INTEGRATED REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

BANK OF AFRICA
BMCE GROUP

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1 REPORT **OVERVIEW**

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 2022.

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 2022 to 31 December 2022.

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 Bank of Africa Group 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

On behalf of the Board of the bank, I would like to start by expressing our deepest appreciation to the bank management team led by our Managing director Abderrahmane BELBACHIR, who have worked tirelessly to ensure safety of our people and communities.

Their work enabled us to keep on playing our role, as an essential business sector to keep society running.

Most Importantly, during this exercise year 2022, we also took the opportunity to progress our strategic transformation, with the launch of our "Business Strategy 2022-2024". Balance sheet transformation is at the log head of our strategy and is seen as a catalyst to deliver our vision to become among the major and most reliable players in the market environment of our operation.

We owe our bank's record consistent financial performance results for the past 2 years to the invaluable trust and support of our shareholders, the loyalty of our clients, and the resilience of our workforce teams.

Emmanuel Ntaganda
Chairman

MANAGING DIRECTOR **STATEMENT**

Abderrahmane BELBACHIR
Managing Director

BOA Rwanda managed to post resilient results with slower growth in some areas. Profit after tax stood at RWF 2.4 billion, up by 59.9% from 2022 while Return on Equity closed at 11.7%.

Banking remains a risk-based industry and we will remain prudent in our management and pricing of risk. At the same time, we are well placed to take advantage of the opportunities that will undoubtedly arise.

We seek to continuously and consciously engage with our clients to understand their ambitions and customize appealing solutions that help them achieve those ambitions.

Finally, I would like to highlight the remarkable support from my Board of directors, shareholders, and efforts of my colleagues again this year. Their commitment and endurance in challenging circumstances have delivered a seamless service to our customers and the communities that we serve.

Murakoze!

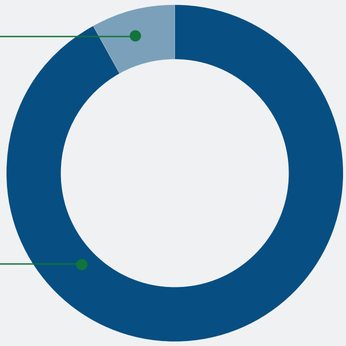
Abderrahmane BELBACHIR
Managing Director

2 GOVERNANCE

SHAREHOLDING **STRUCTURE**

5%

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



95%

Shareholders : B.O.A. GROUP S.A.
Number of shares: 1,900,000
Total value: 19,000,000

100%

Shareholders : All
Number of shares: 2,000,000
Total value: 20,000,000

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 2022.

Independence

2
Non-Independent
DIRECTORS

4
Independent
DIRECTORS

Diversity of gender

From February 2022 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 41 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)

Vincent Gatete

Appointed in May 2021

Qualifications

- Master's in Business administration
- A bachelor's degree in Law.

Expertise and experience

Vincent GATETE is a Senior Business Executive with advanced and versatile experience leading companies in the private sector and good experience in public sector. He is a transformational leader with focus on turn around and driving and executing change and proven experience in driving growth.

Prior to becoming a private consultant, his path was established by many distinguishable senior management responsibili-ties including:

- Legal Officer, Senior Legal Officer and Tax State Attorney and International Affairs Manager at RRA
- Group company Secretary at Crystal Ventures Ltd
- Chief Executive Officer in Crystal Telecom Ltd
- Managing Director in ISCO Ltd
- Chief Commercial Officer at Bank of Kigali
- Chief Executive Officer at Karisimbi Business Partners.

During his work experience of 18years now, he served as a non-executive Board member of several companies.

Betty Sayinzoga

Appointed in January 2021

Qualifications

- Master's in Business administration
- A bachelor's degree in Law.

Expertise and experience

Betty SAYINZOGA is the Business Integration Manager at Sanlam Emerging Market with a dynamic and self-driven spirit and a passion for Talent Management. Before Saham Assurance Vie Rwanda was acquired by Sanlam Emerging Market, she was leading this Insurance company as their Chief Executive Officer. She debuted her career from the Ministry of Rehabilitation and Social Affairs in 1994 as the operations Officer. Her work experience includes:

- Administrative Assistant in USAID Financed project: WIT (Women In Transition) Greenoaks Holdings.
- Paroll Consultant in Partena,Belgium
- HR Professional and laterHead of Human Resource at BPR
- People and Change Consultant in PwC Rwanda
- She also worked as the Chief Human Resource Officer for both Prime Insurance ltd and Prime Life Insurance ltd when the two were rebranded after the acquisition of COGEAR ltd and Prime Life assurance ltd by Greenoaks Holdings.

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 26 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)

BOARD COMMITTEES

BOARD AUDIT COMMITTEE

Betty SAYINZOGA	Chairperson
Abderrazzak ZEBDANI	Member
Omar BALAFREJ	Member
Vincent GATETE	Member

BOARD RISK COMMITTEE

Vincent GATETE	Chairperson
Emmanuel NTAGANDA	Member
Betty SAYINZOGA	Member
Omar BALAFREJ	Member

BOARD CREDIT COMMITTEE

Emmanuel NTAGANDA	Chairperson
Abderrazzak ZEBDANI	Member
Vincent GATETE	Member
Abderrahmane BELBACHIR	Member

NOMINATION & REMUNARATION COMMITTEE

Omar BALAFREJ	Chaiperson
Betty SAYINZOGA	Member
Abderrazzak ZEBDANI	Member
Emmanuel NTAGANDA	Member
Abderrahmane BELBACHIR	Member

INFORMATION TECHNOLOGY COMMITTEE

Omar BALAFREJ	Chairperson
Betty SAYINZOGA	Member
Emmanuel NTAGANDA	Member
Abderrahmane BELBACHIR	Member

EXECUTIVE COMMITTEE

Abderrahmane Belbachir, Managing Director at Bank of Africa Rwanda, holds a degree in Higher Accounting, Administrative and Financial Studies. He has over 31 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.

Theogene RUZINDANA is the Executive Head of Finance. He has worked for Bank of Africa Rwanda for 6 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.

Heholds a bachelor's degree in Managementsciences and is a certified Public Finance Management accountant(CPFMA), he is also following CPAK courses.

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.

Alice UWINEZA is the Executive Head of Credit and has been serving Bank of Africa Rwanda for over 6 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 Executive 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 15 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).

Samuel NKUBITO is the Executive Head of Digital & Business Development. He is an accomplished senior banker with over 7 years' experience in corporate, retail, and SME banking. Prior to joining Bank of Africa, he held the role of Team Leader Corporate, Retail, and SME Banking at Equity Bank Rwanda PLC.

He has 15 years of work experience and is known for his ability to use customer service abilities to provide clients with a unique and beneficial experience.

His career path was established by many roles in various sectors, including working as a senior customs officer at Rwanda Revenue Authority and afterwards moving to RwandAir as the Operations Manager. He is highly skilled with solid academic background holding an MBA in Strategic management and BBA in Business Administration.

3 STRATEGY

STRATEGIC FOCUS AREAS

At the end of the 2019-2021 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 2022-2024 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 2022-2024 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 2022 targets

In 2022, 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 2022 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 2022 targets.

Our financial targets and performance linked to our strategic focus areas	2023 Targets	2022 Performance	2021 Performance	2022 against 2021	2022 against 2023 targets
Net impairment losses on loans and advances (in millions of Frw)	(2,033)	(1,658)	(1,503)	10.3%▼	22.6%▼
Net interest income (in millions of Frw)	10,766	8,620	5,818	48.2%▲	24.9%▲
Net Fees & commissions (in millions of Frw)	2,855	2,049	1,772	15.6%▲	39.3%▲
Cost to income ratio	52.9%	52.7%	65.2%	-12.5%▲	-0.2%▲
RoA	1.8%	1.7%	1.4%	0.3%▲	0.1%▲
RoE	13.9%	13.0%	11.7%	1.3%▲	0.9%▲

Our 2022 performance compared to 2021 shows, in general, a promising way forward to hit the 2023 targets.

We have recorded a significant increase in RoE and RoA of, respectively, 0.3% and 1.3%, while we only have to bridge the gaps of 0.1% and 0.9% to hit the 2023 targets for those specific performance indicators.

In the same way, our performance in net interest income and net fees and commissions (respectively 48% and 16%) are far beyond the remaining gap of 15.6% and 39.3% we need to cover to achieve the 2022 targets.

Again, we have managed to decrease our cost-to-income ratio to 52.7% (from 65.2% of 2021) and we are confident to repeat the same performance to achieve the 2023 target of 52.9%.

Net impairment losses on loans and advances increased significantly as result of the COVID-19 pandemic; there are expecta-tions to decrease the cost of risk by 22.6% in 2023.

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 main-tained our efforts on recov-ery and we will maintain the same strategies going forward.

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

VALUE CREATION THROUGH OUR PEOPLE

This year, the bank's management congratulated the elected workers for their remarkable efforts they put in at work, which contributed to the bank's significant achievements and success over the period. BANK OF AFRICA – RWANDA expressed words of appreciation by handing over certificates of recognition to the best dedicated staff throughout the year 2022.

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.

Best employee of the year 2022

End year staff party 2022

CORPORATE SOCIAL RESPONSIBILITY

As part of CSR, BOA is committed to serve the communities and build better future. The following CSR activities were achieved:


To commemorate the 28th commemoration of the 1994 Genocide against Tutsi, a staff delegation visited the MWURIRE GENOCIDE MEMORIAL IN RWAMAGANA DISTRICT. Testimonies and donations were given during the commemoration.


During the internation Women's Day, BOA celebrated and recognized its women's accomplishments and shared gifts to appreciate them.

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

Different commitments are defined toward the CSR in BOA:

COMMITMENT 1: BOA respect our clients' interests and promote ethical behavior by:
1.1 Effective communication for all event such as public holidays; temporally closing of branches; change in working hours and other circumstances.
1.2 Sharing the bank's trend and performance with customer through official communication (local press media etc.);
1.3 Publication of prices on regular basis
1.4 Provide quality customer service and complete and
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: BOA promote Sustainable Finance and Social Entrepreneurship by:
2.1 Collaboration and Working with government institution that provide grants and security;
2.2 Financial advice to our customers depends to their sector of activity;
2.3 Linking our clients, each other for sustaining their business and building strong relationship.

COMMITMENT 3: BOA as a responsible employer listening to employees and accompanying their development by:
3.1 Regular training of its staff and sensitize them on how do customer retention, customer loyalty and customized services and integrity;
3.2 Develop the skills of our employees through
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: BOA is diligent in the exercise of governance and risk management by:
4.1 Set a risk champion from each department;
4.2 Regular complying with Central bank and BOA group rules and regulations;
4.3 Perform regular due diligence of our customer and close account which are not complying;
4.4 Provide Key facts statement for each product/service (Loans and account opening);
4.5 Respect our shareholders rights
4.6 Other governance objectives

COMMITMENT 5: Protect the environment by:
5.1 Using Office stationary complying with standards;
5.2 Financing manufacturing and industries in the field of environment protection;
5.3 Committed to switch off lights, air condition in our office

COMMITMENT 6: Act in the interest of the community and support dialogue with our stakeholders by:
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 2022 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	

4 BUSINESS

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

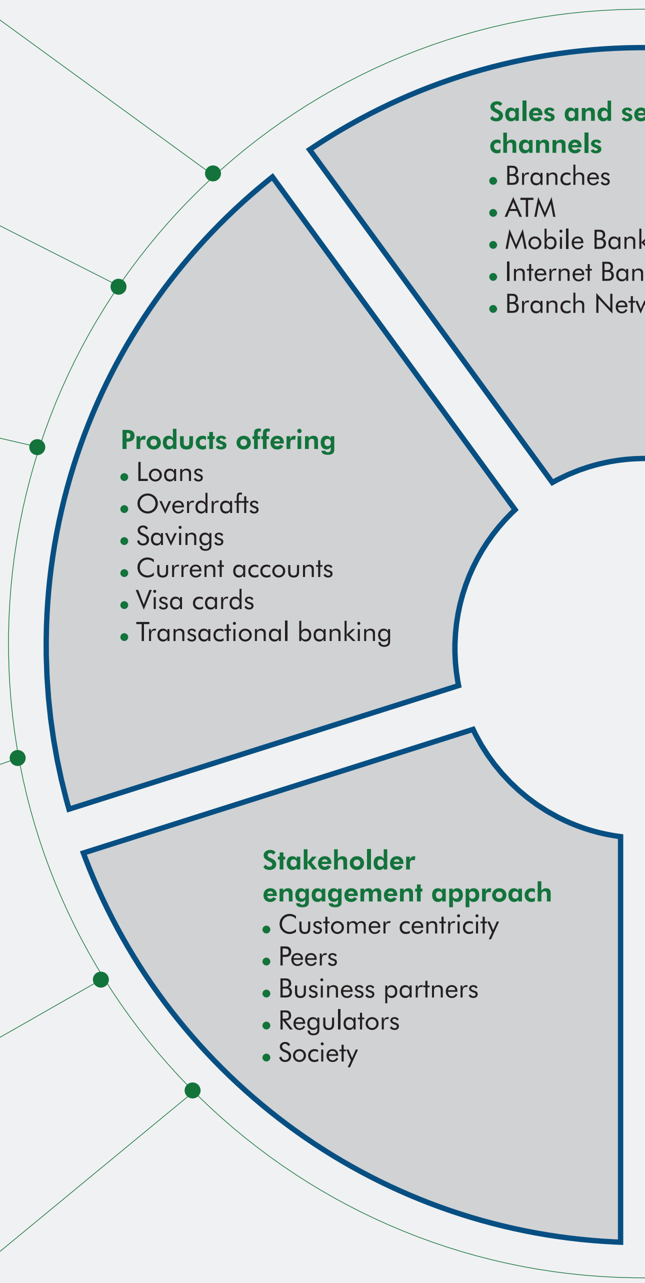
NATURAL CAPITAL

- 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)

