INTEGRATED REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

BANK OF AFRICA

BMCE GROUP

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EXECUTIVE **SUMMARY**

This Integrated Report aims to disclose information about matters that substantively affect the Bank's ability to create value over the short, medium and long term. It has been prepared in accordance with the Integrated Reporting <IR> Framework of the International Integrated Reporting Council (IIRC) and takes into considerations the revisions to the Framework published in January 2021.

The Report presents concise and relevant information on the Bank's operating environment, strategy, performance and value creation, governance, risk management and outlook.

Reporting Scope and Boundary:

The Report covers the operations of BANK OF AFRICA - RWANDA PLC for the period from 1 January 2020 to 31 December 2020.

Forward-looking statements

This Integrated Report <IR> may contain forward-looking statements with respect to BANK OF AFRICA - RWANDA PLC's future performance and prospects. While these statements represent our objectives, judgements and future expectations at the time of preparing this <IR>, a number of emerging risks, uncertainties and other important factors could cause actual results to differ materially from our expectations. These include changes in the external environment and to prevailing market conditions, including, as an example, the manner in which the Covid-19 pandemic could further unfold in Rwanda and globally.

Outlook

Outlook information is considered to be all information that outlines the challenges, opportunities and uncertainties we are likely to encounter in pursuing our strategy and the potential implications for our business and operating model and future performance. Outlook information can be found throughout this <IR>; however, the majority of this information is largely contained in the following sections of the <IR>:

- Our Chairman's statement
- Our external environment
- Our Chief Executive Officer's review
- Our risk and opportunity management
- Our performance

OUR VISION, MISSION AND VALUES

Our Vision

To be the preferred bank to our chosen market.

Our Mission

- To serve our customer with efficiency and courtesy.
- To contribute to the development of all our stakeholders.
- To optimize the growth of Group of Africa through synergies and development plans.
- To promote the growth and stability of the economies that we operate in.

Our Values

- **Professionalism:** we attain high standards of customer services, accountability, efficiency, respect and confidentiality. We build long-term relationships that are mutually beneficial.
- **Integrity:** we achieve and maintain consistent high levels of honesty, fairness and openness.
- **Teamwork:** this enables us to accomplish our shared values. We build trust, strong relationships, encourage creativity and provide a platform for the generation and implementation of new ideas.
- **Innovation:** we continuously improve the delivery of our products and services. We leverage technology advances, encourage creativity & provide a platform for the generation & implementation of new ideas.
- **Staff Development:** staff are the most valuable asset for achieving our goals. In recognition of this, we provide exceptional opportunities for learning and personal development. We recognize and reward excellent performance.
- **Customer-focused:** we anticipate and understand our customer needs so as to offer imaginative solutions. We work with a sense of urgency, vigor commitment whilst seizing opportunities for all us to excel.

CHAIRMAN'S **STATEMENT**

Emmanuel Ntaganda
Chairman

The performance of BOA Rwanda at the end of 2020 reflects the conduct of business in challenging times of unprecedented health crisis resulting from covid 19 pandemic. At the same time, it reflects a gradual balance sheet transformation prioritizing retail and SME customers.

We closed the year 2020 with a consolidated balance sheet with an increase of 74% compared to the year before, composed of 46% increase in loans and 24% of customer deposits.

At the organizational level, I would like to pay tribute to hard work, dedication and team spirit exhibited by entire Board and management team of the Bank in the last financial year.

With our dynamic Board and unconditional support of Bank shareholders, together with team spirit of young committed staff of the Bank sharing the same strategic vision, we are ready and capable to address forthcoming challenges.

Emmanuel Ntaganda
Chairman

INTEGRATED REPORT **2020**

MANAGING DIRECTOR **STATEMENT**

Abderrahmane BELBACHIR
Managing Director

I wish to thank all our valued customers, our staff and our shareholders for their patronage over the years. I am pleased to share highlights of our 2020 performance with all our stakeholders and provide a view of our future journey together.

During the year 2020, the Bank continued to pursue its responsible and sustainable growth strategy that led us close 2020 with positive net earnings turning the Bank into profit making for the first time since its creation in 2016. Client lending activity remained strong with loans and advances growing by 46%, despite the slowdown of the overall activity due to the pandemic. We upheld our goal of committing funds to the biggest impact of our economy, especially in trade, agriculture and construction.

In the same period, while our customer deposits continue to grow, our off-balance sheet commitments exceeded expectations by 97.5% growth rate, underscoring our successful strategy to finance trade and infrastructure development.

Lastly, I take this opportunity to recognize hard work of our staff both at the Head Quarter and in all our branch network and to congratulate them for their strong commitment. I call upon them to continue the vital and inevitable change of mindset, to ensure that we pursue our development in order to contribute to the development of the Rwandan economy and continue to deserve the trust of our customers.

Abderrahmane BELBACHIR
Managing Director

2 GOVERNANCE

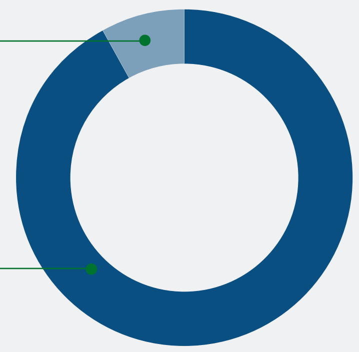
SHAREHOLDING **STRUCTURE**

7.95%

Shareholders : MPORANYI CHARLES
Number of shares: 100,000
Total value: 1,000,000,000

92.05%

Shareholders : B.O.A. GROUP S.A.
Number of shares: 1,158,087
Total value: 11,580,870,000



100%

Shareholders : All
Number of shares: 1,258,087
Total value: 12,580,870,000

BOARD **OF DIRECTORS**

Providing oversight and guidance during unprecedented times

We are governed by a board of directors, the majority of whom are independent non-executive directors. Our Chairman is an independent, non-executive director. Our board is responsible for the strategic direction and ultimate control of the Bank according to the memorandum of incorporation and board charter.

Our board establishes the Bank of Africa Rwanda Plc purpose, values and strategy, and satisfies itself that these core aspects and the organisational culture are aligned. Importantly, the board is also responsible for ensuring that the necessary resources are in place for the Bank to meet our objectives and for measuring performance against them. The board is accountable for promoting the long-term sustainable success of the Bank, generating value for shareholders and contributing to wider society. Through its oversight and strategic steer, it ensures that Bank of Africa Rwanda Plc capitalises on our opportunities as an ethical, decisive and responsible corporate citizen.

Against the backdrop of constant and fast-paced changes, board diversity is important to remain agile and sustainable.

At the Bank of Africa Rwanda Plc, we consider diversity of race, gender, ethnicity, age, independence and skill sets, to ensure more robust debate and better decision-making. The board numbers below are as at the end of our current reporting period being 31 December 2020.

Independence

3
Non-Independent
DIRECTORS

4
Independent
DIRECTORS

Diversity of gender

From February 2021 female directors have been introduced in the Board

Diversity of age

38 → **69**

INDEPENDENT DIRECTORS

Ntaganda Emmanuel
(Chairman)

Appointed on 19/07/2019

Qualifications

University Degrees in Economics, Commerce, Management, with an Honours Degree in Financial Management, Credit and Development from France.

Expertise and experience

Emmanuel has a broad experience of around 40 years in the banking industry. He has worked in different banks such as BRD, I&M Bank, BOA and BDEGL whereby he occupied different technical, managerial and governance functions such as Financial analyst, CFO, Head of Treasury, CEO and Member of Board. He is also a Board Member of SORAS ASSURANCES Générales.
As an independent consultant, he participated in different assignments of projects evaluation, banks, microfinances and other SMEs restructure in Rwanda, Uganda, Burundi and DRC. He also made many publications such as a retrospective study on informal financial sector, integrated agriculture projects, audit of banks' financial and administrative procedures, etc.

Omar Balafrej

Appointed on 04/06/2020

Qualifications

University Degrees in Mathematics (Janson de Sailly, Ecole Centrale de Lyon)

Expertise and experience

Omar was Chief of projects for Morocco and Algeria in IFC (World Bank Group). He was also President of MNF-MITC Capital and the CEO of MITC-Technopark
Omar is currently a consultant with a focus to advising start-ups and other organisations on business development and fund raising. He is also an elected member of budget committee in Moroccan Parliament.
His main networks and associative activities include the following:

- Stanford University (Draper Hills Summer Fellow)
- African Innovation Foundation (Board Member)
- Cinémathèque de Tanger (Board Member)
- French Ministry of foreign affairs (Fellowship program)
- Fondation Abderrahim Bouabid (President)

Henri Laloux

Appointed on 19/07/2019

Qualifications

- Master in Business Engineer (from ULB)
- Post Master in International Trade (from ULB)

Expertise and experience

Henri is currently a consultant and a director in the Boards of different banks including BOA-Tanzania, BOA-DRC and Banque de Crédit de Bujumbura.
His governance experience in the banking industry is from earlier in 1993; since then, he has been a director in different banks such as NBM BANK – Nigeria, Banque de Kigali – Rwanda, Banque de Crédit du Bujumbura – Burundi, BICA-Central African Republic, Middle East Bank – Kenya, The Trust Bank, Ghana, BIA-Togo.
He also worked in Banque Commerciale du Congo (DRC) and Belgolaise Bank as MD and CEO, and member of ExCO.
His other experience includes:
-Foreign Trade Advisor: the Belgian Kingdom,
-Chairman of the Board: Medical Center of Kinshasa(DRC)
-Vice Chairman: « Cercle Economique Européen de Kinshasa » (DRC),
-Director: SOFIDE (DRC),etc.

Rugerinyange Louis

Appointed on 29/12/2019

Qualifications

Bachelor's Degree in Economic Sciences and Enterprises Management from the National University of Rwanda (NUR)

Expertise and experience

Louis is currently an independent Director in BOA
Rwanda and the Chairman of the Board Audit Committee. He has spent his banking career in Bank of Kigali where he occupied different
technical and managerial positions.
He headed different departments including:
Customer Service
Domestic Currency Operations
Credit Administration
Banking Operations
Banking Organisation
Administration Division
Shared Services (Heading Human Resources and Administration Department, IT Department, General Services Department and Finance Department) He also served as a BK branch manager in Rwamagana and Butare (Huye).

NON-INDEPENDENT DIRECTORS

Amine Bouabid

Appointed on 19 July 2019

Qualifications

- MBA(finance, Drexel University, Philadelphia, USA.)
- Master's in IT (National Institute of Statistics and applied Economics, Rabat, Morocco)

Expertise and experience

Amine is Executive Managing Director of Bank of Africa Group. He has also held other various senior positions in the banking industry including leading and directing Salafin (BMCE BANK Subsidiary) as the founder and CEO; being a Board Member of BMC BANK; one of the founders of Casablanca Finance Group (the first Moroccan Investment Bank); and the financial analyst at Banque Commerciale du Maroc.

Amine also gained a broad experience in other non-banking industries: in Capital Consulting (Philadelphia), he was in charge of design and implementation of an asset management system; he also worked on the analysis and implementation of a telecom software at LIR (Thomson)

Abderrazzak Zebdani

Appointed on 19 July 2019

Qualifications

- Degree in mathematics applied to economic sciences (Université Paris Dauphine)
- Master's in applied mathematics (Université Paris VI: Pierre & Marie Curie)

Expertise and experience

Abderrazzak has experience of more than 25 years in the banking industry. He has been the Deputy Executive Managing Director of Bank of Africa Group from June 2008, CEO of BOA-SERVICES and board member of BOA-Senegal, Ivory Coast, Madagascar, Red Sea, Burkina Faso, Niger, Togo, Banque de l'Habitat- Benin, Banque du Crédit- Bujumbura, BOA-Asset Management, BOA-Capital; President of Board Audit and Risk Committees of BOA-Red Sea and BOA-Niger; Member of Audit and Risk Committees of BOA-Benin, BOA-Togo and BOA-Ivory Coast.

Amongst other senior positions he occupied in banks include: Director of SMEs, Head of department of Commerce at BMCE Bank; Credit Analyst and in charge of enterprises' clients at BMCI a subsidiary of BNP PARISBAS, Maroc)

Gilles Mporanyi

Appointed on 19 July 2019

Qualifications

- Bachelor's Degree in Commerce (EPHEC: Ecole pratique des hautes études commerciales: Bruxelles – Belgium)

Expertise and experience

Gilles is currently the CEO of Printex Ltd (Rwanda) and he is the founder of Exclusive Beverages Services (E.B.S Ltd). He was a Board member of SORAS GROUP LTD – SORAS VIE LTD.

His early experience in banking industry include: CITY BANK S.A (management of payment process related to travelers' cheques); BANQUE BELGOLAISE S.A (updating clients data base).

Gilles also occupied various positions in other institutions such as LA CROISSANTERIE (GALERIE REVENSTEIN) and TWIST GARE DU MIDI as an assistant manager; COTIGO PROMOTION COMPANY as a marketing officer; and BIA-OVERSEAS s.a as an internee in medical imaging.

