability | 18 | (351,962) | (318,043) |
| **Net cash flows generated from/(used in) financing activities** | | **(753,817)** | **(517,815** |
| **Net increase / (decrease) in cash and cash equivalents** | | **(1,926,256)** | **16,000,180** |
| Cash and cash equivalents at start of year | 25 | 53,953,482 | 37,953,302 |
| **Cash and cash equivalents at end of year** | **25** | **52,027,224** | **53,953,482** |
| **Additional information on operational cash flows from interest and dividends:** | | | |
| Interest paid | | 903,268 | 763,789 |
| Interest received | | 10,448,640 | 9,019,159 |

# NOTES TO FINANCIAL STATEMENTS

**1 Interest income***

| | 2022<br>Frw'000 | 2021<br>Frw'000 |
|---|---|---|
| Loans and advances | 6,552,635 | 7,133,942 |
| Investment securities | 2,779,138 | 2,045,266 |
| Placements with banks | 957,422 | 145,939 |
| | **10,289,195** | **9,325,147** |

**2 a) Interest expense***

| | | |
|---|---|---|
| Other Borrowing (ERF) | 9,761 | 11,055 |
| Customer deposits | 889,724 | 676,538 |
| Deposits with banks | 3,674 | 51,541 |
| | **903,159** | **739,134** |

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

**b) Finance Cost**

| | | |
|---|---|---|
| Interest on lease liability | 128,677 | 139,361 |

**3 Net fee and commission income**

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

| | | |
|---|---|---|
| Current account ledger fees | 194,548 | 164,379 |
| Credit related fees and commissions | 628,937 | 810,519 |
| Commissions on guarantees | 217,969 | 356,277 |
| Local and international cash transfers | 1,516,672 | 1,165,230 |
| Letters of credit commissions | 342,393 | 273,093 |
| Cash withdrawal commissions | 85,074 | 111,959 |
| ATM commissions | 40,236 | 36,968 |
| Cheque book charges | 29,195 | 27,413 |
| **Other fee income:** | | |
| Bills of Collection fees | 480 | 1,417 |
| E-Business Other Charges | 45,962 | 46,253 |
| Miscellaneous Charges | 2,719 | 7,404 |
| Income on GTB UK transfer | 38,770 | 34,011 |
| Stop Payment Cheque Charges | 339 | 198 |
| Duplicate Statement Charges | 29,925 | 20,492 |
| Insurance Commissions | 2,767 | 3,427 |
| Standing Order Charges | 7,511 | 1,106 |
| Counter Cheques Withdrawal Charges | 17,192 | 13,624 |
| Commissions on Bankers Cheques Issued | 370 | 510 |
| Charge on number of withdrawals | 11,804 | 10,704 |
| Other service fee income | 9,548 | 11,378 |
| Commission Push and Pull | - | 13,962 |
| Penalties Commission on pre-matured TD | 31 | 1,078 |
| Visa Card Reimbursement fees | 31,089 | 15,487 |
| Non-Interest-Other Charges | 45,635 | 35,635 |
| GAPS Commission Account | 52,532 | 72,800 |
| | **3,351,698** | **3,235,324** |

**3 Net fee and commission income (continued)**

| | | 2022 | 2021 |
|---|---|---|---|
| *(a)* | ***Fees and commissions expense*** | **Frw'000** | **Frw'000** |
| | Banking services | 137,933 | 103,432 |
| | Transaction charges | 572,261 | 488,377 |
| | Foreign Currency Import/Export Charges | 410,681 | 147,040 |
| | **Other fee expenses:** | | |
| | MTN Push & Pull Support Fees | - | 126,049 |
| | Reuters Charges | 68,872 | 63,863 |
| | Mobile & E-Banking Charges | 20,601 | 17,437 |
| | ATM Card Fees | 13,072 | - |
| | | 1,223,420 | 946,198 |
| | **Net fees and commissions** | **2,128,278** | **2,289,126** |
| **4** | **Trading income** | | |
| **(a)** | **Foreign exchange income** | | |
| | Gain on Forex Revaluation | 8,628 | 4,303 |
| | Gain on Forex Trading | 1,867,099 | 1,505,482 |
| | **Net Foreign exchange income** | **1,875,727** | **1,509,785** |
| **(b)** | **Other income** | | |
| | Gain/(loss) on disposal of property and equipment | 4,393 | (855) |
| | Other non-trading income | 810,250 | 46,290 |
| | Sundry Losses | - | 5,262 |
| | | **814,643** | **50,697** |
| **5.** | **a) Net impairment charges for credit losses** | | |
| | Stage 1 | 139,892 | 192,338 |
| | Stage 2 | 1,066 | 37,976 |
| | Stage 3 | 1,030,375 | 1,123,792 |
| | Recoveries on amounts previously written off | (242,227) | (1,361,321) |
| | **Net Impairment Charges for Credits** | **929,106** | **(7,215)** |
| | b) Impairment charges on investment securities[1] | | |
| | Impairment charges on other financial assets | 2,681,164 | - |
| | **Total Impairment charges for the year** | **3,610,270** | **(7,215)** |
| **6.** | **Employee benefits expense** | | |
| | Salaries and wages | 2,189,826 | 2,212,343 |
| | Contributions to the RSSB and other funds | 75,274 | 66,413 |
| | Staff medical expenses | 59,539 | 70,723 |
| | Other employee benefits* | 240,902 | 244,880 |
| | | **2,565,541** | **2,594,359** |

[1]The Bank took 45% haircut on Republic of Ghana Eurobonds following pronouncement by the government of the ongoing restructure of the external debts and suspension of payments to investors.

*Other employee benefits relates to terminal benefits, staff allowances and staff long service awards.

**7(a) Depreciation and amortization**

| | | 2022 | 2021 |
|---|---|---|---|
| | | Frw'000 | Frw'000 |
| Amortization charge on intangible assets | (Note 14) | 230,313 | 249,275 |
| Depreciation on property and equipment | (Note 15) | 495,218 | 433,486 |
| | | 725,531 | 682,761 |

**7(b) Other operating expenses**

| | | |
|---|---|---|
| Travel Related Expenses | 82,471 | 53,865 |
| Directors' expenses | 201,955 | 69,966 |
| Other administrative expense | - | 4,992 |
| Amortization on right-of-use asset | 370,511 | 348,493 |
| Security costs | 97,183 | 99,011 |
| Legal fees | 176,225 | 95,845 |
| Repairs and maintenance | 404,184 | 278,513 |
| Consultancy costs | 585,647 | 546,644 |
| Water and electricity costs | 148,583 | 145,357 |
| Printing and stationery | 81,500 | 61,800 |
| Connection and communication charges | 209,799 | 220,101 |
| Periodicals and other book subscriptions | 96,667 | 86,614 |
| Human Capital Related Expenses | 27,594 | 28,688 |
| Fines and penalties | - | 500 |
| Disallowed VAT and other tax Expenses | 219,175 | 215,775 |
| Advertising and publicity | 50,059 | 22,790 |
| Audit fees | 41,135 | 36,412 |
| Office cash handling charges | 59,176 | 47,248 |
| Insurance | 165,218 | 56,752 |
| Sundry losses | 149,906 | - |
| Motor vehicle expenses | 22,151 | 14,051 |
| Donation and grants | 1,000 | - |
| Deposit Protection Insurance | 72,662 | 77,810 |
| Other administrative expenses | 53,572 | 51,777 |
| | 3,316,373 | 2,563,004 |

**8 Income tax expense**

| | | |
|---|---|---|
| Current income tax (@30%) | 2,071,562 | 2,181,442 |
| Deferred income tax charge/(credit) | (746,962) | (104,486) |
| Overstatement | 11,205 | - |
| **Income tax expense** | 1,335,805 | 2,076,956 |

## 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:

| | 2022<br>Frw'000 | 2021<br>Frw'000 |
|---|---|---|
| Profit before income tax | 3,858,292 | 6,463,351 |
| Tax calculated at the statutory income tax rate of 30% (2021: 30%) | 1,157,488 | 1,939,005 |
| Tax effect of: | | |
| Permanent timing differences: | | |
| -Other non-deductible expenses* | 189,522 | 137,951 |
| Overstatement | (11,205) | - |
| **Income tax expense** | **1,335,805** | **2,076,956** |
| **Effective tax rate** | **34.6%** | **32.1%** |

*The other non-deductibles expenses include staff welfare expenses, travel expenses, professional fees etc.

| **Current income tax payable** | **2022<br>Frw'000** | **2021<br>Frw'000** |
|---|---|---|
| At 1 January | 534,273 | 578,722 |
| Income tax charge for the year | 2,071,562 | 2,181,442 |
| Tax paid during the year | (2,605,836) | (2,225,891) |
| **As at December** | - | **534,273** |

## 9 Cash and balances with National Bank of Rwanda

| | 2022<br>Frw'000 | 2021<br>Frw'000 |
|---|---|---|
| Cash at hand | 5,124,465 | 7,025,010 |
| Balances with the National Bank of Rwanda | 20,805,539 | 20,938,160 |
| Cash reserve requirement | 4,912,827 | 3,757,497 |
| | **30,842,831** | **31,720,667** |

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 2022, Rwanda's sovereign rating was B+.