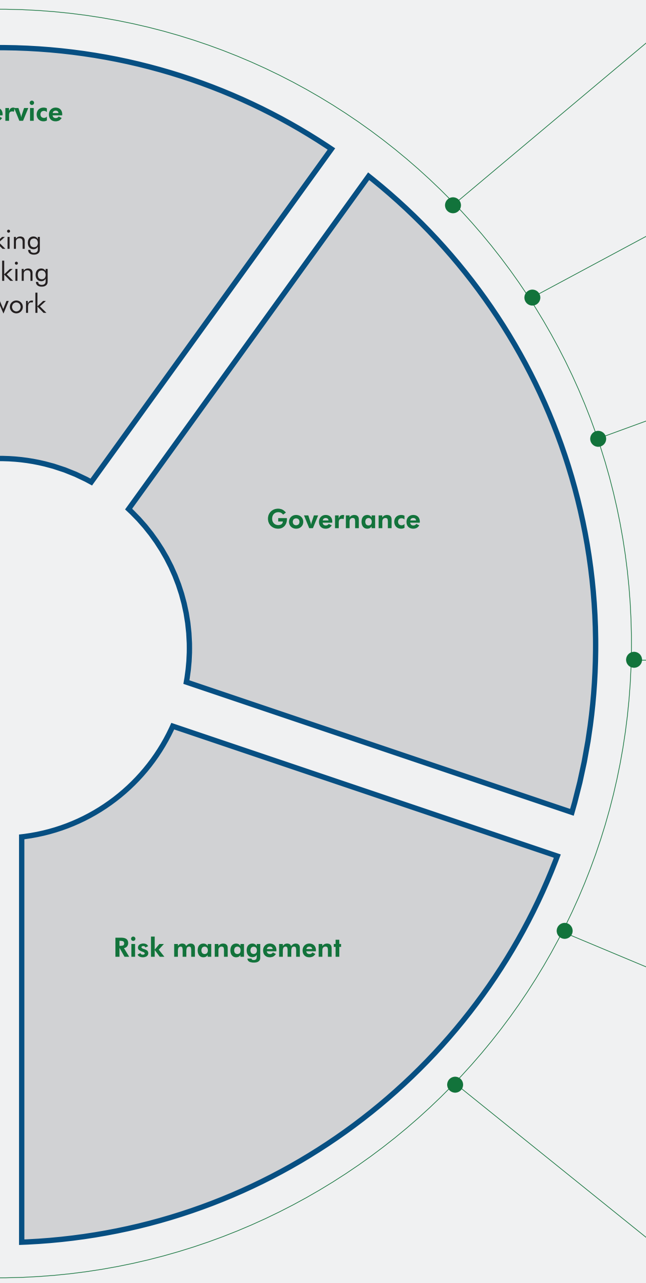
SOCIAL AND RELATIONSHIP CAPITAL

- 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 ext
drivers o



ternal environment and key
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
- Isanzure Current account
- Affordable housing
- Push and Pull

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

To better serve its clients at their expectations; Bank of Africa digitalized its products and services. It is in that case Service Excellence team come up with a digitalized way of collecting feedback and getting in touch with the customers, with social media (Facebook and twitter), WhatsApp and availing QR codes in branches for customers to scan and leave feedback, complete a survey and interact with staff for support.

The bank also conducted trainings on delivering and improving effective customer service to all staff to maximise the quality of service given to the customers.

Below pictures show customer recognition as a result of the training conducted

ESSENTIAL **ACTIVITIES 2022**

Bank of Africa paid Mutual Health Insurance for families in the various districts where we have branches. The Bank donated 200 books to public primary schools in order to promote education, reading culture, and cultural discipline in general.

Bank of Africa embraced the digital world by joining social platforms; Facebook and Twitter

@BankOfAfricaRw

Bank of Africa rebranded all its branches and head office (switch off from old logo to new Logo)

Bank of Africa reviewed features of its products to meet customers need(**IGA LOAN** and **Affordable housing**)

BRANCH **NETWORK**

NYABUGOGO BRANCH
Manue house – KG 11 AVE
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Mobile: (250) 788 13 62 61
BNyarugenge@boarwanda.com

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**

To review

The exercise 2022 has been a good year for BANK OF AFRICA RWANDA (BOA – Rwanda) in terms of growth as well as profitability. The balance sheet grew significantly consecutive to increase in financial instruments. The growth was facilitated by clients' deposits which increased up to 80.1%.
The good deposits collection made the bank to reduce its high recourse to borrowings, which allowed reduction in interest expenses.

BOA Rwanda preferred limiting placements with other banks by emphasizing on long term investments where interest rates were attractive.
The low level of commission in 2022 was compensated by the high volume of interest income consecutive to increase in interest bearing assets. On the other side, the bank managed to squeeze its operating expenses reducing the cost to income ration from 65.2% in 2021 to 52.7% in 2022.

The year 2022 was closed with a global net profit which exceeds far the budgeted one in spite of sudden increase in the cost of risk in relation to high volume of loans to corporate clients.

BANK OF AFRICA – RWANDA is on a good trail, and there is much expectation to keep growing.

Key financial performance metrics	2021	2022	variation
Activity			
Deposits	48,804	87,877	80.1%
Loans	38,162	68,241	78.8%
Number of branches at the end of the financial year	14	14	0.0%
Structure			
Total Assets	123,979	158,863	28.1%
Shareholders' equity	17,477	19,903	13.9%
Number of employees at the end of the financial year	182	194	6.6%
Solvability			
Tier 1	16,482	19,015	
Tier 2	817	1,700	
Risk Weighted Asset (RWA)	62,712	92,931	
Tier 1 + Tier 2 / RWA	27.6%	22.3%	
Income			
Operating income	7,406	10,380	40.1%
Operating expenses (including depreciation and amortization)	-4,947	-5,620	13.6%
Net operating profit	2460	4,760	93.5%
Cost of risk in value	-1,320	-1,656	25.5%
Income tax	377	-678	-279.7%
Profit after tax	1517	2,426	59.9%
Operating ratio (%)	65.2%	52,7%	
Cost of credit risk (%)	-4%	-3.1%	
Return on Assets (ROA %)	1.4%	1.7%	
Return on Equity (ROE %)	11.7%	13.0%	

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 2022, 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.

RESULTS AND **DIVIDENDS**

The bank reported a profit for the year of Frw 2,426,364 (2021: Frw 1,517,132) which has been added to the accumulated losses. The Directors do not recommend the payment of a dividend for the year ended 31 December 2022 (2021: 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 has expressed willingness to continue in office.

By order of the board

Director
29 . 03 . 2023

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 10 to 79, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

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 2022, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by Law no. 007/2021 of 05/02/2021 Governing Companies and Regulation No 28/2019 of 09/09/2019 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 taken 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
IFRS 9. Expected Credit Losses on loans and advances to customers Refer to Notes 1.4; 2.(g); 3; 9 and 16 of the financial statements Measurement of the impairment loss allowance based on 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 determination of expected credit losses on loans and advances are: - Economic scenarios – IFRS 9 requires the Bank to measure ECLs on a forward- looking basis reflecting a range of future economic conditions. Significant management judgment is applied to determining the economic scenarios used and the probability weightings applied to them which included nominal GDP, percentage of global, lending rate, real rates and Money Supply in Local currency (M3 LCU) amalgamated into a composite index; - Significant increase in credit risk ("SICR")- 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 allowance is recorded.	Our audit procedures in this area included: Obtaining an understanding of the credit management processes and performing end to end process assessments to identify the key systems, applications and controls used in the determination of ECL. This included evaluating the design and implementation and operating effectiveness of the management review control over the ECL estimate provision; Using our data and analytics specialists to independently assess probability of default modelling based on historical days past due reports. On a sample basis, we assessed the reasonableness of loss given default and exposure at default assumptions by comparing to recent experience of the bank on recovery made on collateral sold by the bank, recoveries from insurance companies and local economic conditions on stage 3 facilities. Involving our own financial risk management specialists to assess the appropriateness of the Bank's methodology for determining the economic scenarios by assessing key economic variables like nominal GDP, percentage of global,

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Key audit matter	How the matter was addressed in our audit
The Bank assesses SICR by incorporating qualitative, quantitative info reasonable and supportable information, including forward-looking information. These include qualitative information, quantitative information and information from credit rating processes. The setting of precise trigger points to move a loan from 'Stage 1' to 'Stage 2' i.e. when a loan is over 30 days in arrears, or placement on a watch list or moving from Stage 2' to 'Stage 3' and vice versa respectively requires judgement which may have a material impact upon the size of the ECL allowance; Model estimations – inherently judgmental modelling is used to estimate ECL which involves determining the probability of default ("PD"), loss given default ("LGD"), and exposures at default ("EAD"). The PD models used in the retail and corporate portfolios are the key drivers of the Bank's ECL results and are therefore amongst the most significant judgmental aspect of the Bank's ECL modelling approach; and: We determined the impairment loss allowance 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.	lending rate, real rates and Money Supply in Local currency (M3 LCU) amalgamated into a composite index used as well as the overall reasonableness of the economic forecasts by comparing the Bank's forecasts to the historical bank and market growth as well as externally available information. - Challenging the appropriateness of key inputs and assumptions into the expected credit loss models by: - On sample basis, evaluating the appropriateness of the Bank's SICR determination by assessing the qualitative and quantitative factors used by management in their evaluation of the classification into stages 1, 2 and 3; and - Evaluating the adequacy of the financial statement disclosures in accordance with the requirements of IFRS 9, including disclosures of key assumptions and judgements used in determination of ECL

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 2022 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 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 IFRS Standards and in the manner required by Law no. 007/2021 of 05/02/2021 governing companies and Regulation No 28/2019 of 09/09/2019 relating to publication of financial statements and other disclosures by banks issued by the National Bank of Rwanda and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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 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 Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on other legal and regulatory requirements

As required by the Law No. 007/2021 of 05/02/2021 Governing Companies 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 audit;

(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 and Article 125 of Law No. 007/2021 of 05/02/2021 Governing Companies.

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

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Certified Public Accountants
P. O. Box 6755
Kigali, Rwanda
Date:30th March,2023

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Statement of profit or loss and other comprehensive income for the year ended 31 December 2022

	Notes	31-Dec-2022 Frw'000	31-Dec-2021 Frw'000
Revenue			
Interest income	4	13,296,240	9,265,205
Interest expense	5	(4,660,107)	(3,447,633)
Net interest income		**8,636,133**	**5,817,572**
Fee and commission income	6	2,086,823	1,640,695
Fee and commission expense	7	(371,955)	(227,160)
Net fee and commission income		**1,714,868**	**1,413,535**
Net trading income	9	356,249	498,454
Other net operating income	8	(327,234)	(323,157)
		29,015	175,297
Total operating income		**10,380,016**	**7,406,404**
Operating expenses			
Impairment losses on financial instruments	11 c)	(1,655,981)	(1,319,657)
Staff cost	10	(2,439,403)	(2,235,570)
Depreciation and amortisation	18,19&29	(825,583)	(724,055)
Finance costs	11 a)	(283,442)	(303,176)
Other operating expenses	11 b)	(2,071,453)	(1,683,928)
Operating profit		**3,104,154**	**1,140,018**
Profit before income tax		3,104,154	1,140,018
Income tax (expense)/credit	12 a)	(677,790)	377,114
Net Profit for the year		2,426,364	1,517,132
Other comprehensive income			
Other comprehensive income		–	–
Total comprehensive income		**2,426,364**	**1,517,132**

The notes on pages 14 to 67 form an integral part of these financial statements.