BOARD COMMITTEES

BOARD AUDIT COMMITTEE

Louis RUGERINYANGE	Chairperson
Abderrazzak ZEBDANI	Member
Henri LALOUX	Member
Omar BALAFREJ	Member
Gilles MPORANYI	Member

BOARD RISK COMMITTEE

Henri LALOUX	Chairperson
Emmanuel NTAGANDA	Member
Louis RUGERINYANGE	Member
Omar BALAFREJ	Member
Gilles MPORANYI	Member

BOARD CREDIT COMMITTEE

Emmanuel NTAGANDA	Chairperson
Abderrazzak ZEBDANI	Member
Louis RUGERINYANGE	Member
Abderrahmane BELBACHIR	Member

NOMINATION & REMUNARATION COMMITTEE

Omar BALAFREJ	Chaiperson
Louis RUGERINYANGE	Member
Abderrazzak ZEBDANI	Member
Emmanuel NTAGANDA	Member
Abderrahmane BELBACHIR	Member

INFORMATION TECHNOLOGY COMMITTEE

Omar BALAFREJ	Chairperson
Gilles MPORANYI	Member
Henri LALOUX	Member
Emmanuel NTAGANDA	Member
Abderrahmane BELBACHIR	Member

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EXECUTIVE COMMITTEE

Abderrahmane Belbachir, Managing Director at Bank of Africa Rwanda, holds a degree in Higher Accounting, Administrative and Financial Studies. He has over 30 years of experience with multiple financial institutions in various capacities and in different countries. Abderrahmane has in-depth experience in the financial services industry covering Retail Banking, Corporate banking, SMEs banking;Financial services consultancy and cross border & International Remittances .

He previously worked for WAFABANK-Morocco as Regional Director and Branches Director , ATTIJARIWAFABANK-Morocco as network Director , Western Union- as North Africa Regional Director, BNP PARIBAS Group-Libya as The Head of Retail Banking Sahara Bank, FONDEP Microcredit-Morocco as The General Manager and IKBAL Finance-Morocco as The Managing Partner. Abderrahmane joined Bank of Africa Rwanda in 2016 and supported the Bank to Acquire Agaseke Microfinance and transformed it into a Commercial Bank in Rwanda.

Munira SAID ISSA's career spans both in industry and financial sectors with a strong focus in a multinational institutions both in the USA & Africa. Currently, an Executive at Bank of Africa Rwanda, overseen several departments, a member of several committees while chairing the recruitment committee as well as seconding the office of the Managing director. Munira brings over 23 years global and diverse professional experience.

Munira was appointed as a Head of Organization to Rwanda in 2016, following the acquisition of Agaseke Bank by Bank of Africa (BOA) Group. Her responsibility included the overall integration , rebranding, transformation & restructuring of the former Agaseke Bank to BOA Group standard & best practices; in-line with the local regulatory framework. Up until her appointment to Rwanda, Munira held several roles at BOA: a Special Advisor to the CEO, leading and managing large & complex projects for West and East Africa subsidiaries while chairing several committees: product development, rebranding, human resources, cost and operational efficiencies.

Prior to joining Bank of Africa Group, Munira held several senior management positions in the USA: Johnson & Johnson , International Business Machines (IBM) Corporation as well as at a Credit Union where she managed large portfolio, which was mainly dormant grew to one of the most profitable portfolio, and brought branches into a top performing category, hence, attained the most prestigious award "Operational Excellence award".

Over her career, Munira has been a member of various associations, Woman in technology International (WITI), Project Management Institute (PMI); Worldwide Certified Instructor (HDI) as well as serving as a board member/director at community association.

Munira holds several degrees: MS in Project Management from George Washington university, BS in International Business & Information Systems from Rochester Institute of Technology and AAS in Business Administration from Monroe Community College, all from the USA.

Theogene RUZINDANA is the Executive Head of Finance. He has worked for Bank of Africa Rwanda for 4 years coordinating finance activities in relation to financials preparation, financial analysis, budgeting, tax treatment and establishment of financial policies and procedures.

Theogene is experienced in the financial domain, he worked for BPR for 15 years occupying different positions such as Head of MIS, Head of Operations, Head of Accounting and Chief Finance Officer.

He holds a bachelor's degree in Management sciences and benefited from various banking trainings organised as well locally as abroad. He is currently following specialised courses in finance.

Ephraim MUVALA is an Executive Head, Legal services & Company Secretary at Bank of Africa Rwanda since 2013, with primary mission of ensuring institution compliance with industry Corporate Governance framework and country regulatory environment.

He is a holder of Ms. Science in arts, Post graduate diploma in legal practice and Bachelor's degree in Law, obtained from National University of Rwanda. He is well-seasoned, effective team member & results-driven senior manager with a highly successful background in banking laws, insurance laws and company acts.

Prior to joining BOA Rwanda, Ephraim served in the capacity of Legal advisor at different financial institutions including; Access bank Rwanda, Bank Populaire du Rwanda and in the office of Prosecutor General of Rwanda under Ministry of Justice.

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Alice UWINEZA is the Executive Head of Credit and has been serving Bank of Africa Rwanda for over 5 years overseeing all activities in Credit Department related to credit files approvals, credit portfolio monitoring, review of Bank's Credit Policies, procedures, recommend & implement changes where appropriate.

Trained in professional banker course, Alice is also experienced with a great and extensive technical and managerial background. Before joining BOA Rwanda, she worked in COGEBANQUE for over 10 years where she occupied different positions among them, Corporate Relationship Manager, Credit Analyst Supervisor and Deputy Head of Credit.

She holds a Bachelor's degree in Economics/Development Studies, a Masters in Banking sector (ITB), and undergone numerous training in banking and financial services offered by reputable institutions.

Ubald SESONGA is the Head of Risk and Compliance and member of the Executive Committee of Bank of Africa Rwanda responsible for designing and implementing the Bank's risk management, compliance, and AML_CFT programs as well as loan portfolio monitoring and reporting.

He has accumulated 14 years of work experience in the financial sector particularly 10 years in risk management and compliance functions. He has a vast experience in developing and implementing risk management, compliance, and AML_CFT programs. He is also specialized in conducting risk assessments in different areas of the bank. In addition, he has experience in establishing remedial action plans for risks identified as well as drafting policies and procedures.

Prior to joining Bank of Africa, he supervised the Risk and Compliance Unit at Cogebanque. He also held different positions at the former Social Security Fund of Rwanda including being a Branch Manager and an Inspector. He holds a bachelor's degree in Business Administration from the former School of Finance and Banking (SFB) and is also a Certified Compliance Professional (ACCPA-Certified) and a Certified AML Specialist (CAMS).

Noel Muhawenimana is a holder of Masters and Bachelor's Degree in Accounting from University of Rwanda, College of Business and Economics. He also has more than 11 years of experience in banking industry.

He is currently Executive Head of Digital and Business Development; Bank of Africa Rwanda. Who manage the Bank's strategic business to ensure business integrity, enable profitable and sustainable growth and increase the efficiency and quality of the Business. He also Develop and implement the Bank Digital Strategy.

Prior to Join Bank of Africa, Noel occupied several positions in business department in GT Bank Rwanda such as Account Relationship Manager, Team Leader and Senior Relationship Manager.

3 STRATEGY

STRATEGIC FOCUS AREAS

At the end of the 2016-2018 three-year plan, BANK OF AFRICA Group saw most of its financial indicators improving, notably the balance sheet average growth at 1,8 % and the net income Group share (RNPG) at 7,2 %.

Besides these good financial performances, the 2016-2018 three-year plan allowed to put the foundations of Group BANK OF AFRICA ambitions with a strategy focused on banking activity.

In a context of regulatory strengthening leading to an increasing need of shareholders› equity, the new 2019-2021 Triennial Development Plan has an objective to concretize these ambitions through bold choices:

- A rigorous policy of risks provisioning and continued efforts on recovery;
- A progressive reduction of market activities contribution for the benefit of focusing on classic banking activities;
- A balance-sheet transformation focused on SME and individuals;
- A revisited pricing policy in terms of interest margin and margins on commissions;
- A rigorous financial discipline on the operational costs

Strategy execution principles

- Diagnosis phase allowed to analyse in detailed way macroeconomic context, achievements of previous strategic plan, level of competition and main weaknesses, strengths, threats and opportunities;
- Strategic construction phase led through several workshops at the Group level and Bank level of the bank to define big orientations, growth hypotheses and strategic initiatives
- Development phase allowed to define the road map of the bank through initiatives prioritization, definition of prerequisites and growth potential and the elaboration of the operational strategic plan, the strategic projects portfolio to be executed over the period.

IMPLEMENTATION OF OUR FINANCIAL STRATEGY

Our financial performance against our 3-year 2021 targets

In 2020, we noted a number of risks associated with various events outside of our control that significantly impacted our business, including the Covid-19 pandemic and heightened macroeconomic volatility. Despite the challenging macro-environment, we made good progress in relation to our financial metrics against our 2021 targets.

Below is a summary of the progress we have made in relation to our financial targets in the fiscal year under review, measured against our 2021 targets.

Our financial targets and performance linked to our strategic focus areas	2021 Targets	2020 Performance	2019 Performance	2020 against 2019	2020 against 2021 targets
Net impairment losses on loans and advances (in millions of Frw)	(744)	(447)	(1,032)	57% ▲	40% ▲
Net interest income (in millions of Frw)	5,164	3,739	2,957	26% ▲	-28% ▼
Net Fees & commissions (in millions of Frw)	1,617	1,475	1,048	41% ▲	-9% ▼
Cost to income ratio	76.0%	88.6%	101.8%	-13% ▼	17% ▲
RoA	0.9%	0.6%	-2.1%	129% ▲	-33% ▼
RoE	6.9%	5.3%	-10.9%	149% ▲	-23% ▼

Our 2020 performance compared to 2019 shows, in general, a promising way forward to hit the 2021 targets.

We have recorded a significant increase in RoE and RoA of, respectively, 149% and 129%, while we only have to bridge the gaps of 23% and 33% to hit the 2021 targets for those specific performance indicators. In the same way, our performance in net interest income and net fees and commissions (respectively 26% and 41%) are far beyond the remaining gap of 28% and 9% we need to cover to achieve the 2021 targets.

Again, we have managed to decrease our cost-to-income ratio to 88.6% (from 101.8% of 2019) and we are confident to repeat the same performance to achieve the 2021 target of 76%.

Net impairment losses on loans and advances decreased by 57%, which is a good improvement. We also have already hit the 2021 target with a decrease in targeted impairment losses by 40%. Whereas we have been conservative in our policy of risks provisioning to cover the effects of COVID 19 on the quality of our loan portfolio, we have also maintained our efforts on recovery and we will maintain the same strategies going forward.

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Non-financial indicators (operational strategic plan)

Methodology

The operational strategic plan (OSP) represents the road map detailing the initiatives to implement to reach the goals fixed previously. This project portfolio over 3 years articulates around 4 strategic axes:

- Growth
- Productivity
- Profitability
- Risk management

For each initiative, the following elements should be defined:

- Strategic objective defining the target to reach
- Date of the projected end and chronogram
- Macro-evaluation of initiative business impact Business in terms of growth of outstanding amounts, NBI, market share …
- Financial prerequisites (budget), organizational or technical
- Evaluation of the complexity of implementation allowing prioritization

Once detailed, the initiatives are prioritized according to their business impact, necessary prerequisites and complexity. The prioritization allows to raise a road map over 3 years.

The operational strategic plan is steered by the The Project Management Office (PMO) in coordination with the management control to adjust the plan according to the progress of strategic objectives. Governance committees allow to follow regularly the plan progress:

- Bank executive committee with progress review of strategic initiatives portfolio
- Monthly strategic steering committee involving bank executive committee and regional office
- Quarterly board of directors with a synthetic presentation of the plan, main realisations and ongoing actions

BANK OF AFRICA | RWANDA

VALUE CREATION THROUGH **OUR PEOPLE**

Attracting, developing and retaining high performing people is fundamental to creating value. We are committed to offering a compelling employee value proposition by fostering positive relationships with our employees, developing our leadership capacity, promoting a culture of diversity and developing talent and critical skills.

Our beliefs:

The Bank strives to achieve a reputation for conducting its business with integrity and carrying the confidence and trust of its employees, customers and general public. The Bank firmly believes that:

1. Human Resources is a strategic input for the Bank's operations.
2. It is the Bank's responsibility to develop a high quality, committed and flexible work force that meets customers' requirements and responds quickly to customers' needs.
3. The Bank has to evolve a sustainable "competitive advantage" through its employees to create value for customers and provide high world-class customer service at the most cost-effective rate.

Staff award: the best employee of the year, the best employee per department.

CORPORATE SOCIAL RESPONSIBILITY

Globally, there has been an increased demand from customers, employees, governments and civil society for businesses to be more transparent about their activities and commit to responsible corporate citizenship. As part of our commitment to responsible corporate citizenship, Bank of Africa Rwanda Plc is dedicated to sustainable community upliftment in the areas in which we operate, proactively reducing our impact on the environment, maintaining ethical business practices and respecting the human rights of our customers and employees.

The following CSR activities were achieved despite the limitations imposed by COVID 19:

In commemoration of the 1994 Genocide against the Tutsis, BOA Rwanda pay tribute to the victims of the Genocide against Tutsis.

Support to the district of Nyarugenge for the crisis of COVID 19

STAKEHOLDER **ENGAGEMENT APPROACH**

We actively manage our various stakeholder engagements; ensuring ongoing clear, transparent and relevant communications.

