2020

I&M BANK (RWANDA) PLC
ANNUAL INTEGRATED REPORT AND FINANCIAL STATEMENTS

Rebuilding and moving forward

WE EXIST BECAUSE OF YOU

Our mission is to be partners of growth for all stakeholders. We seek to support you in your life's journey, by providing innovative, market driven and customised financial solutions. We believe that this forms the foundation for long-term shareholder value and sustainable societal development.

Rebuilding and moving forward

CONTENTS

CORPORATE INFORMATION

CHAIRMAN'S STATEMENT

Bill Irwin
Chairman

CORPORATE INFORMATION

In 2020, the assets of the banking sector increased by 24 percent to FRW 4,310 Billion, compared to a 12.5 percent increased recorded in 2019.

Dear Shareholders,
It is my pleasure to present our 2020 Annual Report and highlight the events that have dominated our performance and indeed the entire economy in the course of the past year.

In my last report, I indicated that we had a strong first quarter in 2020 but this situation changed dramatically with the announcement of the first lockdown that commenced on 22nd March 2020 and continued for a period of 6 weeks. The provision of banking services was considered as essential and in March we set about reorganizing how we deliver our services in order to meet our customers' expectations.

This necessitated the introduction of our contingency plans and resulted in more than 70% of our staff working either from home or remote sites all of which was made possible by the investments we have made in technology in the recent past.

As an indication of the behavioral changes that have taken place prior to COVID-19, 35% of our daily transactions were processed using technology but with the restrictions on movement imposed by the lockdown this has increased to an average of 72% as of end December 2020. I am pleased to report that the resilience we have built into the business model enabled us to navigate this uncertainty with confidence and rigor and I believe we will emerge from the current situation as a nimble and focused organization that is well placed to take advantage of opportunities as the economy returns to significant growth.

Locally, the economic performance was mixed in 2020, with the economy contracting in the first half of the year and gradually recovering in the second half because of the government fiscal stimulus and the National Bank of Rwanda accommodative monetary policy amid easing Covid-19 containment measures. The GDP indicators noted a 3.40% contraction against 9.8% growth recorded in 2019.

The 2020 economic downturn was broad-based across all economic sectors. The service sector, representing 46 percent of GDP, recorded a decrease of 6 percent from an increase of 8.5 percent in the corresponding period of 2019. The pandemic containment measures across the world caused significant contractions in tourism-related services. It also caused underperformance in wholesale and retail trade. Exceptionally, the information and communication sub-sector benefitted from these economic conditions following increased demand for these services to facilitate remote work and telecommuting.

Given its systemic importance and interconnectedness with the rest of the sectors, the Banking sector benefitted from a number of policy actions undertaken by the government and National Bank of Rwanda to ensure business continuity and support the economic recovery through supporting lending to the economy and safeguarding stability of the financial sector.

In 2020, the assets of the banking sector increased by 24 percent to FRW 4,310 Billion, compared to a 12.5 percent increased recorded in 2019. This growth in assets mirrors the high growth in deposits, up by 21.2 percent Year-on-year to FRW 2,647 Billion in December 2020, almost double the 11.1 percent registered in December 2019. The growth in assets was partly due to new borrowing but capitalization of interest and restructuring of loans due to the shutdown will also have been significant factors. The NPL ratio, a major indicator of asset quality increased to 4.5%.

CORPORATE INFORMATION

OUR FINANCIAL PERFORMANCE

Against this backdrop, the Bank demonstrated a resilient performance. We have recorded growth of 19 percent in our loan portfolio and 23 percent on our deposit base. In the same period, our total assets and shareholders' equity grew by 31 percent and 27 percent, respectively.

Our PAT reduced by 16 percent despite lower costs due to a combination of lower interest rates that affected income and higher impairment driven in part by the reserves that we have built to absorb possible future credit losses as the effect of the pandemic fully materializes.

In terms of our loan book performance, our asset quality remains well controlled with the non-performing loan ratio of 3.51 percent as of end December 2020, against a sector average of 4.5%.

During the year, we were also able to conclude two major corporate actions. First, was a one-to-one bonus issue in July 2020. The second corporate action was a Rights Issue in October 2020 which was oversubscribed by 112% and we ended the year with a Tier 1 ratio of 16.45 percent and Tier II of 19.65 leaving us in a strong position to take advantage of opportunities as the market returns to more normal conditions.

CORPORATE GOVERNANCE

In the course of the year we welcomed Mr. Julius Tichelaar to our Board as a non-executive director. He brings considerable experience in the Private Equity industry and business plan modeling. His experience covers a wide variety of sectors in Sub-Saharan Africa, with a focus on Eastern Africa and Southern Africa.

Dr. Estelle Jonkergouw resigned on 27th February 2020 due to health reasons, Mr. Vincent De Brouwer retired from the Board with effect from 11th August 2020 and Mr. Faustin Byishimo stepped down from his function as in executive member of the Board and Head of Business Division effective 16th December 2020.

We take this opportunity to thank Estelle, Vincent and Faustin for their valued contributions to the Bank as we welcome our two new directors; Mr. Bonaventure Niyibizi whose appointment was confirmed by BNR on 11th January 2021 and rejoins us after an absence of 3 years, and Mr. Christopher Low (the I & M Group Nominated Director) who was also confirmed by BNR on 18th February 2021. I would like to extend my welcome to both Bonaventure and Chris.

DIVIDENDS

As you will all be aware the National Bank of Rwanda did not permit the payment of Dividends for the financial year 2019 and have indicated that no dividends should be declared for the financial year 2020. We can understand this cautious approach at a time of economic uncertainty but we will resume dividend payment immediately we receive the Central Bank's approval.

BNR have agreed that we may issue a Bonus share and the Board have recommended that in the course of 2021 we will issue one bonus share for every four shares held, to be issued to the existing Shareholders as at 13th May 2021.

THE FUTURE – OUTLOOK IN 2021

Events in 2021 remain uncertain, however, with the positive news on vaccine rollout, we are hopeful of a strong global economic recovery as the year progresses. To provide more perspective – According to the January 2021 World Economic Outlook, the world economies contracted by 3.5 percent in 2020 from 2.8 percent growth recorded in 2019 – the worst contraction since the global financial crisis. However, the global economy is projected to recover and grow by 5.5 percent in the current year as a result of additional policy support in a few large economies and expectations of a vaccine-powered increase in commercial activity. Rwanda has managed the pandemic well and is likely to follow this recovery trend.

ON A CONCLUDING NOTE

This will be my final Chairman's report having stood down from the Board effective 31st December 2020. In the course of sixteen years on the Board and eleven years as the Chariman, I have made many friends who include current and former members of staff, customers and shareholders. Thank you all for your support and friendship over the years and I hope, that post-COVID I will have an opportunity to meet up with you all again.

My successor as Chairman is Mr. Bonaventure Niyibizi who will be well known to many of you and returns to the Board after an absence of 3 years. He brings extensive knowledge of both the public and private sectors in Rwanda and is well qualified to take the Bank forward in what continues to be challenging times. I wish him every success in his endeavors and I trust that you will extend to him the same level of support that I have enjoyed over the years.

I would also like to thank the CEO, his Executive Team and the entire staff for their dedication in what has been a challenging year. To you our loyal shareholders we appreciate your continuing support and we undertake to reinstate dividend payments once this is approved by our Regulators to whom I also extend my gratitude for their guidance and support over the entire period I have had the privileged of being the Bank's board chairman.

Chairman of the Board
I&M Bank (Rwanda) Plc.

CEO'S STATEMENT

Robin Bairstow
CEO

Overall, the Bank delivered FRW 7.8Bn of reported profit before tax, down 13 percent from FRW 8.9Bn reported in 2019.

Dear Shareholders,

NAVIGATING THE COVID-19 PANDEMIC

2020 was a year of extraordinarily global turbulence, and COVID-19 in particular had a profound impact on all of us.

It has both tested our resilience and highlighted the strength of our business model, strategy and our flexibility to adapt to change. Our investment in digital capabilities – both in 2020 and in previous years – enabled our customers to access our products and services remotely.

Helping our customers emerge in a sustainable position was our most pressing priority. We achieved this by equipping our colleagues to work from home at the height of the pandemic and keeping our branch network and our contact centers fully operational.

I am enormously proud of the professionalism, dedication, and energy that my colleagues around the country have demonstrated as they helped ensure our customers received the support they needed – all the while managing their own, at times extremely difficult, situations at home.

FINANCIAL PERFORMANCE

The pandemic inevitably affected our 2020 financial performance. The shutdown of much of the local economy in the first half of the year caused a large rise

in uncertainty and subsequently probability of default in loan repayments of our customers. To that effect the Bank prudently increased its impairment provisions to FRW 5.5Billion at end of 2020.

Underpinned by our customer diversification strategy, the Bank's Total Income grew by 16.3 percent to FRW 49.5Billion. This was supported by a growth of our non-interest income by 56 percent – The main contributor being the foreign currency revenue which grew by 61 percent attributable to various strategies put in place such as the increase in trading other strong currencies and forward rates.

We made strong progress in managing our operating expenses. A combination of cost-saving programs and lower discretionary spending due to the Covid-19 pandemic saw our costs close at FRW 17.8Billion, down by 3 percent from FRW 18.4Billion reported in 2019. This resulted in a cost-to-income ratio before impairment of 57.1 percent versus 65% reported the previous year.

Overall, the Bank delivered FRW 7.8Bn of reported profit before tax, down 13 percent from FRW 8.9Bn reported in 2019.

On the business front, we continue to maintain a strong underlying performance across all business segments – Our retail banking strategy took shape in 2020 with its loan book growing remarkably by 34% at the back of changes in both the product set and the expansion of the target market made toward the end of 2019.

Our business banking played a big role in 2020 with maintaining strategic relationships and supporting micro, small and medium enterprises hardest hit in the pandemic.

During the year, we processed more than 180 applications on the EURO 5Million grant the Bank received which aimed at supporting the preservation of employment in Small and Medium Enterprises in Rwanda following the health pandemic. Similarly, the government of Rwanda launched a 2-year Economic Recovery Fund in June 2020 to support businesses adversely impacted and we recorded applications north of FRW 3Billion.

On our corporate banking side, we recorded a 17.4% growth driven by supporting some of our long-standing customers and empowering our transaction banking business by leveraging on group initiatives.

Overall, we noted growth of 19 percent in our loan portfolio to FRW 205Billion.

Similarly, our deposit liabilities increased by 23 percent to FRW 298Billion as of end December 2020. During the year, we focused on attracting low-cost deposits

CORPORATE INFORMATION

through efficient outflow management by banking beneficiaries of our major customers and expanding reach by attracting new clients.

As source of satisfaction, we posted improvement in our capital adequacy ratios, alongside maintaining healthy funding and liquidity positions – thus maintaining robust foundations for the achievement of sound and sustainable business growth.

STRATEGIC PERFORMANCE

From a customer perspective – The global health crisis reinforced the relevance of the Bank' priorities toward customer service. The Bank prioritized the wellbeing, safety, and security of staff, supporting customers, and showing solidarity with the community. The Bank put in place a comprehensive support scheme for individuals and businesses in general including reduction of our base lending rate, online transaction charge waivers, and loan extension facilities. The Bank approved nearly 1,700+ applications of loan deferment which demonstrated the Bank's determination to support customers during this trying time.

From a process perspective – Since the onset of the COVID-19 pandemic, the government implemented policy changes and lockdowns to prevent the spread of the virus to vulnerable population; amongst other the government was able to leverage digital platforms to avoid payment with bank notes. The Bank took advantage of this to onboard a number of customers on the online platforms. The number of customers actively transacting on our digital channels doubled from 35% in 2019 to 72% as of the end of December 2020. Digital achievements are attributed to the stabilization of channels, the impact of digital corners and instant card issuance that were set-up in our branches which enabled our customers to transact immediately remotely.

We also leveraged on digital technology to ensure business continuity with our systems uptime recorded at the same level as that of global giants. Digital transformation has been a key focus for the Bank and this year we went a step further to enhancing our processes thus improving our retail loan approval TAT.

I&M – VALUES, ETHICS AND COMMUNITY

Our strong belief in shaping a world where people and communities thrive underpins our approach to Corporate Social Responsibility. The Bank reiterated its commitments to supporting the community we operate in, especially in 2020, with a special focus on health, education, capacity building, rehabilitation and environmental sustainability.

During the year, the Bank contributed a total of FRW 241Million, of which FRW 153.4Million was contributed by the Board, Management, and Staff of &M Bank (Rwanda) Plc personally in support of the Government's effort to fight against the COVID-19 pandemic in Rwanda.

We supported the Rwanda Bookmobile Initiative to remotely reach-out to school children and provide delightful outlets to promote the love for reading and storytelling amongst children aged between 3-12 years in a time when most were learning from home due to the Covid-19 pandemic outbreak. The creative initiative, complements the school education that children are receiving, stimulating creativity and happiness amidst the global crisis.

We continued our support to the Rwanda chapter of the Aegis White Rose Society in support for Aegis's programs in Rwanda in ensuring development of the provision of psychological support for survivors of the genocide against the Tutsis.

We are committed to promoting sustainable economic and social development that improves the lives of people across our communities and transforms their lives for the better.

CONCLUSION AND 2021 OUTLOOK

We have built a good foundation for a good start to 2021, and I am cautiously optimistic for the year ahead. The development of multiple vaccines gives us hope that we will in the near future return to some form of normality.

We believe that with a focused approach to performing sectors, remaining relevant to our customers, driving innovation in the Rwandan market we will achieve the stretching goals which we have set for ourselves.

The Bank continues to move forward and upward in 2021. We remain focused on serving the needs of our customers, colleagues and our community and driving innovation in the Rwandan market.

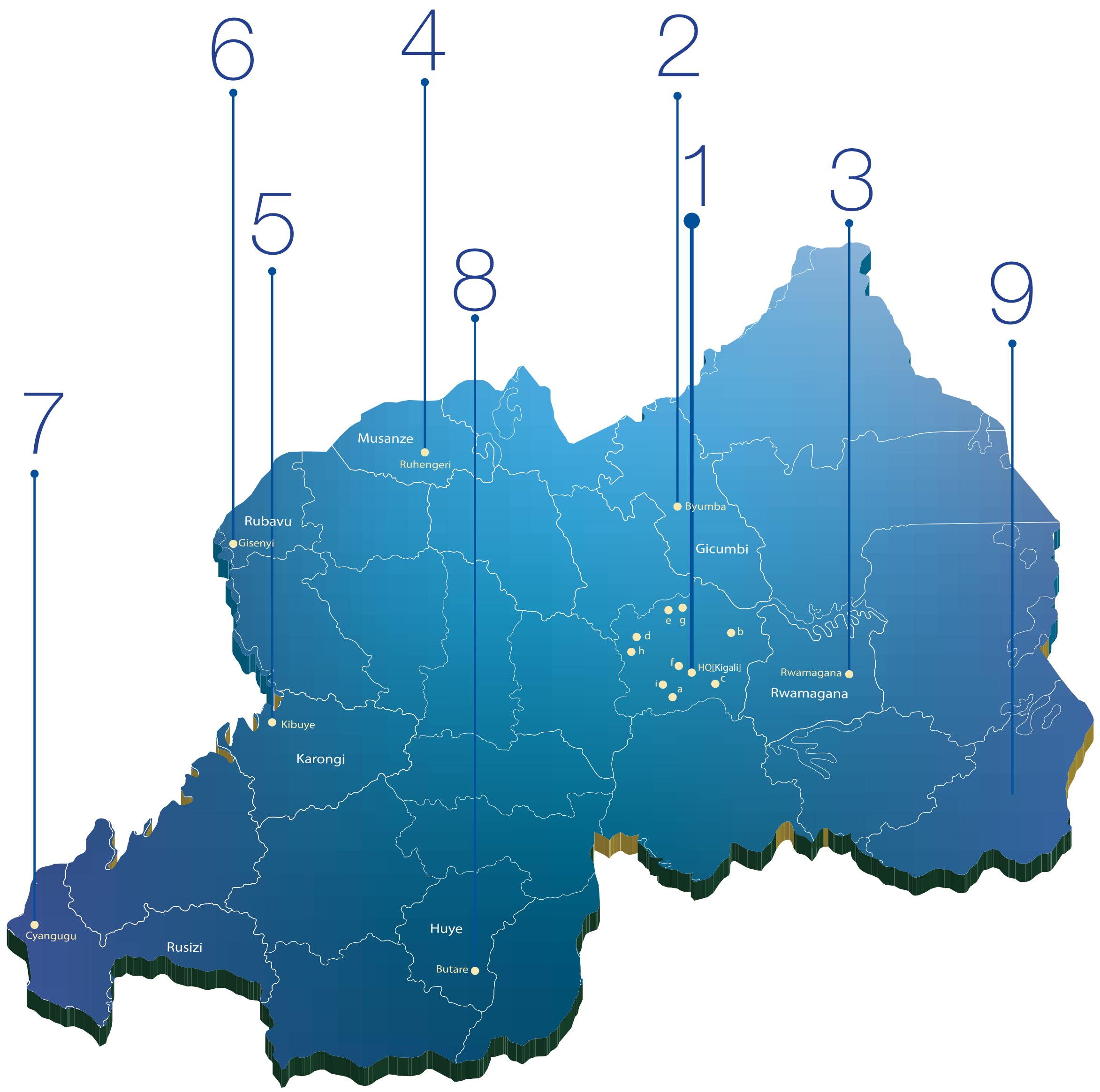
I would like to personally pay tribute to our former Board Chair Mr. William Irwin for his invaluable guidance and selfless commitment throughout the past 5 years under whose astute leadership the Bank has grown to be one of the largest and most respected Banks on the market.

And I would like to welcome the appointment of Mr. Bonaventure Niyibizi as our Board Chairman. He is the first Rwandan in the modern history of the Bank to serve in this capacity and brings onboard a vast experience and knowledge. We look forward to working closely with Mr. Bonaventure on executing our strategic priorities in 2021.

Thank you for your loyalty and continued support.

ROBIN BAIRSTOW
CEO

OUR COVERAGE



OUR LOCATIONS

[1] **Kigali** (Head Office)
[a] **Remera**
[b] **Nyamirambo**
[c] **CHIC**
[d] **Nyabugogo**
[e] **Kenya Airways** (Cash & Deposit Counter)
[f] **Magerwa** (Cash & Deposit Counter)
[g] **KCM** (Kigali City Market)
[h] **Kigali Heights**
[2] **Gicumbi**
[3] **Rwamagana**
[4] **Musanze**
[5] **Karongi**
[6] **Rubavu**
[7] **Rusizi**
[8] **Huye**
[9] **Kirehe** (Cash & Deposit Counter)

CORRESPONDENT BANKS

National Bank of Rwanda
P.O. Box 531
Kigali
Rwanda

COMMERZ BANK
60261 Frankfurt
Germany

Citibank, N.A
3800 Citibank Center
Building B,3rd Floor
Tampa, FL 33610

I&M Bank (T) Limited
Maktaba Square
Maktaba Street
P.O. Box 1509
Dar es Salaam, Tanzania

I&M Bank Limited
I&M Bank House
2nd Ngong Avenue
P.O. Box 30238- 00100 GPO
Nairobi, Kenya

Bank One Limited
16 Sir William Newton Street
Port Louis
Mauritius

Firstrand Bank Limited
P. O. Box 650149
Benmore, 2010
Sandton, 2196

ODDO BHF AKTIENGESELLSCHAFT
Bockenheimer Landstrasse 10
60323 Frankfurt/M

Citibank N.A London
E14 5LB
25 Canada Square,
Citibank Center
London

KCB Kenya Ltd
Kencom House,
Moi Avenue,
Nairobi, Kenya

YES Bank Limited
Nehru Center 9th Floor,
Discovery of Infia
Dr. A.B. Road
Worli, Mumbai 400018

BRANCHES LOCATIONS

Head Office-Rwanda
KN 03 Avenue 9
Tel: +250 788 162 026
P O Box 354
Kigali-Rwanda

Remera Branch
Gasabo District
Tel: + 250 788 162 161

Nyamirambo Branch
Nyarugenge District
Tel: +250 788162 188

Nyabugogo Branch
Nyarugenge District
Tel: +250 788 162 162

CHIC Complex Branch
Nyarugenge District
Tel: +250 788 162 162

Kigali City Market Branch
Nyarugenge District
Tel: +250 788 162 182

Kigali Heights Branch
Gasabo District
Tel: +250 788 162 160

Rusizi Branch
Rusizi District
Tel: +250 788 162 164

Rubavu Branch
Rubavu District
Tel : +250 788 162 197

Musanze Branch .
Musanze District
Tel: +250 788 162 170

Rwamagana Branch
Rwamagana District
Tel: +250 788 162 174

Karongi Branch
Karongi District
Tel: +250 788 162 181

Huye Branch
Huye District
Tel: +250 788 162 163

Gicumbi Branch
Gicumbi District
Tel: +250 788 162 165

CASH AND DEPOSIT COUNTERS

Kenya Airways
Nyarugenge District
KIC Building
Tel: +250 788 162 026

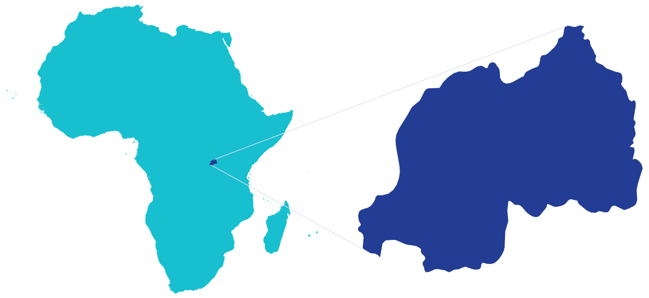
Magerwa
Kicukiro District
Magerwa Office
Tel: +250 788 162 169

Kirehe
Kirehe District
Tel: +250 788 162 174

OUR
LEADERSHIP TEAM

BOARD OF DIRECTORS

The Board comprises of 9 members, is chaired by an Independent Chairman and consists of 6 Independent Non-Executive Directors, 2 Non-Executive Directors and 1 Executive Director.