Statement of financial position as at 31 December 2022

	Notes	31-Dec-2022 Frw'000	31-Dec-2021 Frw'000
ASSETS			
Cash and balances with National Bank of Rwanda	13	3,802,491	2,493,593
Deposits and balances due from other banking institutions	14	682,899	24,024,446
Deposits due from financial institutions abroad	25	3,021,500	12,251,562
Government securities	15 a)	68,835,450	36,980,980
Loans and advances to customers	16	68,240,577	38,162,497
Other assets	17	9,465,608	5,514,006
Property and equipment	18	1,163,406	1,296,259
Right-of-use assets	29 a)	1,749,817	1,937,001
Intangible assets	19	888,148	1,005,845
Non-current assets held for sale	30	480,000	-
Deferred tax asset	12 c)	533,400	312,976
Total assets		**158,863,296**	**123,979,165**
LIABILITIES			
Balance due to Central Bank	20	49,689	50,441
Customer deposits	21	87,876,925	48,804,491
Deposits due to financial institutions	22	80,828	71,186
Lease liabilities	29 (b)	2,150,428	2,331,278
Current income tax liabilities	12(d)	898,213	-
Other liabilities	24	2,151,710	1,119,512
Borrowings	23	45,752,131	54,125,249
Total liabilities		**138,959,924**	**106,502,157**
EQUITY			
Share capital	26 (a)	20,000,000	20,000,000
Share premium	26 (a)	871,740	871,740
Accumulated losses	26 (b)	(968,368)	(3,394,732)
Total equity		19,903,372	17,477,008
Total equity and liabilities		**158,863,296**	**123,979,165**

The financial statements on page 10 to 79 were approved and authorised for issue by the Board of Directors on 07/02/2023

.... Director

.... Director

.... Chief Executive Officer

The notes on pages 14 to 79 form an integral part of these financial statements.

Statement of Changes in Equity for the year ended 31 December 2022

	Share capital Frw'000	Share premium Frw'000	Accumulated losses Frw'000	Total equity Frw'000
At 1 January 2022	**2,000,000**	**871,740**	**(3,394,732)**	**17,477,008**
Total comprehensive income:				
Profit for the year	-	-	2,426,364	2,426,364
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	2,426,364	2,426,364
Transactions with shareholders:				
Capital contribution	-	-	-	-
At 31 December 2022	**20,000,000**	**871,740**	**(968,368)**	**19,903,372**
At 1 January 2021	**12,580,870**	**871,740**	**(4,911,864)**	**8,540,746**
Total comprehensive income:				
Profit for the year	-	-	1,517,132	1,517,132
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**1,517,132**	**1,517,132**
Transactions with shareholders:				
Capital contribution	7,419,130	-	-	7,419,130
At 31 December 2021	**20,000,000**	**871,740**	**(3,394,732)**	**17,477,008**

The notes on pages 14 to 79 are an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2022

	Notes	31-Dec-22 Frw'000	31-Dec-21 Frw'000
Cash flows from operating activities:			
Profit before income tax		3,104,154	1,140,018
Adjustments for:			
Depreciation on property and equipment	18	332,092	300,427
Depreciation on right of use asset	29 (a)	212,878	209,433
Amortization of intangible assets	19	280,614	214,195
Unrealized foreign exchange loss		142,350	(700,556)
Impairment loss allowance-loans		931,807	29,226
Impairment loss allowance-other financial instruments		7	-
Net movement in fair valuation and modification gain/loss		(51,031)	-
Net interest income		(12,979,561)	(8,316,877)
Interest expense	5	4,660,107	1,644,376
Net gain/loss on disposal of fixed assets		(530)	(118)
Finance cost on lease liabilities	29 (b)	283,442	303,176
Cash flows from operating activities before changes in operating assets and liabilities		**(3,083,671)**	**(5,176,700)**
Changes in operating assets and liabilities:			
Increase in loans and advances		(30,268,093)	(9,498,294)
Increase in cash reserve requirement		-	(1,320,328)
Increase in other assets		(3,951,602)	(437,504)
Increase in customer deposits		37,386,182	8,355,247
Increase in deposits due to other banks		9,642	12,987
Increase/(Decrease) in other liabilities		1,032,198	(5,722,355)
Changes in accrued interest income/expense		7,205,527	5,990,817
		11,413,854	**(2,619,430)**
Interest income received		9,823,254	6,457,657
Interest expense paid	5	(2,779,911)	(2,370,970)
Cash generated /(utilized) in operating activities		**15,373,526**	**(3,709,443)**
Cash flows from investing activities:			
Purchase of property and equipment	18	(193,679)	(326,989)
Acquisition of government securities	15 (a)	(40,920,329)	(17,939,516)
Proceeds from matured government facilities	15 (a)	6,148,257	-
Purchase of intangible assets	19	(152,952)	(414,402)
Acquisition of non-current asset held for sale	30	(480,000)	-
Proceeds from disposal of fixed assets		2,089	440
Net cash used in investing activities		**(35,596,614)**	**(18,680,467)**
Cash flows used in financing activities:			
New borrowings	23	1,517,813,124	1,168,746,081
Borrowing repayments	23	(1,526,601,858)	(1,152,908,537)
Repayment of amounts due to central bank	20	(3,005)	-
Lease payment	29 (b)	(489,635)	(477,615)
Capital increase	26 (a)	-	7,419,130
Net cash (used in)/generated from financing activities		**(9,281,374)**	**22,779,059**
Effects of exchange rates		(159,786)	700,555
Net (decrease)/ increase in cash and cash equivalents		(29,664,248)	1,089,704
Cash and cash equivalents at start of year		40,085,279	38,995,575
Cash and cash equivalents at 31 Dec 2022	**28**	**10,421,031**	**40,085,279**

The notes on pages 14 to 79 are an integral part of these financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

1. Basis of preparation

1.1 Reporting Entity

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

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.

1.2 Basis of accounting

The financial statements are prepared in accordance with the International Financial Reporting Standards, in the manner required by Law no. 007/2021 of 05/02/2021 Governing Companies in Rwanda and Regulation N° 28/2019 of 09/09/2019 relating to publication of financial statements and other disclosures by banks in Rwanda.

1.3 Functional and presentation currency

These financial statements are presented in Rwandan francs, which is the Bank’s functional
And presentation currency. All amounts have been rounded to the nearest thousand (Frw ‘000’) except when otherwise indicated.

1.4 Use of judgements and estimates

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

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

A. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes.

– *Note 2(g) (vii):*establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL
.
– *Notes 2(g) (ii):* classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is included in the following notes:

– *Notes 2(g) (vii):* impairment of financial instruments: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

– *Note 12(a):* recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised.

1.5 Changes in significant accounting policies

i)New standards, amendments and interpretations effective and adopted during the year ended 31 December 2022

The Bank has adopted the following new standards and amendments during the year ended 31 December 2022, including consequential amendments to other standards with the date of initial application by the Company being 1 January 2022.

Standard/Interpretation		**Effective date Periods beginning on or after**
IAS 37 amendment	Onerous Contracts: Cost of Fulfilling a Contract	1 January 2022
IFRS 1, IFRS 9, IFRS 16 and IAS 41 amendments	Annual Improvements to IFRS Standards (2018 – 2020). Amendments to IFRS 1, IFRS 9, illustrative examples accompanying IFRS 16 and IAS 41	1 January 2022
IAS 16 amendment	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
IFRS 3 amendment	Reference to the Conceptual Framework	1 January 2022

ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2021

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2021, and have not been applied in preparing these financial statements. The Bank does not plan to early adopt these standards. These will be adopted in the period that they become mandatory.

Standard/Interpretation		**Effective date Periods beginning on or after**
IFRS 17	Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023
IAS 1 amendments	Classification of liabilities as current or Non-current	1 January 2023
IAS 8 amendments	Definition of accounting estimate	1 January 2023
IAS 1 and IFRS practice statement 2	Disclosure of accounting policies	1 January 2023
IAS 12 amendments	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 17	Initial Application of IFRS 17 and IFRS9 Comparative information	1 January 2023
IFRS 10 and IAS 28 amendments	Sale or contribution of assets between an investor and its associate or joint venture	Available for optional adoption/ effective date deferred indefinitely
Amendments to IAS 1	Non current liabilities with covenants	1 January 2024
IAS 1 amendments	Classification of liabilities as current or non current	1 January 2024
IFRS 16 amendments	Lease liability in a sale and lease-back(Amendments to IFRS 16)	1 January 2024

The above new and amended standards are not expected to have a significant impact on the Bank's financial statements.

2. Significant accounting policies

a.Foreign currency translation

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.

b.Lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Bank as the lessee
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.

The Bank leases a number of branches. The lease typically runs for a few years, with option to renew the lease after that date. For some leases, payments are renegotiated every five years to reflect marker rentals. The bank leases other equipment's with contract terms of one to three years. These leases are short term and of low value. The bank has elected not recognize the right- of-use asset and lease liability for these leases.

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 remeasurements of the lease liability.

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

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.

Lease payments included in the measurement of the lease liability comprise the fixed payments per contract, the lease liability is measured at amortised cost using the effective interest method. Where the basis for determining future lease payments changes, the Bank remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change and a corresponding adjustment is made to the carrying amount of the right-of-use asset.

(c)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.

(d) 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.

(e) 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.

(f) Government grant

Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises expenses for the related costs for which the grants are intended to compensate, which in the case of grants related to assets requires setting up the grant as deferred income or deducting it from the carrying amount of the asset.

(g) Financial instruments

i. Recognition and initial measurement

The Bank initially recognises loans and advances, deposits, debt securities issued and liabilities on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of
the instrument.
A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

ii. Classification

Financial assets
On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
– the asset is held within a business model whose objective is to hold assets to collect
contractual cash flows; and
– the contractual terms of the financial asset give rise on specified dates to cash flows that
are SPPI.
A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:
– the asset is held within a business model whose objective is achieved by both collecting
contractual cash flows and selling financial assets; and
– the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is

not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.
All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment
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 its strategy for 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.

g) financial instruments (continued)

ii. Classification (continued)
Business model assessment (continued)
The Bank's retail and corporate banking business comprises primarily loans to customers that are held for collecting contractual cash flows. In the retail business the loans comprise mortgages, overdrafts, unsecured personal lending and credit card facilities. Sales of loans from these portfolios are very rare.

Assessment of whether contractual cash flows are solely payments of principal and interest
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 SPPI, 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;
– prepayment and extension terms;
– terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
– features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Equity instruments have contractual cash flows that do not meet the SPPI criterion. Accordingly, all such financial assets are measured at FVTPL unless the FVOCI option is selected.

Reclassifications
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

iii. Derecognition

Financial assets
The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.
Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

Financial liabilities
The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

iv. Modifications of financial assets and financial liabil ities

Financial assets
If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognised at fair value plus any eligible transaction costs.

Any fees received as part of the modification are accounted for as follows:
– fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset;
and
– other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss.
Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.
If such a modification is carried out because of financial difficulties of the borrower then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities
The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.
Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.
If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss.
Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

v. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS Standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

vi. Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.
When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.
The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.
Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

vii. Impairment

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:
– financial assets that are debt instruments;
– financial guarantee contracts issued; and
– loan commitments issued.
No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:
– debt investment securities that are determined to have low credit risk at the reporting date; and
– other financial instruments on which credit risk has not increased significantly since their initial recognition .
The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank does not apply the low credit risk exemption to any other financial instruments. 12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.
Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

Measurement of ECL
ECL are a probability-weighted estimate of credit losses. They are measured as follows:
– financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);

– financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
– undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
– financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

When discounting future cash flows, the following discount rates are used:
– financial assets other than purchased or originated credit-impaired (POCI) financial assets: the original effective interest rate or an approximation thereof;
– POCI assets: a credit-adjusted effective interest rate;
– undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
– financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.
– If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
– If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost, debt financial assets carried at FVOCI and finance lease receivables are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
– significant financial difficulty of the borrower or issuer;
– a breach of contract such as a default or past-due event;
– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
or
– the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.
In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.
In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.
– The market's assessment of creditworthiness.
– The rating agencies' assessments of creditworthiness.
– The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
– The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in thestatement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:
– financial assets measured at amortised cost: as a

deduction from the gross carrying amount of the assets;
– loan commitments and financial guarantee contracts: generally, as a provision;
– where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
– debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in retained earnings.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.
Recoveries of amounts previously written off are recognised when cash is received and are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.
Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

(h) 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 recognized immediately in the Statement of comprehensive income.

(i) 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.

(j) 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).

2 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.

(k) 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.

(l) 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.

(m) 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 amortized cost in the statement of financial position.

(n) 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.
2 Significant accounting policies (continued)

(o) 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.

(p) 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.

(q) 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.

(r) Accumulated losses/ Retained earnings

This represents the year on year profit/loss from operations.

(s) Acceptances and letters of credit

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

(t) Comparatives

Where necessary, comparative figures have been adjusted or excluded to conform to changes in presentation in the current year.

3 Financial Risk management

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Bank's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Credit risk

'Credit risk' is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligation and arises principally from the Bank's loans and advances to customers and debt security investments. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

The board of Directors, through the Board credit committee have oversight over credit risk. The Bank has a separate credit and risk department that is responsible for managing credit risk and reports to the Board Credit committee.