Our stakeholders include among others the following:

COLLEAGUES
Both current Rwandan Bankers and prospective employees

CUSTOMERS
Past, present and future customers

BUSINESS PARTNERS
Our shareholders, funders, debt holders, suppliers, service providers, collaborators, industry associations and strategic business alliances

REGULATORS
Sector and governmental regulators

SOCIETY
Society as a whole including media and financial commentators

Our commitments to different stakeholders and their related measurement indicators are summarized as follows:

COMMITMENT 1: Respect our clients' interests and show an ethical behaviour
1.1 Fight against all forms of corruption, fraud, anti-competitive practices
1.2 Prevent any complicity in money laundering and financing of terrorism
1.3 Ensure the security of information, operations and the protection of personal data
1.4 Provide quality customer service and complete and accurate information to our customers
1.5 Satisfy the needs of our customers, treat their claims with diligence
1.6 Assist our customers in difficulty, by preventing situations of over-indebtedness and mitigating the effects
1.7 Adopt a responsible purchasing approach

COMMITMENT 2: Promote Sustainable Finance and Social Entrepreneurship
2.1 Take into account environmental, social and governance risks in our financing and investment activities
2.2 Promote positive impact finance and entrepreneurship
2.3 Support VSE/SME growth
2.4 Develop positive impact investment (social and environmental)

COMMITMENT 3: Be a responsible employer listening to its employees and accompanying their development
3.1 Promote diversity and equal opportunities for our employees
3.2 Develop the skills of our employees through dynamic proactive career management
3.3 Support transformations, changes in our businesses and mobility in the Bank
3.4 Prevent occupational health and safety risks and promote employees' well-being and quality of life at work
3.5 Respect freedom of association, the right to bargain collectively and promote social dialogue
3.6 Other Human Rights Objectives

COMMITMENT 4: Be diligent in the exercise of governance and risk management
4.1 Provide the Board of Directors and its specialized committees with reliable, complete and accurate information so that they can fulfill their mission of deliberation, guidance and control
4.2 Ensure the independence of the Directors.
4.3 Put in place appropriate risk identification and management systems, taking into account all social, environmental, ethical and governance factors.
4.4 To provide our partners in the capital markets with sincere, complete and certified data.
4.5 Respect our shareholders rights
4.6 Other governance objectives

COMMITMENT 5: Protect the environment
5.1 Mitigate the environmental footprint of everyday activities (energy, water, waste, greenhouse gas emissions).
5.2 Promotion of sustainable construction
5.3 Development of sustainable culture and behavior

COMMITMENT 6: Act in the interest of the community and support dialogue with our stakeholders
6.1 Promote financial education and micro finance
6.2 Promote access to education and support local communities
6.3 Promote financial inclusion
6.4 Promote and respect human rights in our funding decisions and in our activities
6.5 Adopt a sponsorship strategy supporting culture, sport, social & solidarity actions and the environment
6.6 Build a permanent dialogue with our stakeholders to contribute to the achievement of the Sustainable Development Goals

RISK **MANAGEMENT**

OUR RISK MANAGEMENT PROCESS

Bank of Africa Rwanda PLC Risk assessment processes are originated from its Enterprise Risk Management Framework and based on the principles of three lines of defense. It is performed bank-wide by all bank's Units with the support from Risk and Compliance Function. The ultimate objective of this bank-wide risk assessment is a proactive and intelligent Risk Management that protects the bank's value and promotes optimum risk-taking.
One of the objectives of the risk assessment is to come up with the bank Risk Profile. This risk profile gives an indication on the level capital required to cover the risks to which the bank is exposed to serve as shield to withstand any shock should it arise from the operating environment. In order to arrive at the risk profile and the consequential capital requirement, the bank goes through a number of processes: The Risk identification which is a foundation of the ICAAP; the outcome of this process is the risk universe of the bank. The identified risks are then assessed / measured for their materiality; Material risks are quantified using measurement methodologies or models to arrive at the estimated risk- weighted assets or amounts and capital requirement for each of the material risks. The capital requirement is then managed and monitored on a regular basis in order for the bank to maintain adequate capital commensurate to its risk profile.

RISK UNIVERSE

The Internal capital adequacy assessment process requires us to carry out an in -depth risk assessment at each year-end. The 2020 assessment came out with eight principal risks. Of them, three are recognized as material risks and five as less material. The bank has split the risk universe into two Pillars as per ICAAP:

- **Pillar I risks comprises Credit Risk, Market Risk and Operational Risk,**
- **Pillar II risks include Liquidity risk, Concentration risk, interest rate risk in the banking book, Reputational risk, compliance risk and strategic risk.**

The table below details our identified top risks, our responses / mitigations and each type of capital they are related to:

Risk	Risk Identification, Mitigation And Control	Link To Capital
Credit Risk Credit Risk is a risk of a counterparty failing to meet its contractual obligations towards the bank and the risk that the pledged collateral does not cover the claims.	The bank identifies credit risk as per its credit risk procedures and guidelines. Credit mitigation techniques are used including collaterals for exposures, guarantees etc. The Bank reduces its Credit risk by collateralizing its credit exposures. The bank value Collateral though the latter is not recognized from a capital adequacy computation perspective. The collateral, its value and its mitigating effects are considered throughout the credit assessment and management processes. The Bank collaterals include Pledges and guarantees. Real Estate is the main type of Pledges. Prudential limits have been set by the Board of Directors and implemented by Management per single obligor, Sector, counterparties ect. Regular portfolio reviews by auditors, compliance teams enhance the control environment of credit.	Financial Intellectual
Market Risk Market Risk is the risk on the bank's earnings and or capital due to changes in market factors.	The bank has established market risk policies and procedures and processes to identify, mitigate and control market risks that arise within its banking book bearing in mind that the bank does not maintain a trading book. Business units and functions, in the process of carrying out their daily activities, ensure that the principles and policies for Market risk management are adhered to and business risk managers have the responsibility of reporting immediately any event that could trigger market risk or could breach any market risk limit to Risk management and compliance department for necessary support and risk treatment. The market risk is controlled through its established policies and limits as well as the overall governance structure of the bank.	Financial Intellectual

Operational Risk Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	The operational risk is identified though its operational risk policy and procedure framework. The bank uses the 'Risk and Control self-assessment (i.e. RCSA)' to identify any risk inherent to its people, process and systems or any external event. All identified risks are controlled or mitigated by our operational risk and operations procedures in areas of cash management, account opening, payments and processing.	Financial Manufactured Intellectual
Liquidity risk Liquidity risk is the risk of the bank not being able to meet its payments obligations when they fall due and without incurring considerable additional cost for raising funds or the risk of incurring losses as a result of fire-sale of assets	The bank identifies its liquidity risk through implementation of its policy and daily review of the liquidity position and computation liquidity metrics including but not limited to Liquidity coverage ratio, Net stable funding ratio, Loan to deposit ratio, liquidity mismatch to overall liquidity outflows, etc. The Liquidity risk is mitigated by strongly upholding prudential policy limits, close monitoring of liquidity by middle office. The bank has an Intraday liquidity governance to ensuring that intraday payment and settlement obligations are met in a timely manner. The bank has established methodologies and systems to ensure that those obligations are fulfilled under normal and stressed conditions during the day. The bank manages intraday liquidity as follows: a)Measuring daily liquidity inflow and outflow b)Monitoring intraday liquidity position c)Funding intraday liquidity needs d)Managing the timing of liquidity outflow	Financial
Concentration risk Concentration risk is any exposure that may arise within its different risk categories and that has potential to produce losses that threaten its earnings and or capital	The Bank identifies its concentration risks by monitoring exposures limits and though monitoring implementation of strategic risk policies and the competitive environment. The risk is mitigated and controlled through regular reviews of the strategic difference numbers, performance reviews, etc.	Financial Intellectual
Interest rate risk in the banking book (IRRBB) Interest Rate in the banking book is the current and prospective risk to the bank capital or earnings arising from adverse movements in the interest rates that affect the banking book positions.	BOA Rwanda has established strategies and processes to manage its IRRBB that arise within its banking book. The interest rate risk management is guided by the market risk policy and risk appetite statement and limits. The Board of directors has delegated to senior management the responsibility of managing IRRB on a daily basis and Management ALCO discusses, on a monthly basis, the banking positions and risks that may arise from those positions.	Financial
Reputational risk Reputational risk is any event that could damage stakeholders trust in and respect towards an organisation and thus leading to loss that affects its earnings and capital	The bank proactively protects itself against reputation damaging events and effectively deals with those events whenever they occur. The Bank's reputational risk is guided by the reputational risk management policy and risk appetite both approved by the Board of directors. The Board has delegated its responsibility to senior management for implementing the policy and observing the risk appetite framework.	Social and Relationship Intellectual
Compliance risk Compliance risk is the current and prospective risk to earnings or capital arising from violations or, or non-conformance with laws, rules, regulations, prescribed practice or ethical standards issued by the regulator from time to time.	The Compliance risk is identified through regular compliance checks which are done through toolkits by the compliance team which identifies warning signs. The risk identified or compliance gaps are assigned action plans to mitigate the risk or remediation of the gap in the event that the risk has materialized. The mitigation mechanisms are done through regular checks and balances and verifications approval process implemented bank-wide.	Social and Relationship Intellectual

Strategic risk Strategic risk is the current and prospective risk on earning or capital arising from adverse business actions, improper implementation of decisions or lack of responsiveness to industry changes. It is also a risk of not meeting business targets and falling behind competition.	Strategic risk is identified through regular review of the bank performance against its business targets, industry competitive indicators. The risk is mitigated and controlled through business targets and performance appraisals and strategic meetings hold to discuss strategic direction of the ban	

OUR COVID-19 RESPONSE

Assessment of the pandemic general impact on the bank's capital

Though the year 2020 has been a challenging and turbulent for the bank where the COVID- 19 pandemic has hit not only the national but the global economy due to the health crisis, the bank's risk assessment has proven that COVID- 19 has so far had a limited impact on BOA Rwanda capitalization with relatively low credit impairments.

Response to the Pandemic impact on the bank's operations

The year 2020 was marked by COVID-19 pandemic and this was recognized as one of the critical risks that impacted banks' operations. However, to maintain stakeholders' trust and secure service availability and accessibility, a number of health and safety measures were taken to protect our people first by reducing the spread of the virus and secondly, by reducing the negative impact on BOA Rwanda Operations. Besides, to reduce the risk of the covid-19 virus spread, protect our employees and customers, maintain the accessibility and availability of our services, a strong business continuity and Disaster Recovery plans were developed, implemented and monitored on a regular basis by our business continuity management team.

4 BUSINESS

INTEGRATED REPORT 2020

OUR BUSINESS MODEL

We create value and deliver on our strategy by transforming our capitals through our business activities. We seek to operate and grow inclusively, responsibly and sustainably, thereby maximising value creation and minimising any negative impacts.

Inputs

FINANCIAL CAPITAL

- Our financial capital consists of the pool of funds that is available to us to produce products, provide services and invest in technology, people and growth
- It is largely obtained through retail funding, financing and generated through our operations

HUMAN CAPITAL

- Our human capital refers to our people
- Our objective is to create a rewarding place to work by providing a holistic offering to our people that spans a range of services intended to enhance the health, wellness and work-life balance of their lives

INTELLECTUAL CAPITAL

- Our intellectual capital includes our know-how, digital advancements and brand; ensuring that we remain competitive, sustainable and a strong investment in our proposition; enhancing reporting, decision-making and credit risk management

MANUFACTURED CAPITAL

- Our manufactured capital includes our business structures and processes, including physical and digital assets, infrastructure, products and services
- It also covers our operational infrastructure (our branches and head office), products, sales and service channels, digital channels and collections
- This blended approach allows us to provide a personalised, efficient experience to advance the lives of our customers; ensuring our long-term sustainability

NATURAL CAPITAL

- Our natural capital includes our environmental stewardship for both our internal operations and our products and services
- • Our internal aspirational targets assist in minimizing our impact on natural resources, enhancing operational resilience against supply constraints (for example, water and power)

SOCIAL AND RELATIONSHIP CAPITAL

- Our social and relationship capital relates to our interactions with our stakeholders
- Developing and maintaining quality relationships with all our stakeholders is key to our sustainability and is a focus in all our interactions

Activities shaped by the external environment and key drivers of change

Outcomes

FINANCIAL CAPITAL

- Profit after tax
- ROE
- Credit loss ratio
- Increase in deposits
- Increase in loans and advance
- Decrease in cost to income ratio, etc.

HUMAN CAPITAL

- Enhanced employee motivation, skills and diversity
- A more transformed workplace
- Staff attrition
- Low levels of retrenchments; etc.

INTELLECTUAL CAPITAL

- Attracted skills in data analytics
- Empowered cross-functional teams
- Using an agile approach; etc.

MANUFACTURED CAPITAL

- New customers
- New opened accounts
- Increase in logins across banking platforms
- Staff work from home capability; etc.

NATURAL CAPITAL

- Executive sustainability engagement
- Waste management
- Management of utilities; etc.

SOCIAL AND RELATIONSHIP CAPITAL

- Consumer financial education
- Decrease of clients' complaints; etc.

PRODUCTS **FOR CUSTOMERS**

- Current account
- TUNGA Saving account
- UMURAGE Saving account
- UMUHIGO Saving account
- Fixed Term deposit
- Mobile Banking
- SMS Alert
- Internet and Mobile Banking
- Visa debit card (Blue card)
- Visa debit card (Elite card)
- Overdraft
- Salary Advance/ Personal Loan
- Car Loan
- Iga Loan
- Mortgage
- Business loan
- Asset finance
- Construction loan
- Contract finance
- Seasonal activities finance
- Bonds/Guaranties
- Invoice discounting loan
- Letter of credit

SALES AND **SERVICE CHANNELS**

BRANCHES

Our aim within branch banking is to provide customers with the best possible advice and service that we can. We carefully consider the need for the opening and closing of branches and currently we are also ensuring that we secure competitive property rentals, as we re-negotiate rental agreements.

ATM

ATM is one of our service channels which are creating greater convenience for our customers, as they allow our customers to bank 24/7.

MOBILE BANKING

Our vision is for all our customers to register with us online and engage regularly, using our digital channels for all their banking and related services.
We continuously improve the features of our Mobile banking service to meet this target.

INTERNET BANKING

Like Mobile Banking, Internet Banking is another digital channel which provides the means for our customers to conveniently engage with us anytime, anywhere.

REPORT ON CUSTOMER **SATISFACTION**

Pursuant to directive No.05/2012 of 07/05/2012 of national bank of Rwanda on customer service delivery in financial institutions and Law no. 47/2017 of 23/9/2017 governing the organization of Banking in Rwanda, Bank of Africa Rwanda "Customer Care Policy" is designed to develop an organizational culture focused on client expectations and continuously improving service delivery to its esteemed clients. Our policy also provides our staff complete guidance, necessary knowledge, and skill to ensure service excellence to both existing and potential clients at all times, while soliciting clients feedback on service delivery via suggestion boxes.