I&M Bank (Rwanda) PLC

In loving memory

DEATH OF FORMER BOARD RISK COMMITTEE CHAIRPERSON

Dr Estelle Jonkergouw
Independent Director

It is with profound sadness that the Board of I&M Bank (Rwanda) Plc announces the tragic passing of its former Board Risk Committee Chairperson Dr. Estelle Jonkergouw who passed away in March 2021 due to ill health. Dr. Estelle had resigned from the Board in February 2020 for health reasons.

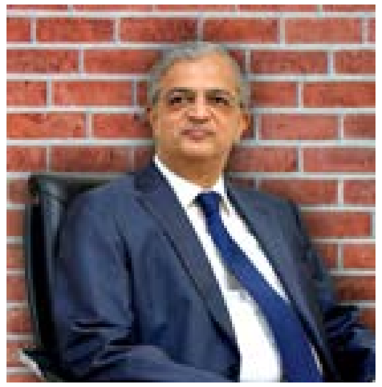
Mr. Bonaventure Niyibizi, Board Chairman said: "We were deeply shocked and saddened by the passing of Estelle. The thoughts of everyone at I&M Bank Rwanda are with Estelle's family and friends, and we extend our deepest sympathies to them. The Board thanked the late Dr. Jonkergouw for her invaluable contribution to the business landscape of the Bank during her tenure of service as a board member".

OUR LEADERSHIP TEAM

Bill Irwin Chairman
Independent Director

Robin C. Bairstow
Chief Executive Officer

Soundararajan Madabhushi
Independent Director



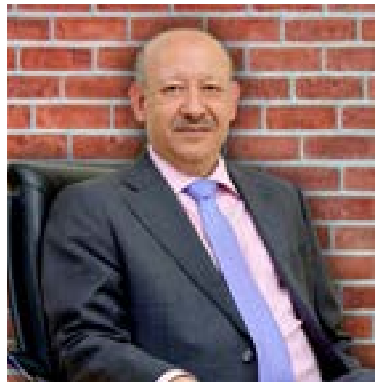
Arun S. Mathur
Non-Executive Director

Julius Tichelaar
Non-Executive Director

Paul Simon Morris
Independent Director

Crystal Rugege
Independent Director

Alice Nkulikiyinka
Independent Director



Nikhil Hira
Independent Director

Iddy Rugamba
Company Secretary

Iddy has 9 years' experience in the Rwandan Banking Sector with extensive knowledge in Corporate Law, Corporate Governance, Regulatory Environment, Banking Operations and Structured Transactions and was the Bank's Legal Manager before his appointment as the Bank's Company Secretary. Prior to joining the Bank, he worked with KCB Bank as a Legal Manager. Iddy holds a Bachelor's degree in Law, a Master's degree in Business Law and a Post Graduate Diploma in Legal Practice.

SENIOR MANAGEMENT

The Bank has successfully attracted and retained skilled management combining several years of experience, to develop strong relationships with stakeholders and ensure efficient decision making. The 11 members core Management Team brings to the Bank diverse hands on experience including in depth expertise in Operations & Management, Accounting, Finance, Audit and ICT etc.

Robin C. Bairstow
Chief Executive Officer

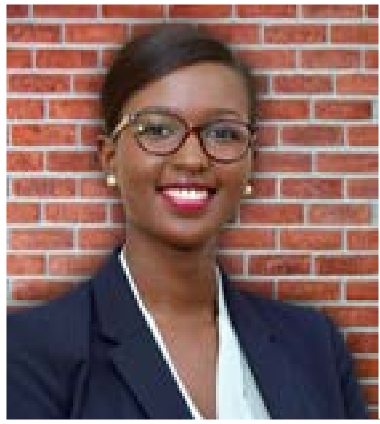
Robin was appointed as Managing Director in September 2015. He is an experienced Corporate Banker and has a successful track record with nearly 30 years in the financial services sector with both domestic and international banking organizations. Prior to joining I&M Bank, he held senior positions at Standard Chartered Bank, Citibank NA, BOE Bank and Nedbank across Central Africa, East Africa and South-East Asia. Robin is a graduate of the South African Merchant Naval Academy and holds a CIBM (SA) and a Diploma of Business Administration from the University of Leicester.

Paul Sagnia
Chief Operating Officer

Paul joined I&M (Rwanda) Plc as the Project Consultant in charge of the Core Banking System change in June of 2016. Following a successful migration to the new Finacle 10 system in September of 2018, Paul was appointed Chief Operating Officer effective 1st May 2019. Paul joined the Bank from Standard Chartered Bank where he served in senior positions in several countries across the Standard Chartered Bank footprint in Africa. He is a dedicated banker with a strong flair for innovation and management of banking operations and the use of ICT in banking acquired during a career spanning 39 years.

Anita Umulisa
Chief Finance Officer

Anita is the Chief Finance Officer of I&M Bank (Rwanda) Plc whose primary responsibility is planning, implementation, managing and running of all the financial activities of the Bank including business planning, budgeting, and forecasting. She is a highly skilled Accountant and Finance professional with more than 10 years' experience. She has a wide-ranging experience in Accounting, Finance and Treasury acquired both in the Assurance services and Banking sectors. Anita holds a bachelor's degree in Business Administration with a major in Accounting, and she is a Fellow of the Association of Certified Chartered Accountants (ACCA).



Lise Mugisha
Chief Risk Officer

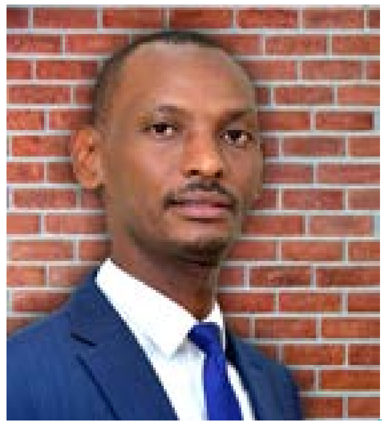
Lise is the Chief Risk Officer. She is responsible of the implementation of the Enterprise Risk Management in the Bank. Lise has experience of 5 years in the Banking industry and over 7 years' experience in the fields of Risk Management, Audit, and Internal Control. Prior to joining I&M Bank Rwanda, she worked with EY (Ernst & Young) as an Auditor in the Assurance and Advisory services. She holds a bachelor's degree in Business Studies, and she is currently pursuing an ACCA qualification.

Dederi Wimana
Chief Internal Auditor

Dederi is a chartered certified accountant with more than 20 years of experience in the banking industry. Prior to joining the I&M Bank Rwanda in 2005, she worked with Bank of Kigali for 7 years as a Financial Accountant. Throughout her career, Dederi gained immense experience in internal auditing and accounting, planning, international reporting (IFRS), procurement procedures and Bank budgeting processes. She holds a bachelor's degree in Economic sciences, Finance major, a Chartered certified accountant (ACCA) Certification and is currently pursuing the CIA (Certified Internal auditor) Certification.

Diana Kwarisiima
Head of Human Resources

Diana was appointed as Head of Human Resources in 2014. She has been with the bank for over 15 years and, in that time, has worked within every field of HR – Training and Talent management, Administration, Payroll, Employee Relations, as well as deputizing for the Head of Human Resources. She is responsible for implementing the Performance Management System, resourcing, talent identification and developing reward structures to meet the requirements of the Bank.



Alfred Baguma
Head of Credit

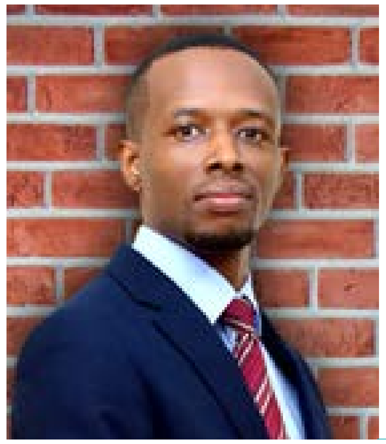
Alfred is the Head of Credit and has served the bank for 16 years. In this role, he ensures that credit portfolio is adequately managed through independent processes, effective portfolio management, maintaining the portfolio quality and full adherence to internal and statutory guidelines and procedures. Prior to his current position, Alfred was Head of Leasing and Business Banking. He also worked as a Credit Review Team Leader and Leasing Manager. He Holds an MBA from Maastricht School of Management and a bachelor's degree in Management from the National University of Rwanda (NUR).

OUR LEADERSHIP TEAM

Cynthia Rwamamara
Head of Internal Control and Compliance

Cynthia is the Head of Internal Control and Compliance with over 14 years' experience in the Rwandan banking industry mainly in the fields of audit, compliance and risk. She joined the bank in 2009 as the Deputy Manager in the Internal Control and Compliance unit until June 2016 when she was promoted to Head of Internal Control and Compliance.

She holds a Master of Business Administration from Oklahoma Christian University and is currently pursuing CAMS (Certified Anti Money Laundering Specialist).



Yvon Abane
Head of Treasury

Yvon is the Head of Treasury of I&M Bank (Rwanda) Plc and has experience of over 4 years in Treasury management. He joined the bank as Treasury dealer and grew to the position of Senior Treasury Dealer. He holds an MA in Economics.

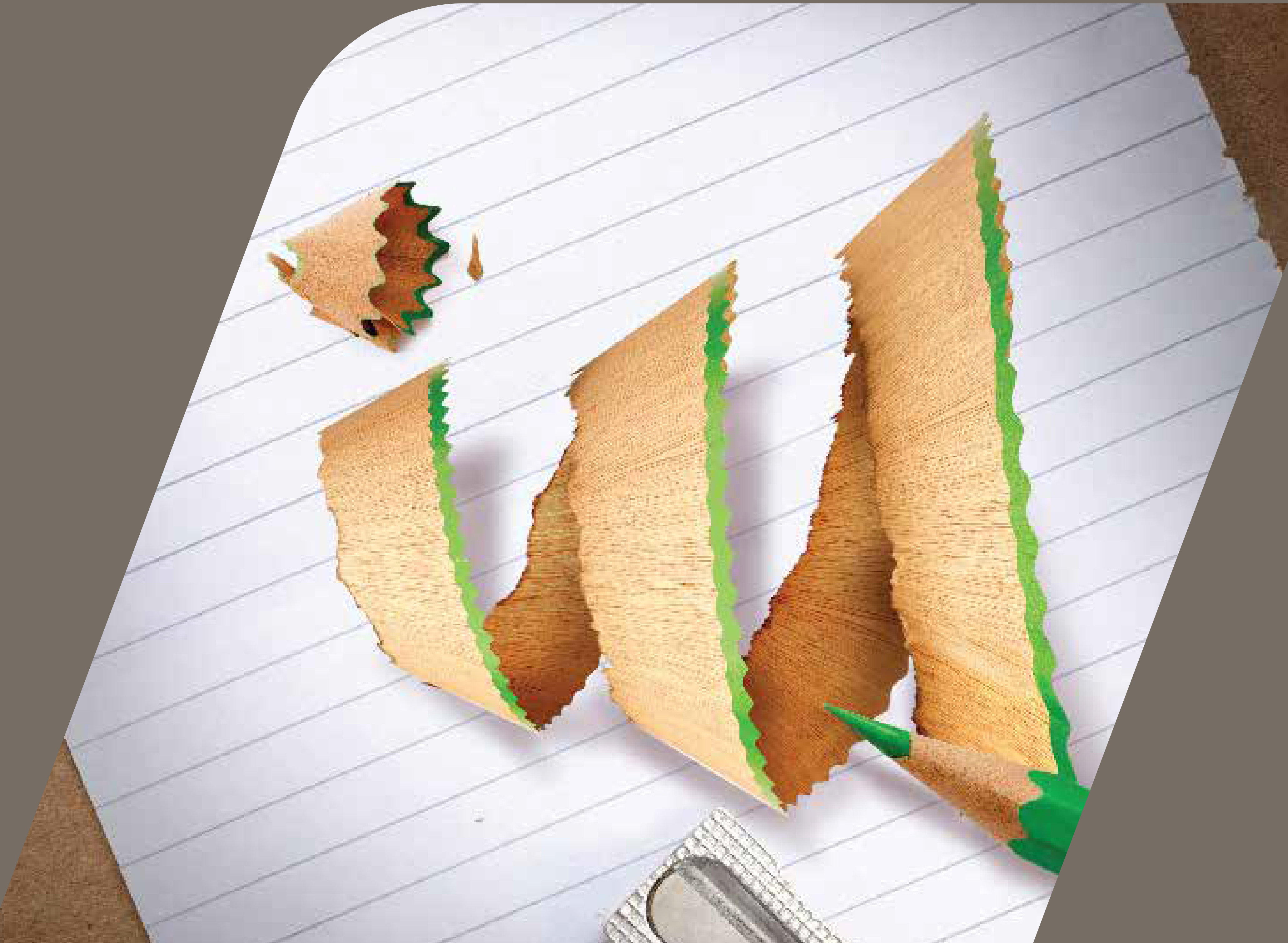
Nicolas Uwimana
Head of Legal

Nicolas holds a master's and a bachelor's degree in Law, respectively, from the University of Turin, Italy and the University of Rwanda. Nicolas also holds a Post Graduate Diploma in Legal Practice. He joined the Bank in 2009 and served as Deputy Head of Legal. Before joining the Bank, he worked for the Public Sector where he served as Legal Adviser at Rwanda Public Procurement Authority and Legal Expert in the Procurement Reform Task Force within the Ministry of Finance and Economic Planning. Nicolas has more than 16 years' experience (in both public and private sectors) where he has been involved in legal drafting; contract drafting and reviewing; taking part in solving conflicts, and regulatory investigations.

John Gatashya
Head of Projects

John has worked with I&M Bank (Rwanda) Plc for the last 25 years. In this time, he has served the bank in a variety of positions. He started out as an accountant and has gradually risen through the ranks to the position of Chief Finance Officer and now as the Head of Projects. In this role his responsibility relates to overseeing all the ongoing projects within the Bank and managing all support units such as procurement, internal services and property management.

OUR GOVERNANCE



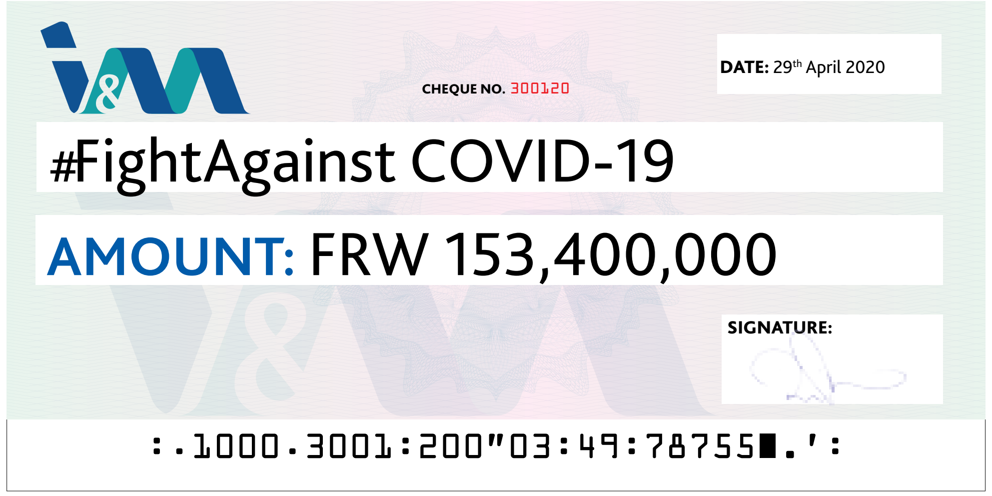
NEWS AND CSR 2020

WE EXIST BECAUSE OF YOU

CSR

COVID-19 Support

The Board, Management and Staff of I&M Bank (Rwanda) Plc. contributed FRW 153.4Million to boost the fight against the coronavirus (COVID-19) in Rwanda. The donation was meant to provide significant and much-needed financial support to the collective efforts of the Government of Rwanda and to ensure an effective response to the fight against the pandemic.



Connect Rwanda

The Bank donated 1,000 smart phones amounting to FRW 25,000,000 towards the Connect Rwanda Campaign that was initiated by MTN Rwandacell Limited in partnership with Min. of ICT and Innovation whereby individuals and corporations donated smartphone devices to individuals that were identified as underprivileged and who would benefit from being connected through a smartphone device.

Rwanda Book Mobile Initiative

The Bank sponsored the Rwanda Bookmobile Initiative (RBI) FRW 45,000,000 through the Reading Aloud Campaign to promote the love for reading and storytelling amongst children aged between 3-12 years who are currently learning from home due to the COVID-19 pandemic outbreak. This recreative initiative, complements the school education that children are receiving, stimulating creativity and happiness amidst the global crisis.

NEWS AND CSR 2020

School Fees Payment

A few students were sponsored with yearly school fees, amounting to FRW 3,000,000 through Edified Generation Rwanda, a local non-profit organization with a mission to improve the lives of youth and children from low-income households in Rwanda.

AEGIS Trust Partnership

The Bank is a member of the Rwanda Chapter of the Aegis White Rose Society, providing support for Aegis' local peacebuilding programmes in Rwanda in ensuring development of the provision of psychological support for survivors against the Tutsi. The total amount contributed was FRW. 14,000,000.

NEWS

Retail Banking Loan Products Revamp

In February 2020, I&M Bank (Rwanda) Plc revised its Retail Banking offering. Customers asking for the Éclair loan (salary loan) can now get an unsecured loan of 17.5 times their salary from 12 times and for Mortgages, customers can now borrow and repay in 25 years instead of 20 years that was the limit prior to the revamp.

Economic Recovery Fund (ERF)

In June 2020, The Economic Recovery Fund (ERF) was launched by the Government of Rwanda to support the recovery of businesses affected by the COVID19 pandemic so that they can survive, resume operations and safeguard employment, thereby cushioning the economic effects of the pandemic. I&M Bank in partnership with the National Bank of Rwanda has offered facilities under this fund to support our SMEs customers in different sectors.

Investing for Employment Grant (IFE)

In September 2020, The Investitionen für Beschäftigung (Investing for Employment) GmbH, Frankfurt/Germany ("IFE") and I&M Bank (Rwanda) Plc. launched a project to support the preservation of employment by small and medium enterprises (SMEs) in Rwanda against the effects of the Covid-19 Pandemic. This Grant has helped many SMEs to stay afloat and continue progressing steadily even during the COVID-19 Pandemic.

Whatsapp Banking

In December 2020, the Bank announced the launch of Whatsapp Banking. The services offered on this messaging app are balance inquiry, mini statement, cheque book request and many more. This new addition strengthens I&M Bank's digital presence by providing ease and convenience especially in this period where the whole world is dealing with a pandemic.

I&M WhatsApp Banking

Bonus Issue and Rights Issue

In July 2020, the Bank issued one new fully paid up bonus share of a par value of Frw 10 for every one ordinary share held to the existing shareholders by capitalizing part of the revenue reserves.

In addition, in September 2020, the Bank opened a rights issue offer for current shareholders giving them an opportunity to increase their stake in the Bank by buying 1 new share for every 5 ordinary shares they held at a discounted price of Rwf 39.60. A total of 202,000,000 new shares were issued and they recorded an oversubscription of 112% raising about FRW 8Billion.

Go Digital and Win Campaign

To end the year in style, The Bank launched the Go Digital and Win Campaign to promote safe banking using I&M Bank Digital Banking products. With this Campaign, customers transacting using iClick, SPENN, *227#, I&M Mobile App or Cards stood a chance to win phones, tablets, shopping vouchers, and grand prizes of all-expenses-paid stays or excursions at some of the best lodges and parks in the country.

MasterCard Business Cards

In a bid to promote digital banking, in October 2020 the Bank launched 3 new cards on the market including business credit cards for Business customers who were underserved on the Rwandan market. We launched a MasterCard Business Credit Card for SMEs, a MasterCard Corporate Credit Card for Corporate institutions and a World Elite Credit Card for high-end customers.

DIRECTORS AND STATUTORY INFORMATION

BOARD OF DIRECTORS

Bonaventure Niyibizi	Chairman – Independent director appointed on 11th January 2021	-	Rwandan
Robin C. Bairstow	Managing director	-	South African
Soundararajan Madabhushi	Independent director	-	Indian
Arun S. Mathur	Non-executive director	-	Kenyan
Crystal Rugege	Independent director	-	American
Paul Simon Morris	Independent director	-	British
Nikhil Hira	Independent director	-	Kenyan
Alice Nkulikiyinka	Independent director	-	Rwandan
Julius Tichelaar	Non-executive director appointed on 08th May 2020	-	Dutch
Christopher Low	Non-executive director appointed on 18th February 2021	-	British
Dr Estelle Jonkergouw	Independent director resigned on 27th February 2020	-	Dutch
Vincent De Brouwer	Non-Executive director resigned on 11th August 2020	-	Belgian
Faustin Byishimo	Executive director resigned on 16th December 2020	-	Rwandan
Bill Irwin	Chairman – Independent director retired on 31st December 2020	-	British

COMPANY SECRETARY

Iddy Rugamba
KN 3 AV/9
P.O Box 354
Kigali-Rwanda

AUDITOR

KPMG Rwanda Limited
Certified Public Accountants
Grand Pension Plaza
Boulevard de la Révolution
P O Box 6755
Kigali-Rwanda

REGISTERED OFFICE

I&M Bank (Rwanda) PLC
KN 3 AV/9
P.O Box 354
Kigali-Rwanda

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER 2020

The Directors have pleasure in submitting their Annual report together with the audited financial statements for the year ended 31st December 2020, which disclose the state of affairs of the I&M Bank (Rwanda) Plc (the "Bank").