The following table shows an analysis of the counterparty credit exposures arising from derivative transactions

	31-Dec-2022 Frw'000	31-Dec-2021 Frw'000
ASSETS		
Derivative assets	-	758,896
Derivative liabilities	-	(706,046)
Net	-	52,850

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit exposure to credit risk at the reporting date was:

	31-Dec-2022 Frw'000	31-Dec-2021 Frw'000
ASSETS		
Cash and balances with National Bank of Rwanda	3,802,491	2,493,593
Deposits and balances due from other banking institutions	682,899	24,024,446
Deposits due from financial institutions abroad	3,021,500	12,251,562
Government securities	68,835,450	36,980,980
Loans and advances to customers	68,240,577	38,162,497
Other assets	9,232,311	5,514,006
	158,629,999	**123,979,165**

Credit quality analysis

The following tables set out information about the credit quality of financial assets measured at amortised cost and debt investments without taking into account collateral or other credit enhancement. Unless specifically indicated, for financial assets the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

31 December 2022

Loans and advances	IFRS 9 12-month PD ranges	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Total Frw'000
Grades 0-29 days: Normal	0-0.28	62,644,224	-	-	62,644,224
Grades 30-89 days: Watch	0.29-99.99	-	2,800,368	-	2,800,368
Grades >90 days: Default	100.00	-	-	6,058,255	6,058,255
Gross carrying amount		62,644,224	2,800,368	6,058,255	71,502,848
Loss allowance		(1,024,663)	(77,434)	(2,160,174)	(3,262,271)
Carrying amount		61,619,561	2,722,934	3,898,082	68,240,577

31 December 2021

Loans and advances	IFRS 9 12-month PD ranges	Stage 1 Frw'000	Stage 2 Frw'000	Stage 3 Frw'000	Total Frw'000
Grades 0-29: Normal	0-0.28	34,405,880	-	-	34,405,880
Grades 30-89: Watch	0.29-99.99	-	3,194,905	-	3,194,905
Grades >90: Default	100.00	-	-	2,766,264	2,766,264
Gross carrying amount		34,405,880	3,194,905	2,766,264	40,367,049
Loss allowance		(285,193)	(66,059)	(1,853,300)	(2,204,552)
Carrying amount		**34,120,687**	**3,128,846**	**912,964**	**38,162,497**

Government Securities	2022 Frw'000	2021 Frw'000
	Stage 1	**Stage 1**
Gross carrying amount	68,835,457	36,980,988
Loss allowance	(7)	(8)
Carrying amount	**68,835,450**	**36,980,980**

The credit ratings for Government bonds and treasury bills held with National Bank of Rwanda stands at B+ with stable outlook.

Other financial instruments	2022 Frw'000	2021 Frw'000
	Stage 1	Stage 1
Balance with other banks	3,359,056	12,632,947
Placement with other banks	345,343	23,221,209
Gross carry amount	3,704,399	35,854,156
Loss allowance	-	(2,213)
Carrying amount	**3,704,399**	**35,851,943**

Guarantees and commitments	2022 Frw'000	2021 Frw'000
	Stage 1	Stage 1
Gross carrying amount	10,488,963	14,559,635
Loss allowance	(10,806)	(4,131)
Carrying amount	**10,478,157**	**14,555,504**

Internal rating grades and prudential rating grades

The Bank uses the prudential rating gradings as internal grading system to classify its financial assets and below table highlights the correspondent IFRS 9 ratings.

Prudential rating grades	IFRS 9 rating gradings
Grade 1: Normal	Stage 1
Grade 2: Watch	Stage 2
Grade 3: Substandard	Stage 3
Grade 4: Doubtful	Stage 3
Grade 5: Loss	Stage 3

Collateral held 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:

The table below sets out the collateral held by the Bank against loans and advances.

	2022		2021	
	Carrying amount In Frw'000	**Collateral In Frw'000**	**Carrying amount In Frw'000**	**Collateral In Frw'000**
Stages 1 and 2	64,342,495	98,044,676	37,249,533	92,105,382
Stage 3	3,898,082	14,108,937	912,964	4,190,588

iii. 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 2021 was Frw 872 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.

iv. 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.

The following table provides financial information on financial assets that were modified while they had a loss allowance measured at an amount equal to lifetime ECL.

Financial assets modified during the year	**31-Dec-22 FRw'000**	**31-Dec-21 FRw'000**
Amortized cost before modification	5,373,797	6,821,564
Net modification gain	65,704	104,683
	5,439,501	**6,926,247**

Financial assets modified since initial recognition	31-Dec-22 FRw'000	31-Dec-21 FRw'000
Gross carrying amount of financial assets previously modified for which loss allowance has changed during the period to an amount equal to 12-month ECL from lifetime	4,045,063	5,826,682
	4,045,063	**5,826,682**

v. Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment See accounting policy in Note 2(g)(vii).

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 and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk grade deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.
Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures.
The Bank collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.
The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. As a general indicator, the credit risk of a particular exposure is deemed to have increased
significantly since initial recognition based on whether the client is above 30 days past due and qualitative factors linked to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgement and relevant historical experiences.

Management overlays may be applied to the model outputs if consistent with the objective of identifying a significant increase in credit risk.

Definition of default

The Bank considers a financial asset to be in default when:
– the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
– the borrower is more than 90 days past due on any material credit obligation to the Bank.

v. Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment See accounting policy in Note 2(g)(vii). (continued)

–Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
– it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are:
– qualitative: e.g. breaches of covenant;
– quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
– based on data developed internally and obtained from external sources.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Bank formulates three economic scenarios: a base case, which is the central scenario, developed internally based on consensus forecasts, and two less likely scenarios, one upside and one downside scenario.

The central scenario is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies, monetary authorities and supranational organisations such as the International Monetary Fund.

The macroeconomic variables (MEVs) that were selected for BOA FLI modelling included Nominal GDP, % of global, Lending rate, %, ave, Real rates (AVG) and M3, LCU (which represents short term, liquid securities such as deposits and money market funds. These met the correlation expectations.

From the selected MEVs, a composite index was developed for base case, upside and downside scenarios. The table below list the macroeconomic assumptions used in the central, upside and downside scenarios over the forecast period.

	Composite index
Central economic assumption	
5 year average	0.94
Peak	1.27
Upside economic assumption	
5 year average	0.85
Peak	1.17
Downside economic assumption	
5 year average	1.04
Peak	1.37

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

2022 Loans and advances to customers	**Stage I 12 - Month ECL FRW'000**	**Stage II Lifetime ECL FRW'000**	**Stage III Lifetime ECL FRW'000**	**Total FRW'000**
Balance as at 1 January	1,222,198	114,114	407,063	1,743,375
Stage transfer				
Stage 1 to stage 2	(51,058)	51,058	-	-
Stage2 to stage 3	-	(731,222)	731,222	-
Stage 2 to stage 3	-	(239,549)	239,549	-
Stage 2 to stage 1	12,326	(12,326)	-	-
Stage 2 to stage 1	462	(462)	-	-
Stage 2 to stage 1	(261)	261	-	-
Allowance on new Loans and advances	726,110	54,348	345,106	1,125,564
Allowance on off-balance sheet exposures	6,676	-	-	6,676
Charge during the Period	178,820	973,549	330,625	1,482,994
Modification gain/(loss) and staff discount	587,089	-	-	587,089
Write off during the Period	-	-	(1,612,235)	(1,612,235)
Matured loans	(38,521)	(8,824)	(23,847)	(71,192)
Balance as at 31 December	**2,643,841**	**200,947**	**417,483**	**3,262,271**

2021 Loans and advances to customers	**Stage I 12 - Month ECL FRW'000**	**Stage II Lifetime ECL FRW'000**	**Stage III Lifetime ECL FRW'000**	**Total FRW'000**
Balance as at 1 January	324,476	123,775	765,945	1,214,196
Stage transfer				
Stage 1 to stage 2	(24,090)	24,090	-	-
Stage 2 to stage 3	-	(290,278)	290,278	-
Stage 2 to stage 3	-	(27,004)	27,004	-
Stage 2 to stage 1	653	(653)	-	-
Stage 2 to stage 1	20	(20)	-	-
Stage 1 to stage 2	(2)	2	-	-
Allowance on new Loans and advances	643,958	363,446	377,606	1,385,010
Allowance on off-balance sheet exposures	9,757	-	-	9,757
Charge during the Period	437,473	4,754	190,615	632,842
Modification gain/(loss) and staff discount	461,177	-	-	461,177
Write off during the Period	-	-	(872,036)	(872,036)
Matured loans	(170,047)	(83,998)	(372,349)	(626,394)
Balance as at 31 December	**1,683,375**	**114,114**	**407,063**	**2,204,552**

2022 Government securities	**Stage I 12 - Month ECL FRW'000**	**Stage II Lifetime ECL FRW'000**	**Stage III Lifetime ECL FRW'000**	**Total FRW'000**
Balance as at 1 January	8	-	-	8
Stage transfer	-	-	-	
Stage 1 to stage 2	-	-	-	-
Stage 1 to stage 3	-	-	-	-
Stage 2 to stage 3	-	-	-	-
Stage 2 to stage 1	-	-	-	-
Stage 3 to stage 1	-	-	-	-
Stage 3 to stage 2	-	-	-	-
Allowance on new Government securities	8	-	-	8
Allowance on off-balance sheet exposures	-	-	-	-
Charge during the Period	-	-	-	-
Write off during the Period	-	-	-	-
Matured	(1)	-	-	(1)
Balance as at 31 December	**15**	**-**	**-**	**15**

2021 Government securities	**Stage I 12 - Month ECL FRW'000**	**Stage II Lifetime ECL FRW'000**	**Stage III Lifetime ECL FRW'000**	**Total FRW'000**
Balance as at 1 January	5	-	-	5
Stage transfer	-	-	-	-
Stage 1 to stage 2	-	-	-	-
Stage 1 to stage 3	-	-	-	-
Stage 2 to stage 3	-	-	-	-
Stage 2 to stage 1	-	-	-	-
Stage 3 to stage 1	-	-	-	-
Stage 3 to stage 2	-	-	-	-
Allowance on new government securities	3			
Allowance on off-balance sheet exposures	-	-	-	-
Charge during the Period	-	-	-	-
Write off during the Period	-	-	-	-
Matured	-	-	-	-
Balance as at 31 December	**8**	**-**	**-**	**8**

Credit-impaired financial assets
See accounting policy in Note 2(g)(vii).

The following table sets out a reconciliation of changes in the gross amount of credit impaired loans and advances to customers.

	2022	**2021**
Credit impaired loans and advances to customers at 1 January	2,766,264	1,245,471
Change in ECL allowance	(134,223)	(322,623)

Classified as credit-impaired during the year	4,313,239	2,443,641
Transferred to not-credit-impaired during the year	(1,610,728)	(624,335)
Net repayment	(162,705)	(187,140)
Recoveries of amounts previously written off	886,408	72,545
Interest accrued	-	2,135
Other movements	-	136,570
Credit impaired loans and advances to customers at 31 December	**6,058,255**	**2,766,264**

Sensitivity of ECL to future economic conditions

The table below shows the loss allowance on loans and advances to corporate and retail customers assuming each forward-looking scenario (e.g. central, upside and downside) were weighted 100% instead of applying scenario probability weights across the three scenarios. For ease of comparison, the table also includes the probability-weighted amounts that are reflected in the financial statements.

Loans and advances to customers	2022				2021			
Gross exposures	Central Frw'000	Upside Frw'000	Downside Frw'000	Probability weighted Frw'000	Central Frw'000	Upside Frw'000	Downside Frw'000	Probability weighted Frw'000
Corporate	40,171,083	40,171,083	40,171,083	40,171,083	18,044,474	18,044,474	18,044,474	18,044,474
Commercial	11,017,169	11,017,169	11,017,169	11,017,169	8,640,385	8,640,385	8,640,385	8,640,385
Consumer	21,224,593	21,224,593	21,224,593	21,224,593	14,466,669	14,466,669	14,466,669	14,466,669
Grand Total	72,412,845	72,412,845	72,412,845	72,412,845	41,151,528	41,151,528	41,151,528	41,151,528

	2022				2021			
Loss allowance	Central Frw'000	Upside Frw'000	Downside Frw'000	Probability weighted Frw'000	Central Frw'000	Upside Frw'000	Downside Frw'000	Probability weighted Frw'000
Corporate	903,601	870,343	936,320	943,045	523,667	509,497	537,470	530,614
Commercial	687,603	670,455	704,395	697,937	411,621	389,968	432,679	422,223
Consumer	1,596,823	1,553,335	1,639,494	1,618,383	1,241,754	1,221,577	1,261,360	1,251,715
Grand Total	3,188,027	3,094,133	3,280,209	3,259,365	2,177,042	2,121,042	2,231,509	2,204,552
Proportion of assets in Stage 2	**Central**	**Upside**	**Downside**	**Probability Weighted**	**Central**	**Upside**	**Downside**	**Probability Weighted**
Corporate	5.81%	5.98%	5.65%	5.68%	2.37%	2.28%	2.44%	2.41%
Commercial	5.30%	4.94%	5.61%	5.42%	17.46%	16.75%	18.09%	17.79%

For the scenario probability weightings applied in measuring ECL December 2022, the bank continues to use the ones we had in 2021 because it was found that many loans restructured due to covid-19 continued to default especially due to current economic situation.

The scenario probability weightings applied in measuring ECL are as follows.