Bank of Africa solicits its client's feedback via different mediums: E-mail, Call Center and Suggestion Boxes that are placed at our branches and the head quarter. The overall client's feedback throughout 2020 were positive, however, as most of our feedbacks are received via the suggestion boxes during client's visit, the data gathered via this medium was lower than expected due to COVID 19 measures, which restricted face-to-fact interactions. This will improve as situation changes and that the bank activity increases.

Meantime, the Bank commits to continue improve its product and service delivery while addressing client's feedback.

ESSENTIAL **ACTIVITIES 2020**

More features were added on Mobile and Internet banking to allow customers to make payments at ease:(Bulk Transfers on Internet banking; Pay TV subscriptions (Canal+, DSTV & StarTimes;Water Bill payments; Electricity bill Payment ; Airtime top up)

New website has been developed and launched

www.boarwanda.com

Relocation of Rubavu Branch to new strategic place

Introduction of new loan Product AFFORDABLE HOUSING

BRANCH **NETWORK**

NYABUGOGO BRANCH
Manue house – KG 11 AVE
P.O.BOX 265 - Kigali – RWANDA
Mobile (250) 788 13 62 63
BNyabugogo@boarwanda.com.

REMERA BRANCH
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BRemera@boarwanda.com.

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Rebero house – KG 11 AVE
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KIMIRONKO BRANCH
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SORAS OUTLET
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MAIN BRANCH
Chic complex ground floor
KN2 Nyarugenge
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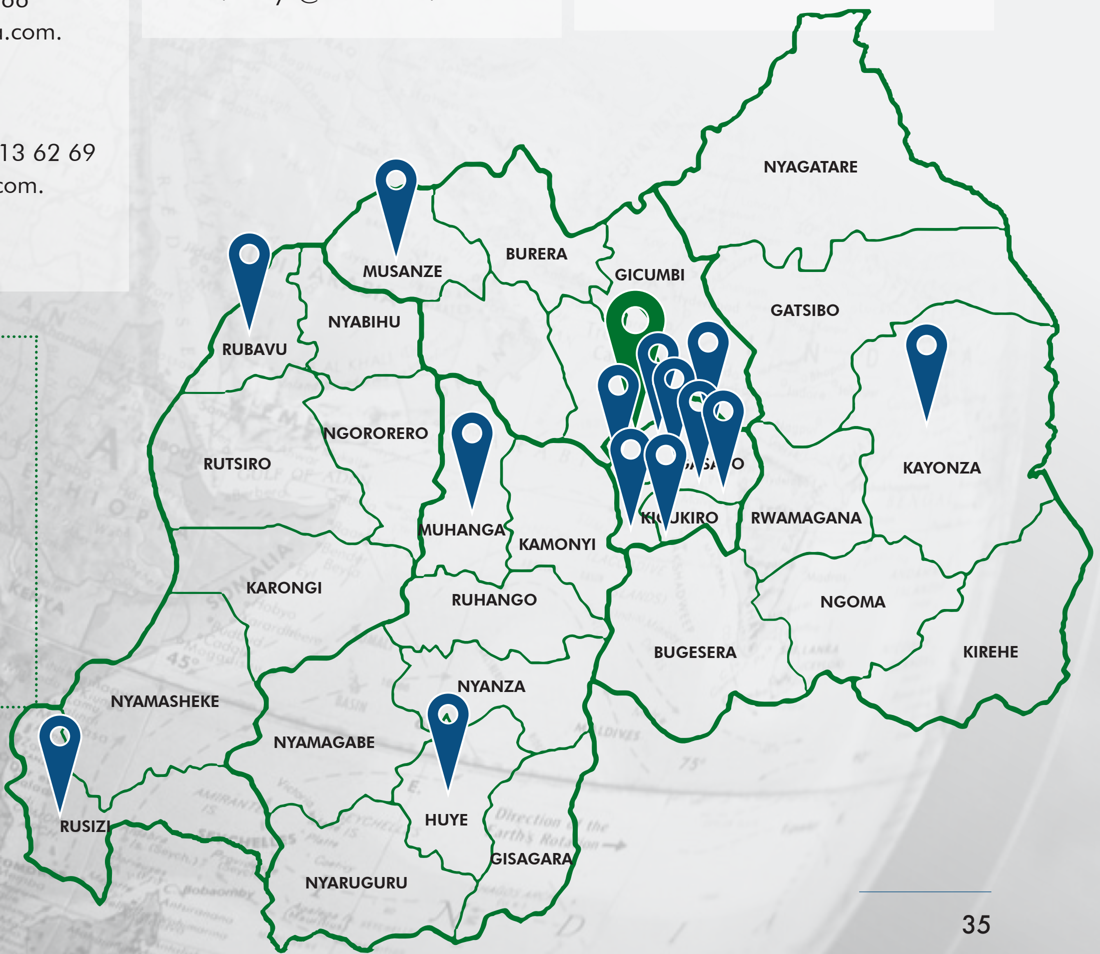
Mobile: (250) 788 13 62 60
Email: Info@boarwanda.com

GISOZI BRANCH
Umukindo House KG693 st,
P.O. Box 265, Kigali
Phone: (250) 788 136 264
Email: bgisozi@boarwanda.com

HEADQUARTERS

BRANCH



EXTERNAL **ENVIRONMENT**

Below are some environmental aspects that impact on the Bank's strategies:

- Low disposable income
- Low saving culture
- Majority is made of children, students and unemployed
- Concentrated market
- Low purchasing power
- High number of Retail customers are in informal and not very stable institutions
- High labor turnover due to margins and acquisitions
- High competition from commercial banks and Telcos affecting pricing

5 PERFORMANCE

BUSINESS AND FINANCIAL **PERFORMANCE OVERVIEW**

In 2020, BANK OF AFRICA RWANDA (BOA – Rwanda) pursued its growth with a total assets which increased by 74%. Much efforts were particularly made in interest bearing areas with the aim to improve the profitability. There was increase in loans to clients by 46% from 2019 while investment in financials instruments went up by 78%. The above growth was facilitated by clients' deposits which grew by 24%.

BOA Rwanda maintained its strategy of contracting short and long term borrowings which are used to generate income either by placing them with other commercial banks or through loans to clients at a higher interest rate.

Despite the Covid-19 pandemic, Bank of Africa Rwanda performed well in 2020 where interest income, fee and commission income increased significantly compared to the previous years; there was also a strict control of operating expenses with a decrease in the cost of risk.

All these combined factors made the bank to have positive results in 2020, it has been the first time for BOA Rwanda to be profitable since its creation. BANK OF AFRICA – RWANDA is targeting to be more and more present on the Rwandan financial market as well as improvement of its profitability.

Key financial performance metrics	2019	2020	variation
Activity			
Deposits	32,016	39,786	24.3%
Loans	19,238	28,035	45.7%
Number of branches at the end of the financial year	14	14	0.0%
Structure			
Total Assets	54,957	95,390	73.6%
Shareholders' equity	8,100	8,541	5.4%
Number of employees at the end of the financial year	175	178	1.7%
Solvability			
Tier 1	7,392	7,791	
Tier 2	358	448	
Risk Weighted Asset (RWA)	28,660	41,384	
Tier 1 + Tier 2 / RWA	27.0%	19.9%	
Income			
Operating income	4,076	5,356	31.4%
Operating expenses (including depreciation and amortization)	-3,993	-4,456	11.6%
Net operating profit	83	900	980.9%
Cost of risk in value	-1,032	-395	61.7%
Income tax	-	-64	
Profit after tax	-949	441	146.5%
Operating ratio (%)	101.8%	88.6%	
Cost of credit risk (%)	-5.9%	-1.9%	
Return on Assets (ROA %)	-2.1%	0.6%	
Return on Equity (ROE %)	-10.9%	5.3%	

ANNUAL AUDITED FINANCIAL STATEMENTS, **AUDIT REPORT AND NOTES.**

DIRECTORS' **REPORT**

The Directors submit their report together with the audited financial statements for the year ended 31 December 2020, which disclose the state of affairs of Bank of Africa Rwanda Plc. (the "Bank" or "Company").

PRINCIPAL **ACTIVITIES**

The principal activity of Bank of Africa Rwanda PLC is provision of banking services. The bank has a total of 14 branches and 1 outlet in Rwanda.

RESULTS AND **DIVIDENDS**

Profit/ (loss) for the year of Frw 441,032 million (2019: Frw (949) million) has been transferred to accumulated losses. The Directors do not recommend the payment of a dividend for the year ended 31 December 2020 (2019: nil).

AUDITOR

KPMG Rwanda Limited was appointed as Auditor of the bank commencing 2020 in accordance with Regulation No 14/2017 of 23/11/2017 on accreditation requirements and other conditions for external auditors for financial institutions and being eligible has expressed willingness to continue in office.

By order of the board

Director
29 . 04 . 2021

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BANK OF AFRICA RWANDA PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank of Africa Rwanda Plc ("the Bank") set out on pages 9 to 51, which comprise the statement of financial position as at 31 December 2020, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Bank of Africa Rwanda Plc as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Law No. 17/2018 of 13/04/2018 Governing Companies in Rwanda and Regulation No. 28/2019 of 09/09/2019 relating to publication of financial statements and other disclosures by banks.

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 the Bank in accordance with International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with 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.

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Key audit matter	How the matter was addressed in our audit
Expected Credit Losses on loans and advances Refer to Notes 3.1, 9 and 16 of the financial statements Measurement of expected credit losses ("ECL") on loans and advances involves significant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Bank's implementation of IFRS 9 are: - Economic scenarios – IFRS 9 Financial Instruments 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	Our audit procedures in this area included: - Obtaining an understanding of the credit management processes and the key systems, applications and controls used in the determination of ECL. This involved evaluating the design, implementation, operating effectiveness of the key controls over the staging criteria, updates to the data in the model, review of the model output, and changes to loss given default, updates to the forward-looking information, and collateral data.

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Key audit matter	How the matter was addressed in our audit
- Significant increase in credit risk ("SICR") – for the SME, retail and corporate and 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. - The Bank assesses SICR by incorporating all relevant, reasonable and supportable information, including forward-looking information. These include qualitative information, non-statistical quantitative information and information from statistical models or credit rating processes. The movement of loans and advances to different stages requires judgment which may have a material impact on the ECL. - 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 SME, 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. We determined the ECL on loans and advances to customers to be a key audit matter due to the high degree of estimation uncertainty and significant judgement applied by management in the determination of the ECL.	- Using our data and analytics specialists to independently assess probability of default modelling based on historical days past due reports. - We assessed the reasonableness of loss given default and exposure at default assumptions by comparing to recent experience of the bank. - Involving our own financial risk management specialists to assess the appropriateness of the Bank's methodology for determining the economic scenarios and other management overlays by assessing key economic variables used as well as the overall reasonableness of the economic forecasts by comparing the Bank's forecasts to externally available information. Challenging the accuracy of key inputs and assumptions into the expected credit loss models by: - For a sample testing of key data inputs and assumptions applied in determination of ECL, assessing the accuracy of economic forecasts and challenging assumptions applied by involving our specialists in the reperformance of the economic forecasts and PDs; - Evaluating the appropriateness of the Bank's SICR determinations by assessing the qualitative and quantitative factors used by management in their evaluation of the classification into stages 1, 2 and 3; Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgements used in determination of ECL in accordance with IFRS 7 Financial Instruments: Disclosures requirements

Other Matter

The financial statements of the Bank for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those financial statements on March 31, 2020.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Bank of Africa Rwanda Plc Annual Report and Financial Statements 31 December 2020 for the year ended , but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not 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.

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Responsibilities of Directors for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by Law No. 17/2018 of 13/04/2018 Governing Companies in Rwanda and Regulation No. 28/2019 of 09/09/2019 relating to publication of financial statements and other disclosures by banks, and for such internal control as Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank'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 the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of Directors' 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 Bank'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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless the law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

As required by the Law No. 17/2018 of 13/04/2018 Governing Companies in Rwanda and Regulation No. 28/2019 of 09/09/2019 relating to publication of financial statements and other disclosures by banks, we report to you based on our audit, that:

(i) 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;
(ii) Proper accounting records have been kept by the company, so far as appears from our examination;
(iii) We have no relationship, interest or debt with the Bank of Africa Rwanda Plc. As indicated in our report on the financial statements, we comply with ethical requirements. These are the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), which includes comprehensive independence and other requirements.
(iv) We have reported internal control matters together with our recommendations to management in a separate management letter.
(v) According to the best of the information and the explanations given to us as the auditor, as shown by the accounting and other documents of the company, the annual accounts comply with Article 123 of Law No. 17/2018 of 13/04/2018 Governing Companies in Rwanda.

The engagement partner on the audit resulting in this independent auditor's report is CPA Wilson Kaindi – PC/CPA/0642/0123.