1. **Principal activities**
The Bank is engaged in the business of banking and provision of related services: Banking is a business activity of accepting and securing money owned by individuals and enterprises and provides liquidity needs for businesses and families to invest for the future. The Bank also charges a certain amount of rate of interest on the amount sanctioned.

2. **Results / Business review**
Profit before income tax for the year was Frw 7.83 billion (2019: profit of Frw 8.99 billion). Net interest income increased from Frw 21.9 billion in 2019 to Frw 22.4 billion in 2020 in correlation to the increase in the loan book portfolio from Frw 172 billion to Frw 205 billion in 2020 and government securities from Frw 49 billion to Frw 101 billion in 2020.

The Bank`s results for the year are as follows:

	2020 Frw'000	2019 Frw'000
Profit before income tax	7,838,348	8,990,374
Income tax expense	(2,698,567)	(2,848,432)
Net profit for the year	5,139,781	6,141,942

The results of the Bank for the year are set out on page 54.

The Bank's financial performance is a testament of our resilience and sustainable performance into the future, having recorded a net operating income pre-provision growth of 7% to Frw 29.8 billion against a background of a challenging local and global macro-economic environment.

The start of 2020 was stressed by profound movements across the board due to the spread of the global pandemic. The Government of Rwanda in the month of March 2020 took strict containment measures including closing of international commercial flights and restriction of non-essential local movements. The banking industry has however been classified as an essential service and continues to operate during this period albeit with reduced level of activity for both loan origination and deposit mobilization.

The Central Bank of Rwanda introduced an extended facility to support the banking sector liquidity with tenor extended from overnight to three, six and twelve months. In addition to that it has reduced the cash reserve ratio down from 5% to 4% in order to build liquidity buffer in the sector.

To alleviate the disruptions caused by the spread of COVID-19 pandemic, the Bank has put in place measures that ensured business continuity and financial support for its customers. Among the measures were: reduction of the base lending rate from 16.5% to 16% from April to September 2020, waiving of all digital transactions fees and offered loan payment deferment to its customers. Refer to note 40.

3. **Dividends**
The Directors have not recommended payment of dividends with respect of the year ended 31st December 2020 (2019: Frw 1,515,000,000).

4. **Directors**
The Directors who served during the year and up to the date of this report are set out on page 28. The Bank provides professional indemnity for all the Directors as set out on page 40.

5. **Auditor**
The auditors, KPMG Rwanda Limited, was appointed in 2020 in accordance with Regulation N°14/2017 of 23/11/2017 on accreditation requirements and other conditions for external auditors for financial institutions.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST DECEMBER 2020

6. Relevant audit information

The Directors in office at the date of this report confirm that:

(i) There is no relevant audit information of which the Bank's auditor is unaware; and

(ii) Each Director has taken all the steps that they ought to have taken as a Director so as to be aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

7. Approval of financial statements

The financial statements were approved and authorized for issue by the Board of Directors and signed on their behalf on 26th April 2021

BY ORDER OF THE BOARD

Secretary
Date: 26th April 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31ST DECEMBER 2020

The Directors are responsible for the preparation of financial statements that give a true and fair view of I&M Bank (Rwanda) Plc, as set out on pages 54 to 136 which comprise the statement of financial position as at 31st December 2020, and the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by Law No. 17/2018 of 13/04/2018 governing companies (the Rwandan Companies Act) and Regulation No. 28/2019 of 09/09/2019 relating to publication of financial statements and other disclosures by banks.

The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the Bank ability to continue as a going concern and have no reason to believe the Bank will not be a going concern for at least the next twelve months from the date of this statement.

The independent auditor is responsible for reporting on whether, based on their audit, the annual financial statements give a true and fair view in accordance with the International Financial Reporting Standards and the Law N° 17/2018 of 13/04/2018 Governing Companies in Rwanda, and Regulation N°. 28/2019 of 09/09/2019 on publication of financial statements and other disclosures by banks in Rwanda.

Approval of the financial statements

The financial statements were approved and authorized for issue by the Board of Directors and signed on their behalf on 26th April 2021 by;-

Nikhil Hira

Director **Director**

STATEMENT ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

This report describes how the Bank remains not only compliant with Corporate Governance regulations issued by the National Bank of Rwanda, the Capital Market Authority and Rwanda Stock Exchange regulations but also remains committed in adopting best practices and creating a culture of good practices which is in line with our Group wide commitment to ensure that the highest standards of Corporate Governance are implemented and upheld in all its entities. This in turn ensures that the Group maintains and promotes high standards of integrity, transparency and accountability across all levels, and in particular that at each level, each entity is well and honestly run, generating long term shareholders value.

At our Bank, we have embraced the changes and believe that Governance is more than just complying with laws and regulations; it is also creating a culture of good practices. The Bank has already a well-defined and structured Corporate Governance framework to support the Board achieving our mission of being: Partners of growth for all our stakeholders which will be achieved through: "Meeting our Customers' expectations; Motivating & developing every Employee and Enhancing Shareholder value".

Our Shareholders, Board of Directors and Senior Management believe that Corporate Governance is a necessary condition for sustainable performance and will therefore undertake every effort to create awareness and ensure compliance with corporate governance policies and practices within our organization.

In its quest to ensure that highest standards of Corporate Governance are complied with and upheld at all times, I&M Bank (Rwanda) Plc., through its Board of Directors, which is responsible for setting the standard of Corporate Governance and for updating these standards as appropriate is consistently reviewing corporate governance standards within the Bank.

OUR SHAREHOLDERS PROFILE

It is worth noting that on 20th February 2020, the National Bank of Rwanda issued the final approval for the acquisition of Deutsche Investitions-und Entwicklungsgesellschaft (DEG) and Société de Promotion et de Participation pour la Coopération Economique (PROPARCO) shares by AfricInvest Evergreen Investments, the shareholding composition has therefore, changed whereby 54.47% shares remained by I&M Holdings Limited through BCR Investment Company (BCRICL) and 24.76% are now directly owned by AfricInvest Financial Inclusion Vehicle (FIVE) through AfricInvest Evergreen Investments, a special purpose vehicle formed by AfricInvest.

Below is the Bank's top 10 shareholders as of 31st December 2020:

INVESTOR NAME	TOTAL	% IN TOTAL HOLDING
BCR-INVESTMENT COMPANY LTD	660,202,300	54.47%
AFRICINVEST EVERGREEN INVESTMENTS	300,091,200	24.76%
THE KIBO FUND II LLC	72,888,800	6.01%
RWANDA SOCIAL SECURITY BOARD	58,222,000	4.80%
NILE HOLDING COMPANY FOR DEVELOPMENT AND INVESTMENT	24,744,800	2.04%
AGDF CORPORATE TRUST LTD	22,310,400	1.84%
DYER AND BLAIR INVESTMENT BANK LTD	8,694,000	0.72%
ESOP (I&M BANK (RWANDA) EMPLOYEES)	7,432,500	0.61%
RWANDA MOUNTAIN TEA LTD	7,371,600	0.61%
GA INSURANCE LIMITED	4,580,000	0.38%
TOTAL	**1,166,537,600**	**96.24%**

OUR LEGAL STATUS

I&M Bank (Rwanda) Plc is a public limited company that was incorporated in the Republic of Rwanda on 25th May 1963 under the Companies Act. It was incorporated under the name of Banque Commerciale du Rwanda S.A. (BCR) as a commercial bank, and is regulated by the National Bank of Rwanda (BNR). The Bank later changed its name to I&M Bank (Rwanda) Limited in 2013. I&M Holdings Plc is the parent entity of I&M Bank Group of entities with presence in Kenya, Tanzania, Uganda, Rwanda and Mauritius. I&M Holdings Plc is listed on the Nairobi Securities Exchange and regulated by the Central Bank of Kenya, the Capital Markets Authority, Kenya and the Nairobi Securities Exchange.

I&M Bank (Rwanda) Plc prides itself on being the first commercial bank in the country and celebrated its 50th anniversary in 2013.

In March 2017, the Government of Rwanda, as part of its initiative of promoting investment, initiated an Offer for Sale for close to 20% stake in the Bank. Following the successful listing of I&M Bank (Rwanda)'s shares on the Main Investment Market Segment of the Rwanda Stock Exchange, the Bank changed its name to "I&M Bank (Rwanda) PLC.

SHARE INFORMATION

The issued and paid up capital of I&M Bank (Rwanda) Plc consists of 1,212,000,000 ordinary shares. Currently, only ordinary shares are issued, each share in the capital of I&M Bank (Rwanda) Plc gives entitlement to cast one vote.

I&M Bank (Rwanda) has an authorized share capital of Frw 25,000,000,000 which is the maximum amount of capital allowed to be issued under the terms of the Articles of Association.

CREDIT RATINGS

Global Credit Ratings affirmed a long-term and short-term national scale ratings of A-(RW) and A2 (RW) respectively to I&M Bank (Rwanda) Plc; with the outlook accorded as evolving, as capital injection offset operating environment pressure.

This reemphasizes the Bank solid position on the market, including good revenue diversity and stability, an adequate level of capitalization, with a sound funding structure with good liquidity.

OUR BOARD

Every company should be headed by an effective Board which is collectively responsible for the long-term success of the company.

The Board's primary responsibility is to promote the long-term success of the company and deliver sustainable shareholder value. The Board has ultimate responsibility for the management, direction, governance and performance of the company, and leads and oversees the company's business. The Board plays a critical role in ensuring that the tone for the company's culture and values is set from the top. The Board is also responsible for ensuring appropriate resources are in place to achieve its strategy and deliver sustainable performance. Through authorities delegated to its Committees, the Board directs and reviews Bank's operations within an agreed framework of controls, allowing risk to be assessed and managed within agreed parameters. The Board is collectively accountable to the company's shareholders for the proper conduct and success of the business.

The Board of Directors refers to the governing body elected by the Shareholders that exercises the corporate powers of a corporation, conducts all its business and controls its properties.
Our Board of Directors comprises directors who:

Are named as such in the Articles of Incorporation under article 74;
Are duly elected in subsequent meetings of the Shareholders and;
Are elected to fill vacancies in the Board of Directors.

Our Memorandum and Articles of Association provides under its article 74 that the number of directors shall not be less than five directors and not more than ten directors in number. Within this, the Board determines the appropriate number of its members to ensure that the number is commensurate with the size and complexity of the Bank's operations.

The Board has the power to appoint a director to fill a vacancy. Appointed directors must stand for election by the shareholders at the next Annual General Assembly following their appointments. It is in this regard that the Bank welcomed two new Non-Executive Directors to the Board: Mr. Julius Tichelaar and Mr. Vincent De Brouwer who were approved by our Shareholders in June 2020 during the Annual General Meeting of Shareholders. In the course of the year, Mr. William Irwin retired from the Board with effect from 31st December 2020. Mr. William Irwin has been on the Board for sixteen years, 11 of those as Board Chairman and it is under his astute leadership that the Bank has grown to be one of the largest and most respected Bank on the market.

In addition, Vincent De Brouwer resigned from the Board with effect from 11th August 2020. Similarly, Faustin Byishimo stepped down from his functions as executive member of the Board and Head of Business Division effective 16th December 2020.

As at 31st December 2020, the Board was constituted by nine Directors: one Executive Director, two Non-Executive Directors (NED) and six Independent Non-Executive Directors including the Board Chairman.

No	Name	Nationality	Qualifications	Position held on the Board	Committee Assignment
1	**William (Bill) IRWIN**	British	Banker	Independent Board Chair	BOARD Chairman, BRC& BCC
2	**Alice NKULIKIYINKA**	Rwandan	Economist	Independent NED	BAPRECO/BNC Chair & BITCO
3	**Arun S. MATHUR**	Indian	Banker	NED	BALCO Chair, BITCO BAC&BCC
4	**Soundararajan MADABHUSHI**	Indian	Banker	Independent NED	BCC Chair, BAC, BRC & BALCO
5	**Nikhil HIRA**	Kenyan	Tax and Financial Advisor	Independent NED	BAC Chair, BALCO & BAPRECO/BNC
6	**Crystal RUGEGE**	Rwandan	Technology Policy	Independent NED	BITCO Chair& BCC
7	**Julius Tichelaar**	Dutch	Risk Management Professional	NED	BRC, BITCO&BAPRECO/ BNC
8	**Simon MORRIS**	British	Banker	Independent NED	BRC Chair, BAC, BALCO & BAPRECO/BNC
9	**Robin BAIRSTOW**	South African	Banker	Managing Director	BALCO, BRC, BCC & BITCO

The Board Nominations Committee reviews regularly the Board composition. In reviewing the Board composition, this Committee considers the benefits of collective relevant working knowledge, experience or expertise; it ensures that its composition reflects an appropriate mix with regards to skill representation, Board experience, tenure, gender, age, and geographic experience. Other considerations are personal qualities, communication capabilities, ability and commitment to devote appropriate time to properly discharge the task, professional reputation, community standing and alignment of the quality of directors with the Bank's strategic directions.

The Directors, collectively have vast experience stemming out of their varied backgrounds in different disciplines, which include Banking, Management, Accounting, Investment and hands-on experience in various industries.

The Board determines the process of appointing a director, after a recommendation by the Nominations Committee. The Board takes into consideration recommendations from shareholders, existing directors and any broad pool of qualified candidates for sourcing of possible candidates as directors; Directors must at all-time be and remain fit and proper to carry out their roles and in accordance with suitability criteria as per the Bank's code of Ethics for Directors and other regulations issued by regulators from time to time.

The initial appointment period is up to three years subject to annual re-election by shareholders, which may be extended by a further two additional periods of up to three years, subject to the director still meeting the criteria for directorship. As a rule, the Board's Non- Executive directors may serve for a maximum cumulative term of nine (9) years, making sure however, that the shareholders' legal right to vote and be voted remains inviolable.

The Board Charter, which serves as a guide to the Board of Directors on how to discharge their functions, mainly states the roles, responsibilities and accountabilities of which the Board of Directors should consistently and properly perform; it touches on the Board structure and composition as well.

BOARD MEETINGS

The Board holds regular and special meetings in accordance with the Articles of Association. It has in place an annual calendar that sets out board activities annually.

The Board usually has a minimum of four (4) scheduled Board meetings per year requiring an attendance of two to three days. All directors are expected to attend each meeting, unless there are exceptional circumstances that prevent them from doing so.

The Board Charter defines, under the attendance section, the attendance requirements. The attendance and participation of members in committee meetings is considered in the assessment of continuing fitness and suitability of each director as member of Board-level committees and the Board of directors.

Papers relevant to the agenda of each Board and Board committee are sent to the Board and committee members as appropriate ten (10) days in advance of the meeting as per the Memorandum and articles' requirements.

Like the rest of the world, the Board had to adapt its ways of working in 2020 due to the Covid-19 Pandemic. Meetings were held virtually. The pinnacle of which was the June 2020 Annual General Meeting that was virtually held for the first time.

During the year ended 31st December 2020, the Board held four (4) board meetings. A number of directors attended for ad-hoc meetings, Budget discussions and a Strategy Refresher meetings were also held in the course of the year Details of directors' attendance at board and Committees are detailed as follow:

	BOARD	AUDIT	RISK	CREDIT	ASSET & LIABILITIES	IT	ADMNI. PROC., REMUN&NOM.
No. of Meetings	6	4	4	8	4	4	4
William (Bill) IRWIN	6	-	-	8	-	-	-
Soundararajan MADABHUSHI	6	4	4	8	4	-	-
Arun S. MATHUR	6	4	-	8	4	4	-
Crystal RUGEGE	6	-	-	8	-	4	-
Vincent De Brouwer[1]	4	-	-	-	-	-	-
Julius Tichelaar	6	-	-	-	-	4	4
Simon MORRIS	6	4	4	-	4	-	4
Alice NKULIKIYINKA	6	-	-	-	-	4	4
Nikhil HIRA	6	4	-	-	4	-	4
Robin BAIRSTOW	6	-	4	8	4	4	-
Faustin BYISHIMO[2]	5	-	4	-	4	-	-

The attendance rate illustrates that the members of the Board are engaged with the Bank and are able to devote sufficient time and attention to oversee the Bank' affairs.

1 He resigned effective from 11th August 2020
2 He resigned effective from 16th December 2020

ROLE OF OUR BOARD COMMITTEES

The Board has in place Board committees to increase efficiency and facilitate deeper focus in specific areas. In accordance with article 22 of the BNR Regulation on Corporate Governance, the Bank standing Committees of the Board are Audit (BAC), Risk (BRC), Credit (BCC), IT Committee (BITCO), Nomination& Remuneration (BNC) which was merged with the Administration& Procurement (BAPRECO) Committee. In addition to these committees, the Board has resolved to maintain and Assets & Liabilities Committee (BALCO). The committees meet as prescribed in their respective terms of reference and each committee reports directly to the Main Board.

The Board may from time to time, establish or maintain additional committees as deemed appropriate. The number and nature of Board-level committees would depend on the size of the Bank and the Board, complexity of operations, as well as the Board's long-term strategies and risk tolerance. The Nominations Committee, taking into account the desires and qualifications of individual members recommends allocation of members to committee which is to be ratified by the Board; In making such appointments, the Board considers the rotation of committee membership and chairs at appropriate intervals to avoid undue concentration of power and promote fresh perspective.

The Board approves reviews and updates at least annually or whenever there are significant changes therein, the respective terms of reference of each committee that set out its mandate, scope and working procedures.

The Board ensures that each committee maintains appropriate records (e.g., minutes of meetings or summary of matters reviewed and decisions taken) of their deliberations and decisions. Such records document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions. The Board receives a verbal update on key area of discussions at the Board meeting by the committee chair.

Each standing committee is composed of at least 3 members, a majority of independent directors and an independent chair.

Role and Responsibility		Membership	Last Update
AUDIT	Assist the Board in fulfilling its responsibilities by reviewing the integrity of financial reporting and related announcements; the effectiveness of the internal control system of the Bank, its performance and the effectiveness of the internal and external audit processes; the findings of the internal and external audit and to recommend appropriate remedial action at least quarterly. For the year ended 31st December 2020, the BAC met four times. The Committee discussed the quarterly results, the interim accounts and the annual accounts. Key audit matters, as included in the auditors' reports and management letter were also a topic of discussion. In addition, the overall internal control environment was reviewed, the internal and external auditor reports were discussed. The BAC also approved the internal audit plan, budget and structure. The Terms of Reference were also amended to reflect the new regulations. A special attention to IFRS 9 implementation, review of the implementation of the new core banking system was noted. The BAC chairman held regular meetings with external auditors.	1. Nikhil Hira (Chairperson- Independent NED) 2. Soundararajan Madabhushi (Independent NED) 3. Simon Morris (Independent NED) 4. Arun Mathur (NED)	December 2020

Role and Responsibility		Membership	Last Update
RISK	The BRC considers and recommends to the Board the approval of Bank's overall Risk Appetite, tolerance and strategy, review the Bank's risk profile on an on- going basis. The Committee is responsible for ensuring adherence to the Bank's risk management policy and procedures as set out by the board Through the Risk Management Function, the Committee draw up a comprehensive Risk Management Framework/ Program for the Bank in line with the Guidelines issued from time to time by the National Bank of Rwanda (BNR). This year, the Committee met four times. In each meeting, status of the Bank' metrics with regards risk rating on operational, technology, liquidity, credit, compliance, Forex exchange, interest rate, HR, Strategy and reputational were reviewed. Direction of each risk as well as mitigation plan were discussed. Risk Heatmap, Disaster Recovery Drill and BCP test reports were always reviewed and discussed by the committee. Furthermore, compliance status of the Bank was reviewed and discussed at each meeting with a review of the regulatory compliance assessment report which was tabled, recommendation of prudential meetings with the regulator were reviewed systematically, new regulations and laws were advised and compliance status noted. Following the migration to Finacle, the link to the Electronic Data warehouse views to the new Core Banking System was an area of focus. Transactions and PEP Loans were constantly reviewed.	1. Simon Morris Chairperson (Independent NED) 2. William Irwin (Independent Board Chairman) 3. Soundararajan Madabhushi (Independent NED) 4. Julius Tichelaar (NED) 5. Robin Bairstow (MD) 6. Faustin Byishimo (ED)	December 2020

Role and Responsibility		Membership	Last Update
CREDIT	The BCC assists the Board in fulfilling its primary responsibility to ensure that the quality of the Bank's credit related asset book remains within acceptable parameters consistent with the Bank's risk appetite as well as regulatory requirements and prudential risk management practices. Further, the BCC ensures that the Bank has in place a credit policy which has a balanced approach to risk versus rewards and is effective, efficient, meets best practice, consistent with both BNR risk management guidelines and the Bank's risk management framework. The Committee reviews credit policies and related policies, sanction credit proposals, review of the delegated lending authority, on an ongoing basis review the credit portfolio. The BCC met eight times to discuss various topics including credit portfolio, various credit applications, and main grading changes, NPLs per sector, provisions, large exposure and recovery update.	1. Soundararajan Madabhushi – Chairperson (Independent NED) 2. Bill Irwin (Independent Board Chairman) 3. Crystal Rugege (Independent NED) 4. Arun Mathur (NED) 5. Robin Bairstow (MD)	December 2020