31 December 2022	Upside	Central	Downside
Scenario probability weighting	10%	20%	70%
31 December 2021	**Upside**	**Central**	**Downside**
Scenario probability weighting	10%	20%	70%

vi. Concentration of credit risk

Concentration by sector

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:

Concentration by sector

	31-Dec-22 FRw'000	31-Dec-21 Percentage	FRw'000	Percentage
Overdraft	18,272,895	25.56%	3,127,862	7.75%
Treasury loan	20,161,307	28.20%	17,696,293	43.84%
Agriculture loans	10,543,737	14.75%	4,994,336	12.37%
Equipment loan	3,248,865	4.54%	1,727,170	4.28%
Consumer loan	1,753,728	2.45%	717,050	1.78%
Mortgage loan	17,413,384	24.35%	12,104,338	29.99%
Education Loan	108,932	0.15%	-	0%
	71,502,848		**40,367,049**	

Concentration by branch

Branch name	31-Dec-22 Frw '000	31-Dec-21 Percentage	Frw 000	Percentage
Gikondo	1,107,115	1.55%	801,291	1.99%
Gisozi	2,562,804	3.58%	1,686,577	4.18%
Huye	2,518,416	3.52%	1,977,979	4.90%
Kabuga	1,649,720	2.31%	1,190,585	2.95%
Kayonza	861,174	1.20%	520,151	1.29%
Kimironko	993,006	1.39%	1,478,289	3.66%
Main Branch	36,462,207	50.99%	14,549,544	36.04%
Muhanga	1,229,229	1.72%	804,778	1.99%
Musanze	1,966,302	2.75%	1,489,092	3.69%
Nyabugogo	3,550,031	4.96%	3,228,411	8.00%
Nyarugenge	3,619,712	5.06%	3,286,743	8.14%
Remera	7,269,634	10.17%	4,554,458	11.28%
Rubavu	2,563,735	3.59%	1,469,808	3.64%
Rusizi	5,149,763	7.20%	3,329,343	8.25%
	71,502,848	**100.00%**	**40,367,049**	**100.00%**

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.

Exposure to liquidity risk

The key ratio used by the bank for managing liquidity risk is the Liquidity Coverage Ratio (LCR) is measures the bank's resilience to potential liquidity disruptions over a thirty (30) day horizon, by ensuring that a bank has sufficient unencumbered, high-quality assets to offset the net cash outflows it could encounter under an acute short-term stress scenario. The bank compute and maintain Liquidity Coverage Ratio on monthly basis and ensure ratio high-quality liquid assets to its net cash outflows over the 30-day period must never be less than 100 percent.
(Stock of high-quality liquid assets)/ (Net cash outflows over a 30-day time period) ≥100percent

Details of the LCR at the reporting date and during the reporting period were as follows:

	31-Dec 2022	31-Dec 2022
At 31 December	**Unaudited**	**Unaudited**
Average for the period	166.92%	241.92%
Maximum for the period	255.00%	491.00%
Minimum for the period	133.00%	165.00%

Maturity analysis for financial liabilities and financial assets

The table below sets out the remaining contractual maturities of the Bank's financial liabilities and financial assets:

At 31 December 2022	1-3 M months Frw '000	3-12 M months Frw '000	1-5 Y years Frw '000	Over 5 years Frw '000	Total Frw '000
Liabilities					
Customer deposits	46,670,741	40,556,959	1,793,163	-	89,020,863
Deposits and balances due to banking institutions	-	80,828	-	-	80,828
Borrowings	20,149,547	25,602,585	-	-	45,752,132
Lease liabilities	122,409	367,226	1,958,541	2,448,176	4,896,352
Other liabilities	2,816,626	-	-	-	2,816,626
	69,759,323	**66,607,598**	**3,751,704**	**2,448,176**	**142,566,801**
Assets					
Cash and bank balances with National Bank of Rwanda	9,020,840	-	-	-	9,020,840
Deposits and balances due from banking institutions	337,667	345,343	-	-	683,010
Deposits due from financial institutions abroad	3,021,500	-	-	-	3,021,500
Loans and advances to customers	16,690,177	28,100,529	24,837,629	30,212,072	99,840,407
Government securities	38,041	789,916	2,048,368	174,673,046	177,549,371
Right of use of asset	1,749,817	-	-	-	1,749,817
Other assets	9,465,608	-	-	-	9,465,608

	40,323,650	**29,235,788**	**26,885,997**	**204,885,118**	**301,330,553**
Net liquidity gap 2022	**(29,435,673)**	**(37,371,810)**	**23,134,293**	**202,436,942**	**158,763,752**
Net liquidity gap 2021	**(17,184,315)**	**(20,434,521)**	**13,063,719**	**34,306,789**	**9,751,672**

At 31 December 2021	**1-3 M months Frw '000**	**3-12 M months Frw '000**	**1-5 Y years Frw '000**	**Over 5 years Frw '000**	**Total Frw '000**
Liabilities					
Customer deposits	30,883,782	18,206,847	15,345	-	49,105,974
Deposits and balances due to banking institutions	-	71,186	-	-	71,186
Lease liabilities	33,072,462	21,052,787	-	-	37,392,687
Borrowings	118,502	355,505	2,170,874	2,910,092	5,554,973
Other liabilities	1,119,513	-	-	-	6,841,867
	65,193,925	**39,386,216**	**2,185,179**	**2,910,092**	**109,675,412**
Assets					
Cash and bank balances with National Bank of Rwanda	6,083,754	-	-	-	6,083,754
Deposits and balances due from banking institutions	24,024,446	-	-	-	24,024,446
Deposits due from financial institutions abroad	12,251,562	-	-	-	12,251,562
Loans and advances to customers	5,016,706	20,092,591	17,648,651	14,803,650	57,561,598
Government securities	406,799	2,171,698	5,191,213	71,031,590	78,801,300
Other assets	1,923,844	-	-	-	1,923,844
	48,009,609	18,951,695	15,248,898	37,216,881	119,427,083
Net liquidity gap 2021	**(17,184,315)**	**(20,434,521)**	**13,063,719**	**34,306,789**	**9,751,672**
At 31 December 2020	**672,679**	**(33,554,063)**	**10,171,071**	**23,522,452**	**812,139**

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.

2022	EUR Frw '000'	GBP Frw '000'	USD Frw '000'	Total Frw '000'
Assets				
Cash in hand	108,687	1,064	1,538,409	1,648,160
Due from the National Bank	460,332	-	230,926	691,258
Due from other banking institutions	1,450,381	1,675	1,862,978	3,315,034
Loans and advances	-	-	28,044,368	28,044,368
Placements with other banks	345,342	-	0	345,342
	2,364,742	2,739	31,676,681	34,044,162
Liabilities				
Customer deposits	2,347,326	980	19,219,568	21,567,874
Due to other banking institutions	-		66,154	66,154
Borrowings	-		1,900,098	1,900,098
	2,347,326	980	21,185,820	23,534,126
Net Financial Position	**17,417**	**1,759**	**10,490,861**	**10,510,037**

2021	EUR Frw '000'	GBP Frw '000'	USD Frw '000'	Total Frw '000'
Assets				
Cash in hand	143,871	733	786,741	931,345
Due from the National Bank	601,304	-	526,095	1,127,399
Due from other banking institutions	448,993	1,711	11,910,335	12,361,039
Loans and advances	-	-	7,622,073	7,622,073
Placements with other banks	-	-	25,687,459	25,687,459
	1,194,168	**2,444**	**46,532,703**	**47,729,315**
Liabilities				
Customer deposits	1,331,751	1	11,662,445	12,994,197
Due to other banking institutions	-		66,153	66,153
Borrowings	-		29,581,802	29,581,802
	1,331,751	1	41,310,400	42,642,152

Net Financial Position	**(137,583)**	**2,443**	**5,222,303**	**5,087,163**

The table below shows the average and year end exchange rates of the Rwanda francs against major currencies:

	2022 USD	2021 USD	2022 EUR	2021 EUR	2022 GBP	2020 GBP
Average	1,030.87	990.3628	1,084.92	1,169.72	1,273.03	1,362.95
Closing	1,070.71	1,009.62	1,142.45	1,142.89	1,290.64	1,362.93

Sensitivity analysis

The following table demonstrates the sensitivity, to a reasonable possible change in the USD and EUR, with all other variables held constant, of the Bank's profit before tax due to changes in fair value of monetary assets and liabilities. The Bank's exposure to foreign currency changes for all other currencies is not material.

The effect on profit before tax and on equity is disclosed below:

31-Dec	Effect on profit before tax 2022 Frw '000	Effect on profit before tax 2021 Frw '000	Effect on Equity 2022 Frw '000	Effect on Equity 2021 Frw '000
Changes in EUR +/- 10%	+/- 13,758	+/- 13,758	+/ -9,631	+/ -9,631
Changes in GBP +/- 10%	+/- 244	+/- 244	+/- 171	+/- 171
Changes in USD +/- 10%	+/- 3,487,026	+/- 3,487,026	+/- 2,440,918	+/- 2,440,918

Interest rate risk

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 2022, 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 59 million (2021: Frw 59 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 2022	1-3 m months	3-12m months	Over 1 year	Non-interest bearing	Total
Assets					
Cash and bank balances with National Bank of Rwanda	-	-	-	9,020,840	9,020,840
Deposits and balances due from banking institutions	682,899	-	-	-	682,899

Deposits due from financial institutions abroad	3,021,500	-	-	-	3,021,500
Loans and advances to customers	324,279	25,083,638	42,832,660	-	68,240,577
Government securities	-	-	68,835,450	-	68,835,450
Other assets	-	-	-	9,465,608	9,465,608
Total assets	4,028,678	25,083,638	111,668,110	18,486,448	159,266,874
Liabilities					
Customer deposits	45,356,706	41,387,595	1,103,153	0	87,847,454
Deposits and balances due to banking institutions	-	80,828	-	-	80,828
Other borrowed funds	35,952,319	9,799,812	-	-	45,752,131
Other liabilities		-	-	2,816,626	2,816,626
Total liabilities	81,309,026	51,268,235	1,103,153	2,816,626	136,497,039
Interest rate sensitivity gap	**(77,280,348)**	**(26,184,597)**	**110,564,958**	**15,669,822**	**22,769,835**

At 31 December 2021	**03-Jan months**	**12-Mar months**	**Over 1 year**	**Non-interest bearing**	**Total**
Assets					
Cash and bank balances with National Bank of Rwanda	-	-	-	6,083,754	6,083,754
Deposits and balances due from banking institutions	24,024,446	-	-	-	24,024,446
Amounts due from group companies	12,251,562	-	-	-	12,251,562
Loans and advances to customers	3,326,003	13,321,095	21,515,399	-	38,162,497
Government securities	-	-	36,980,980	-	36,980,980
Other assets	-	-	-	1,923,845	1,923,845
Total assets	**39,602,010**	**13,321,095**	**58,496,379**	**8,007,599**	**119,427,083**
Liabilities					
Customer deposits	-	17,906,738	366,999	30,883,448	49,157,185
Deposits and balances due to banking institutions	-	71,186	-	-	71,186
Other borrowed funds	33,072,462	21,052,787	-	-	54,125,249
Other liabilities		-	-	1,119,513	1,119,513
Total liabilities	**33,072,462**	**39,030,711**	**366,999**	**32,002,961**	**104,473,133**
Interest rate sensitivity gap	**6,529,548**	**(25,709,616)**	**58,129,380**	**(23,995,362)**	**14,953,950**

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.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Bank's profit before tax.

Sensitivity analysis:	Effect on profit before tax Frw '000'
31 December 2022 (+/-) 2%	(+/-) 723,717
31 December 2021 (+/-) 2%	(+/-) 313,460

Sensitivity to pre-tax profit is the effect of the assumed change in interest rates on interest bearing assets and liabilities.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Bank's equity.

Sensitivity analysis:	Effect on equity Frw '000'
31 December 2022 (+/-) 2%	(+/-) 507,602
31 December 2021 (+/-) 2%	(+/-) 219,422

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 bbalance 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

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 2021 and 2020 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.

Tier 1 capital	**2022 Frw '000**	**2021 Frw '000**
Ordinary share capital	20,000,000	20,000,000
Share premium	871,740	871,740
Reserves:		
Prior years' accumulated losses	(3,394,732)	(4,911,864)
Less;		
Intangible assets	888,148	994,904
Current year profit	2,426,364	1,517,132
Total	**20,791,520**	**18,471,912**
Tier 2 capital		
Regulatory reserve	1,699,993	816,559
Total Capital	**22,327,999**	**19,288,471**
Risk-weighted assets	92,930,886	62,711,931
Capital ratios		
Total minimum regulatory capital expressed as a % of total risk-weighted assets	15.00%	15.00%
Total capital expressed as a % of risk-weighted assets	**22.29%**	**30.22%**

Risk weighted assets

The table below summarizes the risk weighted assets of the bank at year ended.

	2022 Frw '000	**2021 Frw '000**
Credit RWA	71,708,975	47,786,301
Market RWA	6,308,687	5,127,130
Operational RWA	14,913,224	9,798,500

Fair values of financial instruments

Valuation models

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions.

These two types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Rwanda Stock Exchange)

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level primarily includes financial investments.