## 10 Amounts due from other banks

| | 2022<br>Frw'000 | 2021<br>Frw'000 |
|---|---|---|
| Operating accounts with other banks | 3,127,672 | 1,709,789 |
| Interest earning placements with other banks | 11,637,414 | 13,187,522 |
| Other balances from other banks | - | 14,161 |
| | **14,765,086** | **14,911,472** |

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

**11 Investment securities**

| | 2022 | 2021 |
|---|---|---|
| **At amortized cost** | **Frw'000** | **Frw'000** |
| **Treasury bills** | | |
| Opening | 23,293,401 | 25,107,796 |
| Additions | 64,160,247 | 56,823,401 |
| Repayments | (53,284,500) | (58,637,796) |
| **At end of the year** | **34,169,148** | **23,293,401** |
| **Treasury bonds** | | |
| Opening | 5,679,141 | 2,318,593 |
| Additions | 3,123,990 | 3,360,549 |
| Repayments | (1,345,411) | - |
| Impairment provision on investment securities | (2,681,164) | - |
| **At end of the year** | **4,776,556** | **5,679,141** |
| **Total at end of year** | **38,945,704** | **28,972,542** |

The gross maturity profile of Investment securities is as follows:

| | 2022 | 2021 |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| Treasury bonds maturing: | | |
| • within 3 years | 4,834,672 | 4,299,956 |
| • within 5 years | 2,623,048 | 1,379,185 |
| **Sub-Total** | **7,457,720** | **5,679,141** |
| Treasury bills maturing: | | |
| • within 91 days | 11,332,135 | 11,078,840 |
| • within 181 days | 7,738,607 | 2,907,135 |
| • within 1 year | 15,098,406 | 9,307,426 |
| **Sub-Total** | **34,169,148** | **23,293,401** |
| **Total investment in securities** | **41,626,868** | **28,972,542** |

## 12 Loans and advances

| | 2022 | 2021 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Overdrafts | 12,175,241 | 14,988,776 |
| Treasury loans | 18,659,200 | 26,610,945 |
| Equipment loans | 910,797 | 1,561,180 |
| Consumer loans | 2,770,800 | 2,271,397 |
| Mortgage loans | 3,499,368 | 5,697,207 |
| Accrued interests | 406,080 | 654,088 |
| **Gross loans and advances** | **38,421,486** | **51,783,592** |
| Less: | | |
| Provision for impairment of loans and advances | (1,168,009) | (2,875,074) |
| **Net loans and advances** | **37,253,477** | **48,908,518** |

**Movements in gross loans and advances are as follows:**

| **31 December 2022** | **Stage 1 12-month ECL Frw'000** | **Stage 2 Lifetime ECL Frw'000** | **Stage 3 Lifetime ECL Frw'000** | **Total Frw'000** |
|---|---|---|---|---|
| Gross carrying amount as at 01 January 2022 | 43,835,515 | 4,636,943 | 3,311,135 | 51,783,593 |
| **Changes in the gross carrying amount** | | | | |
| – Transfer from stage 1 to stage 2 | (2,295,747) | 2,295,747 | - | - |
| – Transfer from stage 1 to stage 3 | (1,208,845) | - | 1,208,845 | - |
| – Transfer from stage 2 to stage 3 | - | (2,980,425) | 2,980,425 | - |
| – Transfer from stage 3 to stage 1 | 352,676 | - | (352,676) | - |
| – Transfer from stage 2 to stage 1 | 647,384 | (647,384) | - | - |
| – Write-offs | - | - | (3,573,833) | (3,573,833) |
| New financial assets originated or purchased | 17,417,683 | - | - | 17,417,683 |
| Accrued interest | 392,621 | 3,478 | 9,981 | 406,080 |
| Repayments | (24,502,792) | (2,826,337) | (282,908) | (27,612,037) |
| **Gross carrying amount as at 31 December 2022** | **34,638,495** | **482,022** | **3,300,969** | **38,421,486** |

| **31 December 2021** | **Stage 1 12-month ECL Frw'000** | **Stage 2 Lifetime ECL Frw'000** | **Stage 3 Lifetime ECL Frw'000** | **Total Frw'000** |
|---|---|---|---|---|
| Gross carrying amount as at 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 2 | 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** |

## 12 Loans and advances (continued)

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

| | Stage 1<br>12Months ECL<br>Frw'000 | Stage 2<br>Lifetime ECL<br>Frw'000 | Stage 3<br>Lifetime ECL<br>Frw'000 | Total<br><br>Frw'000 |
|---|---|---|---|---|
| **Period ended 31 December 2022** | | | | |
| At start of year | 128,644 | 37,976 | 2,708,455 | 2,875,074 |
| Provision for loan impairment/Remeasurement | 97,293 | 1,066 | 1 1,030,375 | 1,128,734 |
| Provision for new financial assets | 42,600 | - | - | 42,600 |
| Transfer from stage 1 to stage 2 | (1,811) | 1,811 | - | - |
| Transfer from stage 1 to stage 3 | (127,164) | - | 127,164 | - |
| Transfer from stage 2 to stage 3 | - | (39,456) | 39,456 | - |
| Transfer from stage 3 to stage 1 | - | - | - | - |
| Transfer from stage 2 to stage 1 | 331 | (331) | - | - |
| Write offs | - | - | (3,573,833) | (3,573,833) |
| Adjustment for suspense interest | - - | - | 695,435 | 695,435 |
| Net change in the year | 11,249 | (36,910) | (1,681,404) | (1,707,065) |
| **At end of year** | **139,892** | **1,066** | **1,027,051** | **1,168,009** |

| | Stage 1<br>12 Months ECL<br>Frw'000 | Stage 2<br>Lifetime ECL<br>Frw'000 | Stage 3<br>Lifetime ECL<br>Frw'000 | Total<br><br>Frw'000 |
|---|---|---|---|---|
| **Period ended 31 December 2021** | | | | |
| At start of year | 125,371 | 39,539 | 971,414 | 1,136,323 |
| Provision for loan impairment | 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 | - | (6) | - |
| 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** |

## 13 Other assets and Asset held for sale

### a) Other Assets

| | 2022 Frw'000 | 2021 Frw'000 |
|---|---|---|
| Prepayments | 370,240 | 288,264 |
| Other accounts receivable | 487,865 | 536,381 |
| Tax Recoverable: | | |
| Net tax recoverable (Installment Tax) | 124,542 | 43,012 |
| VAT Claimable | 8,423 | 5,723 |
| | 991,070 | 873,380 |
| Other accounts receivable breakdown: | | |
| Clearing Suspense | 48,632 | 48,632 |
| Money gram funds | 17,599 | 20,831 |
| Western Union funds | 9,830 | 17,066 |
| Advance payment suspense | 33,112 | 32,758 |
| Sundry Debtors | 17,376 | 15,126 |
| Cash Shortage Account | 818 | 8,202 |
| Guaranty Deposit Recoverable | 30,833 | 30,833 |
| Utilities Account and Tigo push and pull | 64,878 | 43,331 |
| Interest receivables on placements | 36,286 | 36,490 |
| VISA and Mobile money clearing Account | 228,501 | 283,112 |
| | 487,865 | 536,381 |

### b) Asset held for sale

| | 2022 Frw'000 | 2021 Frw'000 |
|---|---|---|
| Residential house | - | 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. The house was sold in the financial year ended 31 December 2022.

ECL computed on other on-balance sheet assets items was immaterial
* During the current financial year, the Bank applied net-off approach for the income tax payable. Thus, income tax payable was reduced by the amount already paid to the Rwanda Tax Authority as Income tax prepayment and withholding tax charged on interest earned on investment.