STATEMENT ON CORPORATE GOVERNANCE (Continued)

Role and Responsibility		Membership	Last Update
ASSET & LIABILITIES	BALCO is the ultimately responsible for effective asset/liability management. Its first responsibility is to assist the Board by establishing and reviewing the asset/ liability management Policy and related procedures; it ensures that the Bank's funds are managed in accordance with this policy, reviews the treasury dealing strategy, discuss and review the capital position and ensure that capital level are maintained in accordance with regulatory requirements and internal limit. The Committee also reviews the budget before it is approved by the Board. This committee is not a compulsory committee as per the BNR regulation. During the year under review, the Committee met four times. Members discussed various items including liquidity projection, treasury update, members reviewed the CAMEL pack, various counter party limits.	1. Arun Mathur – (Chairperson – NED) 2. Soundararajan Madabhushi – (Independent NED) 3. Nikhil Hira- (Independent NED) 4. Simon Morris (independent NED) 5. Robin Bairstow – MD 6. Faustin Byishimo - ED	December 2020

Role and Responsibility		Membership	Last Update
IT	The BITCO assists the Board in fulfilling its primary responsibilities by reviewing recommendations with respect to IT needs, projects, plans and policies. Review the design and implementation of ICT strategies, ICT Investment Oversight (Value delivery), ICT Risks, Security and Cyber Security; it ensures that the Bank's Disaster Recovery Program is drawn up and/or formulated, aligned to the Business Continuity Plans and regularly tested. The Committee met four times and discussed various items including cyber security actions, in depth discussion on the Core Banking Migration from Delta to Finacle 10, IT strategy, Disaster Recovery plan.	1. Crystal Rugege– Chairperson (Independent NED) 3. Arun Mathur (NED) 4. Alice Nkulikiyinka (Independent NED) 5. Julius Tichelaar (NED) 6. Robin Bairstow–MD	December 2020

STATEMENT ON CORPORATE GOVERNANCE (Continued)

Role and Responsibility		Membership	Last Update
BNC/BAPRECO	The BNC assists the Board in ensuring that a formal, rigorous and transparent process is in place for the appointment of directors to the Board. The purpose of this Committee is to review the Board Performance Evaluation report, succession plan and nominate qualified candidates for recommendation to the AGM for appointment to Board, in a fair and objective manner, subject statutory and shareholder approvals. The Committee also advise the Main Board on the Board Performance Evaluation Report for year 2020 and recommended the appointment of new directors. Whereas, BAPRECO assists the Board to retain authority over major decisions concerning the overall administration of the Bank, procurement of goods and services (excluding ICT related) and Human Resources function, including remuneration and disciplinary matters. The Committee reviews and consider matters related to appointment of contractors, suppliers for goods and services, consultants, etc… approves authorized signatories of the Bank and recommends to the Board granting of powers of attorney to Bank officials. The committee met four times; A wide range of other topics were discussed, such as resourcing matters, training and development, employee relations and welfare; and new HR System were areas of focus; remuneration related matters were also reviewed, and ratification of tender committee proposals.	1. Alice Nkulikiyinka Chairperson (Independent NED) 2. Simon Morris – (Independent NED) 3. Nikhil Hira – (Independent NED) 4. Julius Tichelaar (NED)	December 2020

OUR REMUNERATION POLICY

The Board, through the Nominations Committee implements and approves the remuneration policy for Board members which is aligned with the long-term interests of the Bank including the overall business and risk strategy. Directors who are also officers of the Bank are not compensated in their capacity of Directors. The level of remuneration reflects the time commitment and responsibilities of the role.

Fixed Annual Fees - Each director is eligible to receive a fixed annual fee as approved by the Board and ratified at the Annual General Assembly for service on the Board. These net annual fees are paid in quarterly installments. The Chairperson receives a higher compensation commensurate with higher responsibilities as Board Chairperson.

Any director, who serves as a member of the Board for less than a full quarterly period receives a prorated payment for retainership fee for such quarterly period.

Directors receive sitting allowance for attending each meeting of the Committee/Board as approved by the Board from time to time.

The fees paid to the Non-Executive Directors shall be reviewed periodically by the Nominations Committee at least every two years and, under the terms of this Policy, may be adjusted in line with changes in compensation benchmarks or industry standards.

As per article 79 al 2 of the Articles of Association, the Bank have in place a Directors' & Officers' Liabilities Insurance in favor of all nominated directors for an amount of not less than US$ five hundred thousand million (US$ 500,000) which provides a cover for the Directors and Officers against litigation by Third Parties. As pert Article 174 (indemnity and insurance for Directors), directors are to be indemnified to the extent permitted by law or Articles of Association. Directors' appointment letters confirm the extent of the indemnity provided to them.

Names	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Total
	$	$	$	$	$
Bill Irwin	6,800	8,600	11,200	7650	34,250
Soundararajan Madabhushi	6,700	9,600	11,500	9500	37,300
Arun S. Marthur	10,300	12,200	13,000	9500	45,000
Simon Morris	5,832	10,250	14,600	10200	40,882
Crystal Rugege	6,200	8,900	9,700	7050	31,850
Nickhil Hira	7,200	8,550	10,400	7450	33,600
Alice Nkulikiyinka	-	7,000	8,600	5650	21,250
Vincent De Brouwer	-	3,500	-	-	3,500
Julius Tichelaar	-	2,600	6,700	6300	15,600
TOTAL FEES	**43,032**	**71,200**	**85,700**	**63,300**	**263,232**

INDUCTION AND CONTINUING EDUCATION

On appointment to the Board and to Board Committees, all directors receives: a comprehensive induction pack tailored to their individual requirement in order to be an effective member of the Board and help lead the Bank in the right direction. The induction, which is designed and arranged by the Company secretary in consultation with the Chairperson includes meetings with directors, senior management to assist directors in building a detailed understanding of how the Bank works and the key issues it faces. Where appropriate, additional business briefing sessions and updates on particular issues identified in consultation with the Chairperson and non-executive directors is arranged by the Company secretary. The business awareness and development needs of each non-executive director will be reviewed annually as part of the performance evaluation process.

The Board as a group and as individual directors should have sufficient knowledge relevant to the Bank's activities to provide effective governance and oversight. They are continuously informed of the developments in the business and regulatory environments, including emerging risks relevant to the Bank.

In collaboration with the other Group of Companies, the Nominations Committee design a board training program, based on training needs identified by each board member at the time of annual evaluation subject to the approval of the Nominations Committee and confirmation by the Board. This training program includes courses on corporate governance matters relevant to the Bank, including audit, internal controls, risk management, sustainability, Corporate Governance and strategy. Senior Management also provide training support to the Board through regular briefings on new regulatory issuances and updates on status of compliance program and other business initiatives.

OUR BOARD EFFECTIVENESS REVIEW – BOARD EVALUATION APPRAISAL

Our Board recognizes that reviewing its performance is a key driver of good governance. The Board ensures that all the Directors appreciate the importance of the review process which includes enabling the Board reinforce a culture of accountability, help Directors reflect on the contribution they make to the Board in a given year and their impact on governance practice in general. Individual reviews encourage Directors to have an open discussion about areas where they require support to enhance their competencies especially in specialized areas.

In this regards a performance evaluation policy has been approved at the December board meetings which purpose is to give all Board members an opportunity to evaluate and discuss the Board's performance with candor and from multiple perspectives.

The process has been initiated this year at the December Board meetings where questionnaires were distributed to each Board Member. Directors have completed the forms and returned them to the company secretary during the month of January. Results were tabulated and analyzed and presented in a summary report to include composite scoring at the February board meetings.

The Board thought the Nominations Committee has discussed areas that are working well, and those that need attention. The evaluation form consists of 2 parts: An Overall Board Evaluation and a Chairman Board Evaluation.

DISCLOSURE AND TRANSPARENCY

Transparency is consistent with sound and effective corporate governance. The objective of transparency is to provide to Shareholders, depositors and other relevant stakeholders with relevant information necessary to enable them to assess the effectiveness of the Board and senior management.

The Bank believes in maintaining full and open communication with its shareholders and observing the highest standards in corporate governance and Shareholder communications; to this effect, the Board commits at all times to fully disclose material information dealings, it shall cause the filing of all required information for the interest of the Shareholders. Disclosure is to be accurate and clear in view of Shareholders and other stakeholders consulting the information easily.

SHAREHOLDERS RELATIONS

The Bank's aim to ensure that all Shareholders, both individual and institutional, have simultaneous access to all information. Ordinarily, market analysts, the stock exchange and industry bodies will also have access to information at the same time as the shareholders.

The Bank shall at all times guarantee equal treatment of all shareholders that are in the same position with regard to information, participation and voting at the Annual General Meeting of Shareholders.

The Bank's Investor Relations Office is designed to ensure constant engagement with its shareholders. The Investor Relations Office provides an avenue to receive feedback, complaints and queries from shareholders it also assures their active participation with regard to activities and policies of the Bank. Further, it provides clear, accurate and timely financial information that is in compliance with applicable rules and regulations. The Investor Relations Officer is present at every shareholders' meetings and Investor Briefings.

In addition to the Annual General Meeting, the Bank have communicated with its shareholders, the investment community and the general public through quarterly Investor Briefing that includes extensive financial statements with relevant explanatory remarks of the previous quarter, meetings with analysts, investors, media briefing and Investor conference calls.

This is in accordance with the applicable regulatory requirements intended to ensure that all shareholders and other market participants have equal and simultaneous access to information that could potentially influence the price of the bank' shares price. Information provided during such occasions or in any contacts with the press is limited to what is already publicly available.

The communications are also conducted to directly with shareholders via email to more comprehensive discussions with analysts or institutional investors that take place via telephone or face to face meetings. Our Investor Relations Officer is the main point of contact for these communications.

GENERAL MEETINGS

Bank's Annual General Meetings (AGM) are generally held around May to discuss the course of business in the preceding financial year with a focus on: approval of the preceding financial statement, approval of the proposed dividend, appointment of external auditor, election and re-election of directors.

The AGM is convened in accordance with section 51 of the Articles, to enable shareholders exercise their rights. In the holding of the meeting, the Bank prepares and sends the notice at least fifteen days prior to the date of the meeting; General Meetings are convened by placing an announcement in one of the newspapers with the largest circulation in Rwanda, on the company's website and on the website of the Rwanda Stock Exchange at least 21 days in advance of the meeting date.

Board members, in particular, the Chairpersons of Board committees or their delegates, and appropriate management executives attend general meetings to answer shareholders' questions;

The Board also ensure that the external auditor attends the AGM and is available to answer shareholders' questions about the financial position of the Bank, conduct of the audit and the preparation and content of the auditor's report.

At the Annual General Meeting held on 22nd June 2020, KPMG Rwanda was appointed as the external audit firm for the Bank for the financial years 2019 through 2020. This appointment includes the responsibility to audit the financial statements of the bank for the financial year 2020, to audit the effectiveness of internal control over financial reporting on 31st December 2020, and to provide an audit opinion on the financial statements of the Bank.

The external auditor may be questioned at the Annual General Meeting in relation to its audit opinion on the financial statements. The external auditor will therefore attend and be entitled to respond to any question from the shareholders. The external auditor attended the meetings of the Audit Committee and in addition to the audit committee meetings, the Board Audit Committee chairman held separate session meetings with the independent external auditors and the Chief Finance Officer (CFO).

STAKEHOLDERS RELATIONS

At our Bank, we have a wide range of stakeholders, who are important to our business. This is articulated in our Vision To Become a Company where the Best People want to Work; the First Choice where Customers want to do Business and where Shareholders are happy with their investment; Achieving our vision requires us to build trusted and mutually beneficial relationship with our stakeholders, which long term supports our long term success and sustainability.

Our Mission Statement also resonated with this vision as we want to be recognized as partners of growth for all our stakeholders through Meeting our Customer expectations, motivating and developing every employee and enhancing shareholders value;

Our Bank's methods of engagement include various channels and means of communications reliant on each specific stakeholder group.

Stakeholder engagement is decentralized within the Bank so there is not a single team that manages all relationships and queries or concerns from stakeholders. All I&M Bank employees are accountable for managing relationships and meeting expectations of internal and external stakeholders within their areas of responsibility. Should a stakeholder not be satisfied with the service or assistance that they receive from their I&M Bank Rwanda point of contact. There are a number of opportunities that allow for anonymity (if desired) as well as independence to ensure a voice for concerned stakeholders. These include our client call centre that is the first point of call for all clients' requests and the section "Contact us" on the Bank's corporate website.

We have in place a formal complaints handling procedure in place whose purpose is to address irregularities of a general, operational and financial nature.

RISK MANAGEMENT

The Bank's Enterprise Risk Management Framework identifies the principal risks for which the Bank is exposed to, outlines the assessment and measurement process, defines the mitigation strategies, institutes a consolidated risk appetite framework both qualitatively and quantitatively, emplace risk appetite and philosophy statements, and set up an organization structure to manage these risks. The implementation of the framework has brought in a disciplined and focused approach to managing risks across the Bank.

Embedding Bank-wide Enterprise Risk Management Culture

The Bank's risk culture is driven by the tone and statements from the Board of Directors on zero tolerance for non-compliance with internal policies and regulatory guidelines. This is in addition to Senior Management oversight of the Bank's risks on a day to day basis led by the Managing Director.

As part of the initiatives to embed an Enterprise Risk Management Culture across the Bank, annual risk refreshers are done to educate and embed risk culture in our day to day decision, this in addition to Bank-wide trainings conducted on Enterprise Risk Management, Information and Cyber Security, Anti-Money Laundering and Terrorists Financing. We have made good progress on embedding this risk culture and increased focus on frontline ownership of risk as we entrenched the three lines of defence for the implementation of our Enterprise Risk Management Framework. This risk culture has facilitated more dynamic risk identification and enables us to establish a clear linkage between strategic decision making and risk management, as well as identifying and managing correlations across risk types. In order to promote the Risk Management Culture, there are annual risk mandatory courses on Operational risk, Information and Cyber Security risk, AML and KYC to be undertaken by all Staff though an online Learning Management System.

RISK MANAGEMENT APPROACH

The Board of Directors has adopted a Risk Management approach/program of holistic and integrated risk management to identification, measurement, monitoring and control and reporting of all risk.

This is characterized by a strong Board and Senior Management risk oversight across all functions within the Bank. Such an approach supports and facilitates the decision making process which not only ensures that the risk reward trade-off is optimized but also that risks assumed are within the overall Risk Appetite and Risk Tolerance levels as laid down by the Board of Directors in the various Policy Documents.

RISK MANAGEMENT GOVERNANCE

The Board of Directors has the ultimate responsibility for the risk assumed by the Bank. As a result, it shall approve all of the Bank's business strategies and major policies, including those regarding risk management and risk assumptions.

The Board Risk Management Committee has the responsibility to ensure quality, integrity and reliability of the Banking institution's risk management. The Committee assists the Board of Directors in the discharge of its duties relating to the corporate accountability and associated risks in terms of management, assurance and reporting. The committee reviews and assesses the integrity of the risk control systems and ensure that the risk policies and strategies are effectively managed. The committee sets out the nature, role, responsibility and authority of the risk management function and outlines the scope of risk management work.

The Executive Risk Committee assists the Board of Directors in carrying out its role and is responsible for the Risk Management Program. It is responsible for the implementation of the Risk Management program, policies and appetite and tolerance as approved by the Board of Directors. It assists in Institutionalizing the Risk Culture in the Bank.

The Risk Management function ensures that management has appropriate tools in place for identifying, measuring, monitoring and controlling risk; it keeps all stakeholders up to date on risk management practices; it coordinates the Bank risk management activities and practices; it reviews and assess the integrity of the risk control systems and ensures that the risk policies and strategies are effectively managed.

The Bank management and control model is based on three lines of defense. The first line is constituted by the business units and the support areas which as part of their activity give rise to the Bank's risk exposure. These units are responsible for managing, monitoring and reporting adequately the risk generated, which must be adjusted to the risk appetite and the various limits of risk management.

The Risk and Compliance functions serve as the Bank's second line of defense. It has the responsibility for recommending and monitoring the Bank's risk appetite and policies and for following up and reporting on risk issues across all risk types. They oversee, review the risk activities of the first line of defense and guide/support to discharge their functions effectively while still providing second line risk management activity. They facilitate and monitor the implementation of effective risk management practices and the compliance function monitors various specific risks such as non-compliance with applicable laws and regulations. They assist in identifying known and emerging risk issues, providing risk management framework, assisting management in developing processes and controls to manage risks, monitoring the adequacy and effectiveness of internal control, accuracy and completeness of reporting and timely remediation of deficiencies.

Internal audit is the third line of defense and as the last layer of control in the Bank, it regularly assesses the policies, methods and procedures to ensure they are adequate and are being implemented effectively.

CREDIT RISK MANAGEMENT

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 obligations, and arises principally from loans and advances to customers, financial institutions/banks and investment securities.

The Relationship Management Team and Business Heads are the risk owners and the first line of defense since they are the originator and underwriter of credit applications and expected to identify, assess and mitigate risks inherent in each application based on the Bank's credit risk strategy, appetite and policy. The Credit team provides a second level independent review and is responsible for identifying, controlling, monitoring and reporting credit risk related issues. The team also serves as the secretariat for the Credit Risk Management Committee. Credit risk is the most critical risk for the Bank as credit exposures, arising from lending activities account for the major portion of the Bank's assets and source of its revenue. Thus, the Bank ensures that credit risk related exposures are properly monitored, managed and controlled.

The Credit team is responsible for managing the credit exposures, which arise as a result of the lending and investment activities as well as other unfunded credit exposures that have default probabilities, such as contingent liabilities.

MARKET RISK MANAGEMENT

Market risk is the risk that the value of on and off-balance sheet positions of the Bank will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices, credit spreads and/or commodity prices resulting in a loss to earnings and capital.

The Board of Directors through the Board Asset and Liability Committee and Board Risk Committee has the oversight function for Bank's market risk exposures while the Assets and Liability Management Committee (ALCO) manages the Bank's market risks on a daily basis. The Bank's ALCO is responsible for managing the Bank's market risk control framework and also setting limits within the context of the Bank's market risk appetite on a daily basis.

The ALCO Committee meets monthly to review the Bank's asset and liabilities position, project exogenous factors, develop an assets & liability strategy and follow up with the implementation of the strategy.

The objective of the Bank's market risk is to focus on controlling and managing risk exposures while optimizing the return on risk and still maintain an industry profile as one of the foremost providers of financial products and services.

The most significant Market risks the Bank faces are: interest rate risk both on the trading and banking book, foreign exchange, and investment risks.

Interest rate risk: is the current or prospective risk to earnings and capital of the Bank arising from adverse movements in interest rates both in the trading and banking book.

Foreign Exchange Risk: is the current or prospective risk to earnings and capital of the Bank arising from adverse movements in currency exchange rates. The Bank is exposed to foreign exchange risk because it trades in various currencies on behalf of our clients. This risk is managed using net- open foreign exchange position, value at risk and stress testing.

Price Risk: is the risk that the Bank may experience loss in its investment portfolio of government securities due to unfavourable movements in market prices. We manage the price risk in the investment portfolio using modified duration, mark to market, basis point movement and stress testing.

OPERATIONAL RISK MANAGEMENT

Operational Risk is the direct or indirect risk of loss resulting from inadequate and/or failed internal processes, people, and systems or from external events. In our case, operational risks arise from the broad scope of activities carried out across the Bank.

The first line of defense has the responsibility to conduct inherent risk assessment of their third party services, outsourcing, project management activities, processes, products, people and system and proffer adequate controls to mitigate the identified risks while the Operational Risk Management team provides independent review of such assessment to ensure it is adequate enough to mitigate the identified risks, monitor emerging risks implications on the bank and response to major disruptions and external threats.

Risk Tolerance: is the amount of uncertainty the bank is prepared to accept in total or more narrowly in pursuance of the bank's strategy objective.

The Board has articulated the broad operational risk appetite through a quantitative statement in line with the bank's overall risk management objectives. The Board approved the operational loss ratio risk tolerance of 0.375% of Profit Before Tax.

The following practices, tools and methodologies have been deployed in the Bank for the purpose of Operational Risk identification and management:

Risk Event and Loss Incident Reporting – Loss incidents are reported to Operational Risk. All staff are encouraged to report operational risk events as they occur in their respective business spaces whether these risks crystallize into actual losses or not.

Risk Assessments of the Bank's new and existing products, services, branches and vendors/ contractors are also carried out. This process tests the quality of controls the Bank has in place to mitigate likely identified risks.

Business Continuity Management (BCM) – To ensure the resilience of our business arising from any disruptive eventuality, the Bank has in place a Business Continuity Plan (BCP) to be able to promptly resume business operations with minimal financial losses, reputational damage and disruption of service to customers, vendors and regulators.

Various testing and exercising programs are conducted bank-wide to ensure that recovery coordinators are aware of their roles and responsibilities.

LIQUIDITY RISK MANAGEMENT

Liquidity Risk is the risk that the Bank's earnings or capital arising from its inability to meet its obligations as they fall due, without incurring significant costs or losses. The oversight for liquidity risk management resides with the Board of Directors through Board Asset and Liability Committee and the Board Risk Committee. The Bank's liquidity risk management process is primarily the responsibility of the Asset and Liability Management Committee (ALCO). The Treasurer is responsible for daily management of liquidity in liaison with ALCO. The Treasury and Finance functions provide independent oversight of the first line risk management activities relating to liquidity risk while the Market Risk Function is the second line control function that performs independent monitoring and oversight of the market risk management practices of the first line of defence.