Level 3: There were no instruments in this category in both 2022 and 2021.

Valuation framework
Loans and advances to banks
Loans and advances to banks include inter-bank placements and items in the course of collection.
The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value.
The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

Loans and advances to customers
Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Investment securities
The fair value for financial investments and amortised cost financial assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics. The fair value for these assets is based on estimations using market prices and earnings multiples of quoted securities with similar characteristics.

Deposits from banks and customers
The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

Off-balance sheet financial instruments
The estimated fair values of the off-balance sheet financial instruments are based on markets prices for similar facilities. When this information is not available, fair value is estimated using discounted cash flow analysis.

Financial instruments not measured at fair value- fair value hierarchy

The following table analyses financial instruments not measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

31 December 2022	(Level 1) Frw '000	(Level 2) Frw '000	(Level 3) Frw '000	Total Frw '000
Assets				
Balances with the National Bank of Rwanda	6,036,336	-	-	6,036,336
Deposits and balances due from other banking institutions	682,899	-	-	682,899
Deposits due from financial institutions abroad	-	3,021,500	-	3,021,500
Government securities	-	68,835,450	-	68,835,450
Loans and advances to customers	-	68,240,577	-	68,240,577
Other assets	-	9,465,608	-	9,465,608
	9,740,735	**146,541,635**	**-**	**156,282,370**
Liabilities				
Customer deposits	87,876,925	-	-	87,876,925
Deposits due to financial institutions	80,828	-	-	80,828
Other liabilities	-	2,816,626	-	2,816,626
Other borrowings	-	45,752,131	-	45,752,131

	87,957,753	**48,568,757**	**-**	**136,526,510**

The following table analyses financial instruments not measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

31 December 2021	**(Level 1) Frw '000**	**(Level 2) Frw '000**	**(Level 3) Frw '000**	**Total Frw '000**
Assets				
Balances with the National Bank of Rwanda	6,083,754	-	-	6,083,754
Deposits and balances due from other banking institutions	24,024,446	-	-	24,024,446
Deposits due from financial institutions abroad	-	12,251,562	-	12,251,562
Government securities	-	36,980,980	-	36,980,980
Loans and advances to customers	-	38,162,497	-	38,162,497
Other assets	-	1,923,845	-	1,923,845
	42,359,762	**77,067,322**	**-**	**119,427,083**
Liabilities				
Customer deposits	48,804,491	-	-	48,804,491
Deposits due to financial institutions	71,186	-	-	71,186
Other liabilities	-	1,119,513	-	1,119,513
Other borrowings	-	54,125,249	-	54,125,249
	48,875,677	**55,244,760**	**-**	**104,120,439**

4	**Interest income**	**31-Dec-22 Frw'000**	**31-Dec-21 Frw'000**
A	**Interest income on interbank assets**		
	Interest on savings	8,072	126,321
	Interest income placements	253,995	712,325
	Interest on call money	54,612	109,682
	Total interest income	316,679	948,328
B	Interest on loans and advances	6,242,971	4,541,812
C	Interest income on government securities	6,736,590	3,775,065
	Total interest and related income	**13,296,240**	**9,265,205**
5	**Interest expenses**		
A	**Interest expenses on interbank liabilities**		

	Interest on short borrowings	(1,622,503)	(931,012)
	Interest on long borrowings	(459,604)	(709,822)
		(2,082,107)	**(1,640,834)**
B	**Interest expenses on customers' deposit**		
	Interest on demand deposit	(123,070)	(27,254)
	Interest on saving deposits	(126,372)	(109,368)
	Interest term & call deposits	(2,326,306)	(1,666,635)
	Grant interest expense	(2,252)	(3,542)
		(2,578,000)	(1,806,799)
	Total interest expense	**(4,660,107)**	**(3,447,633)**

6	**Fees and Commission income**		
	Fees & commissions on operations		
	Ledger fees	262,222	210,278
	Fees on transfers (domestic and international)	227,311	203,906
	Fees on money transfer (WU, MoneyGram)	3,927	6,159
	Commitment & loans fees	908,586	735,926
	Fees from Bancassurance	88,025	47,500
	Other Fees & commissions on operations	147,334	75,677
		1,637,405	**1,279,446**
	Income from off-balance sheet operations		
	Letter of Credit (LCs)	84,409	65,790
	Guarantees	179,094	125,006
		263,503	**190,796**
	Other banking income		
	Fee on cheque book	34,719	29,378
	Commission on mobile	68,362	85,760
	Commission on ATM	56,430	38,804
	Commission on internet banking	17,153	12,199
	Commission on VISA	1,207	491
	Other income	8,044	3,821
		185,915	**170,453**
	Total commission income	**2,086,823**	**1,640,695**

Type pf service	**Nature and timing of satisfaction of performance obligation, including significant payment terms**	**Revenue recognition policies under IFRS 15**

Retail & corporate banking services	The bank provides banking services to retail and corporate customers, including account management, foreign currency transactions and service fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. Transaction based fees such as foreign currency transactions are charged to the customer's account when the transaction takes place. Service fees are charged on a monthly basis and are based on approved tariffs by the Bank.	Revenue from account service and servicing fees is recognized over time as the services are provided. Revenue related to transactions is recognized at the point in time when the transaction takes place.

7	Fees and commission expense	31-Dec-22 Frw'000	31-Dec-21 Frw'000
	Fees & commissions expense on operations		
	Transfer charges	(15,051)	(12,891)
	Bank charges	(114,727)	(26,402)
	Dealing charges	(31,208)	(26,633)
		(160,986)	(65,926)
	Other banking expenses		
	Electronic banking	(165,225)	(117,535)
	Internet banking	(7,866)	(6,195)
	Mobile banking	(7,871)	(11,940)
	Other charges	(30,007)	(25,564)
		(210,989)	**(161,234)**
	Total commission expense	**(371,955)**	**(227,160)**

8	Other net operating income/(loss)	31 Dec 2022 Frw'000	31 Dec 2021 Frw'000
	Expense from dealing of securities available for sale	(22,085)	(20,938)
		(22,085)	**(20,938)**
	Other provisions & losses		
	Other provision for risk	(11,550)	(29,226)
	Other expenses	(278,409)	(154,164)
	Gain on disposal of fixed assets	529	213
	Expenses on derivatives	(15,719)	(119,042)
		(305,149)	**(302,219)**
	Net other income/(loss)	**(327,234)**	**(323,157)**

9	Net trading income	31 Dec 2022 Frw'000	31 Dec 2021 Frw'000
	Income from trading	498,600	527,724
	Gains/(losses) on foreign exchange	(142,351)	(29,270)
		356,249	**498,454**

10	Staff costs	31 Dec 2022 Frw'000	31 Dec 2021 Frw'000
	Salaries and wages	1,869,968	1,684,128
	RSSB contributions	91,458	81,104
	Medical expenses	178,763	148,826

Training	32,676	73,538
Staff life insurance	58,357	49,570
Other staff costs	208,181	198,404
	2,439,403	**2,235,570**

11		**31 Dec 2022 Frw'000**	**31 Dec 2021 Frw'000**
a	**Finance costs**		
	Interest on leased assets	283,442	303,176
		283,442	**303,176**
b	**Operating expenses**		
	IT costs	523,970	445,961
	Security costs	150,282	157,548
	Vehicles insurance	36,963	33,877
	Communication fees	41,410	36,469
	Board meeting fees	181,848	203,462
	Travelling costs	124,712	33,895
	Office supplies	63,160	46,993
	Marketing expenses	158,418	98,268
	Legal fees	26,113	27,403
	Membership contributions	69,557	55,630
	Taxes	7,318	6,090
	Consultancy cost	87,988	112,363
	Core banking software license	279,596	206,781
	Audit fees	41,246	39,444
	Donation	4,000	-
	Deposit Guarantee Fund (DGF)	54,508	30,614
	Other operating expenses	220,364	149,130
		2,071,453	**1,683,928**
c	**Impairment losses on financial instruments**		
	Impairment charges on loans to customers	2,612,936	1,545,407
	Write-back of provisions on loans to customers	(68,894)	(155,426)
	Recoveries on amounts written off	(886,407)	(72,545)
	Write back of provision on other financial instruments	(1,661)	-
	Impairment on government securities	7	2,221
		1,655,981	**1,319,657**

12.	**Income taxes**	**31-Dec-2022 Frw'000**	**31-Dec-2021 Frw'000**
a)	**Income Tax charge/credit**		
	Current tax expense	(898,213)	-
	Deferred income tax credit	220,423	377,114
	Total income tax (charge)/credit	**(677,790)**	**377,114**

b) Reconciliation of effective tax rate

Reconciliation of tax expense and the accounting profit multiplied by the standard tax rate for 2022 and 2021:

	Effective rate	2022 Frw '000'	Effective rate	2021 Frw '000'
Accounting profit		3,104,154		1,140,018
Tax calculated at the statutory rate	30%	931,246	30%	342,005
Tax effect of:				
Non-deductible tax expenses	6%	195,754	116%	1,316,905
Under/over provision in prior years	(14%)	(449,210)	(179%)	(2,036,025)
Income tax expense (Credit)/debit	**22%**	**677,790**	**(33%)**	**(377,115)**

c) Movement in deferred tax balances

31 December 2022	01-Jan-22 Frw '000	Current year charge/ (credit) to profit or loss (Frw '000)	31-Dec-22 Frw '000
Property and equipment	162,008	(212,448)	(50,439)
Provisions	(143,220)	(219,557)	(362,777)
Tax losses	(321,266)	321,266	-
Other temporary differences	(10,498)	(109,685)	(120,183)
Net deferred tax	**(312,976)**	**(220,423)**	**(533,400)**

31 December 2021	Frw '000	Frw '000	Frw '000
Property and equipment	168,880	(6,872)	162,008
Provisions	(82,352)	(60,868)	(143,220)
Tax losses	-	(321,266)	(321,266)
Other temporary differences	(22,390)	11,892	(10,498)
Net deferred tax	**64,138**	**(377,114)**	**(312,976)**

d) Current income tax liabilities

	31-Dec-2022 Frw'000	31-Dec-2021 Frw'000
Opening current income tax payable	-	-
Current income tax charge	898,213	-
Income tax credit on withholding tax	-	-
	898,213	**-**

13	Cash and balances with National Bank of Rwanda	31-Dec-2022 Frw'000	31-Dec-2021 Frw'000
	Cash in hand	2,984,504	2,147,302
	Unrestricted balances with National bank of Rwanda	817,987	346,291
		3,802,491	**2,493,593**
a)	**Cash in hand**		
	Cash in foreign currencies	1,648,161	931,345
	Cash in local currency	1,336,343	1,215,957

		2,984,504	**2,147,302**
b)	**Due from the National Bank**		
	Unrestricted balances in foreign currencies	-	346,291
	Unrestricted balances in local currency	817,987	-
		817,987	**346,291**

14	**Deposits and balances due from other banking institutions**	**31-Dec-2022 Frw'000**	**31-Dec-2021 Frw'000**
	Current accounts with other banks	337,667	375,243
	Call money with accrued receivable interest	345,343	3,031,588
	Placement with other banks	-	20,617,812
	Expected credit losses	(111)	(197)
		682,899	**24,024,446**

The contractual interest rate approximates the effective interest rate. There are no significant fees and other administrative costs in relation to origination of the placements. Consequently, interest has been computed based on the contractual interest rate which is representative of the effective interest rate.

15	**Government securities**	**31-Dec-2022 Frw'000'**	**31-Dec-2021 Frw'000'**
	Investments securities at amortised cost		
	At 1 January	36,980,980	20,993,920
	Additional accrued receivable interest	1,353,451	1,229,749
	Additions T-Bonds & charges	36,649,283	14,757,319
	Matured T-Bonds	(2,382,600)	-
	Matured T-Bills	(3,765,657)	-
	Less impairment loss allowance	(7)	(8)
	As at 31 December	**68,835,450**	**36,980,980**

The contractual interest rate approximates the effective interest rate. There are no significant fees and other administrative costs in relation to origination of the government securities. Consequently, interest has been computed based on the contractual interest rate which is representative of the effective interest rate.

b) Derivatives

The Bank uses derivatives 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.
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 value is determined by discounting the future cash flows at the market interest rate applicable at that time.