## 14 Intangible assets*

| | Intangible -Assets Frw'000 | Intangible -WIP Frw'000 | Total Frw'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2022 | 2,953,181 | 19,948 | 2,973,129 |
| Additions | - | 518 | 518 |
| Additions from WIP | 20,466 | (20,466) | - |
| **At 31 December 2022** | 2,973,647 | - | 2,973,647 |

**14. Intangible assets (continued)**

| | | | |
|---|---|---|---|
| **Amortization** | | | |
| At 1 January 2022 | (2,402,214) | - | (2,402,214) |
| Charge for the year | (230,313) | - | (230,313) |
| **At 31 December 2022** | **(2,632,527)** | **-** | **(2,632,527)** |
| **Carrying amount** | **341,120** | **-** | **341,120** |

| | **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** |
| **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 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 | Leasehold improvements | Motor vehicles | Furniture & fittings& equipment | Works in progress | Total |
|---|---|---|---|---|---|---|
| | Frw'000 | Frw'000 | Frw'000 | Frw'000 | Frw'000 | Frw'000 |
| **Cost / valuation** | | | | | | |
| As at 1 January 2022 | 883,098 | 2,055,343 | 492,217 | 3,808,555 | 8,976 | 7,248,189 |
| Additions | - | - | 65,233 | 182,129 | 50,918 | 298,280 |
| Additions from WIP | 18,000 | - | - | 12,168 | (30,168) | - |
| On disposals | (37,875) | - | - | (46,511) | - | (84,386) |
| **As at 31 December 2022** | **863,223** | **2,055,343** | **557,450** | **3,956,341** | **29,726** | **7,462,083** |
| **Accumulated depreciation** | | | | | | |
| As at 1 January 2022 | 64,717 | 1,064,642 | 430,229 | 2,973,134 | - | 4,532,723 |
| Elimination on disposals | (12,305) | - | - | (46,474) | - | (58,779) |
| Charge for the year | 5,182 | 120,308 | 53,401 | 316,327 | - | 495,218 |
| **As at 31 December 2022** | **57,594** | **1,184,950** | **483,630** | **3,242,988** | **-** | **4,969,162** |
| **Carrying amount at 31 December 2022** | **805,629** | **870,393** | **73,819** | **713,353** | **29,727** | **2,492,921** |
| **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) |
| **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 |
| **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** |

**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:

| | 2022<br>Frw'000 | 2021<br>Frw'000 |
|---|---|---|
| Cost | 540,172 | 540,172 |
| Accumulated depreciation | (98,577) | (90,487) |
| | **441,595** | **449,685** |

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 2022 using**

| | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| **Recurring fair value measurements** | | | |
| Land and buildings | | | |
| As at 01 January 2022 | - | - | 883,098 |
| Additions | - | - | 18,000 |
| Disposals | - | - | (37,875) |
| **As at 31 December 2022** | **-** | **-** | **863,223** |

**Fair value measurements at 31 December 2021 using**

| | Level 1 | Level 2 | Level 3 |
|---|---|---|---|
| **Recurring fair value measurements** | | | |
| Land and buildings | | | |
| As at 01 January 2021 | - | - | 883,098 |
| **As at 31 December 2021** | **-** | **-** | **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 2022** | **Frw'000** | | | |
| Land and buildings | 879,256 | Sales comparison approach | Price per square meter | The higher the price per square meter, the higher the 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 |

Sensitivity of fair value measurements to changes in unobservable market data

The Bank engages the internal property valuer to conduct a review of the Bank's immovable properties i.e., land and building in order to establish the approximate carrying values and the end of financial year. The valuer considers the size of the property and its location together with evidence on sale prices of comparable properties in the neighborhood. The property values are established considering the current socioeconomic conditions and the estimated costs are in the valuer's opinion of the average costs which be used as a basis and reference for a possible commercial transaction. Hence, whenever it is observed that there are significant changes (+/-) in the market values of the properties, the internal valuer advises the Bank to consider the changes while reporting.

**16(a) Right-of-use asset**

| | 2022 | 2021 |
|---|---|---|
| | Frw'000 | Frw'000 |
| **Year ended 31 December** | | |
| At start of year | 1,851,472 | 2,182,113 |
| Additions | 94,542 | 56,244 |
| Derecognition | - | (38,690) |
| Modification on lease cost | 1,031 | 298 |
| Depreciation charge | (370,511) | (348,493) |
| **At end of year** | **1,576,534** | **1,851,472** |

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(b) 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% |
| 8 years and above | 5% |

**17 Due to customers and financial institution**

**17 (a) Customer deposits**

| | 2022 | 2021 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Current and demand accounts | 84,110,275 | 77,858,654 |
| Term deposits accounts | 1,887,386 | 3,007,524 |
| Savings accounts | 9,603,495 | 9,207,211 |
| Collateral Deposits accounts | 3,321,775 | 12,580,298 |
| **Total** | **98,922,931** | **102,653,687** |

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

The Bank issues guarantee commitments to customers in order to facilitate them to secure and perform various contracts. Such commitments include bid guarantee, performance guarantee, advance payment guarantee and payment guarantee. As at 31 December 2022 the Bank held Rwf994,514,788 cash collateral against guarantee commitments issued to customers (2021: Rwf880,209,841).

**17(b) Other Borrowings**

| | 2022 | 2021 |
|---|---|---|
| | Frw'000 | Frw'000 |
| At 1 January | 911,048 | 964,817 |
| Additions in the year | 5,189 | 108,877 |
| Accrued interest on other borrowing | 6,684 | 6,642 |

| | | |
|---|---|---|
| Principal repayment | (266,536) | (157,837) |
| Interest payment | (11,831) | (11,451) |
| **At 31 December** | **644,554** | **911,048** |

The borrowing amount relates to the funds received from National 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**

| | 2022 | 2021 |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| At 1 January | - | - |
| Additions | 8,200,000 | 72,250,000 |
| Repayment | (8,200,000) | (72,250,000) |
| **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 5.1% p.a (2021: 4.5% p.a to 5.2%)

**18 (a) Lease Liabilities**

| | 2022 | 2021 |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| Maturity analysis* | | |
| Expected to be settled within 1 year | 11,441 | 442,534 |
| Expected to be settled within 1 to 5 years | 831,441 | 1,572,224 |
| Expected to be settled within 5 years and above | 1,220,437 | 410,245 |
| **Total** | **2,063,319** | **2,425,003** |

*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 | 351,962 | 318,043 |
| Interest accrued on lease liabilities | 128,677 | 139,361 |
| **Total lease payments in the year** | **480,639** | **457,404** |

**(b) Lease liability movement**

| | | |
|---|---|---|
| At 1 January | 2,064,264 | 2,371,049 |
| Additions | 94,542 | 56,244 |
| Derecognition | - | (42,535) |
| Increase/(decrease) on lease cost | 1,949 | (2,451) |
| Interest accrued on lease liabilities | 128,677 | 139,361 |
| Lease payments in the year | (480,639) | (457,404) |
| **At 31 December** | **1,808,793** | **2,064,264** |

**19 Other Liabilities**

**19(a) Provision for litigations**

| | 2022 | 2021 |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| At 1 January | 132,367 | 155,034 |
| Charged to statement of profit or loss | 106,527 | 33,500 |
| Payouts from provision | (94,063) | (56,167) |

| | | |
|---|---|---|
| **At 31 December** | **144,831** | **132,367** |

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**

| | **2022** | **2021** |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| Accrued expenses | 330,972 | 980,057 |
| Deferred fees and commissions[1] | 153,734 | 189,359 |
| Other taxes payable | 271,864 | 196,358 |
| Clearing accounts - liabilities | 66,312 | 116,235 |
| Other payables* | 627,029 | 695,788 |
| **Total** | **1,449,911** | **2,177,797** |

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

| **1*Deferred fees and commissions reconciliation*** | **2022** | **2021** |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| As at 1 January | 189,359 | 242,088 |
| Additions | 280,884 | 480,936 |
| Recognized | (316,510) | (533,665) |
| **As at 31 December** | **153,734** | **189,359** |

[1]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% (2021: 30%). The movement on the deferred income tax account is as follows:

| | 2022<br>Frw'000 | 2021<br>Frw'000 |
|---|---|---|
| At start of year | 167,735 | 439,192 |
| Deferred tax Charge/(Credit) for the year | (746,962) | (104,486) |
| Overstatement | 11,203 | - |
| Deferred tax (asset)/ liability | (568,024) | 167,735 |

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<br>Frw'000 | (Under)/over provision<br>Frw'000 | (Credited) / Charged to PL<br>Frw'000 | 31-Dec<br>Frw'000 |
|---|---|---|---|---|
| **Year ended 31 December 2022** | | | | |
| Property and equipment | | | | |
| - On a historical basis | 539,795 | - | (145,548) | 394,247 |
| - On a revaluation basis | 11,913 | 11,203 | (12,879) | 10,236 |
| IFRS 16 application | (63,837) | - | (5,840) | (69,678) |
| Provision for staff bonus | (213,446) | - | 213,446 | - |
| Provisions for loan loss | (49,986) | - | 11,915 | (38,071) |
| Provisions for investment securities | - | - | (804,349) | (804,349) |
| Other provisions | (56,704) | - | (3,707) | (60,411) |
| **Net Balance (asset)/liability** | **167,735** | **11,203** | **(746,962)** | **(568,024)** |

| | 01-Jan<br>Frw'000 | Under/over provision<br>Frw'000 | (Credited) / Charged to PL<br>Frw'000 | 31-Dec<br>Frw'000 |
|---|---|---|---|---|
| Property and equipment | | | | |
| - On a historical basis | 591,748 | - | (51,953) | 539,795 |
| - On a revaluation basis | 11,908 | - | 5 | 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** |