The Bank manages its liquidity risk using metrics and measurement tools such as Liquidity Ratio, Loan to Deposit Ratio, Liquidity Maturity Mismatch, Liquidity Coverage Ratio, Net Stable Funding Ratio and Assets & Liability Committee (ALCO) limits.

STRATEGIC RISK MANAGEMENT

Strategic risk is the current and prospective impact on earnings or capital of the Bank arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.

Strategic Risk is measured using quantitative tools such as Corporate Balance Score Card, Budget, Key Performance Indicators (Return on Equity, PBT, and Cross Selling Ratios) during the monthly Executive Committee, ALCO, bi-monthly Business Strategy Meeting and quarterly report to Board of Directors.

INFORMATION TECHNOLOGY RISK

Technology is one of the key enablers in our Strategy and to this extent, will continue to play a critical role in the Bank's operations and in the fulfilment of its strategic objectives. Given this, information technology is important to the overall performance and success of the Bank. The IT department, being a risk owner, has in place a framework to identify, monitor, control and report on IT related risks. The Bank's IT governance framework (Management IT Steering Committee) aligns its IT strategy with its overall business objective.

MANAGEMENT OF CYBER RISK

As part of the process to combat the increasing Cyber Crime, the Bank developed a Cyber Security Policy in line with BNR guidelines and global best practice approved by the Board Risk Committee. The Bank organizes series of training and communications on Cyber Risk for both staff and Management to sensitize all about Cyber Criminal activities and how to manage these.

The Bank also adopts the following mitigation strategies to manage information security risks:

- Network Controls – The Bank has put in place different controls on the network to facilitate access to network resources on need to have basis. Different network segmentations exist on the network to protect specific areas from access to unauthorized personnel. Also, a network access control security solution has been implemented to guard against enterprise network access by rogue systems.
- Application Security Controls (e.g. Secure Coding controls) – The Bank ensures that new and modified applications are well tested before deployment to production environment. Such tests include functional and security tests. Also, applications running on endpoint systems are reviewed quarterly to ensure that unauthorized applications are not freely used within the enterprise environment. In addition to this, security solutions such as Web Application Firewall, Database Activity Monitoring, Anti-malware Solution and Threat Management have been deployed to provide enhanced security for web facing applications in Bank.
- Patch management – A benchmark threshold of permissible patch compliance status was instituted by the Management. The monthly compliance status is obtained on a monthly basis for review and informed decision.
- Continuous Monitoring – The IS Operations team carries out continuous monitoring of user activities as well as external events to ensure risk events are detected and addressed before materialization.

COMPLIANCE RISK MANAGEMENT

The Bank organizes its compliance function and sets priorities for the management of its compliance risk in a way that is consistent with its own risk management strategy and structures. The compliance function has redefined its approach from a tick check box into an advisory role with intense focus on regulatory intelligence gathering and closer cooperation with business units within the Bank, and acting as a contact point within the Bank for compliance queries from staff members and external regulators.

RISK APPETITE

The Bank's appetite for Compliance Risk is zero tolerance for payment of fines and other penalties associated with regulatory infractions and non-compliance with laws, standards and rules.

AML PROGRAMME

I&M Bank (Rwanda) Plc. has a Board approved AML/KYC programme. This is contained in the Bank's Anti-Money Laundering Policy and Compliance Policy which are reviewed and updated at least on an annual basis. Our AML/KYC Policy contains Board approved guidelines on Politically Exposed Persons (PEP) Policy, Risk Based AML/KYC, Correspondence Banking, etc.

I&M Bank (Rwanda) Plc. has an Anti-Money Laundering system that tracks the watch lists and sanctions lists under the UN sanctions in addition to monitoring all transactions.

COMPLIANCE RISK GOVERNANCE

The oversight responsibility on compliance risk resides with the Bank's Board of Directors through Board Risk Committee. Compliance Risk Management involves close monitoring of KYC compliance by the Bank, follow up of BNR recommendations, and observance of the Bank's zero-tolerance culture for regulatory breaches. It also entails an oversight role for monitoring adherence to regulatory guidelines and global best practices on an on-going basis.

REPUTATIONAL RISK MANAGEMENT

Reputational risk is the potential that negative publicity regarding a Bank's brand, business practices, whether true or not, can have resulting in a decline in the customer base, costly litigation, or revenue reductions.

Another form of risk leading to potential reputational risk is the Social Media Risk which is the risk to the Bank's earnings or capital arising from negative publicity about the Bank on social media. Social Media in the Bank is defined as forms of electronic communication (as Web sites for social networking and microblogging) through which users (both customers and non-customers) create online communities to share information, ideas, personal messages, and other content.

Risk arises when the Bank's reputation is exposed from negative publicity from one or more reputational/ social media events regarding the organization's business practices, services, staff conduct or financial condition. It measures the change in perception of the Bank by its stakeholders. It is linked with customers' expectations regarding the Bank's ability to conduct business securely and responsibly.

All staff are brand ambassadors of the Bank and are expected to conduct their services to the client in a professional and dignified way while Marketing Communications department is the risk owner and saddled with managing the Bank's brand and visibility. The department is mandated to protect the Bank from potential threats to its reputation. The team continuously uses proactive means in minimizing the effects of reputational events, thereby averting the likelihood of major reputational crises with the view of ultimately ensuring the survival of the organization.

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT

Environmental and Social Management risk is the risk to the earnings and capital of the Bank due to potential negative consequences suffered as a result of it financing businesses that impact negatively (or perceived impacts) on the natural environment (i.e. air, water, soil) or communities of people (e.g. employees, customers, local residents).

As a Bank, we are committed to sustainable banking and sustainable finance in our business relationships and as a good corporate citizen to protect and preserve the environment under which we operate.

The Bank's Environmental and Social Risk Appetite is not to finance projects mentioned in the Environmental and Social Exclusion List.

BASEL IMPLEMENTATION

As part of the Bank's ERM Implementation Road Map and migration to the Global best practice in Risk Management, we commenced implementation of Basel II & III in the following risk areas:

- Liquidity Risk – adoption and implementation of Basel III metrics on liquidity Risk- Liquidity Coverage Ratio and Net Stable Fund Ratio as a regulatory requirement.
- Putting in place the Internal Capital Adequacy Assessment Plan and the Internal Liquidity Adequacy Assessment Plan.
- Credit Risk Impairment- IFRS 9 Implementations: we commenced implementation of IFRS 9 impairment on our loan portfolio.

OUR FINANCIALS

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of I&M Bank (Rwanda) Plc ("the Bank"), set out on pages 54 to 136, which comprise the statement of financial position as at 31st December 2020, and the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

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

Basis

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF I&M BANK (RWANDA) PLC

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Impairment loss allowance on loans and advances to customers
Refer to notes 4, 6.13, 22(b) and 40(a) to the financial statements</td></tr>
<tr><td>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 application of IFRS 9, Financial Instruments ("IFRS 9") are:
— Economic scenarios – IFRS 9 requires the Bank to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. Significant management judgment is applied to determining the economic scenarios used and the probability weightings applied to them;
— Significant increase in credit risk ("SICR") – for the retail and corporate portfolios the criteria selected to identify a significant increase in credit risk is a key area of judgement within the Bank's ECL calculation as these criteria determine whether a 12 month or lifetime allowance is recorded.
The Bank assesses SICR by incorporating all relevant, reasonable and supportable information, including forward-looking information. These include qualitative information, non-statistical quantitative information and information from credit rating processes. COVID-19 restructures are factored into the model to cater for repayment deferrals and sector/subsector risks. The setting of precise trigger points to move a financial asset from 'Stage 1' to 'Stage 2' 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 judgemental 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 the most significant judgemental aspect of the Bank's ECL modelling approach; and
— Qualitative adjustments or overlays – adjustments to the model driven ECL results are raised by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts especially in relation to the retail and corporate portfolios.

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.</td><td>Our audit procedures in this area included:
- Obtaining an understanding of the credit management processes and the key systems, applications and controls used in the determination of ECL and evaluating the operating effectiveness of the key controls over the staging criteria, updates to the data in the model, review of the model output, and changes to loss given default, updates to the forward-looking information, and collateral data.
- Using our data and analytics specialists to independently assess probability of default modelling based on historical days past due reports. We assessed the reasonableness of loss given default and exposure at default assumptions by comparing to recent experience of the bank and local economic conditions.
- Involving our own financial risk management specialists to assess the appropriateness of the Bank's methodology for determining the economic scenarios and other management overlays by assessing key economic variables used as well as the overall reasonableness of the economic forecasts by comparing the Bank's forecasts to the historical bank and market growth as well as externally available information.

Challenging the accuracy of key inputs and assumptions into the expected credit loss models by:
- On a sample basis, testing of key data inputs and assumptions applied in determination of ECL,
- assessing the accuracy of economic forecasts and challenging assumptions applied by involving our specialists in the reperformance of the economic forecasts and PDs;
- Evaluating the appropriateness of the Bank's SICR determination by assessing the qualitative and quantitative factors used by management in their evaluation of the classification into stages 1, 2 and 3; and
- For a sample of qualitative adjustments, considering the size and complexity of management overlays, we assessed the reasonableness of the adjustments by challenging key assumptions, inspecting the calculation methodology and agreeing back to source data.
- 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.</td></tr>
</table>

Other matter

The financial statements of I&M Bank (Rwanda) PLC as at and for the year ended 31st December 2019, were audited by another auditor who expressed an unmodified opinion on those financial statements on 21st April 2020.

Other information

The directors are responsible for the other information. The other information comprises the information included in the I&M Bank (Rwanda) PLC Annual Report and Financial Statements 31st December 2020, 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.

Responsibilities of Directors for the Financial Statements

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

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

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

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

(ii) Proper accounting records have been kept by the company, so far as appears from our examination;

(iii) We have no relationship, interest or debt with the I&M Bank (Rwanda) Plc. As indicated in our report on the financial statements, we comply with ethical requirements. These are the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) which includes comprehensive independence and other requirements.

(iv) We have reported internal control matters together with our recommendations to management in a separate management letter.

(v) According to the best of the information and the explanations given to us as the auditor, as shown by the accounting and other documents of the company, the annual accounts comply with Article 123 of Law No. No. 17/2018 of 13/04/2018 Governing Companies in Rwanda.

The engagement partner on the audit resulting in this independent auditor's report is CPA Stephen Ineget – PC/CPA/0293/0067.

KPMG Rwanda Limited
Certified Public Accountants
P. O. Box 6755
Kigali, Rwanda

Date: 26/04/2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st DECEMBER 2020

	Note	2020 Frw'000	2019 Frw'000
Interest and similar income	9	39,123,691	34,808,787
Interest and similar expense	10	(16,710,944)	(12,942,802)
Net interest income		**22,412,747**	**21,865,985**
Fee and commission income	11(i)	3,588,222	3,420,566
Fee and commission expense	11(ii)	(1,619,018)	(1,179,536)
Net fee and commission income		**1,969,204**	**2,241,030**
Revenue		**24,381,951**	**24,107,015**
Net trading income	12	5,277,228	3,280,146
Other operating income	13	1,531,921	1,075,428
Net operating income before change in expected credit losses and other credit impairment charges		**31,191,100**	**28,462,589**
Net impairment charge on loans and advances	22(b)	(5,536,066)	(1,067,391)
Net operating income		**25,655,034**	**27,395,198**
Employee benefits	14(i)	(8,934,839)	(10,005,526)
General administrative expenses	14(ii)	(5,773,005)	(5,604,198)
Depreciation and amortization	14(iii)	(3,108,842)	(2,795,100)
Operating expenses		**(17,816,686)**	**(18,404,824)**
Profit before income tax		**7,838,348**	**8,990,374**
Income tax expense	15(a)	(2,698,567)	(2,848,432)
Net profit for the year after tax		**5,139,781**	**6,141,942**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Movement in fair value reserve (FVOCI financial instruments):			
Net change in fair value through the other comprehensive income	34 (c)	75,999	62,442
Other comprehensive income, net of tax for the year		**75,999**	**62,442**
Total comprehensive income for the year		**5,215,780**	**6,204,384**
Profit attributable to:			
Holders of ordinary shares		5,139,781	6,141,942
		5,139,781	6,141,942
Comprehensive income attributable to:			
Holders of ordinary shares		5,215,780	6,204,384
		5,215,780	6,204,384
Earnings per share			
Basic and diluted earnings per share - (Frw)	16	**4.24**	**12.16**

STATEMENT OF FINANCIAL POSITION AS AT 31st DECEMBER 2020

	Note	2020 Frw'000	2019 Frw'000
ASSETS			
Cash and balances with National Bank of Rwanda	18	30,266,747	30,691,946
Due from banks	19	39,302,920	28,604,211
Due from group companies	20	1,131,523	4,272,426
Financial assets at fair value through other comprehensive income	21(a)	48,943,246	16,444,933
Financial assets at fair value through profit or loss	21(b)	644,061	429,065
Government securities at amortised cost	21(c)	51,263,367	31,665,173
Loans and advances to customers	22(a)	205,229,128	171,887,690
Other assets	23	3,001,489	2,470,613
Property and equipment and right of use assets	24	32,280,971	25,685,690
Intangible assets	25	5,140,236	5,747,279
TOTAL ASSETS		**417,203,688**	**317,899,026**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits from banks	26	49,823,984	51,567,393
Deposits from customers	27	248,435,597	191,804,341
Items in the course of collection	28	2,371,917	1,364,320
Current income tax	15(b)	595,345	245,479
Other liabilities	29	11,001,954	5,892,252
Deferred income tax	30	1,393,422	1,642,339
Long term debt	31	39,349,792	13,336,947
Subordinated debt	32	9,754,824	9,259,073
		362,726,835	275,112,144
Shareholders' equity			
Share capital	34 (a)	12,120,000	5,050,000
Share premium	34 (a)	6,249,832	400,000
Revaluation reserves	34 (b)	1,861,898	2,011,095
Retained earnings	34 (e)	33,995,670	33,437,216
Proposed dividend		-	1,515,000
Statutory credit risk reserve	34 (d)	-	200,117
Fair value reserve	34 (c)	249,453	173,454
		54,476,853	**42,786,882**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**417,203,688**	**317,899,026**

The financial statements were approved and authorized for issue by the Board of Directors and signed on their behalf on 26th April 2021 by;-

Chief Executive Officer | **Chairperson of the Board Audit Committee**

The notes set out on pages 59 to 136 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2020

	Note	Share capital Frw'000	Share premium Frw'000	Revaluation reserves Frw'000	Retained earnings Frw'000	Proposed dividends Frw'000	Statutory credit risk reserve Frw'000	Fair value reserve Frw'000	Total Frw'000
At 1 January 2020									
Total comprehensive income for the year		**5,050,000**	**400,000**	**2,011,095**	**33,437,216**	**1,515,000**	**200,117**	**173,454**	**42,786,882**
Profit for the year		-	-	-	5,139,781		-	-	5,139,781
		-	-	-	5,139,781	-	-	-	5,139,781
Other comprehensive income									
Disposal of property and equipment	34 (b)	-	-	(268,556)	268,556	-	-	-	-
Deferred tax on disposal of property and equipment	30	-	-	119,359	-	-	-	-	119,359
Statutory credit reserve		-	-	-	200,117	-	(200,117)	-	-
Net change in fair value through the other comprehensive income	34 (c)	-	-	-	-	-	-	75,999	75,999
Total other comprehensive income		**-**	**-**	**(149,197)**	**468,673**	**-**	**(200,117)**	**75,999**	**195,358**
Total comprehensive income		**-**	**-**	**(149,197)**	**5,608,454**	**-**	**(200,117)**	**75,999**	**5,335,139**
Transactions with owners recorded directly in equity									
New Bonus issue during the year	34 (a)	5,050,000	-	-	(5,050,000)	-	-	-	-
Rights issue during the year	34 (a)	2,020,000	5,849,832	-	-	-	-	-	7,869,832
Dividend declared and payable- 2019		-	-	-	-	(1,515,000)	-	-	(1,515,000)
Total transactions with owners for the year		**7,070,000**	**5,849,832**	**-**	**(5,050,000)**	**(1,515,000)**	**-**	**-**	**6,354,832**
Balance as at 31 December 2020		**12,120,000**	**6,249,832**	**1,861,898**	**33,995,670**	**-**	**-**	**249,453**	**54,476,853**

The notes set out on pages 59 to 136 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2019

	Note	Share capital Frw'000	Share premium Frw'000	Revaluation reserves Frw'000	Retained earnings Frw'000	Proposed dividends Frw'000	Statutory credit risk reserve Frw'000	Fair value reserve Frw'000	Total Frw'000
At 1 January 2019									
Total comprehensive income for the year		**5,050,000**	**400,000**	**2,011,095**	**28,763,104**	**2,985,000**	**145,151**	**213,148**	**39,567,498**
Profit for the year		-	-	-	6,141,942		-	-	6,141,942
Other comprehensive income									
Statutory credit reserve	34 (d)	-	-	-	(54,966)	-	54,966	-	-
Net change in fair value through the other comprehensive income	34 (c)	-	-	-	-	-	-	62,442	62,442
Reclassification within equity		-	-	-	102,136	-	-	(102,136)	-
Total other comprehensive income		**-**	**-**	**-**	**47,170**	**-**	**54,966**	**(39,694)**	**62,442**
Total comprehensive income		**-**	**-**	**-**	**6,189,112**	**-**	**54,966**	**(39,694)**	**6,204,384**
Transactions with owners recorded directly in equity									
Final dividend - 2018		-	-	-	-	(2,985,000)	-	-	(2,985,000)
Proposed dividend - 2019		-	-	-	(1,515,000)	1,515,000	-	-	-
Total transactions with owners for the year		**-**	**-**	**-**	**(1,515,000)**	**(1,470,000)**	**-**	**-**	**(2,985,000)**
Balance as at 31 December 2019		**5,050,000**	**400,000**	**2,011,095**	**33,437,216**	**1,515,000**	**200,117**	**173,454**	**42,786,882**

The notes set out on pages 59 to 136 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2020

	Note	2020 Frw'000	2019 Frw'000
Net cash flows /generated (used in) from operating activities	**35(a)**	**(14,926,774)**	**19,155,442**
Cash flows from investing activities			
Purchase of property and equipment	24	(8,544,743)	(7,470,152)
Purchase of intangible assets	25	(836,835)	(2,389,924)
Proceeds from disposal of property and equipment		36,362	35,692
Net cash used in investing activities		**(9,345,216)**	**(9,824,384)**
Cash flows from financing activities			
Dividend paid		-	(2,985,000)
Repayment of principal of lease liabilities		(705,943)	(2,642,333)
Proceeds from long term debt	31	28,642,138	8,864,436
Principal repayment on long term debt	31	(2,316,059)	(1,155,547)
Grants Received	29	3,586,099	-
New Capital received from Rights issue	35	7,869,832	-
Net cash inflows/(outflows) from financing activities		**37,076,067**	**2,081,556**
Net increase / (decrease) in cash and cash equivalents	**35(b)**	**12,804,077**	**11,412,614**
Cash and cash equivalents at start of the year	**35(b)**	**46,491,651**	**35,079,037**
Cash and cash equivalents at end of the year	**35(b)**	**59,295,728**	**46,491,651**

The notes set out on pages 59 to 136 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

1. CORPORATE INFORMATION

I&M Bank (Rwanda) Plc (the "Bank") is a public financial institution licensed to provide corporate and retail banking services to corporate, small and medium size enterprises and retail customers in various parts of Rwanda. The Bank is a public listed company incorporated and domiciled in Rwanda. The ultimate parent of the Bank is I&M Holdings PLC, a limited liability company registered and domiciled in Kenya. The address of its registered office is as follows:

I&M Bank (Rwanda) Plc
KN 3 AV/9
PO Box 354
Kigali
Rwanda

2. BASIS OF PREPARATION

The Bank's financial statements for the year 2020 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), in the manner required by Law No. 17/2018 of 13/04/2018 Governing Companies and Regulation No. 28/2019 of 09/09/2019 relating to publication of financial statements and other disclosures by banks.

Additional information required by the regulatory bodies is included where appropriate.

These financial statements have been prepared under the historical cost basis of accounting except for the derivatives financial instruments classified as fair value through profit or loss (FVTPL) and Fair value through Other Comprehensive Income (FVOCI) and buildings which are measured at fair value and revalued amount less depreciation respectively

The Bank presents its statement of financial position in order of liquidity based on the Bank's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Maturity analysis of assets and liabilities (Note 40.2)

The financial statements for the year ended 31st December 2020 were approved and authorised for issue in accordance with a meeting of the Directors on 5th March 2021

3. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Rwanda Francs (Frw), which is also the functional currency and presentation currency and all values are rounded to the nearest thousand (Frw'000) except where otherwise stated.

4. USE OF JUDGMENTS AND ESTIMATES

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

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

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

4. USE OF JUDGMENTS AND ESTIMATES (CONTINUED)

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

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

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

In particular information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 6.

5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

5.1. New and amended standards and interpretations

The Bank has initially adopted Definition of a Business (Amendments to IFRS 3) from 1st January 2020 and the amendments do not have a material effect on the Bank's financial statements because the Bank has not acquired any subsidiaries during the year. However, the Bank has amended its accounting policies for acquisitions on or after 1st January 2020.

The Bank has not early adopted the requirements of 'Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16' (IBOR reform Phase 2) which is effective for annual periods beginning on or after 1st January 2021 with earlier adoption permitted.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the Bank's financial statements.