KPMG Rwanda Limited
Certified Public Accountants
P. O. Box 6755
Kigali, Rwanda
Date: 12 May 2021

KPMG RWANDA
12 MAY 2021
P. O. ... KIGALI RWANDA
TEL: +250 252 579790

Statement of profit or loss and other comprehensive income for the year ended 31 December 2020

	Notes	31-Dec-20 Frw'000	31-Dec-19 Frw'000
Revenue			
Interest income	4	6,748,659	5,254,708
Interest expense	5	(2,584,539)	(1,818,868)
Net interest income		**4,164,120**	**3,435,840**
Fee and commission income	6 (a)	706,538	382,292
Fee and commission expense	6 (b)	(145,628)	(122,051)
Net fee and commission income		**560,910**	**260,241**
Net trading income	7	320,945	242,435
Other operating income	8	358,383	137,498
Total operating income		**5,404,358**	**4,076,017**
Operating expenses			
Impairment losses on loans and advances	9	(443,399)	(1,032,031)
Employee benefits	10	(2,132,081)	(1,753,450)
Depreciation-Right of Use Assets	29 (a)	(218,521)	(288,270)
Depreciation and amortisation	18;19	(590,448)	(558,365)
Other operating expenses	11	(1,195,699)	(1,171,346)
Operating profit/ (loss)		**824,210**	**(727,448)**
Finance costs	29 (b)	(319,040)	(221,316)
Profit/ (loss) before income tax		**505,170**	**(948,764)**
Income tax expense	12 (c)	(64,138)	-
Net Profit/ (loss) for the year		**441,032**	**(948,764)**
Other comprehensive income			
Other comprehensive income		-	-
Total comprehensive income/ (loss) for the year		**441,032**	**(948,764)**

The notes on pages 57 to 93 are an integral part of these interim financial statements.

Statement of financial position as at 31 December 2020

	Notes	31-Dec-20 Frw'000	31-Dec-19 Frw'000
ASSETS			
Cash and balances with National Bank of Rwanda	13	10,433,260	5,963,150
Deposits and balances due from other banking institutions	14	26,217,542	12,045,784
Deposits due from financial institutions abroad	25	3,861,537	1,562,216
Government securities	15 (a)	20,993,920	11,819,882
Loans and advances to customers	16	28,034,733	19,237,876
Other assets	17	1,486,341	700,594
Property and equipment	18	1,270,019	1,453,568
Right-of-use assets	29 (a)	2,123,220	1,465,858
Intangible assets	19	865,112	708,080
Deferred tax asset	12(a)	104,742	-
Total assets		**95,390,426**	**54,957,008**
LIABILITIES			
Balance due to Central Bank	20	119,601	-
Customer deposits	21	39,785,944	32,015,848
Deposits due to financial institutions	22	58,199	7,934
Lease liabilities	29 (b)	2,482,502	1,750,505
Other liabilities	24	6,841,867	490,299
Borrowings	23	37,392,687	12,592,708
Deferred tax liability	12(b)	168,880	-
Total liabilities		**86,849,680**	**46,857,294**
EQUITY			
Share capital	26 (a)	12,580,870	12,580,870
Share premium	26 (a)	871,740	871,740
Accumulated losses	26 (b)	(4,911,864)	(5,352,896)
Total equity		**8,540,746**	**8,099,714**
Total equity and liabilities		**95,390,426**	**54,957,008**

The financial statements on page 9 to 51 were approved and authorised for issue by the Board of Directors on .....29/04/............2021

Director

Director

Chief Executive Officer

The notes on pages 57 to 93 are an integral part of these financial statements

Statement of Changes in Equity for the year ended 31 December 2020

	Share Capital Frw'000	Share Premium Frw'000	Accumulated Losses Frw'000	Total equity Frw'000
At 1 January 2019	12,580,870	871,740	(4,404,132)	9,048,478
Comprehensive income:				
Loss for the year	-	-	(948,764)	(948,764)
At 31 December 2019	**12,580,870**	**871,740**	**(5,352,896)**	**8,099,714**
At 1 January 2020	12,580,870	871,740	(5,352,896)	8,099,714
Comprehensive income:				
Profit for the year	-	-	441,032	441,032
At 31 December 2020	**12,580,870**	**871,740**	**(4,911,864)**	**8,540,746**

The notes on pages 57 to 93 are an integral part of these interim financial statements.

Statement of cash flows for the year ended 31 December 2020

	Notes	Audited 31-Dec-20 Frw'000	Audited 31-Dec-19 Frw'000
Cash flows from operating activities:			
Profit/(loss) before income tax		505,170	(948,763)
Adjustments for:			
Depreciation on property and equipment	18	392,136	395,487
Amortization of intangible assets	19	198,312	162,878
Provision for risks		1,148	17,036
Finance costs		887,770	530,487
Gain on disposal of assets		-	(3,176)
Depreciation, Interests expense on leased assets		537,561	509,587
Operating loss before changes in operating assets and liabilities		**2,522,097**	**663,536**
Changes in operating assets and liabilities:			
Increase in loans and advances		(8,796,856)	(3,760,638)
Increase in cash reserve requirement		(12,908)	(1,074,412)
(Increase)/decrease in other assets		(863,047)	287,927
Increase in deposits from customers		7,770,095	9,793,285
Increase/(decrease) in deposits due to other banks		50,265	(392,636)
Increase/(decrease) in other liabilities		6,520,449	(206,610)
Cash generated from operations		(1,983,943)	(1,384,312)
Tax Paid		-	-
Net cash used in operating activities		**(1,983,943)**	**(1,384,312)**
Cash flows from investing activities:			
Purchase of property and equipment	18	(208,646)	(148,237)
Government securities and other bonds		(9,174,038)	(6,694,764)
Purchase of intangible assets	19	(376,704)	(359,245)
Proceeds from sale of fixed assets		-	3,176
Net cash used in investing activities		**(585,350)**	**(504,306)**
Cash flows used in financing activities:			
Interest paid		(887,770)	(530,489)
Borrowings received	23 (c)	24,799,979	9,592,708
Net cash generated from financing activities		**23,912,209**	**9,062,219**
Net increase in cash and cash equivalents		**21,342,916**	**7,173,601**
Cash and cash equivalents at 01 January		17,648,594	10,474,993
Cash and cash equivalents at 31 December	**28**	**38,991,510**	**17,648,594**

The notes on pages 57 to 93 are an integral part of these financial statements

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NOTES TO THE **FINANCIAL STATEMENTS**

1 .General Information

Bank of Africa Rwanda Plc (the "bank") is a limited liability company incorporated and domiciled in Rwanda. The Bank's registered office is at:
Bank of Africa Rwanda PLC
KN 2 Nyarugenge
Nyarugenge, Chic Complex
P.O Box 265
Kigali
Rwanda

These annual financial statements as at and for the twelve months ended 31 December 2020 are for the Bank as identified above.

Bank of Africa Rwanda Plc is a bank licensed to provide retail banking services to corporate, small and medium size enterprises and retail customers in various parts of Rwanda.

2 .Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

(a) Basis of preparation.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by Law No. 17/2018 of 13/04/2018 Governing Companies and Regulation No. 28/2019 of 09/09/2019 relating to publication of financial statements and other disclosures by banks.
They were authorized for issue by the bank's board of directors on ....

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in thousands of Rwandan francs (Frw '000), which is the Bank's functional currency, rounded to the nearest thousand.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income. Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in the available-for-sale reserve in equity.

(c) Lease

The bank recognises right of use of assets and lease liability in statement of financial position.
It also recognises depreciation of the right-of-use asset and interest on the lease liability in statement of comprehensive income.

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into (or changed) on or after 1 January 2019.

Bank acting as a lessee
At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

i. fixed payments, including in-substance fixed payments;
ii. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
iii. amounts expected to be payable under a residual value guarantee; and
iv. the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(d) Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within 'interest income' or 'interest expense' respectively in the Statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised 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. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. 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 recognised using the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.

(e) Fees and commission income

Fees and commissions are generally recognised 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 recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction.

(f) Operating expenses

Operating expenses include office expenses, travel expenses, professional charges, audit fees, postage and communication, training expenses and other operating expenses. General operating expenses incurred in the current period are recognized in profit or loss. Any payment in excess of the expenses incurred during the period is recorded in the statement of financial position under prepayments. Expenses incurred but not paid for in the current period are accrued in the current year.

(g) The impact of COVID-19 pandemic

The COVID-19 pandemic affected the whole world both in terms of people's lives and economies. Bank of Africa Rwanda's loan portfolio was affected as well. The crisis pushed borrowers to recourse to loan restructuring for them to ease their financial situation so that they can resume servicing their loans.

Restructured loans

Number of files	Segment	Amounts Frw '000
5	CORPORATE	298,300
298	RETAIL	3,278,613
66	SME	1,611,078
369	**Total**	**5,187,991**
Gain on modification		283,928

(h) Financial instruments- Initial Recognition

h.1. Date of recognition

The Bank initially recognizes loans and advances, deposits and debt securities on the date at which they are originated. All other financial assets and liabilities (including assets designated at fair value through profit or loss) are initially recognized on the trade date on which the Bank becomes a party to the contractual provision of the instrument.

h.2. Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments.

A financial asset or liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue. Subsequent to initial recognition, financial liabilities (deposits and debt securities) are measured at their amortized cost using the effective interest method.

h.3. Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. On initial recognition, a financial asset is measured at either:
- amortised cost. See J.3.1
- FVOCI. J.3.2
-FVTPL. J.3.3

The Bank classifies and measures its derivative and trading portfolio at FVPL.
The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

h.3.1.1 Due from banks, loans and advances to customers, financial investments at amortized cost.

The Bank measures Due from banks, Loans and advances to customers and other financial investments at amortized cost only if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

- The details of these conditions are outlined below.

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Bank's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

J.3.1.2 Solely Payments of Principal and Interest (SPPI Test)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Repayment and extension terms;
- Terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Bank holds a portfolio of long-term fixed rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty.

The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

H.3.2. Derivatives financial instruments measured at Fair Value through Profit and Loss (FVTPL)

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the ‹underlying›).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Bank enters into swap derivative transactions with central bank. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Derivatives are settled net in cash on a regular basis through central clearing house are only recognized to the extent of the overnight outstanding balance. Changes in the fair value of derivatives are included in net trading income and no hedge accounting is applied on those derivatives.

H.3.3 Financial assets or financial liabilities held for trading

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established. Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

h.4. Modification of loans

The bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to
Customers. When this happens, the bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a ‹new› asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result inderecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control. The Bank enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as ‹pass through› transfers that result in derecognition if the Bank:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
(ii) Is prohibited from selling or pledging the assets; and
(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Bank retains a subordinated residual interest.

(I) Derivative financial instruments

Derivatives, which comprise solely forward foreign exchange contracts, are initially recognised at fair value on the date the derivative contract is entered into and are subsequently measured at fair value. The fair value is determined using forward exchange market rates at the balance sheet date or appropriate pricing models. The derivatives do not qualify for hedge accounting. Changes in the fair value of derivatives are recognised immediately in the Statement of comprehensive income.

(J) Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are classified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to customers or placements with other banks, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

(k) Offsetting

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

(l) Property and equipment

Land and buildings comprise mainly branches and offices. All property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of these assets.
Subsequent expenditures are included in the asset's carrying amount or are recognised 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 derecognised. All other repair and maintenance costs are charged to 'operating expenses' during the period in which they are incurred.

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:

Refurbishment, Fixtures, fittings and equipment	10 years
Computers	4 years
Motor vehicles	4 years

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

The Bank assesses at each balance sheet 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 recognised 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These are included in "other income" in the Statement of comprehensive income.

(m) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three years).
Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is ability to use or sell 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.

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Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding three years).

(n) Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.
Income tax payable on taxable profits is recognized as an expense for the year in which the profits arise.

Income tax recoverable on tax allowable losses is recognized as a current tax asset only to the extent that it is regarded as recoverable and offset against taxable profits arising in the current or future reporting period.

Deferred income tax
Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred income tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be recognized. Such deferred income tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

(o) Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the same entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to recognize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset recognized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(p) Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including: notes and coins on hand, unrestricted balances deposited with the National Bank of Rwanda and highly liquid assets, subject to insignificant risk of changes in their fair value.
Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(q) Employee benefits

(i) Retirement benefit obligations
The Bank operates a defined contribution retirement benefit scheme for all its permanent confirmed employees. The Bank and all its employees also contribute to the Rwanda Social Security Board, which is a defined contribution scheme.

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.

(ii) Other entitlements
The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

(r) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the Statement of comprehensive income over the period of the borrowings using the effective interest method.

(s) Share capital

Ordinary shares are classified as 'share capital' in equity and measured at the fair value of consideration receivable without subsequent remeasurement. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(t) Dividends

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.

(u) Acceptances and letters of credit

Acceptances and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

(u) Contingent liabilities

Letters of credit, acceptances and guarantees are not recognized on the statement of financial position and are disclosed as contingent liabilities. Estimates of the outcome and the financial effect of contingent liabilities is made by management based on the information available up to the date the financial statements are approved for issue by the directors. Any expected loss is charged to profit or loss.

(w) Government Grant

Grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.
Receipt of a grant does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled. Grants received are treated as unexpended grants payable and credited to the statement of comprehensive income when all conditions attaching to the grants are met.
When the grant relates to an expense item, (revenue grant) it is recognised as income over periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.
Where the grant relates to an asset, (capital grant) it is recognised in the Statement of Comprehensive income on a systematic basis over the expected useful life of the relevant asset.

(x) Use of judgments and estimates

Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements.

The classification of financial assets includes the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

The impairment of financial instruments includes the assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses (ECL).

The COVID-19 pandemic and its effect on the global economy have impacted our customers, operations and Bank performance. The outbreak necessitated governments to respond at unprecedented levels to protect the health of the population, local economies and livelihoods. It has affected different regions at different times and at varying degrees and there remains a risk of subsequent waves of infection. Thus the pandemic has significantly increased the estimation uncertainty in the preparation of these financial statements including:

- the effectiveness of government and central bank measures to support businesses and consumers through this disruption and economic downturn,
- the extent and duration of the disruption to business arising from the actions of governments, businesses and consumers to contain the spread of the virus; and
- the extent and duration of the expected economic downturn, and subsequent recovery. This includes the impacts on capital markets and liquidity, credit quality, increasing unemployment, declines in consumer spending, reductions in production, and other restructuring activities

The Bank has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2020 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are often outside the control of the Bank. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets.

The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note of these financial statements. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.