## 21 Share capital

| | 2022<br>Frw'000 | 2021<br>Frw'000 |
|---|---|---|
| Balance at 1 January | 10,994,882 | 10,994,882 |
| Retained Earnings Conversion to Capital | 9,005,118 | - |
| **Balance at 31 December** | **20,000,000** | **10,994,882** |

The total authorized and issued number of ordinary shares is 20,000,000 (2021: 10,994,882) with a par value of Frw1,000 per share (2021: Frw1000 per share). All issued shares are fully paid. The Bank has not paid any dividend to the shareholders for the year 2022 (2021: Nil). During the year, the Bank converted a portion of retained earnings into Capital in order to enhance its capital strength and ensure compliance with new capital requirement for commercial banks in Rwanda set by the National Bank of Rwanda (BNR).

**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.

| | 2022 Frw'000 | 2021 Frw'000 |
|---|---|---|
| At beginning of year | 368,693 | 368,693 |
| Transferred during the year | - | - |
| **At end of year** | **368,693** | **368,693** |

**23(a) Retained earnings**

| | 2022 Frw'000 | 2021 Frw'000 |
|---|---|---|
| At beginning of year | 10,395,947 | 6,474,539 |
| Transferred in the year | (9,005,119) | - |
| Transfer (to)/ from statutory reserve | 21,537 | (464,987) |
| Profit after tax for the year | 2,522,487 | 4,386,395 |
| **At the end of year** | **3,934,853** | **10,395,947** |

**23(b) Statutory Reserve**

| | 2022 Frw'000 | 2021 Frw'000 |
|---|---|---|
| At beginning of year | 523,739 | 58,752 |
| Transferred in the year | (21,536) | 464,987 |
| **At the end of year** | **502,203** | **523,739** |

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:

| | 2022<br>Frw'000 | 2021<br>Frw'000 |
|---|---|---|
| **(a) Placements and operating accounts with related parties** | | |
| Parent company | 331,348 | 303,440 |
| Guaranty Trust Bank (Kenya) Limited | 8,721 | 820,723 |
| Guaranty Trust Bank (UK) Limited | 946,204 | 806,794 |
| | **1,286,273** | **1,930,958** |
| Interest income earned on placements with related parties | 2,863 | 1,986 |
| **(b) Non-interest-bearing amounts due to related parties:** | | |
| Guaranty Trust Bank (Kenya) Limited | 1,996 | 20 |
| **Total** | **1,996** | **20** |
| **(c) Deposits by Directors** | | |
| At start of year | 54,503 | 296,836 |
| Deposits/ (withdrawals) | (44,054) | (242,333) |
| **At end of year** | **10,449** | **54,503** |
| **(d) Key management compensation** | | |
| Salaries and other short-term employment benefits | **660,066** | **582,388** |
| **(e) Directors' remuneration** | | |
| Fees for services as a director | **118,850** | **57,431** |

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

| | 2022 | 2021 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Cash and Balances with Central Bank of Rwanda (Note 9) | 30,842,831 | 31,720,667 |
| Less: Cash Reserve Requirement (see below) | (4,912,827) | (3,757,497) |
| Treasury bills maturing within 91 days (Note 11) | 11,332,135 | 11,078,840 |
| Placements with other banks (Note 10) | 14,765,086 | 14,911,472 |
| | **52,027,224** | **53,953,482** |

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% (2021: 4%) of the 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.

| | 2022 | 2021 |
|---|---|---|
| | Frw'000 | Frw'000 |
| **Contingent liabilities** | | |
| Acceptances and letters of credit | 1,369,218 | 11,412,762 |
| Guarantees and performance bonds | 10,677,569 | 15,345,522 |
| **Total** | **12,046,787** | **26,758,284** |

**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**

| | 2022 | 2021 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Undrawn formal stand-by facilities, credit lines and other commitments to lend | **5,773,861** | **4,193,510** |

**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.

ECL computed on off-balance sheet assets items was immaterial during financial year 2022 and 2021

**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:**

| | **2022** | **2021** |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| At 1 January | 2,875,074 | 1,136,323 |
| Provision for loan impairment: | | |
| -Against Stage 1 | 139,892 | 192,338 |
| -Against Stage 2 | 1,066 | 37,976 |
| -Against Stage 3 | 1,030,375 | 1,123,792 |
| Adjustment for suspended interest | 695,435 | 535,427 |
| Amounts written off during the period | (3,573,833) | (150,782) |
| Net change in the period | (1,707,065) | 1,738,751 |
| **As at 31 December** | **1,168,009** | **2,875,074** |

**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-2022 | | | December-2021 | | |
|---|---|---|---|---|---|---|
| | 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 | 6,745,159 | 27,893,337 | **34,638,496** | 7,298,356 | 36,537,159 | **43,835,515** |
| Stage 2 | 45,699 | 436,324 | **482,023** | 136,763 | 4,500,179 | **4,636,942** |
| Stage 3 | 290,842 | 3,010,125 | **3,300,967** | 129,211 | 3,181,924 | **3,311,135** |
| **Gross Loans and Advances** | **7,081,700** | **31,339,786** | **38,421,486** | **7,564,330** | **44,219,262** | **51,783,593** |
| ***Less expected credit losses:*** | | | | | | |
| Stage 1 | 29,770 | 110,123 | **139,892** | 20,834 | 107,809 | **128,644** |
| Stage 2 | 171 | 895 | **1,066** | 2,830 | 35,146 | **37,976** |
| Stage 3 | 73,359 | 953,692 | **1,027,051** | 86,810 | 2,621,644 | **2,708,455** |
| **Total allowance** | **103,300** | **1,064,709** | **1,168,009** | **110,474** | **2,764,600** | **2,875,074** |
| **Net Loans and Advances** | **6,978,400** | **30,275,077** | **37,253,477** | **7,453,856** | **41,454,663** | **48,908,518** |

**27 Financial risk management(continued)**

**(a) Credit Risk (Continued)**

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

| | December-2022 | | | December-2021 | | |
|---|---|---|---|---|---|---|
| | **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 | 6,424,845 | 16,482,604 | **22,907,449** | 7,026,828 | 22,770,876 | **29,797,704** |
| Overdrafts | 320,314 | 11,410,732 | **11,731,046** | 271,528 | 13,766,283 | **14,037,811** |
| **Stage 1** | **6,745,159** | **27,645,739** | **34,390,898** | **7,298,356** | **36,537,159** | **43,835,515** |
| Loans | 45,699 | 309,395 | **355,094** | 136,749 | 3,620,247 | **3,756,996** |
| Overdrafts | - | 126,930 | **126,930** | 15 | 879,932 | **879,947** |
| **Stage 2** | **45,699** | **683,922** | **729,621** | **136,763** | **4,500,179** | **4,636,943** |
| Loans | 290,642 | 2,693,059 | **2,983,701** | 128,370 | 3,111,747 | **3,240,117** |
| Overdrafts | 200 | 317,066 | **317,266** | 841 | 70,176 | **71,017** |
| **Stage 3** | **290,842** | **3,010,125** | **3,300,967** | **129,211** | **3,181,923** | **3,311,134** |
| **Gross Loans and Advances** | **7,081,700** | **31,339,786** | **38,421,486** | **7,564,331** | **44,219,261** | **51,783,592** |

**27 Financial risk management(continued)**

**(a) Credit Risk (Continued)**

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

| | December-2022 | | | December-2021 | | |
|---|---|---|---|---|---|---|
| | 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 | 26,456 | 62,827 | **89,283** | 20,828 | 61,453 | **82,281** |
| Overdrafts | 3,313 | 47,296 | **50,609** | 7 | 46,355 | **46,362** |
| **Sub-total** | **29,770** | **110,123** | **139,892** | **20,835** | **107,808** | **128,643** |
| **Stage 2:** | | | | | | |
| Loans | 171 | 708 | **879** | 2,829 | 34,377 | **37,207** |
| Overdrafts | - | 187 | **187** | - | 769 | **769** |
| **Sub-total** | **171** | **895** | **1,066** | **2,829** | **35,146** | **37,976** |
| **Stage 3:** | | | | | | |
| Loans | 73,309 | 839,903 | **913,212** | 86,810 | 2,169,614 | **2,256,424** |
| Overdrafts | 50 | 113,788 | **113,839** | - | 452,032 | **452,032** |
| **Sub-total** | **73,359** | **953,692** | **1,027,051** | **86,810** | **2,621,646** | **2,708,455** |
| **Total allowance** | **103,300** | **1,064,709** | **1,168,009** | **110,474** | **2,764,600** | **2,875,074** |