5.1.1. Definition of a business

The Bank applied Definition of a Business (Amendments to IFRS 3) to business combinations whose dates of acquisition are on or after 1st January 2020 in assessing whether it had acquired a business or a group of assets. The amendments do not have a material effect on the Bank's financial statements because the Bank has not acquired any subsidiaries during the year. However, the Bank will amend its accounting policies for acquisitions on or after 1st January 2020. The details of accounting policies are set out in Note 6

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

6.1 Foreign currency translation

Foreign currency transactions are translated into the functional currency of the Bank 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 profit or loss in the year in which they arise.

Foreign currency non-monetary items measured at fair value are translated into functional currency using the rate of exchange at the date the fair value was determined. Foreign currency gains and losses on non-monetary items are recognized in the Statement of Income or Statement of Comprehensive Income consistent with the gain or loss on the non-monetary item.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.2. Recognition of interest income

Income is derived substantially, from banking business and related activities and comprises net interest income and fee and commission income.

Gains and losses arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss, as well as any interest receivable or payable, are included in profit or loss in the period in which they arise.

Gains and losses arising from changes in the fair value of FVOCI financial assets, other than foreign exchange gains or losses from monetary items, are recognised directly in other comprehensive income, when financial asset is derecognised, cumulative gain or loss will not be recycled to profit or loss.

6.2.1 Effective interest rate and amortised cost

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

6.2.2. Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from placements and transactions with other banks.

6.3. Net fee and commission income

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.
The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time unless otherwise specified. The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not include multiple performance obligations, as explained further in Notes 6.3.1 and 6.3.2 below.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.3.1. Fees and commission income from services where performance obligations are satisfied over time

Performance obligations satisfied over time include asset management, custody and other services, where the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs.

The Bank's fee and commission income from services where performance obligations are satisfied over time include the following:

- Asset management fees: These fees are earned for the provision of asset management services, which include portfolio diversification and rebalancing, typically over a three-year period. Asset management fees consist of management and performance fees that are considered variable consideration. Management fees are invoiced quarterly and determined based on a fixed percentage of the net asset value of the funds under management at the end of the quarter. The fees generally crystallise at the end of each quarter and are not subject to a clawback. Consequently, revenue from management fees is generally recognised at the end of each quarter.

Performance fees are based on returns in excess of a specified benchmark market return, over the contract period. Performance fees are typically received at the end of the performance period specified in the contract. The Bank recognises revenue from performance fees over the contract period, but only to the extent that it is highly probable that a significant reversal of revenue will not occur in subsequent periods.

- Custody fees: The Bank earns a fixed annual fee for providing its customers with custody services, which include the safekeeping of purchased securities and processing of any dividend income and interest payments. As the benefit to the customer of the services is transferred evenly over the service period, these fees are recognized as revenue evenly over the period, based on time-elapsed. Payment of these fees is due and received quarterly in arrears.

- Loan commitment fees: These are fixed annual fees paid by customers for loan and other credit facilities with the Bank, but where it is unlikely that a specific lending arrangement will be entered into with the customer and the loan commitment is not measured at fair value. The Bank promises to provide a loan facility for a specified period. As the benefit of the services is transferred to the customer evenly over the period of entitlement, the fees are recognised as revenue on a straight-line basis. Payment of the fees is due and received monthly in arrears.

- Servicing income for transferred financial assets: The Bank receives fixed annual fees for providing specific administrative tasks in relation to certain assets it has transferred and derecognised. These services include collecting cash flows from borrowers and remitting them to beneficial interest holders, monitoring delinquencies and executing foreclosures. As the benefit to the customer of the services is transferred evenly over the contract period, these fees are recognised as revenue evenly over the period, based on time elapsed. Payment of these fees is due and received monthly in advance.

- Interchange fees: The Bank provides its customers with credit card processing services (i.e., authorisation and settlement of transactions executed with the Bank's credit cards) where it is entitled to an interchange fee for each transaction (i.e., when a credit cardholder purchases goods and services from merchants using the Bank's credit card). The fees vary based on the number of transactions processed and are structured as either a fixed rate per transaction processed or at a fixed percentage of the underlying cardholder transaction. The variable interchange fees are allocated to each distinct day, based on the number and value of transactions processed that day, and the allocated revenue is recognised as the entity performs.

6.3.2. Fees and commission income from providing services where performance obligations are satisfied at a point in time

Services provided where the Bank's performance obligations are satisfied at a point in time are recognized once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These include fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the acquisition of shares or other securities, or the purchase or sale of businesses, brokerage and underwriting fees. The Bank has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.3.2. Fees and commission income from providing services where performance obligations are satisfied at a point in time (Continued)

- Brokerage fees: The Bank buys and sells securities on behalf of its customers and receives a fixed commission for each transaction. The Bank's performance obligation is to execute the trade on behalf of the customer and revenue is recognised once each trade has been executed (i.e., on the trade date). Payment of the commission is typically due on the trade date.

The Bank pays certain sales commission to agents for each contract that they obtain for some of its brokerage services. The Bank has elected to apply the optional practical expedient for costs to obtain a contract which allows it to immediately expense such sales commission because the amortisation period of the asset that it otherwise would have used is one year or less.

Fee and commission income that are integral to the effective interest rate of a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fee and commission expenses relate mainly to transaction and service fees are expensed as the services are received.

6.3.3. Contract balances

The following are recognised in the statement of financial position arising from revenue from contracts with customers:

- Fees and commissions receivables included under 'Other assets', which represent the Bank's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). These are measured at amortised cost and subject to the impairment provisions of IFRS 9.
- Unearned fees and commissions included under 'Other liabilities', which represent the Bank's obligation to transfer services to a customer for which the Bank has received consideration (or an amount of consideration is due) from the customer. A liability for unearned fees and commissions is recognised when the payment is made or the payment is due (whichever is earlier). Unearned fees and commissions are recognised as revenue when (or as) the Bank performs.

6.4. Net trading income

'Net trading income and net income on financial assets at fair value through profit or loss' comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends and foreign exchange differences.

6.5. Net loss on financial assets and liabilities designated at fair value through profit or loss

Net loss on financial instruments at FVTPL represents non-trading derivatives held for risk management purposes used in economic hedge relationship but not qualifying for hedge accounting relationships, financial assets and financial liabilities designated as at FVTPL and also non-trading assets measured at FVTPL, as required by or elected under IFRS 9.

Gains and losses arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss are included in profit or loss in the period in which they arise.

6.6. Net loss on derecognition of financial assets measured at amortised cost or FVOCI

Gains and losses arising from changes in the fair value of fair value through other comprehensive income, other than foreign exchange gains or losses from monetary items, are recognised directly in other comprehensive income, when the financial asset is derecognised or impaired, the cumulative gain or loss previously recognised in other comprehensive income will not be recycled to profit or loss.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.6. Net loss on derecognition of financial assets measured at amortised cost or FVOCI (Continued)

Net loss on derecognition of financial assets measured at amortised cost includes loss (or income) recognised on sale or derecognition of financial assets measured at amortised costs calculated as the difference between the book value (including impairment) and the proceeds received.

Interest income and expense on fair value through other comprehensive income and financial assets or liabilities held at amortised cost is recognised in profit or loss using the effective interest method.

6.7. Income tax expense

Income tax expense comprises current tax and change in deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for:

- Temporary differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination and which affects neither accounting nor taxable profit
- Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill

Deferred income tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

A deferred income tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

6.8. Financial instruments- Initial Recognition

6.8.1. Date of recognition

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

6.8.2. Initial measurement of financial instruments

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.8.3. Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. On initial recognition, a financial asset is measured at either:

- amortised cost as explained in Note 6.9.1
- FVOCI as explained in Note 6.9.4
- FVTPL as explained in Note 6.9.2

The Bank classifies and measures its derivative and trading portfolio at FVPL, as explained in Notes 6.9.2 and 6.9.3. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in Note 6.9.7.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied, as explained in Note 6.9.7.

6.9. Determination of fair value

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.

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 at 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 at 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 that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at 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.

If an asset or liability measure at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolio of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of net exposure to either market or credit risk are measure on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Bank measure fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- **Level 1:** inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- **Level 2:** inputs other than quoted prices included in level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- **Level 3:** inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.9. Determination of fair value (Continued)

The Bank periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Bank's financial instruments such as credit risk (CVA), own credit (DVA) and/or funding costs (FVA). Therefore, the Bank applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralised financial instruments. The Bank estimates the value of its own credit from market observable data, such as secondary prices for its traded debt and the credit spread on credit default swaps and traded debts on itself.

The Bank evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the end of the reporting period.

Details quantitative disclosure of the financial assets allocated in each level are further explained in Note 39 (i).

6.9. Financial assets and liabilities per financial statement line

6.9.1. Due from banks, loans and advances to customers, financial investments at amortised cost

The Bank measures Due from banks, Loans and advances to customers and other financial investments at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

The details of these conditions are outlined below.

6.9.1.1. 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 how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

6.9.1.2. Solely Payments of Principal and Interest (SPPI Test)

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

6.9.2. Derivatives financial instruments measured at FVTPL

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

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

The Bank enters into swap derivative transactions with central bank. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Derivatives are settled net in cash on a regular basis through central clearing house are only recognised to the extent of the overnight outstanding balance. The notional amount and fair value of such derivatives are disclosed separately in Note 28. Changes in the fair value of derivatives are included in net trading income and no hedge accounting is applied on those derivatives.

6.9.3. Financial assets or financial liabilities held for trading

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

6.9.4. Debt instruments at FVOCI

The Bank classifies debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test
- FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost as explained in Note 7.2.2.

The ECL calculation for debt instruments at FVOCI is explained in Note 7.13.3. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.9.5. Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

6.9.6. Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

6.9.7. Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis
- Or
- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate, as explained in Note 7.2.2. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

6.9.8. Financial guarantees, letters of credit and undrawn loan commitments

Financial guarantees are initially recognised in the financial statements (within off balance sheet) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and an ECL allowance as set out in Note 40.1(iii).

The premium received is recognised in the income statement in Net fees and commission income on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.9.8. Financial guarantees, letters of credit and undrawn loan commitments (Continued)

The nominal values of these instruments together with the corresponding ECL are disclosed in Note 37.1.

The Bank occasionally issues loan commitments at below market interest rates. Such commitments are subsequently measured at the higher of the amount of the ECL allowance (as explained in Notes 7.12 and 48.4.3) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised as outlined in Note 12.

6.10. Reclassifications of financial assets and liabilities

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. Financial liabilities are never reclassified.

6.11. Derecognition of financial assets and liabilities

6.11.1. Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Bank considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors. The Bank's accounting policy in respect of forborne and modified loans is set out in Note 7.17.

6.11.2. Derecognition other than for substantial modification

6.11.2.1. 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/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.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.11.2. Derecognition other than for substantial modification (Continued)

6.11.2.1. Financial assets (Continued)

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

6.11.2.2. 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 extinguished and the new financial liability with modified terms is recognised in profit or loss.

6.12. Offsetting of financial assets and financial liabilities

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

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position except when IFRS netting criteria are met.

Positions that are managed on a Settled-to-market basis, are transactions that are settled in cash before the close of the business day and therefore the balances are no longer recognised on the balance sheet as an asset or a liability. The relevant notional amounts are still disclosed in Note 29 of the financial statements.

The carrying amounts represent the called but not yet settled balances. Products that the Bank manages on a Settled-to-market basis include: Items in the course of collection and Fx swaps cleared through central Bank Clearing House.

6.13. Impairment of financial assets

6.13.1.Overview of the ECL principles

The Bank records an allowance for expected credit loss for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section, all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mECL) as outlined in Note 40.1. (iii).
The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 40.1. (iii).
The 12mECL is the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained in Note 40.1. (iii).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.13. Impairment of financial assets (Continued)

6.13.1.Overview of the ECL principles (Continued)

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in 40.1. (iii).

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- **Stage 1:** When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- **Stage 3:** Loans considered credit-impaired (as outlined in Note 40.1. (iii)). The Bank records an allowance for the LTECL.
- **POCI:** Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

6.13.2.Calculation of ECL

The Bank calculates ECL based on a four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- **PD:** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PD is further explained in Note 40.1. (iii).
- **EAD:** The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note Note 40.1. (iii).
- **LGD:** The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 40.1. (iii).

When estimating the ECL, the Bank considers four scenarios (a base case, an upside, a mild downside (downside 1) and a more extreme downside (downside 2). Each of these is associated with different PDs, EADs and LGDs, as set out in Note 40.1. (iii). When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, for which the treatment is separately set out in Note 40.1. (iii), the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.13.2.Calculation of ECL (Continued)

Provisions for ECL for undrawn loan commitments are assessed as set out in Note 40.1. (iii). The calculation of ECL (including the ECL related to the undrawn element) of revolving facilities such as credit cards is explained in Note 40.1. (iii).

The mechanics of the ECL method are summarised below:

- **Stage 1:** The 12mECL is calculated as the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- **Stage 3:** For loans considered credit-impaired as defined in Note 40.1. (iii). the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- **POCI:** POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECL since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit-adjusted EIR.
- **Loan commitments and letters of credit:** When estimating LTECL for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECL is calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions.

- Financial guarantee contract: The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs.

The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios. The ECL related to financial guarantee contracts are recognised within Provisions.

6.13.3. Debt instruments measured at fair value through OCI

The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

6.13.4. Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

6.13.5. Credit cards and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure expectations of customer behaviour, the likelihood of default and its future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Bank's expectations, the period over which the Bank calculates ECL for these products, is five years for corporate and seven years for retail products.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.13.5. Credit cards and other revolving facilities

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, as explained in Note 40.1. (iii), but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECL for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently not charged interest.

The calculation of ECL, including the estimation of the expected period of exposure and discount rate is made, as explained in Note 40.1. (iii), on an individual basis for corporate and on a collective basis for retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

6.13.6. Forward looking information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Public debt to GDP
- Central Bank and Repo rates
- Inflation rate
- Lending rate
- T-Bills rates

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in Note 40.1. (iii).

6.14. Credit enhancements: collateral valuation and financial guarantees

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily. Details of the impact of the Bank's various credit enhancements are disclosed in Note 40.1. (iii).

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Guarantees held are included in the measurement of loan ECL when either they are specified in the contractual terms of the loan or else are integral to the loan, in that they formed part of the basis on which the loan was extended.

Guarantees that are not integral to the loan's contractual terms are accounted as separate units of accounts subject to ECL. Credit default swaps are not considered to be integral to a loan's contractual terms and are accounted as derivative financial instruments, as set out in Note 40.1. (iii).

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.15. Collateral repossessed

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

In its normal course of business, the Bank engages external agents to recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

6.16. Write-off

Financial assets at both amortised and FVOCI are written off (either partially or in full) when there is no realistic prospect of recovery. 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. However, 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.

6.17. Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral.

The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

If modifications are substantial, the loan is derecognised, as explained in Note 40.1. (iii). Once the terms have been renegotiated without this resulting in the derecognition of the loan, any impairment is measured using the original EIR as calculated before the modification of terms. The Bank also reassesses whether there has been a significant increase in credit risk, as set out in Note 40.1. (iii) and whether the assets should be classified as Stage 3. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired

Stage 3 forborne asset until it is collected or written off.

Once an asset has been classified as forborne, it will remain forborne for a minimum 24-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing
- The probation period of two years has passed from the date the forborne contract was considered performing
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
- The customer does not have any contracts that are more than 30 days past due. Details of forborne assets are disclosed in Note 40.1. (iii).

6.18. Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership.

The corresponding cash received is recognised in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.18. Repurchase and reverse repurchase agreements (Continued)

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within cash collateral on securities borrowed and reverse repurchase agreements, reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the EIR.

If securities purchased under an agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in net trading income.

6.19. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows in the financial statements, cash and cash equivalents' include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

6.20. Property and equipment

Items of property and equipment are measured initially at cost. Subsequently items of property are measured at cost (computer equipment, furniture, fittings and fixtures, equipment and motor vehicles) or revalued amounts (for Land and Buildings) less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the asset.

The fair value of the land and buildings has been determined on a market value basis in accordance with the RICS Valuation Professional Standards (January 2014) (''Standards'') which comply with the International Valuation Standards. The valuations were performed by Landmark Limited, an accredited independent valuer with a recognized and relevant professional qualification. A net gain from the revaluation of the Land and building of FRW 2,140,401 in 2016 was recognized in other comprehensive income. None of property and equipment has been pledged as security over borrowings.

Subsequent expenditure is capitalised only when it is probable that future economic benefits of the expenditure will flow to the Bank. On-going repairs and maintenance are expensed as incurred.

Depreciation is charged on a straight line basis to allocate the cost of each asset, to its residual value over its estimated useful life as follows:

Buildings	2% -5%
Computer equipment	33%
Furniture, fittings and fixtures	15%
Equipment	15%
Motor vehicles	25%

Depreciation is recognised in profit or loss. The assets' residual values and useful lives are reviewed and adjusted as appropriate, at each reporting date.

Any gains or losses on disposal of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in other income in profit or loss.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.21. Intangible assets

(i). Computer software

The costs incurred to acquire and bring to use specific computer software licences are capitalised. Software is measure at cost less accumulated amortisation and accumulated impairment. The costs are amortised on a straight line basis over the expected useful lives, from the date it is available for use, not exceeding three years. Costs associated with maintaining software are recognised as an expense as incurred. Amortisation is calculated using the straight-line method to write down the cost of intangible assets over their estimated useful lives between 3 and 5 years.

Amortisation methods, residual values and useful lives are reviewed and adjusted as appropriate, at each reporting date.

6.22. Leases

The Bank has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

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

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

6.23. Bank acting as a lessee

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

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

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

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

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

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

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.23. Bank acting as a lessee (Continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. The Bank has estimated that the potential future lease payments, should it exercise the extension options, would result in an increase in lease liability of Frw 133 million.

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

6.23.1. Right-of-use assets

Right-of-use assets relate to leased branch, ATMs location spaces, office premises and vehicles that are presented within property and equipment (see note 24) and lease liabilities in 'other liabilities' (see note 23) in the statement of financial position.

	2020 Frw"000"	2019 Frw"000"
Balance at 1 January	2,065,031	2,642,333
Depreciation charge for the year	627,119	577,302
Additions during the year	281,791	-
Balance at 31 December	**1,719,703**	**2,065,031**

See Note 40.2 for maturity analysis of lease liabilities as at 31 December.

6.23.2. Amounts recognised in profit or loss

	2020 Frw"000"	2019 Frw"000"
Interest on lease liabilities	167,282	147,014
Expenses relating to short-term leases	130,533	162,611
	297,815	**309,625**

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

6.23.3. Amounts recognised in statement of cash flows;

	2020 Frw"000"	2019 Frw"000"
Total cash outflow for leases payments	**(705,943)**	**(2,642,333)**

6.23.4. Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease). The weighted average lessee's incremental borrowing rate used for purposes of transition is 8% based on a loan obtained from local Bank.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.22.5. Determination of the lease term for lease contracts with renewal and termination options (Bank as a lessee)

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

6.23. Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and group. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

6.24. Derivative financial instruments

The Bank uses financial instruments to manage its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. Derivative financial instruments are recognised initially at fair value on the date the derivative contract is entered into. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The fair value of forward exchange contracts is the amount of the mark to market adjustment at the -reporting date.

6.25. Employee benefits

(i). Defined contribution plan

The Bank contributes to a statutory defined contribution pension scheme, the Rwanda Social Security Board (RSSB). Contributions are determined by local statute and are currently limited to 5.3% of an employee's gross salary. The Bank's RSSB contributions are charged to profit or loss in the period to which they relate.

(ii). Leave accrual

The monetary value of the unutilised leave by staff as at year end is recognised within accruals and the movement in the year is debited/credited to the profit or loss.

(iii). Employee Share Ownership Plan (ESOP)

Share-based compensation benefits are provided to employees via the Employee Stock Plan. Information relating to these schemes is set out in note 38.

The fair value of options granted under the Stock Plan is recognized as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.25. Employee benefits (Continued)

- including any market performance conditions (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. Profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognized the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognized in relation to such shares are reversed effective the date of the forfeiture.

6.26. Share capital and share issue costs

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of an equity instrument are deducted from initial measurement of the equity instruments.

6.27. Earnings per share

Earnings per share are calculated based on the profit attributable to owners of the Bank divided by the number of ordinary shares. Diluted earnings per share are computed using the weighted average number of equity shares and dilutive potential ordinary shares outstanding during the year.

6.28. Contingent liabilities

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

6.29. Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

6.30. Non-current assets held for sale

Non –current assets are classified as held for sale when their carrying amounts are to be recovered principally through a sale transaction rather than continuing use. In order to be classified as held for sale, the asset must be available for immediate sale in its present condition and the sale must be highly probable. Non –current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

During the period, the Bank purchased stock of equipment through public auction and the Bank has the plan to realize the carrying amount principally through a sale transaction in the next 12 months.

6.31. Taxes

6.31.1. Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Bank operates and generates taxable income.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognized in equity or other comprehensive income respectively and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. Detailed disclosures are provided in Note 19.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.31.2. Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognised as income tax benefits or expenses in the income statement except for tax related to the fair value remeasurement of debt instruments at fair value through OCI, foreign exchange differences and the net movement on cash flow hedges, which are charged or credited to OCI.

These exceptions are subsequently reclassified from OCI to the income statement together with the respective deferred loss or gain. The Bank also recognises the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Bank only off-sets its deferred tax assets against liabilities when there is both a legal right to offset its current tax assets and liabilities and it is the Bank's intention to settle on a net basis.