Other estimates covered in the respective policy notes are summarized below:
- Determination of useful lives of property and equipment and for the right of use assets
- Determining recoverability of deferred tax assets

(y) New standards, amendments and interpretations

The accounting policies set out below have been applied consistently to all years presented on these financial statements and have been applied consistently by the Bank.

(i)New standards, amendments and interpretations effective and adopted during the year

The Bank has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

The Bank also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2018-2020 Cycle.

IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. This change did not have an impact on the Bank's financial statements.

IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. This change did not have an impact on the Bank's financial statements.

- Covid-19-Related Rent Concessions – amendments to IFRS 16
- As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. The concessions for the Bank took the form of rebates on the payments. The Bank has assessed the payment rebates and treated these concessions as variable lease payments. The rent concessions did not have any impact on the Bank's financial statements.

- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7. This did not have an impact on the Bank's financial statements as the Bank does not have hedging contracts.

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

(ii)New standards, amendments and interpretations issued not yet effective

The below new accounting standards and interpretations have been published which are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Bank.

Standard	Key requirements	Effective Date *
IFRS 17 Insurance Contracts	IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.	Originally 1 January 2021, but extended to 1 January 2023 by the IASB in March 2020
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non- current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.	1 January 2022 [deferred to 1 January 2023]
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non- monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively. ** In December 2015 the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.	n/a **

3. Financial risk management

3.1 Credit Risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises mainly from commercial and consumer loans and advances and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees, letters of credit and acceptances.

The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures'), including settlement balances with market counterparties and reverse repurchase loans.

Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team, which reports to the Board of Directors through the Chief Executive Officer and head of each business unit regularly.

Exposure at default (ED)

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 discounted by commutation factor. 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 (LGD)

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.

Significant increase in credit risk

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

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Forward-looking information incorporated in the ECL models

The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario"). The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD. In addition to the base economic scenario, the Bank's credit team also provide other possible scenarios along with scenario weightings. The three scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Bank measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). This probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As at 31 December 2020, the base case assumptions have been updated to reflect the rapidly evolving situation with respect to COVID-19. This includes an assessment of the impact of Central Bank policies, governments' actions, the response of business, and institution specific responses (such as repayment deferrals). These are considered in determining the length and severity of the forecast economic downturn. The expected outcomes of key economic drivers for the base case scenario as at 31 December 2020 are described below.

The most significant period-end assumptions used for the ECL estimate as at 31 December 2020 is set out below. The scenarios "base", "upturn" and "downturn" were used for all portfolios.

Macro-economic Factors	Base	Upturn	Downturn
Lending Rate	17.00%	16.70%	17.03%
GDP Growth Rate	6%	8%	2%
CPI	138	135	140

The weightings assigned to each economic scenario at 31 December were as follows:

As at 31 December 2020	Base	Upturn	Downturn
Scenario probability weighting	77.05%	18.03%	4.92%
As at 31 December 2019	**Base**	**Upturn**	**Downturn**
Scenario probability weighting	78.33%	16.67%	5.00%

3.1.1 Credit risk exposure

3.1.1.1 Maximum exposure to credit risk — Financial instruments subject to impairment

	Loans and advances 2020			
	Stage 1 12 month ECL Frw'000	ECL staging Stage 2 Lifetime ECL Frw'000	Stage 3 Lifetime ECL Frw'000	Total Frw'000
Normal	25,469,850	-	-	25,469,850
Watch	-	2,533,607	-	2,533,607
Default	-	-	1,245,472	1,245,472
Gross carrying amount	**25,469,850**	**2,533,607**	**1,245,472**	**29,248,929**
Loss allowance	(327,779)	(120,512)	(765,905)	(1,214,196)
Carrying amount	**25,142,071**	**2,413,095**	**479,567**	**28,034,733**

	Loans and advances 2019			
	Stage 1 12 month ECL Frw'000	ECL staging Stage 2 Lifetime ECL Frw'000	Stage 3 Lifetime ECL Frw'000	Total Frw'000
Normal	17,017,920	-	-	17,017,920
Watch	-	2,144,554	-	2,144,554
Default	-	-	948,006	948,006
Gross carrying amount	**17,017,920**	**2,144,554**	**948,006**	**20,110,480**
Loss allowance	(198,329)	(524,467)	(149,808)	(872,604)
Carrying amount	**16,819,591**	**1,620,087**	**798,198**	**19,237,876**

	Government Securities 2020			
	Stage 1 12 month ECL Frw'000	ECL staging Stage 2 Lifetime ECL Frw'000	Stage 3 Lifetime ECL Frw'000	Total Frw'000
Normal	20,341,477	-		20,341,477
Gross carrying amount	20,341,477	-	-	20,341,477
Loss allowance	(5)	-	-	(5)
Carrying amount	**20,341,472**	**-**	**-**	**20,341,472**

	Government securities			
	2019			
	ECL staging			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	Frw'000	Frw'000	Frw'000	Frw'000
Normal	11,480,619	-		11,480,619
Gross carrying amount	11,480,619	-	-	11,480,619
Loss allowance	(52,442)	-	-	(52,442)
Carrying amount	**11,428,177**	**-**	**-**	**11,428,177**

	Other financial instruments				Other financial instruments
	2020				2019
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
Balance with other banks	15,946,677	-		15,946,677	11,298,750
Placement with other banks	14,100,888			14,100,888	2,306,294
Gross carry amount	30,047,565	-	-	30,047,565	13,605,044
Loss allowance	(3,873)	-	-	(3,873)	-
Carrying amount	**30,043,692**	**-**	**-**	**30,043,692**	**13,605,044**

	Government securities 2019			
	December 2019			
	ECL staging			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	Frw'000	Frw'000	Frw'000	Frw'000
Normal	11,480,619	-		11,480,619
Gross carrying amount	11,480,619	-	-	11,480,619
Loss allowance	(52,442)	-	-	(52,442)
Carrying amount	**11,428,177**	**-**	**-**	**11,428,177**

	Guarantees and commitments 2020			
	December 2020			
	ECL staging			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	Frw'000	Frw'000	Frw'000	Frw'000
Normal	6,267,100	-	-	6,267,100
Watch	-	-	-	-
Gross carrying amount	6,267,100	-	-	6,267,100
Loss allowance	(1,028)	-	-	(1,028)
Carrying amount	**6,266,072**	-	-	**6,266,072**

	Guarantees and commitments 2019			
	December 2019			
	ECL staging			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	Frw'000	Frw'000	Frw'000	Frw'000
Normal	3,087,595	-	-	3,087,595
Watch	-	-	-	-
Gross carrying amount	3,087,595	-		3,087,595
Loss allowance	-	-	-	-
Carrying amount	**3,087,595**	-	-	**3,087,595**

3.1.1 Credit risk exposure

3.1.1.2 Collateral and other credit enhancements

The Bank employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Bank has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Bank employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Bank has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Bank prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Mortgages over residential and commercial properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities; and
- Commitments and letters of undertaking from the Government of Rwanda.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured. Derivatives are not collateralised.

The Bank›s policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses.

Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

31 December 2020	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Impairment allowance Frw'000	Carrying amount Frw'000	Fair value of collateral Frw'000
Overdraft	1,908,073	57,116	73,174	(96,212)	1,942,473	3,012,046
Treasury loan	8,876,910	1,356,978	503,222	(311,450)	10,425,660	14,260,766
Agriculture loans	3,778,447	-	-	(19,968)	3,758,479	1,650,072
Equipment loan	1,661,308	302,480	543,099	(580,772)	1,926,115	2,680,170
Consumer loan	418,506	36,817	58,154	(73,805)	439,350	525,315
Mortgage loan	8,826,603	780,216	67,826	(131,989)	9,542,656	11,427,523
	25,469,847	**2,533,607**	**1,245,475**	**(1,214,196)**	**28,034,733**	**33,555,892**

31 December 2019	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Impairment allowance Frw'000	Carrying amount Frw'000	Fair value of collateral Frw'000
Overdraft	1,149,762	51,554	119,562	(49,275)	1,271,603	3,364,346
Treasury loan	5,748,955	646,904	402,944	(99,190)	6,699,612	18,798,913
Agriculture loans	1,029,378	-	289	(237)	1,029,430	1,675,213
Equipment loan	1,612,952	725,181	40,686	(534,868)	1,843,951	4,773,284
Consumer loan	731,279	27,862	64,473	(79,873)	743,740	1,288,894
Mortgage loan	6,745,594	693,053	320,053	(109,160)	7,649,540	16,236,304
	17,017,920	**2,144,554**	**948,007**	**(872,603)**	**19,237,876**	**46,136,954**

3.1.1.3 Write-off policy

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Bank›s recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Bank may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the period ended 31 December 2020 was Frw 185 million. The Bank still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

3.1.2.4 Modification of financial assets

The Bank sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Bank monitors the subsequent performance of modified assets. The Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage

2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

3.1.2.5 Concentration of credit risk

The Bank's financial instruments do not represent a concentration of credit risk because the Bank deals with a variety of customers and its loans and advances are structured and spread among a number of customers. The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

	31 December 2020		31 December 2019	
	Frw'000	%age	Frw'000	%age
Overdraft	2,038,364	7%	1,320,878	7%
Treasury loan	11,305,272	39%	6,798,803	34%
Agriculture loans	3,778,447	13%	1,029,667	5%
Equipment loan	2,504,417	9%	2,378,819	12%
Consumer loan	513,478	2%	823,613	4%
Mortgage loan	9,107,120	31%	7,758,700	39%
Education Loan	1,830	0%	-	0%
	29,248,928		**20,110,480**	

3.2 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 maintains 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. 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.

The table below presents the undiscounted cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the statement of financial position date and from financial assets by expected maturity dates.

At 31 December 2020	1-3 months Frw'000	3-12 months Frw'000	1-5 years Frw'000	Over 5 years Frw'000	Total Frw'000
Liabilities					
Customer deposits	19,509,835	19,729,555	546,554	-	39,785,944
Deposits and balances due to banking institutions	-	58,199	-	-	58,199
Lease liabilities				2,482,502	2,482,502
Borrowings	17,819,689	19,572,998	-	-	37,392,687
Other liabilities	6,841,867				6,841,867
	44,171,391	39,360,752	546,554	2,482,502	86,561,199
Assets					
Cash and bank balances with National Bank of Rwanda	10,541,660	-	-	-	10,541,660
Deposits and balances due from banking institutions	26,217,542	-	-	-	26,217,542
Amounts due from group companies	3,861,669	-	-	-	3,861,669
Loans and advances to customers	3,072,887	6,161,377	10,565,018	8,235,450	28,034,732
Government securities	-	-	2,430,486	18,563,434	20,993,920
Right of use of assets				2,123,220	2,123,220
Other assets	1,377,940	-	-	-	1,377,940
	45,071,698	**6,161,377**	**12,995,504**	**28,922,104**	**93,150,683**
Net liquidity gap 2020	**900,307**	**(33,199,375)**	**12,448,950**	**26,439,602**	**6,589,484**
At 31 December 2019					
Net liquidity gap	**(4,249,804)**	**(18,472,657)**	**10,709,141**	**15,090,729**	**3,077,409**

At 31 December 2020	1-3 months Frw'000	3-12 months Frw'000	1-5 years Frw'000	Over 5 years Frw'000	Total Frw'000
Liabilities					
Customer deposits	19,509,835	14,430,087	-	-	29,738,734
Deposits and balances due to banking institutions	-	58,199	-	-	58,199
Lease liabilities				2,482,502	2,482,502
Borrowings	17,819,689	19,572,998	-	-	37,392,687
Other liabilities	6,841,867				6,841,867
	44,171,391	**39,360,752**	**546,554**	**2,482,502**	**86,561,199**
Assets					
Cash and bank balances with National Bank of Rwanda	10,541,660	-	-	-	10,541,660
Deposits and balances due from banking institutions	26,217,542	-	-	-	26,217,542
Amounts due from group companies	3,861,669	-	-	-	3,861,669
Loans and advances to customers	3,072,887	6,161,377	10,565,018	8,235,450	28,034,732
Government securities	-	-	2,430,486	18,563,434	20,993,920
Right of use of assets				2,123,220	2,123,220
Other assets	1,377,940	-	-	-	1,377,940
	45,071,698	**6,161,377**	**12,995,504**	**28,922,104**	**93,150,683**
Net liquidity gap 2020	**900,307**	**(33,199,375)**	**12,448,950**	**26,439,602**	**6,589,484**
At 31 December 2019					
Net liquidity gap	**(4,249,804)**	**(18,472,657)**	**10,709,141**	**15,090,729**	**3,077,409**

At 31 December 2019	1-3 months Frw'000	3-12 months Frw'000	1-5 years Frw'000	Over 5 years Frw'000	Total Frw'000
Liabilities					
Customer deposits	14,430,087	15,308,647	-	-	29,738,734
Deposits and balances due to banking institutions	-	5,029,935	-	-	5,029,935
Amounts due to group companies	7,934	-	-	-	7,934
Other borrowed funds	12,597,151	-	-	-	12,597,151
Other liabilities	490,298	-	-	-	490,298
Total liabilities	**27,525,470**	**20,338,582**	**-**	**-**	**47,864,052**
At 31 December 2019 Assets					
Cash and bank balances with National Bank of Rwanda	5,963,150	-	-	-	5,963,150
Deposits and balances due from banking institutions	12,115,084	-	-	-	12,115,084
Amounts due from group companies	1,526,888	-	-	-	1,526,888
Loans and advances to customers	3,391,963	1,865,925	9,558,041	4,421,947	19,237,876
Government securities	-	-	1,151,100	10,668,782	11,819,882
Other assets	278,581	-	-	-	278,581
Total assets	**23,275,666**	**1,865,925**	**10,709,141**	**15,090,729**	**50,941,461**
Net liquidity gap	**(4,249,804)**	**(18,472,657)**	**10,709,141**	**15,090,729**	**3,077,409**

3.3 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, foreign currencies and equity products, all 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 optimising 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 the ALCO) and for the day to day implementation of those policies.