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-2022** | **Gross Loans** | **Collateral** | **Excess Cover** |
|---|---|---|---|
| | **FRW'000** | **FRW'000** | **FRW'000** |
| Against Stage 1 Loans and Advances | 34,638,496 | 59,431,996 | 24,793,500 |
| Against Stage 2 Loans and Advances | 482,023 | 2,717,680 | 2,235,657 |
| Against Stage 3 Loans and Advances | 3,300,967 | 6,615,384 | 3,314,418 |
| **Total** | **38,421,486** | **68,765,060** | **30,343,575** |

| **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** |

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-22 | | | Loans and advances to customers December-21 | | |
|---|---|---|---|---|---|---|
| **In FRW'000** | **Term Loans** | **Overdrafts** | **Total** | **Term Loans** | **Overdrafts** | **Total** |
| **Against Stage 1 Loans and Advances:** | | | | | | |
| Property | 35,199,182 | 18,222,679 | 53,421,861 | 39,947,288 | 29,532,935 | 69,480,223 |
| Cash | 1,892,529 | 979,766 | 2,872,295 | 330,173 | 1,370,843 | 1,701,015 |
| Guarantees | - | - | - | - | 707,305 | 707,305 |
| Others | 2,067,495 | 1,070,346 | 3,137,840 | 1,791,727 | 2,571,041 | 4,362,768 |
| **Total** | **39,159,206** | **20,272,790** | **59,431,996** | **42,069,188** | **34,182,124** | **76,251,312** |
| **Against Stage 2 Loans and Advances:** | | | | | | |
| Property | 2,205,862 | 464,567 | 2,670,429 | 8,419,355 | 843,390 | 9,262,745 |
| Cash | 33,101 | 6,971 | 40,073 | - | - | - |
| Guarantees | - | - | - | - | 151,443 | 151,443 |
| Others | 5,930 | 1,249 | 7,179 | 22,757 | 272,636 | 295,392 |
| **Total** | **2,244,893** | **472,787** | **2,717,680** | **8,442,112** | **1,267,468** | **9,709,580** |
| **Against Stage 3 Loans and Advances:** | | | | | | |
| Property | 5,542,801 | 589,382 | 6,132,183 | 3,221,405 | 373,150 | 3,594,555 |
| Others | 436,760 | 46,442 | 483,202 | 993,866 | - | 993,866 |
| **Total** | **5,979,560** | **635,824** | **6,615,384** | **4,215,271** | **373,150** | **4,588,421** |
| **Grand total** | **47,383,659** | **21,381,401** | **68,765,060** | **54,726,571** | **35,822,742** | **90,549,313** |

**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**

| | 2022<br>Frw'000 | 2021<br>Frw'000 |
|---|---|---|
| Balances with Central Bank | 25,718,366 | 24,695,657 |
| Amounts due from other banks | 14,765,086 | 14,911,472 |
| Loans and advances to customers | 37,253,477 | 48,908,518 |
| Investment securities | 38,945,704 | 28,972,542 |
| Other assets | 487,865 | 536,381 |
| Credit risk exposures relating to off-balance sheet items: | | |
| - Acceptances and letters of credit | 1,369,218 | 11,412,764 |
| - Guarantee and performance bonds | 10,677,569 | 15,345,522 |
| - Commitments to lend | 5,773,861 | 4,193,510 |
| | **134,991,145** | **148,976,366** |

The above table represents a worst-case scenario of credit risk exposure to the Bank at 31 December 2022 and 31 December 2021, 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 | 2022<br>Frw'000 | 2021<br>Frw'000 |
|---|---|---|---|
| Neither past due nor impaired | Class I | 34,390,898 | 44,167,018 |
| Past due but not impaired | Class II | 2,698,734 | 4,936,769 |
| Individually impaired | Class III, IV & V | 1,331,854 | 2,679,805 |
| **Gross loans and advances** | | **38,421,486** | **51,783,592** |
| Less: Expected credit losses (Note 12) | | (1,168,009) | (2,875,074) |
| **Net Loans and Advances** | | **37,253,477** | **48,908,518** |

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:

| | 2022<br>Frw'000 | 2021<br>Frw'000 |
|---|---|---|
| Overdrafts | 21,381,401 | 35,822,741 |
| Personal loans | 5,378,659 | 3,247,124 |
| Commercial Loans | 32,676,957 | 33,902,368 |
| Mortgages | 9,328,044 | 17,577,080 |
| **Total collateral fair value** | **68,765,060** | **90,549,313** |

**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:

| | 2022<br>Frw'000 | 2021<br>Frw'000 |
|---|---|---|
| Standard | 34,390,898 | 43,490,965 |
| Fair value of collateral held | 58,910,526 | 78,606,435 |

**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:

| | 2022<br>Frw'000 | 2021<br>Frw'000 |
|---|---|---|
| Past due 1 – 89 days | 2,698,734 | 5,627,204 |
| Fair value of collateral held | 7,601,120 | 10,351,520 |

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:

| | 2022<br>Frw'000 | 2021<br>Frw'000 |
|---|---|---|
| Individually assessed impaired loans and advances | | |
| Class III | 649,002 | 29,335 |
| Class IV | 51,916 | 480,238 |
| Class V | 630,936 | 2,170,233 |
| | **1,331,854** | **2,679,805** |
| Fair value of collateral held | 2,253,415 | 1,591,358 |

**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***

| | 2022 | 2021 |
|---|---|---|
| | **Frw'000** | **Frw'000** |
| Loans and advances | 21,854,292 | 20,116,094 |
| Exposure relating to off-balance sheet items | 1,916,677 | 13,822,113 |
| Other financial assets | 37,024,444 | 36,365,166 |
| | **60,795,413** | **70,303,373** |

The financial assets present above have no ECL at the end of the year (2021: 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:

| | 2022 | 2021 |
|---|---|---|
| | **%** | **%** |
| Manufacturing | 29 | 26 |
| Wholesale and retail trade | 16 | 22 |
| Transportation and Warehousing | 4 | 2 |
| Business services | 6 | 6 |
| Agricultural | 1 | 1 |
| Individuals | 16 | 12 |
| Construction and real estate | 8 | 8 |
| Education | 2 | 2 |
| Information and communication | 12 | 7 |
| Petroleum & Energy | 6 | 14 |
| | **100** | **100** |

**(ii) Off-balance sheet Items**

| | 2022 | 2021 |
|---|---|---|
| | **%** | **%** |
| Manufacturing | 7 | 6 |
| Wholesale and retail trade | 9 | 9 |
| Business services | 10 | 3 |
| Financial Institutions | 2 | - |
| Construction and real estate | 65 | 47 |
| Information and communication | 5 | 33 |
| Others | 2 | 2 |
| | **100** | **100** |

**27. Financial Risk Management(continued)**

**Credit risk (continued)**

**Credit quality of financial instruments (loans and advances)**

| | 2022 | 2021 |
|---|---|---|
| | Frw'000 | Frw'000 |
| Stage I | 34,638,496 | 43,835,515 |
| Stage II | 482,023 | 4,636,943 |
| Stage III | 3,300,967 | 3,311,134 |
| **Gross loan and advances** | **38,421,486** | **51,783,592** |

| | | 31 December 2022 | | | |
|---|---|---|---|---|---|
| | 12-month Basel PD | Frw000 | Frw000 | Frw000 | Frw000 |
| **Internal rating grade** | **range** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Performing** | | | | | |
| High grade | 0.00%-0.5% | 14,151,307 | 126,929 | - | 14,278,236 |
| Standard grade | 0.50%-11.70% | 20,487,189 | 170,613 | 1,978,754 | 22,636,555 |
| Sub-standard grade | 11.70-29.50% | - | 184,481 | - | 184,481 |
| Low-grade | 29.50%-100% | - | - | 8,904 | 8,904 |
| **Non-performing** | | | | | |
| Individually impaired | 100% | - | - | 1,313,309 | 1,313,309 |
| **Total** | | **34,638,496** | **482,023** | **3,300,967** | **38,421,486** |

| | 12-month Basel PD | 31 December 2021 | | | |
|---|---|---|---|---|---|
| **Internal rating grade** | **range** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| **Performing** | | | | | |
| High grade | 0.00%-0.5% | 11,642,616 | 1,483,296 | - | 13,125,912 |
| Standard grade | 0.50%-11.70% | 32,192,900 | 861,255 | 580,790 | 33,634,945 |
| Sub-standard grade | 11.70-29.50% | - | 2,292,392 | - | 2,292,392 |
| Low-grade | 29.50%-100% | - | - | 64,920 | 64,920 |
| **Non-performing** | | | | | |
| Individually impaired | 100% | - | - | 2,665,424 | 2,665,424 |
| **Total** | | **43,835,515** | **4,636,943** | **3,311,134** | **51,783,592** |