6.32. Fiduciary assets

The Bank provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity, unless recognition criteria are met, are not reported in the financial statements, as they are not assets of the Bank.

6.33. Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Bank.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

6.34. Comparative information

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.35. Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2020, and have not been applied in preparing these financial statements.
The Bank does not plan to adopt these standards early. These are summarised below:

New standards or amendments	Effective for annual period beginning or after
— Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
— Annual Improvements to IFRS Standards 2018-2020	1 January 2022
— Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
— Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
— Classification of Liabilities as Current or Non-current (Amendments IAS 1)	1 January 2022
— IFRS 17 Insurance contracts	1 January 2023
— Amendments to IFRS 17	1 January 2023
— Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28).	1 January 2022

All standards and interpretations will be adopted at their effective date (except for those standards and interpretations that are not applicable to the entity).

6.35.1.IFRS 17 – Insurance contracts

IFRS 17 Insurance Contracts sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. An entity shall apply IFRS 17 Insurance Contracts to:

(a) insurance contracts, including reinsurance contracts, it issues;
(b) reinsurance contracts it holds; and
(c) investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

IFRS 17 requires an entity that issues insurance contracts to report them on the statement of financial position as the total of:

(a) the fulfilment cash flows—the current estimates of amounts that the entity expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and
(b) the contractual service margin—the expected profit for providing insurance coverage. The expected profit for providing insurance coverage is recognised in profit or loss over time as the insurance coverage is provided.

IFRS 17 requires an entity to recognise profits as it delivers insurance services, rather than when it receives premiums, as well as to provide information about insurance contract profits that the Company expects to recognise in the future. IFRS 17 requires an entity to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be loss making. Any expected losses arising from loss-making, or onerous, contracts are accounted for in profit or loss as soon as the Company determines that losses are expected. IFRS 17 requires the entity to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and of discount rates. The entity:

(a) accounts for changes to estimates of future cash flows from one reporting date to another either as an amount in profit or loss or as an adjustment to the expected profit for providing insurance coverage, depending on the type of change and the reason for it; and

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6.35.1.IFRS 17 – Insurance contracts (Continued)

(b) chooses where to present the effects of some changes in discount rates—either in profit or loss or in other comprehensive income.

IFRS 17 also requires disclosures to enable users of financial statements to understand the amounts recognised in the entity's statement of financial position and statement of profit or loss and other comprehensive income, and to assess the risks the Company faces from issuing insurance contracts.

IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 is effective for financial periods commencing on or after 1 January 2021. An entity shall apply the standard retrospectively unless impracticable. A Company can choose to apply IFRS 17 before that date, but only if it also applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

The adoption of these changes will not affect the amounts and disclosures of the Bank's financial statements.

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

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or Company meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or Company is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

The effective date for these changes has now been postponed until the completion of a broader review.
The adoption of these changes will not affect the amounts and disclosures of the Bank's financial statements.
The Bank did not early adopt new or amended standards in the year ended 31st December 2020.

6.35.3.Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16

In August 2020, the IASB issued Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an IBOR with a RFR. IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR). Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

IBOR reform Phase 2 provides temporary reliefs that allow the Bank's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Bank to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. For the retrospective assessment of hedge effectiveness, the Bank may elect on a hedge by hedge basis to reset the cumulative fair value change to zero. The Bank may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is separately identifiable, e.g., it is an established benchmark that is widely used in the market to price loans and derivatives.

For new RFRs that are not yet an established benchmark, relief is provided from this requirement provided the Bank reasonably expects the RFR to become separately identifiable within 24 months. For hedges of groups of items, the Bank is required to transfer to subgroups those instruments that reference RFRs. Any hedging relationships that prior to application of IBOR reform Phase 2, have been discontinued solely due to IBOR reform and meet the qualifying criteria for hedge accounting when IBOR reform Phase 2 is applied, must be reinstated upon initial application.

The Bank will assess the potential impact on its financial statements resulting from the application of Interest Rate Benchmark Reform.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

7. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

7.1. Expected credit losses on financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

7.2. Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

7.3. Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see Note 7.8 and Note 47.

7. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

7.4. Income taxes

Significant estimates are required in determining the liability for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax balances and deferred tax liability in the period in which such determination is made.

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Although in Bank tax losses can be utilised indefinitely, judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies (see Note 19).

7.5. Provisions and other contingent liabilities

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in Rwanda and in other jurisdictions, arising in the ordinary course of the Bank's business.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosers in its financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates. For further details on provisions and other contingencies see Notes 7.28, 37 and 44.

8. SEGMENTAL REPORTING

The Bank has three main segments:
Corporate & Institutional Banking: the segment services medium sized to large corporates and non-borrowing institutions in various sectors.

Business Banking (BB): in charge of mainly SMEs that are relatively smaller customers with a key man playing a predominant role. Most of sole proprietor companies and family businesses will fall into this segment; and

Retail Banking: manages banking requirements of individuals and salary earning customers e.g. current accounts, savings, credit and debit cards, consumer loans and home loans (Construction and Mortgages)

Majority of the Bank's revenues are derived from interest income and the executive committee relies primarily on net interest revenue to assess the performance of the segments, the total interest income and expense for all reportable segments is presented on a net basis. There were no changes in the reportable segments during the year. There were no intersegment transfers.

Management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses.

The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the executive committee. Segment assets and liabilities comprise operating assets and liabilities, but exclude items such as taxation, property and equipment and other assets not directly related to the segments.

Non-current assets additions are included in notes 24 and 25.

The Bank does not suffer concentration risk and there is no single customer who contributes more than 15% of the revenue. All the segments are within Rwanda and there are no inter-segment transfers and all central costs are allocated to those three segments.

8. SEGMENTAL REPORTING (CONTINUED)

An analysis of the Bank's profit or loss, total assets and liabilities are, as follows:

Statement of profit or loss

2020:	Corporate and institutional banking Frw'000	Business banking Frw'000	Retail Banking Frw'000	Total Frw'000
Interest and similar income	20,279,760	6,528,142	12,315,789	39,123,691
Interest and similar expense	(12,332,978)	(1,335,586)	(3,042,380)	(16,710,944)
Net fees and commissions	314,381	549,356	1,105,467	1,969,204
Net trading income	3,894,689	421,771	960,768	5,277,228
Operating income	**12,155,852**	**6,163,683**	**11,339,644**	**29,659,179**
Other income	817,757	219,101	495,063	1,531,921
Impairment of financial assets	(2,955,216)	(791,789)	(1,789,061)	(5,536,066)
Employee benefit	(4,769,521)	(1,277,894)	(2,887,424)	(8,934,839)
Depreciation of property & equipment	(1,659,536)	(444,638)	(1,004,668)	(3,108,842)
Other operating expenses	(3,081,697)	(825,677)	(1,865,631)	(5,773,005)
Total operating expenses	**(9,510,754)**	**(2,548,209)**	**(5,757,723)**	**(17,816,686)**
Profit before income tax	**507,639**	**3,042,786**	**4,287,923**	**7,838,348**
Income tax expense	(174,628)	(1,046,718)	(1,477,221)	(2,698,567)
Net profit after tax	**333,011**	**1,996,068**	**2,810,702**	**5,139,781**

2019:	Corporate and institutional banking Frw'000	Business banking Frw'000	Retail Banking Frw'000	Total Frw'000
Interest and similar income	17,071,094	6,957,214	10,780,479	34,808,787
Interest and similar expense	(8,412,821)	(1,294,280)	(3,235,701)	(12,942,802)
Net fees and commissions	726,906	398,081	1,116,043	2,241,030
Net trading income	2,003,213	1,126,905	150,028	3,280,146
Operating income	**11,388,392**	**7,187,920**	**8,810,849**	**27,387,161**
Other income	840,163	93,833	141,432	1,075,428
Impairment of financial assets	(836,137)	(92,233)	(139,021)	(1,067,391)
Employee benefit	(4,012,405)	(2,991,453)	(3,001,668)	(10,005,526)
Depreciation of property & equipment	(1,400,243)	(556,324)	(838,533)	(2,795,100)
Other operating expenses	(2,807,499)	(1,115,434)	(1,681,265)	(5,604,198)
Total operating expenses	**(8,220,147)**	**(4,663,211)**	**(5,521,466)**	**(18,404,824)**
Profit before income tax	**3,172,271**	**2,526,309**	**3,291,794**	**8,990,374**
Income tax expense	(1,004,093)	(800,840)	(1,043,499)	(2,848,432)
Net profit after tax	**2,168,178**	**1,725,469**	**2,248,295**	**6,141,942**

8. SEGMENTAL REPORTING (CONTINUED)

Statement of financial position

2020:	Corporate and institutional banking	Business banking	Retail Banking	Total
	Frw'000	Frw'000	Frw'000	Frw'000
ASSETS				
Loans and advances to customers	109,553,699	29,352,623	66,322,806	**205,229,128**
LIABILITIES				
Customer deposits	172,668,199	23,114,350	52,653,048	**248,435,597**
Deposits from banks and other financial Institutions	49,823,984	-	-	**49,823,984**
2019:				
ASSETS				
loans and advances to customers	90,692,541	29,924,165	51,270,984	**171,887,690**
LIABILITIES				
Customer deposits	126,838,099	22,056,514	42,909,728	**191,804,341**
Deposits from banks and other financial Institutions	51,567,393	-	-	**51,567,393**

9. INTEREST AND SIMILAR INCOME

	2020	2019
	Frw '000	Frw '000
Loans and advances to customers	31,216,209	27,919,806
Loans and advances to banks	992,035	1,277,497
Investment securities:-		
- At amortised cost	3,897,035	4,157,290
- At fair value through OCI	3,018,412	1,454,194
	39,123,691	**34,808,787**

10. INTEREST AND SIMILAR EXPENSE

Deposits from customers	7,624,238	6,042,461
Deposits from banks	6,451,154	4,732,427
Long term debt	1,712,078	1,154,008
Subordinated debt	756,192	866,892
Lease liabilities (Note 33)	167,282	147,014
	16,710,944	**12,942,802**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

11. NET FEE AND COMMISSION INCOME

	2020	2019
	Frw '000	Frw '000
(i) Fee and commission income		
Commissions	2,812,477	2,557,370
Service fees	775,745	863,196
	3,588,222	**3,420,566**
(ii) Fees and commission expense		
	2020	**2019**
	Frw '000	**Frw '000**
Interbank transaction fees	(101,776)	(171,550)
Other*	(1,517,242)	(1,007,986)
	(1,619,018)	**(1,179,536)**
Net fee and commission income	**1,969,204**	**2,241,030**

The Other fees expenses relate mainly to payments under the Master card fees amount to Frw 520 Millions.

12. NET TRADING INCOME

Foreign exchange dealings from customers	6,370,464	3,960,086
Revaluation gain/(loss) on foreign exchange	(1,093,236)	(679,940)
	5,277,228	**3,280,146**

13. OTHER OPERATING INCOME

Profit on sale of property and equipment	27,918	24,988
Bad debt recoveries	361,920	603,990
Other income	165,515	446,450
Modification Gain	976,568	-
	1,531,921	**1,075,428**

Other income relate mainly to recoveries on loans previously written off amounting to Frw 150Million. Modification Gain arises as the difference between the present value of the modified cash flows discounted using the original effective interest rate and the present value of the original cash flows from loans accounts whose terms and conditions have been modified.

14. OPERATING EXPENSES

(i) Employee benefits	2020	2019
	Frw '000	Frw '000
Salaries and wages	7,221,955	7,443,453
Statutory contribution	395,494	368,528
Medical expenses	393,634	379,658
Mileage expenses	159,922	148,920
Training expenses	113,908	192,740
Other staff costs*	649,926	1,472,227
	8,934,839	**10,005,526**

*The significant movement in other staff costs relates to the Voluntary Service Scheme that the Bank has provided as a benefit to its long serving employees in 2019.

14. OPERATING EXPENSES (CONTINUED)

(ii) General administrative expenses	2020	2019
	Frw '000	Frw '000
Consultancy fees	1,056,072	1,149,852
Administrative expenses	969,654	827,670
Other general expenses	810,761	496,463
Repairs & maintenance	710,363	673,249
Marketing & publicity	432,243	533,637
Board expenses	402,326	513,215
Security	388,895	461,236
Utilities	304,199	294,560
Statutory fees	269,243	251,941
Communications expenses	198,713	181,976
Insurance	125,310	133,613
Donations and Membership fees	105,226	86,786
	5,773,005	**5,604,198**

	2020	2019
(iii) Depreciation and Amortization	Frw '000	Frw '000
Depreciation on property and equipment (Note 24)	1,037,845	1,037,804
Amortisation of intangible assets (Note 25)	1,443,878	1,179,994
Depreciation of Right of use asset (Note 24)	627,119	577,302
	3,108,842	**2,795,100**

The average number of employees employed by the Bank are as follows:

	2020	2019
Management	11	13
Others	389	360
	400	**373**

15. INCOME TAX

The components of income tax expense for the years ended 31 December 2020 and 2019 are, as follows:

	2020	2019
	Frw'000	Frw'000
(a) Income tax expense		
Current income tax	2,860,697	2,735,367
Origination and reversal of temporary differences (Note 30)	(162,130)	113,065
Income tax expense	2,698,567	2,848,432

Reconciliation of the total tax charge

The tax charge shown in the income statement differs from the tax charge that would apply if all profits had been charged at corporate rate (30%). A reconciliation between the tax expense and the accounting profit multiplied

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

15. INCOME TAX (CONTINUED)

by domestic tax rate for the years ended 31st December 2020 and 2019 is, as follows:

	Effective Tax rate	2020 Frw'000	Effective Tax rate	2019 Frw'000
Accounting profit before income tax		**7,838,348**		**8,990,374**
Computed tax using the applicable corporation tax rate at 30% (2019:(30%))	30%	2,351,504	30%	2,697,112
Income not subject to tax	(3.9%)	(312,624)	(1.08%)	(97,839)
Non–deductible expenses	8.4%	659,687	2.77%	249,159
Current income tax	**34.4%**	**2,698,567**	**31.7%**	**2,848,432**

The effective income tax rate for 2020 is 34.4% (2019: 31.7%).

	2020	2019
(b) Tax Payable/(Recoverable)	Frw'000	Frw'000
At 1 January	245,479	872,369
Income tax expense (Note 15 (a))	2,860,697	2,735,367
Tax paid (Note 35(a))	(2,510,831)	(3,362,257)
At 31 December	**595,345**	**245,479**

16. EARNINGS PER SHARE

Basic and diluted earnings per share (EPS) data for ordinary shares are presented in the financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

	2020	2019
Net profit after tax attributable to owners of the Bank (Frw '000')	**5,139,781**	**6,141,942**
Weighted average number of ordinary shares in issue during the year ('000)	**1,212,000***	**505,000**
Earnings per share (Frw)	**4.24**	**12.16**

*The Bank conducted two corporate actions within the year.

(a) Bonus issue of 1:1 whereby all shareholders were offered one new fully paid up bonus share of a par value of Frw 10 for every one ordinary shares held. This was concluded on the 14th July 2020. (Refer to note 34).

(b) Right Issue: During the year, the Bank offered by way of Right issue 202,000,000 new shares at Frw 10 each at an issue price of Frw 39.6 per offer share price (Refer to note 34).

17. DIVIDENDS PER SHARE

	2020	2019
	Frw'000	Frw'000
The calculation of dividend per share is based on:		
Final dividend proposed during the year (Frw'000)	-	1,515,000
	-	**1,515,000**
Weighted average number of ordinary shares in issue during the year ('000)	**1,212,000**	**505,000**
Final dividend per share (Frw.)	**-**	**3.00**

The 2019 Dividends were declared and accrued to be paid once authorisation is provided by the Central Bank and Central Bank instructed commercial banks in Rwanda not to declare 2020 dividends considering the inherent uncertainty surrounding the financial impact of the Covid-19 pandemic.

18. CASH AND BALANCES WITH CENTRAL BANK

	2020 Frw'000	2019 Frw'000
Cash on hand	5,724,325	5,269,412
Balances with National Bank of Rwanda:		
-Unrestricted balances	11,312,134	11,833,425
-Restricted balances (Cash reserve ratio)	13,230,288	13,589,109
	30,266,747	**30,691,946**

The Bank's Cash Reserve Ratio is non-interest earning based on a requirement 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 a percentage of the average outstanding customer deposits over a cash reserve cycle period of one month. At 31st December 2020, the cash ratio requirement was 4% (2019: 5%).

The allowance for ECL relating to Cash and balances with Central Bank has been considered to be immaterial.

19. DUE FROM BANKS

	2020 Frw'000	2019 Frw'000
Placement with banking Institutions	17,525,983	15,143,464
Balance with banking Institutions	21,776,937	13,460,747
	39,302,920	**28,604,211**
Due within 90 Days	**39,302,920**	**28,604,211**

The weighted average effective interest rate on placements and balances with other banks at 31st December 2020 was 4.6% (2019: 4.3%).

20. DUE FROM GROUP COMPANIES

(a) Due from related parties

	2020 Frw'000	2019 Frw'000
I&M Bank (Kenya) Limited	955,755	4,130,283
I&M Bank (T) Limited	71,993	64,152
Bank One	103,775	77,991
	1,131,523	**4,272,426**

(b) Due to related parties

	2020	2019
I&M Bank (Kenya) Limited	**122,758**	**503,153**

The amount due to related parties is included in other liabilities (Refer to Note 29).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

20. DUE FROM GROUP COMPANIES (CONTINUED)

(b) Due to related parties (Continued)

Movement in the expected credit loss on dues from Banks and related parties

The table below shows the expected credit loss on dues from Banks and related parties balances based on the Bank's internal credit rating system, 12 month Basel PD range and year-end stage classification.

31 December 2020

Internal rating grade	12 month PD range	Stage 1	Stage 2	Stage 3	Total
Performing					
High grade	0.00%-0.23%	3,456	-	-	3,456
Standard grade	0.23%-5.44%	-	-	-	-
Non-performing					
Individually impaired	100%	-	-	-	-
Total		**3,456**	**-**	**-**	**3,456**

31 December 2019

Internal rating grade	12 month PD range	Stage 1	Stage 2	Stage 3	Total
Performing					
High grade	0.00%-0.00%	-	-	-	-
Standard grade	0.00%-0.23%	-	-	-	-
Non-performing					
Individually impaired	100%	-	-	-	-
Total		**-**	**-**	**-**	**-**

21. FINANCIAL ASSETS

(a) Financial assets measured at fair value through other comprehensive income (FVOCI)

Government securities	2020 Frw'000	2019 Frw'000
Treasury Bonds	48,343,875	15,868,948
Corporate Bonds	599,371	575,985
	48,943,246	16,444,933

(b) Financial assets at fair value through profit or loss (FVTPL)

	2020 Frw'000	2019 Frw'000
Net Derivative assets (Non liquid)	**644,061**	**429,065**

During the year, the Bank enters into derivatives with National Bank of Rwanda of notional amount of USD 31 Billion and received Frw 29.4 Billion at different fixed exchange rate for risk management purposes. The Bank will receive interest of 2% and will pay interest of 8% to the National Bank of Rwanda to be settled semi-annually. The bank does not use hedge accounting, the derivatives are recognized as fair value through profit or loss. As at 31st December 2020, the fair value of the derivative financial instrument (swap) was a net asset of Frw 644,061,156. (2019: Frw 429,064,921).

21. FINANCIAL ASSETS (CONTINUED)

(b). Financial assets at fair value through profit or loss (FVTPL) (Continued)

The movement in the derivative instruments including interest accruals is as below;

	2020 Frw'000	2019 Frw'000
Balance as at 1 January	429,065	6,617
Placements under swap arrangement	30,448,247	18,416,954
Receipt under swap arrangement	(30,552,601)	(17,993,182)
Fair value	319,350	(1,324)
Net derivative asset	**644,061**	**429,065**

(c). Financial assets at amortised cost

Government securities	2020 Frw'000	2019 Frw'000
Treasury bills	32,262,238	10,652,979
Treasury Bonds	19,001,129	21,012,194
	51,263,367	31,665,173

The weighted average effective interest rate on investments securities and balances with other banks at 31 December 2020 was 8.9% (2019: 7.8%).

The change in the carrying amount of investment securities held is as shown below:

	Financial assets measured at FVOCI Frw'000	Other financial assets at amortised cost Frw'000	Financial assets measured at FVTPL Frw'000	Total Frw'000
At 1 January 2020	16,444,933	31,665,173	429,065	48,539,171
Additions	32,264,839	32,262,238	21,992	64,549,069
Disposals and maturities	(1,518,753)	(13,210,469)	(162,740)	(14,891,962)
Revaluation/Fair value gain	356,361	-	482,091	838,452
Amortisation of discounts and premiums	(377,817)	(38,852)	-	(416,669)
Interest receivable	1,773,683	585,277	(126,347)	2,232,613
At 31 December 2020	**48,943,246**	**51,263,367**	**644,061**	**100,850,674**
At 1 January 2019	5,832,253	47,703,866	6,617	53,542,736
Additions	12,375,634	10,652,978	18,416,954	41,445,566
Disposals and maturities	(2,493,689)	(27,342,627)	(17,993,182)	(47,829,498)
Revaluation gain	247,789	-	(1,324)	246,465
Amortisation of discounts and premiums	(67,252)	(4,794)	-	(72,046)
Interest receivable	550,198	655,750	-	1,205,948
At 31 December 2019	**16,444,933**	**31,665,173**	**429,065**	**48,539,171**

(d) Impairment losses on financial investments subject to impairment assessment

Government securities and due from other banks are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. Management consider 'low credit risk for these financial assets as they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The PD rate assigned to these has been 0.00% to 0.23% which is the probability of default assigned to a B+ sovereign rating for Rwanda and investment grade by Standard & Poors rating agency. The table below shows the fair value of the Bank's debt instruments measured at FVOCI by credit risk, based on the Bank's internal credit rating system, 12-month Basel PD range and year-end stage classification. The amounts presented are gross of allowance for ECL.