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 summarises the Bank's exposure to foreign currency exchange rate risk. Included in the table are the Bank's financial instruments, categorised by foreign currency.

	2020 USD Frw'000	2019 USD %age
Assets		
Cash and balances with National Bank of Rwanda	700,858	819,286
Deposits and balances due from banking institutions	52,949	24,268
Deposits due from financial institutions abroad	3,440,859	865,537
Total assets	**4,169,666**	**1,709,091**
Liabilities		
Customer deposits	7,616,636	6,002,461
Deposits due to financial institutions	52,415	46,469
Total liabilities	**7,669,051**	**6,048,930**
Net on-balance sheet position	**(3,474,385)**	**(4,339,839)**

The bank is managing the gap by purchasing USD from clients

The bank is managing the gap by purchasing USD from clients

The bank targets to have its net open position below -20%. The bank ordinarily receives more USD amounts from its clients compared to the other foreign currencies.

At 31 December 2020, if the functional currency had strengthened/weakened by 4% against the foreign currencies with all other variables held constant, the pre-tax loss for the year would have been Frw 135 million (2019: Frw 153 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated financial assets and liabilities. The percentage change used in the sensitivity represents the depreciation of the FRW to the respective currencies.

Gap analysis

Under this, interest sensitive assets and liabilities are classified into various time bands according to their maturity in the case of fixed interest rates, and residual maturity towards next pricing date in the case of floating exchange rates. The size of the gap in a given time band is analysed to study the interest rate exposure and the possible effects on the Bank's earnings.

In order to evaluate the earnings exposure, interest Rate Sensitive Assets (RSA) in each time band are netted off against the interest Rate Sensitive Liabilities (RSL) to produce a repricing gap for that time band. A positive gap indicates that the Bank has more RSA and RSL. A positive of asset sensitive gap means that an increase in market interest rates could cause an increase in the net interest margin and vice versa. Conversely, a negative or liability sensitive gap implies that the Bank's net interest margin could decline as a result of increase in market rates and vice versa.

At 31 December 2020, if the interest rates on interest bearing assets and liabilities had been 200 basis points higher/lower with all other variables held constant, the pre-tax loss for the year would have been Frw 90 million (2019: Frw 83 million) higher/lower.

The table below summarises the Bank's exposure to interest rate risk. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

At 31 December 2020	1-3 months	3-12 months	Over 1 year	Non-interest bearing	Total
Assets					
Cash and bank balances with National Bank of Rwanda	-	-	-	10,541,660	10,541,660
Deposits and balances due from banking institutions	26,217,542	-	-	-	26,217,542
Amounts due from group companies	3,861,669	-	-	-	3,861,669
Loans and advances to customers	3,072,887	5,951,429	19,010,416	-	28,034,732
Government securities	-	-	20,993,920	-	20,993,920
Other assets	-	-	-	1,377,940	1,377,940
Total assets	**33,152,098**	**5,951,429**	**40,004,336**	**11,919,600**	**80,485,803**
Liabilities					
Customer deposits	-	19,729,555	546,554	19,509,835	39,785,944
Deposits and balances due to banking institutions	-	58,199	-	-	58,199
Other borrowed funds	17,819,689	19,572,998	-	-	37,392,687
Other liabilities	6,820,063	-	-	490,298	7,310,361
Total liabilities	**24,639,752**	**19,572,998**	**546,554**	**20,000,133**	**84,547,191**
Interest rate sensitivity gap	**8,512,346**	**(13,621,569)**	**39,457,782**	**-**	**34,348,559**

At 31 December 2019	1-3 months	3-12 months	Over 1 year	Non-interest bearing	Total
Assets					
Cash and bank balances with National Bank of Rwanda	-	-	-	5,963,150	5,963,150
Deposits and balances due from banking institutions	12,045,784	-	-	-	12,045,784
Amounts due from group companies	1,562,216	-	-	-	1,562,216
Loans and advances to customers	3,391,963	1,865,925	13,979,988	-	19,237,876
Government securities	-	-	11,819,882	-	11,819,882
Other assets	-	-	-	278,581	278,581
Total assets	**16,999,963**	**1,865,925**	**25,799,870**	**278,581**	**44,944,339**
Liabilities					
Customer deposits	-	14,684,529	-	14,430,087	29,114,616
Deposits and balances due to banking institutions	-	2,901,232	-	-	2,901,232
Amounts due to group companies	7,934	-	-	-	7,934
Other borrowed funds	12,592,708	-	-	-	12,592,708
Other liabilities	-	-	-	498,232	498,232
Total liabilities	**12,600,642**	**17,585,761**	**-**	**14,928,319**	**45,114,722**
Interest rate sensitivity gap	**4,399,321**	**(15,719,836)**	**25,799,871**	**-**	**14,479,356**

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.

3.4 Fair values of financial assets and liabilities

The fair value of held-to-maturity investment securities, loans and advances and other financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual repricing or maturity dates as set out above. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that the directors expect would be available to the Bank at the balance sheet date.

3.5 Capital management

The Bank monitors the adequacy of its capital using ratios established by National Bank of Rwanda. These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets, off balance sheet commitments and market risk positions at weighted amounts to reflect their relative risk.

The market risk approach covers the general market risk and the risk of open positions in currencies and debt, equity securities. Assets are weighted according the amount of capital deemed necessary to support them. Four categories of risk weights (0%, 20%, 50% and 100%) are applied, for example cash and money market instruments have zero risk weighting which means that no capital is required to support the holding of these assets. Property and equipment carries 100% risk weighting, meaning that it must be supported by capital equal to 12% of the carrying amount. Certain asset categories have intermediate weightings.

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the balance sheet, are:

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

Capital adequacy and use of regulatory capital are monitored regularly by management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Central Bank for supervisory purposes. The required information is filed with the Central Bank on a monthly basis.

The Central Bank requires each bank to:

a) maintain a ratio of total regulatory capital to the risk-weighted assets plus risk-weighted off-balance sheet assets (the 'Basel ratio') at or above the required minimum of 10%; and

b) to maintain total capital of not less than 15% of risk-weighted assets plus risk-weighted off-balance sheet items

3.6 Capital management

The Bank's total regulatory capital is comprised of Tier 1 capital (core capital): share capital, share premium, prior year's retained profits, net-after tax profits current year – to – date (50% only) less deductions Goodwill and other intangible assets, current year losses, prohibited loans to insiders, Deficiencies in provisions for losses and other deductions as determined by Central Bank.

Tier 2 capital (Supplementary capital) is comprised of 25% of revaluation reserves on fixed assets, subordinated debt, permanent debt instruments and any other capital as may be determined by the Central Bank.
The table below summarises the composition of regulatory capital and the ratios of the Bank at 31 December 2020 and 2019 determined in accordance with National Bank of Rwanda regulatory returns:

The risk weighted assets are measured by means of a hierarchy of four risk categories classified according to the nature of the asset and reflecting an estimate of the credit risk associated with each asset and counterparty, taking into account any eligible collateral or guarantees.

A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

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	2020	2019
	Frw'000	Frw'000
Tier 1 capital		
Ordinary share capital	12,580,870	12,580,870
Share premium	871,740	871,740
Reserves:		
Prior years' retained earnings	(5,352,896)	(4,404,133)
Less;		
Intangible assets	(865,112)	(708,080)
Current year profit/(loss)	441,032	(948,763)
Tier 1 capital	7,675,634	7,391,634
Tier 2 capital		
Regulatory reserve	448,292	358,248
Total Capital	**8,123,926**	**7,749,882**
Risk-weighted assets	**41,384,291**	**28,659,778**
Capital ratios		
Total minimum regulatory capital expressed as a % of total risk-weighted assets	15%	15%
Total capital expressed as a % of risk-weighted assets	19.63%	27.04%

4. Interest income	31-Dec-20 Frw'000	31-Dec-19 Frw'000
Interest on loans and advances	3,280,441	2,858,121
Credit related fees and commission income	593,415	544,883
Government securities	1,934,347	1,059,020
Placements with banks	940,211	792,684
Other	245	-
	6,748,659	**5,254,708**

5. Interest expenses	31-Dec-20 Frw'000	31-Dec-19 Frw'000
Customer deposits	1,528,782	1,288,382
Interest on short/long borrowings	886,900	464,655
Interest on swap	167,987	65,831
Other	871	-
	2,584,539	**1,818,868**

6. Fees and Commission income		31-Dec-20 Frw'000	31-Dec-19 Frw'000
a)	Commission income		
	Account maintenance fees and commissions	194,239	141,725
	Transfer fees	11,108	24,617
	Commission on guarantees	155,998	74,592
	Other banking income	345,193	141,358
		706,538	**382,292**
b)	Commission charges		
	Mobile banking	9,295	16,231
	ATM fees	37,085	74,452
	Transfer charges	13,839	15,505
	Bank charges	27,201	12,210
	Other banking charges	58,208	3,653
		145,628	**122,051**
	Net fees and commission income	**560,910**	**260,241**

7. Foreign exchange income	31-Dec-20 Frw'000	31-Dec-19 Frw'000
Income from trading	341,313	196,268
Gains on foreign exchange differences	(20,368)	46,167
	320,945	**242,435**

8. Other operating income	31-Dec-20 Frw'000	31-Dec-19 Frw'000
Gain on disposal of assets	-	3,176
Other income	54,175	-
Gain on restructured loan	283,928	134,322
Fair value of staff loan	20,280	-
	358,383	**137,498**

9. Impairment losses on loan and advances	31-Dec-20 Frw'000	31-Dec-19 Frw'000
Impairment losses in the year	965,846	1,841,247
Write back of impairment losses	(438,864)	(775,175)
Recovery of written-off loan	(83,583)	(34,042)
	443,399	**1,032,031**

10. Employee benefits	31-Dec-20 Frw'000	31-Dec-19 Frw'000
Salaries and wages	1,535,871	1,304,326
Medical expenses	74,819	66,383
Trainings	136,599	135,141
Pension contributions	26,120	32,503
Staff life insurance	34,973	31,341
Other staff costs	191,653	183,756
Staff benefit on loans expenses	132,046	-
	2,132,081	**1,753,450**

11. Other operating expenses	31-Dec-20	31-Dec-19
	Frw'000	Frw'000
Security costs	117,720	115,929
Communication fees	31,238	29,695
Office supplies	44,301	47,271
Board meeting fees	57,819	126,264
Travelling costs	25,807	28,072
Membership contributions	29,998	27,273
Loan recovery costs	21,288	40,761
Marketing expenses	62,721	78,521
Transportation fees	12,799	10,641
Rates and taxes	17,566	12,231
Vehicles insurance	22,777	7,825
Contribution to the Deposit Guarantee Fund (DGF)	17,610	15,379
Donations	5,176	2,600
Consultancy cost	5,647	29,177
Core banking software license	148,258	136,392
Audit fees	39,444	38,958
IT costs	389,052	243,996
General expenses	40,469	65,340
Other operating expenses	106,009	115,021
	1,195,699	**1,171,346**

12. Deferred tax

		1.1.2020	Previously unrecognised	Current year movement	Profit/loss charge for the year	31.12.2020
a)	**Deferred tax liabilities**					
	Property and Equipment	-	153,807	15,073	168,880	168,880
	Total deferred tax liabilities	-	153,807	15,073	168,880	168,880
a)	**Deferred tax liabilities**	**1.1.2020**	**Previously unrecognised**	**Current year movement**	**Profit/loss charge for the year**	**31.12.2020**
	Provisions	-	-	104,742	104,742	104,742
	Total deferred tax asset	-	-	**104,742**	**104,742**	**104,742**
(c)	**Net**	-	**(153,807)**	**89,669**	**(64,138)**	**(64,138)**

(d) Unrecognised deferred tax assets

Deferred tax assets of Frw 772,142,400 have not been recognised in respect of accumulated tax losses carried forward. The bank will reassess the recognition of the deferred taxes arising from tax losses at each of the reporting dates and recognise related assets.

Year that the tax losses arose	Amount Frw' 000	Year of expiry
2017	2,474,782	2021
2018	99,026	2022
Total losses carried forward	2,573,808	

e)	Income Tax expenses		
		2020	**2019**
	Current income tax	-	-
	Deferred tax charge (credit) for the year	64,138	-
	Income tax charge	64,138	-

The tax on the company's profit/ (loss) before tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

a) **Deferred tax liabilities**	Effective rate	2020	Effective rate	2019
Accounting profit/(loss)		505,170		(948,764)
Tax calculated at the statutory rate	30%	151,551	(30%)	(284,629)
Tax effect of:				
Non-deductible tax expenses	20%	100,294	9%	87,911
Under/over provision in prior years	(124%)	(187,707)	-	-
Effect of unrecognised tax losses	-	-	21%	196,718
Income tax expense/ (Credit)	(74%)	64,138	-	-

	13. Cash and balances with National Bank of Rwanda	31-Dec-20	31-Dec-19
		Frw'000	Frw'000
	Cash on hand	1,983,422	1,789,306
	Balance with National bank of Rwanda	8,449,838	4,173,844
		10,433,260	**5,963,150**
a)	Cash in hand		
	Cash in foreign currencies	740,920	901,796
	Cash in local currencies	1,242,502	887,510
		1,983,422	**1,789,306**
b)	Due from the National Bank		
	Balances in foreign currencies	194,357	63,987
	Balances in local currencies	8,255,481	4,109,857
		8,449,838	**4,173,844**

14. Deposits and balances due from other banking institutions		31-Dec-20	31-Dec-19
		Frw'000	Frw'000
	Current accounts with other banks	12,084,959	9,736,534
	Call money with accrued receivable interest	4,390,333	2,309,250
	Placement with other banks	9,745,987	-
	Expected Credit Losses on balance due from Banks in Rwanda	(3,737)	-
		26,217,542	**12,045,784**

15. Government securities and derivatives		31-Dec-20	31-Dec-19
		Frw'000	Frw'000
	Treasury Bond	20,341,477	11,480,619
	Accrued interest on treasury bond	652,448	391,705
	Expected credit loss	(5)	(52,442)
		20,993,920	**11,819,882**

16. Loans and advances Analysis of loan advances to customers by category		31-Dec-20	31-Dec-19
		Frw'000	Frw'000
	Term loans	27,210,565	18,818,962
	Overdrafts	2,038,364	1,291,518
	Gross loans and advances	**29,248,929**	**20,110,480**
	Less: Impairment loss on loans and advances	**(1,214,196)**	**(872,604)**
		28,034,733	**19,237,876**
	Movements in provisions for impairment of loans and advances are as follows:		
	At 1 January	872,604	430,075
	Additional provision for the period/year	965,846	1,841,247
	Recoveries on provisions	(438,864)	(775,175)
	Loans written off during the year as uncollectible	(185,390)	(623,543)
		1,214,196	**872,604**

17. Other assets		31-Dec-20	31-Dec-19
		Frw'000	Frw'000
	Prepayments	198,894	174,886
	Stock	42,301	24,931
	Clearing /transitory accounts	3,062	72,256
	Other receivables	1,133,684	428,521
	Derivative – currency swap	108,400	-
		1,486,341	**700,594**

Other receivables are non-interest bearing and are generally on short term period of 30 to 90 days.