**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 2022**

| | Up to 1 Month FRW'000 | 1 to 3 months FRW'000 | 3 to12 months FRW'000 | 1 to 5 Years FRW'000 | Over 5 years FRW'000 | Total FRW'000 |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| Customer deposits | 13,366,162 | 16,043,088 | 52,860,904 | 17,358,656 | - | 99,628,810 |
| Other Borrowing | - | - | - | 344,257 | 308,453 | 652,710 |
| Other liabilities | 1,178,047 | - | - | - | - | 1,178,047 |
| Lease liability | - | - | 11,441 | 831,441 | 1,220,437 | 2,063,319 |
| **Total liabilities (Undiscounted contractual maturities)** | **14,544,209** | **16,043,088** | **52,872,345** | **18,534,354** | **1,528,890** | **103,522,886** |
| **Assets** | | | | | | |
| Cash and balances with National Bank of Rwanda | 30,842,831 | - | - | - | - | 30,842,831 |
| Investment securities | 2,500,000 | 8,950,000 | 27,510,737 | 4,245,583 | - | 43,206,320 |
| Amounts due from other banks | 11,767,091 | 1,070,712 | 1,927,282 | - | - | 14,765,086 |
| Loans and advances to customers | 11,612,229 | 2,847,575 | 4,310,930 | 21,344,614 | 8,251,369 | 48,366,718 |
| Other assets | 487,865 | - | - | - | - | 487,865 |
| **Total assets (Expected maturities)** | **57,210,016** | **12,868,288** | **33,748,950** | **25,590,197** | **8,251,369** | **137,668,820** |
| **Net liquidity gap** | **42,665,806** | **(3,174,800)** | **(19,123,395)** | **7,055,844** | **6,722,479** | **34,145,934** |
| ***Liquidity analysis for Off balance sheets items** | | | | | | |
| Financial guarantees issued | 1,554,618 | 1,771,665 | 5,089,534 | 1,736,364 | 525,389 | 10,677,569 |
| Commitments | 4,530,514 | 532,812 | 710,535 | - | - | 5,773,861 |
| Letter of credits | 185,437 | 951,972 | 231,809 | - | - | 1,369,218 |
| **Total off-balance sheet items** | **6,270,569** | **3,256,449** | **6,031,877** | **1,736,364** | **525,389** | **17,820,648** |

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

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 | 3 to12 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 (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)

### (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 2022 and 31 December 2021. 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 2022 | | | | | |
|---|---|---|---|---|---|
| **Assets** | **USD** | **GBP** | **EUR** | **Other** | **Total** |
| Cash and balance with National Bank of Rwanda | 14,948,315 | 12,940 | 2,189,076 | 872 | **17,151,203** |
| Investment securities | 7,093,496 | - | - | - | **7,093,496** |
| Amounts due from other banks | 11,080,062 | 83,906 | 98,905 | 2,213 | **11,265,086** |
| Loans and advance to customers | 344,227 | - | - | - | **344,227** |
| Other assets | 46,764 | - | - | - | **46,764** |
| | **33,512,864** | **96,846** | **2,287,981** | **3,085** | **35,900,776** |
| **Liabilities** | | | | | |
| Customer deposits | 33,473,883 | 96,365 | 2,285,241 | - | **35,855,489** |
| Other liabilities | 14,380 | 2 | 19 | - | **14,401** |
| **Total liabilities** | **33,488,263** | **96,367** | **2,285,260** | **-** | **35,869,890** |
| **Currency exposure gap** | **24,602** | **478** | **2,721** | **3,085** | **30,886** |

**27 Financial risk management (continued)**

**(c) Market risk(continued)**

**(i) Currency risk**

| **At 31 December 2021** | **USD** | **GBP** | **EUR** | **Other** | **Total** |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| 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** |

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** | **2022** | **2021** |
|---|---|---|---|
| | | **Rwf'000** | **Rwf'000** |
| USD | +/-10% | 2,460 | 6,458 |
| GBP | +/-10% | 48 | 2,597 |
| EURO | +/-10% | 272 | 1,495 |

**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 flo w 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 2022. 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 2022 | 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% | - | - | - | - | 30,842,831 | **30,842,831** |
| Investment securities | 8% | 2,495,107 | 8,837,027 | 22,837,013 | 4,776,557 | - | **38,945,704** |
| Amounts due from other banks | 5% | 8,639,420 | 1,070,712 | 1,606,069 | - | 2,162,612 | **13,478,812** |
| Amounts due from group companies | 3% | - | - | 321,214 | - | 965,060 | **1,286,273** |
| Loans and advances to customers | 15% | 11,207,387 | 2,749,351 | 3,881,108 | 19,415,631 | - | **37,253,477** |
| Other assets | 0% | - | - | - | - | 991,070 | **991,070** |
| **Total assets** | **5%** | **22,341,913** | **12,657,091** | **28,645,404** | **24,192,187** | **34,961,573** | **122,798,168** |
| **Liabilities** | | | | | | | |
| Customer deposits | 5% | 2,147,966 | 4,481,140 | 13,001,762 | - | 79,292,063 | **98,922,931** |
| Other borrowing | 1% | - | - | - | 400,000 | 244,554 | **644,554** |
| Other liabilities | 0% | - | - | - | - | 1,178,047 | **1,178,047** |
| Provisions | 0% | - | - | - | - | 144,831 | **144,831** |
| Lease Liability | 7% | - | - | 10,029 | 1,798,763 | - | **1,808,793** |
| **Total liabilities** | **2%** | **2,147,966** | **4,481,140** | **13,011,792** | **2,198,763** | **80,859,496** | **102,699,157** |
| **Interest sensitivity gap** | **3%** | **20,193,948** | **8,175,951** | **15,633,612** | **21,993,424** | **(45,897,923)** | **20,099,012** |
| **Interest sensitivity P/L impact** | **+/-1%** | **16,828** | **20,440** | **156,336** | **219,934** | **-** | **413,539** |

**27. Financial risk management (continued)**

**(c) Market risk(continued)**

**(ii) Interest rate risk(continued)**

| **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 | 2% | 10,153,584 | 2,826,930 | - | - | - | **12,980,514** |
| Amounts due from group companies | 0% | 1,613,912 | - | 302,885 | - | 14,161 | **1,930,958** |
| Loans and advances to customers | 16% | 6,263,286 | 1,731,861 | 8,446,122 | 32,467,249 | - | **48,908,517** |
| Other assets | 0% | - | - | - | - | 873,380 | **873,380** |
| **Total assets** | **5%** | **23,414,205** | **10,254,208** | **21,887,268** | **37,222,690** | **32,608,208** | **125,386,579** |
| **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** | **(51,953,805)** | **17,109,499** |
| **Interest sensitivity P/L impact** | **+/-1%** | **17,274** | **10,737** | **90,611** | **349,789** | **-** | **468,411** |

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 (continued)

Risk weighted assets were as follows:

| | 2022 Frw'000 | Risk Weight Per Asset % | 2021 Frw'000 |
|---|---|---|---|
| Cash and balances with Central Bank of Rwanda | - | | - |
| Amounts due from other banks | 2,953,017 | 20% | 2,982,294 |
| Long term securities | 4,776,557 | 100% | 5,679,141 |
| Loans and advances to customers | 35,308,374 | 100% | 45,570,385 |
| Mortgage loans (residential house) | 972,551 | 50% | 1,669,067 |
| Property and equipment | 2,492,921 | 100% | 2,715,466 |
| Right of use asset | 1,576,534 | 100% | 1,851,472 |
| Intangible assets | 341,119 | 100% | 570,914 |
| Other Assets | 991,070 | 100% | 1,273,380 |
| Financing Commitments given to customers | 7,143,079 | 100% | 15,606,273 |
| Guarantees Commitments given to customers | 2,669,392 | 25% | 3,836,381 |
| **Total risk weighted assets** | **59,224,615** | | **81,754,774** |

### (e) Financial assets and liabilities measurements

| | Amortized cost 2022 Frw'000 | Amortized cost 2021 Frw'000 |
|---|---|---|
| **Financial assets** | | |
| Cash and balances with National Bank of Rwanda | 30,842,831 | 31,720,667 |
| Amount due from other banks | 14,765,086 | 14,911,472 |
| Investment securities | 38,945,704 | 28,972,542 |
| Other Assets | 487,865 | 536,381 |
| Loans and advances | 37,253,477 | 48,908,518 |
| **Total** | **122,294,962** | **125,049,581** |
| | | |
| **Financial liabilities** | | |
| Customer deposits | 98,922,931 | 102,653,687 |
| Other liabilities | 1,178,047 | 1,981,439 |
| Other borrowing | 644,554 | 911,048 |
| Lease Liability | 1,808,793 | 2,064,264 |
| **Total** | **102,554,325** | **107,610,439** |

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.