16 Loans and advances to customers	**31-Dec-2022 Frw'000**	**31-Dec-2021 Frw'000**
Term loans	53,229,953	37,239,188
Overdrafts	18,272,895	3,127,861
Gross loans and advances	**71,502,848**	**40,367,049**
Less: modification gain/(loss) and staff discount	(587,089)	(461,177)
Less: provisions for impairment of loans and advances	(2,675,182)	(1,743,375)
	68,240,577	**38,162,497**
Movements in impairment loss allowance		
At 1 January	1,743,375	1,214,196
Additional provision for the year	2,612,936	1,545,407
Recoveries on provisions	(68,894)	(155,426)
Loans written off during the year as uncollectible	(1,612,235)	(860,802)
	2,675,182	**1,743,375**

Analysis of loan advances to customers by category:

	31 December 2022			**31 December 2021**		
	Gross carrying amount Frw'000	**ECL allowance Frw'000**	**Carrying amount Frw'000**	**Gross carrying amount Frw'000**	**ECL allowance Frw'000**	**Carrying amount Frw'000**
Overdraft	18,272,895	(666,118)	17,606,777	3,127,861	(418,436)	2,709,424
Treasury loan	20,161,307	(1,118,049)	19,043,258	17,696,293	(904,857)	16,791,436
Agriculture loans	10,543,736	(198,308)	10,345,428	4,994,336	(7)	4,994,329
Equipment loan	3,248,865	(179,263)	3,069,602	1,727,170	(86,774)	1,640,397
Consumer loan	1,862,660	(181,804)	1,680,856	3,979	(801)	3,177
Mortgage loan	17,413,384	(918,729)	16,494,656	12,817,410	(793,677)	12,023,733
	71,502,848	**(3,262,271)**	**68,240,577**	**40,367,049**	**(2,204,552)**	**38,162,497**

17	**Other assets**	**31-Dec-22 Frw'000**	**31-Dec-21 Frw'000**
	Prepayments	155,883	216,456
	Stationery	36,408	37,582
	Clearing /transitory accounts	4,181	14,935
	Other receivables	4,050,787	1,602,022
	Restricted balances with National bank of Rwanda	5,218,349	3,590,161
	Swaps	-	52,850
		9,465,608	**5,514,006**

Other receivables are non-interest bearing and are generally on short term period of 30 to 90 days. They were increased due to the transfers in transit end of period

Restricted balances with National bank of Rwanda are not available for use in the Bank's day-to- day operations.

18. Property and Equipment

Year ended 31 Dec 2022	Computers Frw'000	Motor vehicles Frw'000	Refurbish-ment Frw'000	Office equipment Frw'000	Other equipment Frw'000	Total Frw'000
Cost						
At 01 January 2022	1,110,475	224,919	1,698,989	228,380	124,976	3,387,739
Additions	77,772	-	24,148	65,268	26,491	193,679
Transfer WIP tangible	(2,940)					(2,940)
Disposals	(10,014)	-	-	(12,303)	(7,476)	(29,794)
At 31 December 2022	**1,175,293**	**224,919**	**1,723,137**	**281,345**	**143,991**	**3,548,685**
Depreciation						
At 01 January 2022	850,552	151,481	763,638	210,678	104,203	2,080,552
Charge for the year	113,603	18,750	170,301	12,834	16,604	332,092
Disposals	(10,013)	-	-	(12,303)	(5,886)	(28,202)
Adjustment	(301)	-	-	31	(568)	(838)
At 31 December 2022	**(954,443)**	**(170,231)**	**(933,939)**	**(211,178)**	**(115,489)**	**(2,385,280)**
Net carrying amount	**220,851**	**54,688**	**789,198**	**70,167**	**28,502**	**1,163,406**

As at 31 December 2022, none of the property and equipment of the bank had been pledged as collateral.

Year ended 31 December 2021	Computers Frw'000	Motor vehicles Frw'000	Refurbish-ment Frw'000	Office equip-ment Frw'000	Other equipment Frw'000	Total Frw'000
Cost						
At 01 January 2021	934,261	149,919	1,626,460	232,022	116,559	3,059,221
Additions	166,418	75,000	72,529	4,625	8,417	326,989
Disposal	(1,145)	-	-	(8,267)	-	(9,412)
At 31 December 2021	**1,099,534**	**224,919**	**1,698,989**	**228,380**	**124,976**	**3,376,798**
Depreciation						
At 01 January 2021	(745,868)	(149,919)	(596,143)	(210,178)	(87,094)	(1,789,202)
Charge for the year	(105,493)	(1,562)	(167,495)	(8,770)	(17,108)	(300,428)
Disposal	822	-	-	8,269	-	9,091
At 31 December 2021	**(850,539)**	**(151,481)**	**(763,638)**	**(210,679)**	**(104,202)**	**(2,080,539)**
Net carrying amount	**248,995**	**73,438**	**935,351**	**17,701**	**20,774**	**1,296,259**

As at 31 December 2021, none of the property and equipment of the bank had been pledged as collateral.

19. Intangible asset-purchased software

31-Dec-2022			
	Frw'000 Purchased Software	**Frw'000 Software-WIP**	**Frw'000 Total**
Cost			
Balance at 1 January	1,630,420	117,571	1,747,991
Additions	-	162,917	162,917
Transfers	20,906	(20,906)	-
Balance at 31 December	1,651,326	259,582	1,910,908
Amortization			
Balance at 1 January	742,146	-	742,146
Charge for the year	280,614	-	280,614
Balance at 31 December	1,022,760	-	1,022,760
Balance at 31 December 2022	**628,566**	**259,582**	**888,148**

31-Dec-2021			
	Frw'000 Purchased Software	**Frw'000 Software-WIP**	**Frw'000 Total**
Cost			
Balance at 1 January	1,025,600	367,463	1,393,063
Additions	268,206	86,722	354,928
Transfers	336,614	(336,614)	-
Balance at 31 December	1,630,420	117,571	1,747,991
Amortization			
Balance at 1 January	527,951	-	527,951
Charge for the year	214,195	-	214,195
Balance at 31 December	742,146	-	742,146
Balance at 31 December 2021	**888,274**	**117,571**	**1,005,845**

20	**Balance due to Central bank**	**31-Dec-2022 Frw'000**	**31-Dec-2021 Frw'000**
	Balance at 1 January	50,441	119,602
	Additions	-	1,408
	Interest payable	2,253	3,542
	Repayments	(3,005)	(74,111)
	Balance at 31 December	**49,689**	**50,441**

The amount relates to the Economic recovery fund from the National Bank of Rwanda for onward lending. The facility is unsecured and at Nil interest rate.

21	Customer deposits	31-Dec-2022 Frw'000	31-Dec-2021 Frw'000
	Demand deposits	45,356,706	30,304,040
	Saving Deposits	3,028,047	2,357,628
	Fixed term deposits	38,389,020	15,563,415
	Collateral deposits	1,103,152	579,408
		87,876,925	**48,804,491**

The contractual interest rate approximates the effective interest rate. There are no significant fees and other administrative costs in relation to origination of the deposits. Consequently, interest has been computed based on the contractual interest rate which is representative of the effective interest rate. The average interest rate is **8.87% for 2022** while it was **7.43% in 2021**

22	Deposits due to financial institutions	31-Dec-2022 Frw'000	31-Dec-2021 Frw'000
	Bank of Africa Uganda	58,248	53,540
	Bank of Africa DRC	13,384	12,621
	Bank of Africa Kenya	8,912	4,878
	Bank of Africa Tanzania	284	147
		80,828	**71,186**

The deposits are not interest bearing. The contractual interest rate approximates the effective interest rate. There are no significant fees and other administrative costs in relation to origination of the deposits. Consequently, interest has been computed based on the contractual interest rate which is representative of the effective interest rate.

23	Borrowings	31-Dec-2022 Frw'000	31-Dec-2021 Frw'000
	Balance at 1 January	54,125,249	37,392,687
	Accrued interest during the year	221,672	408,951
	Additional receipts	1,517,813,124	1,168,744,673
	Payments	(1,526,407,914)	(1,152,421,062)
	Balance at 31 December	**45,752,131**	**54,125,249**

All borrowings mature within 12 months from the reporting period date. Below is an analysis of maturities within and above 3 months.

Terms and repayment schedule

The terms and conditions of outstanding borrowings are as follows.

Balances at 31 December 2022

Borrowings with a tenure within 3 months

Bank	Face value Frw'000'	Value date	Maturity date	Interest rate	Accrued pay. int	Carrying amount Frw'000'
BNR (SLF)	21,000,000	30-Dec-22	04-Jan-23	7.50%	8,654	21,008,654
ACCESS BANK	2,500,000	28-Dec-22	04-Jan-23	7.30%	2,000	2,502,000
GT BANK	2,141,425	12-Dec-22	12-Jan-23	4.00%	4,759	2,146,184
I&M BANK	1,498,997	19-Dec-22	19-Jan-23	4.68%	2,533	1,501,530
GT BANK	856,570	30-Dec-22	30-Jan-23	4.50%	213	856,783
EQUITY BANK	963,641	21-Dec-22	23-Jan-23	4.00%	1,178	964,819
DRC	6,959,631	23-Dec-22	23-Jan-23	7.30%	12,701	6,972,332
	35,920,264				**32,038**	**35,952,302**

Borrowings with a tenure more than 3 months

Bank	Amount Frw'000'	Value date	Maturity date	Interest rate	Accrued pay. int	Total Frw'000'
BRD	2,000,000	31-Oct-22	04-May-31	4.00%	13,589	2,013,589
BRD	300,000	30-Nov-22	24-Aug-23	6.00%	1,578	301,578
BRD	800,000	24-Nov-22	30-Nov-24	6.0%	4,997	804,997
BRD	120,315	31-Dec-22	29-Sep-24	5.0%	16	120,331
BOA- MER ROUGE	2,141,425	2-Aug-22	2-Aug-23	5.0%	45,208	2,186,633
BOA- MER ROUGE	4,282,850	26-Jul-22	25-Jul-23	4.8%	89,851	4,372,701
	9,644,590				**155,239**	**9,799,829**
Total borrowings	**45,564,854**					**45,752,131**

As at 31 December 2022, the security held on the bank's borrowings was the investment in treasury bonds.

31 December 2021

Borrowings with a tenure within 3 months

Bank	Amount Frw'000'	Value date	Maturity date	Interest rate	Accrued pay. int	Total Frw'000'
National Bank of Rwanda	2,700,000	28-Dec-21	04-Jan-22	4.50%	1,335	2,701,335
National Bank of Rwanda	9,400,000	31-Dec-21	07-Jan-22	4.50%	1,162	9,401,162
Equity Bank	3,000,000	31-Dec-21	07-Jan-22	5.20%	428	3,000,428
Bank of Kigali	4,000,000	31-Dec-21	07-Jan-22	5.20%	570	4,000,570
National Bank of Rwanda	2,550,000	30-Dec-21	06-Jan-22	4.50%	630	2,550,630
COGEBANQUE	2,000,000	29-Dec-21	05-Jan-22	5.20%	855	2,000,855
BOA- Merrouge	3,028,853	22-Dec-21	22-Mar-22	2.90%	2,440	3,031,293
BOA- Merrouge	2,019,236	12-Nov-21	11-Feb-22	2.70%	7,572	2,026,808
Guaranty Trust Bank Rwanda	1,009,618	11-Oct-21	11-Jan-22	2.50%	5,749	1,015,367
I&M BANK	1,514,427	27-Oct-21	27-Jan-22	2.50%	6,941	1,521,149

Guaranty Trust Bank Rwanda	1,817,312	18-Nov-21	18-Feb-22	2.50%	5,553	1,822,865
	33,039,446				**33,235**	**33,072 ,462**

Borrowings with a tenure more than 3 months

Bank	Amount Frw'000'	Value date	Maturity date	Interest rate	Accrued pay. int	Total Frw'000'
Development Bank of Rwanda	300,000	24-Nov-21	28-Feb-22	6.00%	1,874	301,874
Development Bank of Rwanda	184,496	31-Dec-21	31-Mar-22	5.00%	25	184,522
BOA- Merrouge	10,096,178	2-Sep-21	2-Sep-22	2.9%	98,410	10,194,588
BOA- Merrouge	10,096,178	15-Jan-21	17-Jan-22	2.8%	275,626	10,371,804
	20,676,852				**375,935**	**21,052,787**
Total borrowings	**53,716,298**					**54,125,249**

As at 31 December 2021, the security held on the bank's borrowings was the investment in treasury bonds.

24.	**Other liabilities**	**31-Dec-22 Frw '000**	**31-Dec-21 Frw'000**
	Transitory accounts	194,992	44,012
	Social security and taxes	90,933	140,248
	Amount to employees	161,553	126,990
	Staff leave risk provision	96,352	92,747
	Other risk provision	-	17,115
	Deferred loan commission	-	209
	Clearing account	423,503	61,111
	Transfers in transit	1,184,377	-
	Payables	-	637,080
		2,151,710	**1,119,512**

25.	**Amounts due from financial institution abroad**	**31-Dec-22 Frw '000**	**31-Dec-21 Frw'000**
	Bank of Africa-Uganda	518,998	263,775

Citibank - New York	310,736	2,840,185
Bank of Africa –DRC	114,603	98,472
BMCE Spain	-	46,581
Bank of Africa Kenya	38,343	5,637,087
Bank of Africa –France	1,588,980	3,371,548
Bank of Africa-Tanzania	349,532	-
AKTIF Bank	104,491	-
Less impairment loss allowance	(4,183)	(6,086)
	3,021,500	**12,251,562**

26. a) share capital and share premium

	Number of shares issued & fully paid (thousands)	Share capital Frw'000	Share premium Frw'000
Balance at 1 January 2022	2,000,000	2,000,000	871,740
Capital contribution	-	-	-
Balance at 31 December 2022	**2,000,000**	**20,000,000**	**871,740**

	Number of shares issued & fully paid (thousands)	Ordinary shares Frw'000	Share premium Frw'000
Balance at 1 January 2021	1,258,087	12,580,870	871,740
Capital contribution	741,913	741,913	-
Balance at 31 December 2021	**2,000,000**	**2,000,000**	**2,000,000**

The total authorised number of ordinary shares is 2,000,000 with a par value of Frw 10,000 per share. All issued shares are fully paid off. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at annual general meetings of the Bank.
All ordinary shares rank equally with regard to the Bank's residual assets.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.