The Bank uses the following derivative instruments for non-hedging purposes which comprise solely of currency swaps

Currency swaps held are commitments to exchange one set of cash flows for another and result in an economic exchange of currencies. The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfill their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for lending activities.

Derivatives

The derivative instruments held become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which the instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time. The derivatives held by the Bank are classified as financial assets at fair value through the profit or loss. The fair values of derivative financial instruments held are set out below:

		31-Dec-20	31-Dec-19
		Frw'000	Frw'000
	Currency swaps assets	2,878,070	1,908,786
	Currency swaps liabilities	(2,769,670)	(1,890,863)
		108,400	**17,923**

18. Property, Plant and Equipment

31 December 2020	Computers	Motor vehicles	Refurbishment	Office equipment	Other equipment	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
Cost						
At 1 January 2020	889,686	149,919	1,482,429	218,261	110,281	2,850,575
Additions	44,575	-	144,031	13,762	6,278	208,646
					(59)	(59)
	934,261	**149,919**	**1,626,460**	**232,023**	**116,500**	**3,059,163**
Depreciation						
At 1 January 2020	(569,857)	(126,825)	(441,460)	(188,750)	(70,116)	(1,397,008)
Charge for the year	(176,011)	(23,094)	(154,683)	(21,369)	(16,979)	(392,136)
	(745,868)	**(149,919)**	**(596,143)**	**(210,119)**	**(87,094)**	**(1,789,144)**
Net carrying amount	**188,393**	**-**	**1,030,317**	**21,904**	**29,405**	**1,270,019**

31 December 2019	Computers	Motor vehicles	Refurbishment	Office equipment	Other equipment	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
Cost						
At 1 January 2019	777,876	166,419	1,455,013	205,781	97,250	2,702,339
Additions	111,810	-	27,416	12,480	13,031	164,737
	-	(16,500)	-	-	-	(16,500)
	889,686	**149,919**	**1,482,429**	**218,261**	**110,281**	**2,850,576**
Depreciation						
At 1 January 2029	(389,443)	(112,033)	(294,477)	(168,411)	(53,657)	(1,018,021)
Charge for the year	(180,414)	(31,292)	(146,983)	(20,339)	(16,459)	(395,487)
	(569,857)	**(126,825)**	**(441,460)**	**(188,750)**	**(70,116)**	**(1,397,008)**
Net carrying amount	**319,829**	**23,094**	**1,040,969**	**29,511**	**40,165**	**1,453,568**

19. Intangible assets

	31-Dec-20	31-Dec-19
	Frw'000	Frw'000
Cost		
At 01 January	1,037,719	642,511
Additions	34,199	359,245
Work in progress	342,505	46,317
Transfers	(21,360)	-
	1,393,063	**1,048,073**
Amortization		
At 1 January	329,639	177,115
Charge for the year	198,312	162,878
	527,951	**339,993**
	865,112	**708,080**

20. Balance due to Central bank

Economic Recovery Fund (ERF) loan	140,781	-
Interest payable	871	
Fair value adjustment	(22,050)	
Fair Value of Economic Recovery Fund	119,601	-

The loan from the central bank was recorded at fair value on initial recognition. The bank recorded the difference between the fair value of the loan received from BNR at 5% interest rate and the actual cash received as a Government grant in accordance with IAS 20.

21. Deposits from customers

Demand deposits	18,857,700	13,949,083
Saving Deposits	2,396,528	2,071,196
Fixed term deposits	17,879,581	15,514,565
Collateral deposits	652,134	481,004
	39,785,943	**32,015,848**

22. Deposits due to financial institutions

Bank of Africa – Group companies		
Bank of Africa Uganda	51,503	4,510
Bank of Africa DRC	972	461
Bank of Africa Kenya	5,723	2,963
	58,198	**7,934**

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23. Borrowings

The movement in the borrowings is summarised below:

		2020	2019
	At 1 January	12,592,708	3,000,000
	Accrued interest during the year	128,969	1,845
	Additional receipts	830,327,882	482,603,636
	Payments	(805,656,872)	(473,012,773)
		37,392,687	**12,592,708**

The details as per borrowing contract are summarised below

31 December 2020 Bank	Amount Frw'000	Value date	Maturity date	Interest rate	Accrued payable interest	Total Frw'000
ACCESS BANK	3,500,000	29-Dec-20	05-Jan-21	5.0%	1,438	3,501,438
BNR	2,000,000	29-Dec-20	05-Jan-21	4.5%	740	2,000,740
BNR	2,250,000	30-Dec-20	06-Jan-21	4.5%	561	2,250,561
BNR	5,800,000	31-Dec-20	07-Jan-21	4.5%	715	5,800,715
ZIGAMA	3,000,000	31-Dec-20	07-Jan-21	5.1%	419	3,000,419
BOA- MER ROUGE	291,743	14-Dec-20	15-Feb-21	2.0%	292	292,034
BOA KENYA	972,475	10-Dec-20	11-Jan-21	2.2%	1,307	973,782
	17,814,218				**5,472**	**17,819,690**

31 December 2020 Bank	Amount Frw'000	Value date	Maturity date	Interest rate	Accrued payable interest	Total Frw'000
BOA- MER ROUGE	2,917,425	21-May-20	19-May-21	3.0%	54,702	2,972,127
BOA- MER ROUGE	2,917,425	29-Jun-20	28-Jun-21	2.9%	43,713	2,961,138
BOA- MER ROUGE	972,475	27-Nov-20	1-Mar-21	2.0%	1,891	974,366
BOA- MER ROUGE	4,862,375	27-Nov-20	29-Nov-21	2.4%	11,346	4,873,721
BOA- MER ROUGE	2,917,425	1-Dec-20	1-Mar-21	2.4%	5,903	2,923,328
BOA- MER ROUGE	4,862,375	16-Dec-20	16-Dec-21	2.8%	5,942	4,868,317
31 Dec 2020	**19,449,500**				**123,497**	**19,572,997**

31 December 2019 Bank	Amount Frw'000	Value date	Maturity date	Interest rate	Accrued payable interest	Total Frw'000
ZIGAMA	4,000,000	30-Dec-19	6-Jan-20	5.60%	1,227	4,001,227
ZIGAMA	2,400,000	31-Dec-19	3-Jan-20	5.20%	342	2,400,342
EQUITY	900,000	30-Dec-19	6-Jan-20	5.60%	276	900,276
BANK OF KIGALI	2,139,500	31-Dec-19	3-Jan-20	11.85%	-	2,139,500
BANK OF KIGALI	1,569,026	31-Dec-19	3-Jan-20	12.50%	-	1,569,026
BANK OF KIGALI	1,582,337	31-Dec-19	3-Jan-20	12.50%	-	1,582,337
31 Dec 2019	**12,590,863**				**1,845**	**12,592,708**

The borrowings are unsecured.

24. Other liabilities

		31-Dec-20 Frw'000	31-Dec-19 Frw'000
	Transitory accounts	154,309	57,538
	Social security and taxes	125,308	67,106
	Amount to employees	97,104	6,793
	Staff leave risk provision	74,163	73,437
	Other risk provision	6,474	6,474
	Deferred loan commission	651	3,474
	Clearing account	133,994	-
	Transfers in transit	6,005,984	-
	Payables	243,880	275,477
		6,841,867	**490,299**

The transfer in transit increased due to the borrowed amounts of six billion from financial institution paid on 31st December 2020, but the transaction did not affect the bank's nostro account due to technical issue. It was subsequently cleared off in 2021.

25. Amounts due from financial institution abroad

		31-Dec-20 Frw'000	31-Dec-19 Frw'000
	Bank of Africa-Uganda	90,623	20,826
	Citi bank	3,205,895	417,433
	Bank of Africa –DRC	80,505	3,690
	BMCE SPAIN	271,029	286,447
	Bank of Africa KENYA	62,285	19,221
	Bank of Africa –France	151,341	779,217
	Provision on balance due from banks abroad	(132)	-
		3,861,537	**1,526,834**

26 (a). Share capital

		Number of shares issued & fully paid (thousands)	Ordinary shares Frw'000	Share premium Frw'000
	At 1 January	1,258,087	12,580,870	871,740
	At 31 December	1,258,087	12,580,870	871,740

The total authorised number of ordinary shares is 1,258,087 with a par value of Frw 10,000 per share. All issued shares are fully paid off.

Share Premium

The share premium arose from the issuance of shares at a premium on acquisition of the bank by Bank of Africa Group SA in 2015.

Bank Shareholding

The bank shareholders are as follows:

	Shareholding	Holding	Country of incorporation
	Bank of Africa Group SA	92%	Senegal
	Charles Mporanyi	8%	Rwanda
		100%	

	26 (b) Accumulated losses	31-Dec-20	31-Dec-19
	At 1 January	(5,352,896)	(4,404,132)
	Profit/ (Loss) for the year	441,032	(948,764)
	At 31 December	**(4,911,864)**	**(5,352,896)**

	27. Related parties	31-Dec-20	31-Dec-19
	Loans to directors and key senior management	Frw'000	Frw'000
	Outstanding balance	125,959	184,162

All the transactions with the related parties are priced on arm's length basis and have been entered into in the normal course of business.
No impairment losses have been recorded against balances outstanding during the year and no specific allowance has been made for impairment losses on balances at the year-end.

	Key management compensation	31-Dec-20	31-Dec-19
		Frw'000	Frw'000
	Salaries and wages	319,128	317,409
	Other benefits	157,420	141,040
	Contribution for staff Insurance	7,978	7,935
	Contribution to Rwanda Social Security Board	16,914	16,823
		501,440	**483,207**
	Directors› remuneration		
	Fees for services as directors	**28,036**	**43,744**

In 2020, It was not possible that the Directors held the Board meeting abroad. This affected their compensation.

	Transactions with BOA Group		
	BOA Group support fees	-	29,177
	BOA Group IT fees (license for the core banking software)	148,258	136,392
		148,258	**165,569**

	28. Analysis of cash and cash equivalents	31-Dec-20	31-Dec-19
		Frw'000	Frw'000
	Cash in hand	1,983,422	1,789,306
	Due from the National Bank	8,558,238	4,173,844
	Cash reserve balances with the National Bank	(2,269,833)	(2,282,741)
	Deposits with other banks	15,942,804	11,298,750
	Call money with banks	14,136,275	2,309,250
	T Bonds coupons maturing within 3 months	640,604	360,185
	Cash and cash equivalents	**38,991,510**	**17,648,594**

For the purpose of statement of cash flows, cash and cash equivalents comprise cash on hand, current accounts with National Bank of Rwanda and amounts due from banks and government securities with an original maturity of three months or less (T-Bonds coupons). Banks are required to maintain a prescribed minimum cash balances with the National Bank of Rwanda that is not available to finance day to day activities and is excluded from the computation. The amount is determined as 4% of the average outstanding customer deposits over a cash reserve cycle period of one month.

	29. (a) Right of use of assets.	31-Dec-20	31-Dec-19
		Frw'000	Frw'000
	Lease assets	3,274,355	2,398,472
	Accumulated depreciation	(932,614)	(644,344)
	Depreciation for the year	(218,521)	(288,270)
		2,123,220	**1,465,858**

	(b) Lease liabilities	31-Dec-20	31-Dec-19
		Frw'000	Frw'000
	Lease liabilities	3,274,354	2,398,472
	Accumulated finance cost	830,054	608,738
	Finance cost for the year	319,040	221,316
	Principal payment from inception	(1,940,946)	(1,478,021)
		2,482,502	**1,750,505**

30. Contingent liabilities, Contingent assets and commitments

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

Nature of contingent liabilities		31-Dec-20	31-Dec-19
		Frw'000	Frw'000
	Guarantees and commitments to customers	6,267,100	3,087,595
	Guarantees received	77,222,062	58,033,857
		83,489,162	**61,121,452**

Nature of contingent liabilities
An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The bank expects most acceptances to be presented, and reimbursement by the customer is normally immediate. Letters of credit commit the bank 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 bank will only be required to meet these obligations in the event of the customer's default.

Litigations
The bank is involved in a number of litigations in the normal course of business. The directors believe reported provisions are adequate to cover any expected future cash outflows.

31. Events after Reporting Date

There are no significant reportable events after 31 December 2020 to the date of this report

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