## 28 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 2022, and analyses them in the fair value hierarchy into which each fair value measurement is categorized.

**IFRS9 – Fair value of financial instruments**

| | 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 | 25,930,004 | 4,912,827 | - | **30,842,831** |
| Amounts due from other banks | - | 14,765,086 | - | **14,765,086** |
| Investment securities | - | - | 38,945,704 | **38,945,704** |
| Loans and advances | - | - | 37,253,477 | **37,253,477** |
| Other assets | - | - | 487,865 | **487,865** |
| | **25,930,004** | **19,677,913** | **76,687,046** | **122,294,962** |
| **Financial liabilities** | | | | |
| Customer deposits | - | - | 98,922,931 | **98,922,931** |
| Other borrowing | - | 644,554 | - | **644,554** |
| Other liabilities | - | - | 1,033,216 | **1,033,216** |
| Provision for litigations | 144,831 | - | - | **144,831** |
| | **144,831** | **644,554** | **99,956,147** | **100,745,533** |

Financial assets and liabilities of the Bank were carried at amortized cost for the year 2022 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 (b) IFRS9 –Financial instruments Assumptions

### (i) 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.<br>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.<br><br>**Forward looking:**<br>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.<br>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.<br><br>**Scenario Weighting:**<br>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<br>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(b) 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 o was first recognized. The loss allowance for those exposures xposures) 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(b) 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:

| | | **2022** | | | 2021 | |
|---|---|---|---|---|---|---|
| **Sensitivity Analysis** | | | **Expected loss allowance impact** | | | |
| **Frw'000** | **Upside (20%)** | **Base (60%)** | **Downside (20%)** | Upside (20%) | Base (60%) | Downside (20%) |
| **31-Dec** | | | | | | |
| Overdrafts | **30,844** | **34,271** | **35,984** | 37,971 | 42,190 | 44,300 |
| Treasury loans | **47,270** | **52,522** | **55,148** | 67,414 | 74,904 | 78,650 |
| Equipment loans | **2,307** | **2,564** | **2,692** | 3,955 | 4,394 | 4,614 |
| Consumer loans | **7,019** | **7,799** | **8,189** | 5,754 | 6,394 | 6,713 |
| Mortgage loans | **8,865** | **9,850** | **10,342** | 14,433 | 16,036 | 16,838 |
| Off-balance sheet exposures | **1,416** | **1,573** | **1,652** | 4,029 | 4,477 | 4,701 |
| Other financial assets | **1,128** | **1,253** | **1,316** | 1,003 | 1,114 | 1,170 |
| **Total expected loss allowance** | **98,849** | **109,832** | **115,324** | 134,559 | 149,510 | 156,986 |

*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.

t of the pandemic as well as the timing and duration of

**28(b) 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 2021 and what has been used in 2022. 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).

The section will discuss various scenarios that THE bank shall incorporate FLI into ,data source and justification for our forecasts(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(b) 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(b) 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(b) 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 % | 7.33 | 10.2 | -3.4 |
| Inflation Rate % | 5.17 | 21.7 | 1.4 |
| Lending Rate % | 16.80 | 17.7 | 16.14 |

COVID-19 pandemic had no significant impact on assumptions applied under multiple economic scenarios, hence no significant adjustment as at 31 December 2022 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.

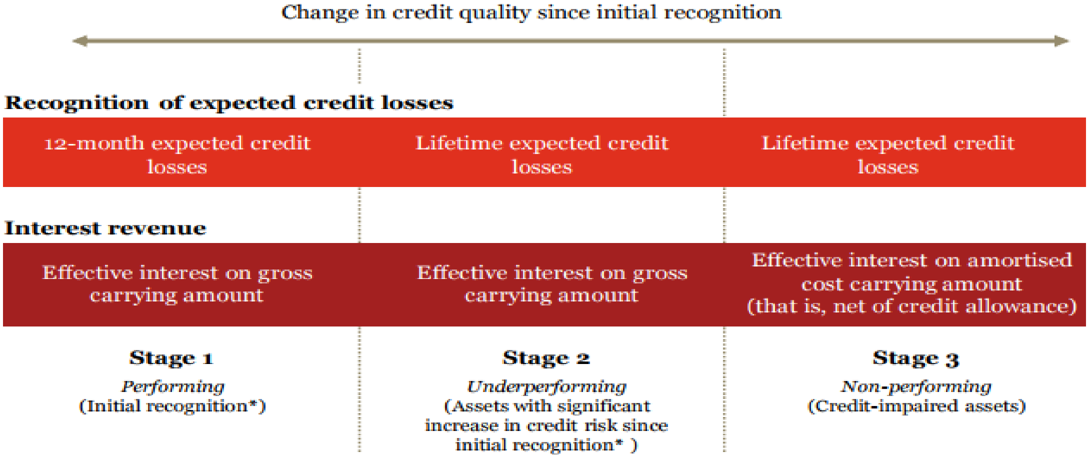
2. **Stage 2** covers financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognized, but interest revenue 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).

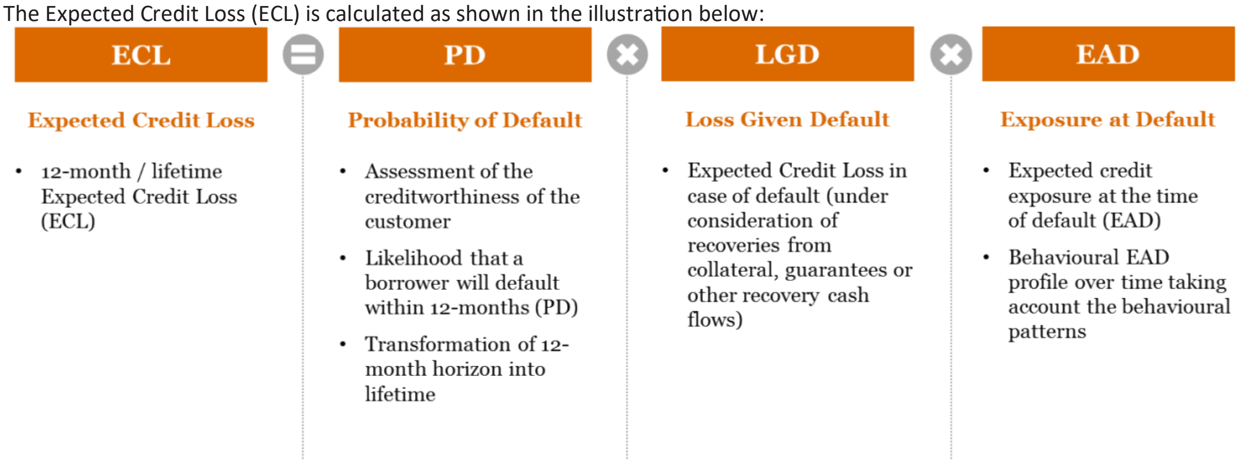
**28(b) IFRS9 –Financial instruments Assumptions(continued)**

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(b) 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.
Basis of Preparation. The financial statements have been prepared on a historical cost basis. The financial statements are presented in thousands of Rwandan Francs (Frw'000').

Statement of compliance

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).
Presentation of financial statements. The company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 21 (iii).

**(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.

**30 Changes in Accounting policies and disclosures**

**(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 2022 is set out in note 28.

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 2022, except for the adoption of new standards and interpretations effective as of 1 January 2022. 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 2021. 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 2023.

**(i) New and amended standards adopted by the Bank**

**Classification of Liabilities as Current or Non- current - Amendments to IAS 1**
Effective for annual periods beginning on or after 1 January 2024.
**Key requirements**
In January 2020 and October 2022, the Board issued amendments to IAS 1 *Presentation of Financial Statements* to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

**Right to defer settlement**
The Board decided that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date after the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Furthermore, the Board specified that the requirements in paragraph 72B apply only to liabilities arising from loan arrangements.

*Disclosures*
IAS 1.76ZA has been added to require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities.

**30 Changes in Accounting policies and disclosures(continued)**

*Transition*

The amendments must be applied prospectively. Early application is permitted and must be disclosed. However, an entity that applies the 2020 amendments early is also required to apply the 2022 amendments, and vice versa.