The bank's shareholders are as follows:

Shareholder	Shares	Nominal value Frw	Total Frw'000	%	Country of incorporation
Bank of Africa Group SA	1,900,000	10,000	19,000,000	95%	Senegal
Charles Mporanyi	100,000	10,000	1,000,000	5%	Rwanda
	2,000,000	20,000	20,000,000	100%	

26 b) Accumulated losses	31-Dec-22 Frw '000	31-Dec-21 Frw'000
Balance at 1 January	(3,394,732)	(4,911,864)
Profit for the year	2,426,364	1,517,132
Balance at 31 December	**(968,368)**	**(3,394,732)**

27 Related parties

a) Transactions with Directors and key management personnel

	31-Dec-22 Frw '000	31-Dec-21 Frw'000	
Loans to directors	470,999	342,902	
Interest income on loans to directors	-	44,618	
Balance at 1 January	(3,394,732)	(4,911,864)	871,740
Profit for the year	2,426,364	1,517,132	
Balance at 31 December	**(968,368)**	**(3,394,732)**	

All the transactions with the related parties are 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.

	31-Dec-22 Frw'000	31-Dec-21 Frw'000
Key management compensation		
Salaries and wages	421,002	388,646
Other benefits	145,691	153,791
Contribution for staff Insurance	10,525	9,716
Contribution to Rwanda Social Security Board	22,313	20,598
	599,531	**572,751**
Directors' remuneration		
Fees for services as directors	50,096	46,566

b) Transactions with BOA Group (Parent Company)

	2022 Frw'000	2021 Frw'000
BOA Group IT fees (license for the core banking software)	279,596	206,781
	279,596	**206,781**

The IT fees are recharged to the subsidiaries based on number of users.

28 .Analysis of cash and cash equivalents

	31-Dec-22 Frw'000	31-Dec-21 Frw'000
Cash in hand	2,984,504	2,147,302
Due from the National Bank	6,036,336	3,936,452
Cash reserve balances with the National Bank	(5,218,349)	(3,590,161)
Deposits with other banks	3,359,056	12,626,608
Call money with banks	345,343	23,649,400
T Bonds coupons maturing within 3 months	2,914,141	1,315,678
	10,421,031	**40,085,279**

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. Leases

(a) Right of use of assets

	31-Dec-22 Frw'000	31-Dec-21 Frw'000
Cost		
At 1 January	3,297,569	3,274,355
Termination of SORAS outlet (ROU Asset)	(29,656)	-
Effect of rental modification contract	24,291	23,214
As at 31 December	**3,292,204**	**3,297,569**
Depreciation		
At 1 January	1,360,568	1,151,135
Adjustment for Termination of SORAS outlet	(1,402)	-
Charge for the year	212,877	209,433
Termination of SORAS outlet	(29,656)	-
As at 31 December	**1,542,387**	**1,360,568**
Balance at 31 December	**1,749,817**	**1,937,001**

Right of use assets relates to leased office and branch premises. Some leases of the office premises contain extension options exercisable by the Bank.

(b) Lease liabilities

	31-Dec-22 Frw'000	31-Dec-21 Frw'000
At 1 January	2,331,278	2,482,502
Termination of SORAS outlet (lease liability)	(29,656)	-
Termination of SORAS outlet (finance cost)	(13,651)	-
Termination of SORAS outlet (prepayment)	44,359	-
Effect of rental modification contract	24,291	23,214
Finance cost for the year	283,442	303,176
Principal and interest payment	(489,635)	(477,614)
	2,150,428	**2,331,278**

30 Non-current assets held for sale

	31-Dec-22 Frw'000	31-Dec-21 Frw'000
Balance at 1 January	-	-
Addition	480,000	-
Balance at 31 December	**480,000**	**-**

Non-current asset held for sale relates to property bought at an auction during the year. The bank plans to resell the property.

31 Reconciliation of movement from equity and liabilities to cashflows arising from financing activities

	Borrowings Frw '000	Due to central bank Frw '000	Share capital Frw '000	Lease payments Frw '000	Total
Balances at 1 January 2022	54,125,249	50,441	20,000,000		
Changes in financing activities					
Capital increase	-	-	-	-	-
Borrowings	1,517,813,124	-	-	-	1,168,746,081
Lease repayment	-	-	-	(489,635)	(477,615)
Repayments of borrowed funds	(1,526,407,914)	(3,005)	-	-	(1,152,495,173)
Cash flows from financing activities	**45,530,459**	**47,436**	**20,000,000**	**(489,635)**	**23,192,423**
Other changes					
Accrued interest/interest payable	221,672	2,253	-	-	223,925
Balances at 31 December 2022	**45,752,131**	**49,689**	**20,000,000**	**-**	**-**

	Borrowings Frw '000	Due to central bank Frw '000	Share capital Frw '000	Lease payments Frw '000	Total
Balances at 1 January 2021	37,392,687	119,601	12,580,870		
Changes in financing activities					
Capital increase	-	-	7,419,130	-	7,419,130
New borrowings	1,168,744,673	1,408	-	-	1,168,746,081
Lease repayments	-	-	-	(477,615)	(477,615)
Repayments of borrowed funds	(1,152,421,062)	(74,110)	-	-	(1,152,495,173)
Cash flows from financing activities	**53,716,298**	**46,899**	**7,419,130**	**(477,615)**	**23,192,423**
Other changes					
Accrued interest/interest payable	408,951	3,542	-	-	412,493
Balances at 31 December 2021	**54,125,249**	**50,441**	**20,000,000**	**-**	**-**

32 Classification of financial assets and financial liabilities.

The following table below provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

At 31 December 2022	Mandatorily at FVTPL Frw '000	Designated at FVTPL Frw '000	FVOCI-debt instruments Frw '000	FVOCI-debt instruments Frw '000	Amortised cost Frw '000	Total carrying amount Frw '000
Assets						
Bank balances with National Bank of Rwanda	-	-	-	-	3,802,491	3,802,491
Deposits and balances due from banking institutions	-	-	-	-	682,899	682,899
Deposits due from financial institutions abroad	-	-	-	-	3,021,500	3,021,500
Loans and advances to customers	-	-	-	-	68,240,577	68,240,577
Government securities	-	-	-	-	68,835,450	68,835,450
Other assets	-	-	-	-	9,465,608	9,465,608
	-	**-**	**-**	**-**	**154,048,525**	**154,048,525**
Liabilities						
Customer deposits	-	-	-	-	87,876,925	87,876,925
Deposits and balances due to banking institutions	-	-	-	-	80,828	80,828
Borrowings	-	-	-	-	45,752,131	45,752,131
Lease liabilities	-	-	-	-	2,150,428	2,150,428
Other liabilities	-	-	-	-	2,816,626	2,816,626
	-	**-**	**-**	**-**	**138,676,938**	**138,676,938**

At 31 December 2021	Mandatorily at FVTPL Frw '000	Designated at FVTPL Frw '000	FVOCI-debt instruments Frw '000	FVOCI-debt instruments Frw '000	Amortised cost Frw '000	Total carrying amount Frw '000
Assets						
Bank balances with National Bank of Rwanda	-	-	-	-	2,493,593	2,493,593
Deposits and balances due from banking institutions	-	-	-	-	24,024,446	24,024,446
Deposits due from financial institutions abroad	-	-	-	-	12,251,562	12,251,562
Loans and advances to customers	-	-	-	-	38,162,497	38,162,497
Government securities	-	-	-	-	36,980,980	36,980,980
Other assets	-	-	-	-	5,514,006	5,514,006
	-	**-**	**-**	**-**	**119,427,084**	**119,427,084**
Liabilities						

Customer deposits	-	-	-	-	48,804,491	48,804,491
Deposits and balances due to banking institutions	-	-	-	-	71,186	71,186
Borrowings	-	-	-	-	54,125,249	54,125,249
Lease liabilities	-	-	-	-	2,331,278	2,331,278
Other liabilities	-	-	-	-	1,119,512	1,119,512
	-	**-**	**-**	**-**	**106,451,716**	**106,451,716**

33.Contingent liabilities, Contingent assets and commitments

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.

	31-Dec-22 Frw '000	31-Dec-21 Frw'000
Guarantees and commitments to customers	9,713,005	11,977,020
Letter of credit	775,959	2,582,615
Guarantees received	126,711,066	96,151,404
	137,200,029	**110,711,039**

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.

34. Ultimate parent company
Bank of Africa Rwanda Plc is a subsidiary of BOA Group S.A.

35. Events after the Reporting date
There are no significant reportable events after 31 December 2022 to the date of this report.
(31 December 2021 - None).

		31 December 2022	31 December 2021
Item		**Amount/ Ratio/ Number**	**Amount/ Ratio/Number**
I. Capital Strength			
1. Core capital (Tier 1)		19,015,223	16,482,104
2. Supplementary capital (Tier 2)		1,699,993	816,559
3. Total capital		20,715,216	17,298,662
4. Total risk weighted assets		92,930,886	62,711,931
5. Core capital/ Total risk weighted assets ratio (Tier 1 ratio)		22.291%	26.28%
6. Tier 2 ratio		1.83%	1.30%
7. Total capital/total risk weighted assets ratio		22.29%	27.58%
8. Leverage ratio		11.21%	8.17%
II. Credit Risk			
1. Total gross credit risk exposures: after accounting offsets and without taking into account credit risk mitigation;		154,063,836	91,907,663
2. Average gross credit exposures, broken down by major types of credit exposure:			
a) Loans, commitments and other non-derivative off-balance sheet exposures;		85,228,386	54,926,683
b) Debt securities;		68,835,450	36,980,980
c) OTC derivatives		-	-
		154,063,836	**91,907,663**
3. Regional or geographic distribution/ types of credit exposure	**Geographic distribution**	**Total exposure (Frw' 000')**	**Total exposure (Frw' 000')**
	Kigali City	139,775,216	82,137,405
	Muhanga	1,229,229	804,778
	Huye	2,518,416	1,980,379
	Rusizi	5,149,764	3,332,298
	Rubavu	2,563,736	1,487,460
	Musanze	1,966,302	1,550,192
	Kayonza	861,173	615,151
		154,063,836	**91,907,663**
4. Sector distribution of exposures, broken down by major types of credit exposure and aggregated in the following areas:	**Sector distribution**	**Total exposure (Frw' 000')**	**Total exposure (Frw' 000')**
	a) Government	82,560,988	36,980,980
	b) Financial;	-	161,454
	c) Manufacturing;	256,465	721,845
	d) Infrastructure and construction;	1,543,880	1,646,554
	e) Services and commerce.	30,798,292	27,573,815
	f) Others	38,904,211	24,823,015
	Total	**154,063,836**	**91,907,663**

5. Off- balance sheet items			13,725,538	14,559,635
6. Non-performing loans indicators				
a) Non-performing loans (NPL)			6,058,255	2,766,264
b) NPL ratio			8.47%	6.85%
7. Related parties				
a) Loans to directors, shareholders and subsidiaries			470,999	342,902
b) Loan to employees			1,494,180	1,254,880
8. Restructured loans as at 31 December 2021				
a. No. of borrowers			163	284
b. Amount outstanding (Frw '000)			4,045,063	5,936,721
c. Provision thereon (Frw '000) (regulatory):			51,644	43,253
d. Provision IFRS P (Frw '000)			362,522	709,285
e. Restructured loans as % of gross loans			5.66%	14.71%
III. LIQUIDITY RISK				
a) Liquidity Coverage Ratio (LCR)			146.16%	188.18%
b) Net Stable Funding Ratio (NSFR)			170.27%	195.18%
IV. OPERATIONAL RISK				
Number and types of frauds and their corresponding amount				
	Type	**Number**	**Amount (Frw '000')**	**Amount (Frw '000')**
	Thefts	-	-	
V. MARKET RISK				
1. Interest rate risk				
2. Equity position risk	-			
3. Foreign exchange risk			504,695	410,170
VI. COUNTRY RISK				
1. Credit exposures abroad			0	1,538,297
2. Other assets held abroad			3,021,500	12,251,562
3. Liabilities to abroad			80,828	71,186
VII. Management and board composition				
1. Number of Board members			6	7
2. Number of independent Directors			4	4
3. Number of non-independent Directors			2	3
4. Number of female Directors			1	1
5. Number of male Directors			5	6
6. Number of Senior Managers			13	15
7. Number of female Senior Managers			4	5
8. Number of male Senior Managers			9	10

CORPORATE INFORMATION

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Auditor

KPMG Rwanda Limited
Certified Public Accountants (R)
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Kigali, Rwanda

Correspondent Banks

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