**Impact**
The combined impact of the 2020 amendments and the 2022 amendments will have implications for entities applying them. Entities will, therefore, need to carefully consider the impact of the amendments on existing and planned loan agreements. In this context, it is important to highlight that the amendments must be applied retrospectively

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

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

**Key requirements**
In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* (the PS), 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.
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

**Replacement of the term 'significant' with 'material'**

In the absence of a definition of the term 'significant' in IFRS, the Board decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in IFRS and is widely understood by the users of financial statements, according to the Board.
In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them.
Examples of circumstances in which an entity is likely to consider accounting policy information to be material have been added.

**Disclosure of standardised information**
Although standardised information is less useful to users than entity-specific accounting policy information, the Board agreed that, in some circumstances, standardised accounting policy information may be needed for users to understand other material information in the financial statements. In those situations, standardised accounting policy information is material, and should be disclosed.
The amendments to the PS also provide examples of situations when generic or standardised information summarising or duplicating the requirements of IFRS may be considered material accounting policy information.

**Transition**
Earlier application of the amendments to IAS 1 is permitted as long as this fact is disclosed.
Since the amendments to the PS provide non-mandatory guidance on the application of the definition of material to accounting policy information, the Board concluded that transition requirements and an effective date for these amendments were not necessary.
**Impact**
The amendments may impact the accounting policy disclosures of entities. Determining whether accounting policies are material or not requires use of judgement. Therefore, entities are encouraged to revisit their accounting policy information disclosures to ensure consistency with the amended standard. The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

**30 Changes in Accounting policies and disclosures(continued)**

*Definition of Accounting Estimates - Amendments to IAS 8*

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

**Key requirements**

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new 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.

**Changes in accounting estimates**

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board

**Transition**
The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.

**Impact**

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Although the amendments are not expected to have a material impact on entities' financial statements, they should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

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.

**30 Changes in Accounting policies and disclosures(continued)**

**Changes to the initial recognition exception**

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability
(or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g., if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, which the Board expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss.

**Transition**
An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, it should also recognize a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

*Lease Liability in a Sale and Leaseback – Amendments to IFRS 16*

Effective for annual periods beginning on or after 1 January 2024.

**Key requirements**
In September 2022, the Board issued *Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16).
The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.
After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller- lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognizing, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16.
The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from
a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8.

**Transition**
A seller-lessee applies the amendment to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted and that fact must be disclosed.
A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application (i.e., the amendment does not apply to sale and leaseback transactions entered into prior to the date of initial application). The date of initial application is the beginning of the annual reporting period in which an entity

IFRS 17 *Insurance Contracts*
Effective for annual periods beginning on or after 1 January 2023.

**30 Changes in Accounting policies and disclosures(continued)**

**Background**

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, 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*.

In June 2020, the IASB issued amendments to IFRS 17. These amendments included changing the effective date to 2023.

In September 2017, the Board established a Transition Resource Group (TRG) for IFRS 17 to analyse implementation- related questions. The TRG met four times and while no further meetings have been scheduled, the TRG submission process remains open for stakeholders to send in questions they believe meet the TRG submission criteria.

**Scope**

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.

**Key requirements**

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, remeasured 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 cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss based on insurance contract services provided over the 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 coverage 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 presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that are paid to a policyholder in all circumstances, regardless of whether an insured event occurs (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
- A loss-recovery component of the asset for the remaining coverage of a group of reinsurance contracts held is determined and recorded in profit or loss when an entity recognises a recovery of a loss on initial recognition of an onerous group of underlying issued contracts as well as for subsequent measurement of the recovery of those losses.
- Entities should present separately in the statement of financial position, the carrying amounts of portfolios of insurance contracts issued that are assets and those that are liabilities, with the same requirement applying to portfolios of reinsurance contracts held.
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

**30 Changes in Accounting policies and disclosures(continued)**

**Transition**

IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 Financial *Instruments* on or before the date it first applies IFRS 17.

The Board decided on a retrospective approach for estimating the CSM on the transition date. However, if full retrospective application, as defined by IAS 8 for a group of insurance contracts, is impracticable, an entity is required to choose one of the following two alternatives:

- Modified retrospective approach - based on reasonable and supportable information available without undue cost and effort to the entity, certain modifications are applied to the extent full retrospective application is not possible, but still with the objective to achieve the closest possible outcome to retrospective application

- Fair value approach - the CSM is determined as the positive difference between the fair value determined in accordance with IFRS 13 Fair Value Measurement and the fulfilment cash flows (any negative difference would be recognized in retained earnings at the transition date)

- Both the modified retrospective approach and the fair value approach provide transitional reliefs for determining the grouping of contracts. If an entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, it is required to apply the fair value approach.

**Impact**

IFRS 17, together with IFRS 9, will result in profound changes to the accounting in IFRS financial statements for insurance companies. This will have a significant impact on data, systems and processes used to produce information for financial reporting purposes. The new model is likely to have a significant impact on the profit and total equity of some insurance entities, resulting in increased volatility compared to today's models.
Key performance indicators will also likely be affected.

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

**Finalization of the amendment to IFRS 17**

In December 2021, the IASB amended IFRS 17 to add a transition option for a "classification overlay" to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of IFRS 17.

If an entity elects to apply the classification overlay, it can only do so for comparative periods to which it applies IFRS 17 (i.e., from transition date to the date of initial application of IFRS 17).

IFRS 17 *Insurance Contracts*

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

**Background**

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, 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*.

In June 2020, the IASB issued amendments to IFRS 17. These amendments included changing the effective date to 2023.

In September 2017, the Board established a Transition Resource Group (TRG) for IFRS 17 to analyses implementation- related questions. The TRG met four times and while no further meetings have been scheduled, the TRG submission process remains open for stakeholders to send in questions they believe meet the TRG submission criteria.

**30 Changes in Accounting policies and disclosures(continued)**

**Scope**

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.

**Key requirements**

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, remeasured 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 cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss based on insurance contract services provided over the 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 coverage 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 presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period.
- Amounts that are paid to a policyholder in all circumstances, regardless of whether an insured event occurs (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.
- A loss-recovery component of the asset for the remaining coverage of a group of reinsurance contracts held is determined and recorded in profit or loss when an entity recognises a recovery of a loss on initial recognition of an onerous group of underlying issued contracts as well as for subsequent measurement of the recovery of those losses.
- Entities should present separately in the statement of financial position, the carrying amounts of portfolios of insurance contracts issued that are assets and those that are liabilities, with the same requirement applying to portfolios of reinsurance contracts held.
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

**30 Changes in Accounting policies and disclosures(continued)**

**Transition**

IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 Financial *Instruments* on or before the date it first applies IFRS 17.

The Board decided on a retrospective approach for estimating the CSM on the transition date. However, if full retrospective application, as defined by IAS 8 for a group of insurance contracts, is impracticable, an entity is required to choose one of the following two alternatives:

- *Modified retrospective approach* - based on reasonable and supportable information available without undue cost and effort to the entity, certain modifications are applied to the extent full retrospective application is not possible, but still with the objective to achieve the closest possible outcome to retrospective application.

- *Fair value approach* - the CSM is determined as the positive difference between the fair value determined in accordance with IFRS 13 *Fair Value Measurement* and the fulfilment cash flows (any negative difference would be recognized in retained earnings at the transition date)

Both the modified retrospective approach and the fair value approach provide transitional reliefs for determining the grouping of contracts. If an entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, it is required to apply the fair value approach.

**Impact**

IFRS 17, together with IFRS 9, will result in profound changes to the accounting in IFRS financial statements for insurance companies. This will have a significant impact on data, systems and processes used to produce information for financial reporting purposes. The new model is likely to have a significant impact on the profit and total equity of some insurance entities, resulting in increased volatility compared to today's models.
Key performance indicators will also likely be affected.

**Finalization of the amendment to IFRS 17**

In December 2021, the IASB amended IFRS 17 to add a transition option for a "classification overlay" to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of IFRS 17.
If an entity elects to apply the classification overlay, it can only do so for comparative periods to which it applies
itial application of IFRS 17).

**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.

**30 Changes in Accounting policies and disclosures(continued)**

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

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.

**30 Changes in Accounting policies and disclosures(continued)**

**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

**30 Changes in Accounting policies and disclosures(continued)**

**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.

## 30 Changes in Accounting policies and disclosures(continued)

### 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 recognized 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 external 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.

# OTHER STATUTORY DISCLOSURES

**31 Summary of significant accounting policies and disclosures(continued)**

f) Leases

❖ The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. **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 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 recognizes 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 financial liabilities**

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.

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