21. FINANCIAL ASSETS (CONTINUED)

31 December 2020	12 month PD range	Stage 1	Stage 2	Stage 3	Total
Internal rating grade					
Performing					
Investment grade	0.00%-0.23%	63,894	-	-	63,894
Standard grade	0.23%-5.44%	-	-	-	-
Non-performing					
Individually impaired	100%	-	-	-	-
Total		**63,894**	**-**	**-**	**63,894**

31 December 2019	12 month PD range	Stage 1	Stage 2	Stage 3	Total
Internal rating grade					
Performing					
Investment grade	0.00%-0.00%	-	-	-	-
Standard grade	0.00%-0.00%	-	-	-	-
Non-performing					
Individually impaired	100%	-	-	-	-
Total		-	-	-	-

22. LOANS AND ADVANCES TO CUSTOMERS

(a) Classification

	2020 Frw'000	2019 Frw'000
Mortgage loans	87,207,925	61,187,910
Equipment loans	36,859,479	42,289,996
Consumer loans	49,341,647	41,303,377
Overdrafts	39,152,898	31,474,633
Gross loans and advances	**212,561,949**	**176,255,916**
Less: Impairment losses on loans and advances (Note 40.1.(iii)).	(7,332,821)	(4,368,226)
Net loans and advances	**205,229,128**	**171,887,690**

(b) Impairment loss allowance for the year

2020	Loans and advances to Customers at amortised cost Frw'000	Loan commitments and financial guarantee contracts Frw'000	Other financials assets Frw'000	Total Frw'000
Net remeasurement of loss allowance	4,039,123	1,871,776	-	5,910,899
New financial assets originated or purchased	570,078	61,570	67,937	699,585
	4,609,201	**1,933,346**	**67,937**	**6,610,484**
Recoveries on loans previously impaired	(1,644,606)	(3,273)		(1,647,879)
Amounts directly written off during the year	573,461	-	-	573,461
	3,538,056	**1,930,073**	**67,937**	**5,536,066**

22. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

2019:	Loans and advances to Customers at amortised cost Frw'000	Loan commitments and financial guarantee contracts Frw'000	Total Frw'000
Net remeasurement of loss allowance	1,134,812	(8,966)	1,125,846
New financial assets originated or purchased	318,776	7,642	326,418
	1,453,588	**(1,324)**	**1,452,264**
Recoveries and impairment no longer required	(1,546,761)	(20,510)	(1,567,271)
Recoveries of loans and advances previously impaired	1,182,398	-	1,182,398
	1,089,225	**(21,834)**	**1,067,391**

Movements in the ECL loss allowance is disclosed on Note 40.1.(iii).

	2020 Frw'000	2019 Frw'000
Interest on impaired loans and advances which has not yet been received in cash	1,402,409	429,065

(c) Loans and advances concentration by sector

	2020 Frw '000	%	2019 Frw '000	%
Manufacturing	35,140,368	17%	32,552,796	18%
Wholesale and retail trade	34,015,429	16%	36,695,498	21%
Building and construction	52,001,346	24%	48,283,187	27%
Agriculture	10,516,004	5%	9,070,447	5%
Transport and communication	31,705,376	15%	13,554,856	8%
Others	49,183,426	23%	36,099,132	20%
	212,561,949	**100%**	**176,255,916**	**100%**

The weighted average effective interest rate on loans and advances as at 31 December 2020 was 16.9% (2019: 16.7%).

23. OTHER ASSETS

	2020 Frw'000	2019 Frw'000
Prepayments	596,980	439,976
Non-current assets held for sale*	332,660	-
Other receivables	2,071,849	2,030,637
	3,001,489	**2,470,613**

*These amount relate to non- current assets held for sale in accordance with IFRS 5 that were purchased through public auction and the Bank has the plan to realize the carrying amount principally through a sale transaction in the next 12 months.

24. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS

2020	Land and Buildings	Furniture, fittings, fixtures and office equipment	Computers	Motor Vehicles	Capital work in progress	Right of use assets: Branches& ATMs locations	Right of use assets: Motor vehicles	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
Cost/ Valuation								
At 1 January 2020	6,625,303	2,931,126	2,341,050	760,169	16,962,335	1,989,732	652,601	32,262,316
Additions	-	54,842	72,097	121,476	8,014,537	281,791		8,544,743
Disposals	(313,852)	(34,174)	-	(53,552)	-	-	-	(401,578)
Transfers from work in progress	-	130,507	14,800	-	(145,307)	-	-	-
At 31 December 2020	**6,311,451**	**3,082,301**	**2,427,947**	**828,093**	**24,831,565**	**2,271,523**	**652,601**	**40,405,481**
Depreciation								
At 1 January 2020	1,689,702	1,967,820	1,777,087	564,715	-	420,678	156,624	6,576,626
Charge for the year	415,102	226,172	300,383	96,188	-	470,495	156,624	1,664,964
On disposals	(37,933)	(25,594)	-	(53,553)	-	-	-	(117,080)
At 31 December 2020	**2,066,871**	**2,168,398**	**2,077,470**	**607,350**	**-**	**891,173**	**313,248**	**8,124,510**
Net book value at 31 December 2020	**4,244,580**	**913,903**	**350,477**	**220,743**	**24,831,565**	**1,380,350**	**339,353**	**32,280,971**

Capital work in progress is mainly related to construction cost of new building and other IT hardware for ongoing projects.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

24. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSETS (CONTINUED)

2019	Land and Buildings	Furniture, fittings, fixtures and office equipment	Computers	Motor Vehicles	Capital work in progress	Right of use assets: Branches& ATMs locations	Right of use assets: Motor vehicles	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
Cost/ Valuation								
At 1 January 2019	**6,368,141**	**2,581,161**	**1,785,079**	**830,622**	**10,635,526**	**1,989,732**	**652,601**	**24,842,862**
Additions	115,025	140,761	313,584	90,637	6,810,145	-	-	7,470,152
Disposals	-	(1,877)	-	(161,090)	-	-	-	(162,967)
Transfer from work in progress	211,535	211,081	244,403	-	(667,019)	-	-	-
Transfers from intangible assets	-	-	-	-	186,280	-	-	186,280
Write offs/back	(69,398)	-	(2,016)	-	(2,597)	-	-	(74,011)
At 31 December 2019	**6,625,303**	**2,931,126**	**2,341,050**	**760,169**	**16,962,335**	**1,989,732**	**652,601**	**32,262,316**
Depreciation								
At 1 January 2019	1,277,519	1,751,792	1,447,293	647,677	-	-	-	5,124,281
Charge for the year	412,183	217,702	329,794	78,125	-	420,678	156,624	1,615,106
On disposals	-	(1,674)	-	(161,087)	-	-	-	(162,761)
At 31 December 2019	**1,689,702**	**1,967,820**	**1,777,087**	**564,715**	**-**	**420,678**	**156,624**	**6,576,626**
Net book value at 31 December 2019	**4,935,601**	**963,306**	**563,963**	**195,454**	**16,962,335**	**1,569,054**	**495,977**	**25,685,690**

25. INTANGIBLE ASSETS

2020:	**Computer Software**	**Capital work in progress**	**Total**
Cost	**Frw'000**	**Frw'000**	**Frw'000**
At 1 January	**8,117,211**	**845,929**	**8,963,140**
Additions	-	836,835	836,835
Reclassification from capital work in progress	-	-	-
Transfer to Property and equipment	1,074,671	(1,074,671)	-
Write offs	-	-	-
At 31 December 2020	**9,191,882**	**608,093**	**9,799,975**
Amortization			
At 1 January	**3,215,861**	**-**	**3,215,861**
Amortization for the year	1,443,878	-	1,443,878
At 31 December 2020	4,659,739	-	4,659,739
Carrying amount at 31 December 2020	4,532,143	608,093	5,140,236

2019:	**Computer Software**	**Capital work in progress**	**Total**
Cost	**Frw'000**	**Frw'000**	**Frw'000**
At 1 January	**6,158,953**	**662,267**	**6,821,220**
Additions	37,221	2,352,703	2,389,924
Reclassification from capital work in progress	1,921,037	(1,921,037)	-
Transfer to Property and equipment	-	(186,280)	(186,280)
Write offs	-	(61,724)	(61,724)
At 31 December 2019	**8,117,211**	**845,929**	**8,963,140**
Amortization			
At 1 January	**2,035,867**	**-**	**2,035,867**
Amortization for the year	1,179,994	-	1,179,994
At 31 December 2019	**3,215,861**	**-**	**3,215,861**
Carrying amount at 31 December 2019	**4,901,350**	**845,929**	**5,747,279**

Capital work in progress is mainly software projects under development.

26. DEPOSITS FROM BANKS

	2020	**2019**
	Frw'000	**Frw'000**
Current and demand deposits	10,986,937	23,578,756
Saving deposits	20,785,927	13,469,809
Term deposits	18,051,120	14,518,828
	49,823,984	**51,567,393**

27. DEPOSITS FROM CUSTOMERS

Term deposits	33,605,805	31,825,187
Current and demand deposits	185,011,163	135,292,776
Saving deposits	29,818,629	24,686,378
	248,435,597	**191,804,341**

Securities lending and repurchase agreements and assets held or pledged as collateral
During its normal course of business, the Bank borrows and lends securities and may also sell securities under agreements to repurchase (repos) and purchase securities under agreements to resell (reverse repos). The following table summarises the assets sold/lent and considered as pledged financial assets as the counterparty has the right to sell or re-pledge the securities:

27. DEPOSITS FROM CUSTOMERS (CONTINUED)

Fair value of Assets pledged and held as collateral Asset type	2020 Frw'000	2019 Frw'000
Assets pledged as collateral under securities borrowing and reverse repo agreements	9,050,000	6,000,000
Customer deposits held as collateral for irrevocable commitments under import letters of credit	1,267,772	1,533,384
	10,317,772	**7,533,384**

28. ITEMS IN THE COURSE OF COLLECTION

Liabilities	**2,371,917**	**1,364,320**

Items in the course of collection represent net settlement balances through the inter-banking clearing process

29. OTHER LIABILITIES

	2020 Frw'000	2019 Frw'000
Accruals	1,094,846	1,299,935
Provisions for loan commitments*	1,970,145	40,073
Provisions	88,493	156,430
Lease liabilities (Note 33)	1,693,100	1,941,552
Other accounts payables	899,193	1,933,293
Grants and subsidies*	3,586,099	-
Due to related parties	122,758	503,153
Dividend payable	1,547,320	17,816
	11,001,954	**5,892,252**

*Provision for loan commitments, represents expected credit loss allowance for loan commitments, financial guarantee and letter of credit contracts.
* The Bank signed the Grant agreement of EUR 5,000,000 with KfW under investing for employment(IFE) and received the first tranche of EUR 3,000,000 in order to support the preservation of private sector employment in Rwanda against the effects of the Covid-19 Pandemic.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

30. DEFERRED TAX

2020:	Balance at 1 January Frw'000	Recognized in equity Frw'000	Recognized in profit or loss Frw'000	Balance at 31 December Frw'000
Deferred income tax asset				
Other provisions	603,987	-	257,094	861,081
Effect of prior year Adjustment	107,100	-	(107,100)	-
	711,087	**-**	**149,994**	**861,081**
Deferred income tax liability				
Property and equipment	2,279,089	(119,359)	(12,136)	2,147,594
Financial assets at fair value through OCI	74,337	32,572	-	106,909
	2,353,426	**(86,787)**	**(12,136)**	**2,254,503**
Deferred income tax asset/ (liability)	**1,642,339**	**(86,787)**	**(162,130)**	**1,393,422**
2019:				
Deferred income tax asset				
Other provisions	544,325	-	59,662	603,987
Effect of prior year Adjustment	-	-	107,100	107,100
	544,325	**-**	**166,762**	**711,087**
Deferred income tax liability				
Property and equipment	2,103,961	-	175,128	2,279,089
Government securities amortised cost	(104,699)	-	104,699	-
Financial assets at fair value through OCI	47,280	27,057	-	74,337
	2,046,542	**27,057**	**279,827**	**2,353,426**
Deferred income tax asset/(liability)	1,502,217	27,057	113,065	1,642,339

31. LONG TERM DEBT

	2020 Frw'000	2019 Frw'000
Less than one year	2,453,347	2,461,415
more than one year	36,896,445	10,875,532
	39,349,792	**13,336,947**
Loan movement schedule		
At 1 January	**13,336,947**	**5,543,644**
Funds received	28,642,138	8,864,436
Fair value adjustment(Note 40.1.iii))	533,806	-
Interest payable	1,447,791	1,143,297
Principal repayments	(2,316,059)	(1,155,547)
interest repayments	(1,227,219)	(1,060,163)
Translation differences	-	1,280
At 31 December	**39,349,792**	**13,336,947**
European Investment Bank (EIB)	10,081,059	12,423,581
Rwanda Development Bank (BRD)	3,118,756	913,366
National Bank of Rwanda (Economic Recovery Fund)	1,596,457	-
Entrepreneurial Development Bank (FMO)	14,819,482	-
International Finance Corporation (IFC)	9,734,038	-
	39,349,792	**13,336,947**

31. LONG TERM DEBT (CONTINUED)

Long term debt constituted the following:

(a) Entrepreneurial Development Bank (FMO)

During the year under audit, the Bank received a senior unsecured debt from FMO of USD 15,000,000 at 3.4% per annum above the 6 month Libor with maturity up to July 10, 2027.

(b) National Bank of Rwanda (Economic Recovery Fund facility)

On 30 November 2020, the Bank agreed with Central Bank of Rwanda to receive 5 years economic recovery fund facility at 2% to establish the framework where the Bank will extend loans to business hardly hit by COVID-19.

The Bank has accounted the portion related to Government Grant in accordance IAS 20 Accounting for Government Grants and Disclosure of Government Assistance amounting to Frw 533Millions and considered as cash inflows from financing activities. The bank lends to its customers at average rate of 7%.

(c) European Investment Bank

Long term loan from EIB of Frw 14.1billions were received in years of 2014, 2015, 2016 and 2019 at average rate of 9.22% with tenor period of less than 7 years for which its repayment amounts are fixed in Rwandan Francs. They are unsecured loans.

(d) Rwanda Development Bank (BRD)

During the year, the Bank received Frw 2.2Billions repayable in 9 years from BRD at average rate of 8% to support export oriented small and medium enterprises (SMEs). The loan is not secured.

(e) IFC Loan

During the period under audit, the Bank received a senior debt from IFC of USD 10,000,000 under its COVID-19 working capital solution scheme at a variable rate of 1.9% per annum above the 6 month Libor.

32. SUBORDINATED DEBT

	2020 Frw'000	2019 Frw'000
One to five years	9,754,824	9,259,073
Less than one year	30,074	33,899
More than one year	9,724,750	9,225,174
	9,754,824	**9,259,073**
Loan movement schedule		
At 1 January	9,259,073	8,819,273
Payments on principal and interest	(760,017)	(861,258)
Interest during the period	756,192	866,892
Translation differences	499,576	434,166
At 31 December	**9,754,824**	**9,259,073**

In 2018, The Bank acquired a 5 year subordinated loan with IFC at an interest rate of 9.003% repayable in semi-annual instalments The purpose of the loan is to provide the Bank with a subordinated loan which qualifies as Tier 2 capital therefore enabling the Bank to increase its lending to clients.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

33. LEASE LIABILITIES

Set out below are the carrying amounts of lease liabilities (included under 'other liabilities' in note 29) and the movements during the period:

	2020 Frw'000	2019 Frw'000
Balance as at 1 January	**1,941,552**	**2,540,802**
Principal settlements during the period	(415,734)	(746,264)
Interest expense during the period	167,282	147,014
As at 31 December	**1,693,100**	**1,941,552**
Maturity analysis - Contractual undiscounted cash flows		
Less than one year	549,690	237,352
Between one and five years	1,309,079	944,699
More than five years	82,782	760,224
Total lease liabilities at 31 December	**1,941,552**	**1,942,275**

The maturity analysis of lease liabilities are disclosed in Note 40.2. (Detailed IFRS 16 disclosures. (Refer to note 6.22).

34. SHARE CAPITAL AND RESERVES

(a) Issue capital and share premium

By a resolution of the shareholders passed at the Annual General Meeting of the Bank held on 22nd June, 2020, the Directors of the Bank were authorised to;

(i) Increase the Authorised share capital of the Bank from Frw 6 billion to Frw 25 billion.
(ii) Undertake a Bonus issue on the basis of 1 Bonus share issued for every ordinary share in issue to shareholders on the Bank's register as at 2nd June 2020.
(iii) Undertake a rights issue for an amount of up to Frw 10 billion. Pursuant to this members' resolution, the Board by a resolution dated 19th August 2020 approved a 1 for 5 Rights issue of 202,000,000 ordinary shares for a nominal value of Frw 10 per ordinary share.

Ordinal share capital

	31 December 2020		31 December 2019	
Authorized	**No. Shares**	**Frw'000**	**No. Shares**	**Frw'000**
Ordinary shares of Frw 10 each	2,500,000,000	25,000,000	600,000,000	6,000,000

Issued and fully paid

	Issued & fully paid	Share capital Frw'000	Share premium Frw'000	Total Frw'000
At 01 January 2020	505,000,000	5,050,000	400,000	5,450,000
Bonus issue of Frw 10 each	505,000,000	5,050,000	-	5,050,000
Rights Issue of Frw 39.60 each	202,000,000	2,020,000	5,979,200	7,999,200
Rights issue expenses	-	-	(129,368)	(129,368)
At 31 December 2020	**1,212,000,000**	**12,120,000**	**6,249,832**	**18,369,832**

	Issued & fully paid	Share capital Frw'000	Share premium Frw'000	Total Frw'000
At 01 January 2019	**505,000,000**	**5,050,000**	**400,000**	**5,450,000**
Bonus issue during the year	-	-	-	-
Rights Issue during the year	-	-	-	-
At 31 December 2019	**505,000,000**	**5,050,000**	**400,000**	**5,450,000**

Share premium comprises of additional paid-in capital in excess of the nominal (par) value. During the year, The Bank recorded share premium of Frw 5.8Billion net of incremental transactions costs from Rights issue. This reserve is not ordinarily available for distribution.

34. SHARE CAPITAL AND RESERVES (CONTINUED)

(a) Issue capital and share premium (Continued)

Impact Rights issue and Bonus issue on Cash flow statement

The Bank raised additional capital of Frw 7.8 billion net of incremental transactions costs resulted into additional cash flows from financing activities and the bonus issue corporate action did not have impact on cash flows of the Bank rather converting retained earning into share capital.

Ordinary shares

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 meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual assets.

(b) Revaluation reserve

The revaluation reserve arises on revaluation of buildings. When revalued property is disposed, the portion of the revaluation reserve that relates to that asset is transferred to retained earnings. During the period the bank disposed Kabuga and Gicumbi buildings and impact revaluation reserve is as below;

	2020 Frw'000	2019 Frw'000
As at 1 January	**2,011,095**	**2,011,095**
Reclassification of revaluation reserve to retained earnings on disposal	(268,556)	-
Deferred tax on disposed assets (Note 30)	119,359	-
As at 31 December	**1,861,898**	**2,011,095**

(c). Fair value reserve

The reserve is attributable to changes in fair value of financial securities classified under the fair value through other comprehensive income category. This is shown on the statement of comprehensive income and is not recycled to profit or loss when the asset is impaired or disposed.

	2020 Frw'000	2019 Frw'000
As at 1 January	173,454	213,148
Net change in fair value	108,571	89,499
Reclassification within equity	-	(102,136)
Deferred tax expense (Note 30)	(32,572)	(27,057)
As at 31 December	**249,453**	**173,454**

(d). Statutory credit risk reserve

Where impairment losses required by legislation or regulations exceed those computed under International Financial Reporting Standards (IFRSs), the excess is recognised as a statutory reserve and accounted for as an appropriation of retained profits and the reverse for reductions. These reserves are not distributable. During the year, IFRS 9 provisions were higher than those arrived at using regulatory provisions. As result, the excess credit reserve has been recycled to retained earnings.

	2020 Frw'000	2019 Frw'000
As at 01 January	200,117	145,151
Appropriation for the year	-	-
Recycled to retained earning	(200,117)	54,966
As at 31 December	**-**	**200,117**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

34. SHARE CAPITAL AND RESERVES (CONTINUED)

(e). Retained earnings

These comprise prior year profits, less any dividends, less appropriations to credit risk and current year profit;

	2020 Frw'000	2019 Frw'000
01 January	**33,437,216**	**28,763,104**
Profit for the year	5,139,781	6,141,942
New Bonus issue exercise	(5,050,000)	-
Disposal of property and equipment (Note 34 (b))	268,556	-
Transfer from/(to) Statutory credit reserve	200,117	(54,966)
Declared dividend 2019/2020	-	(1,515,000)
Reclassification within equity	-	102,136
As at 31 December	**33,995,670**	**33,437,216**

(f). Dividends

Central Bank of Rwanda has instructed all banks in Rwanda not to declare dividends for financial year 2020 in order to retain earnings and conserve capital and liquidity position considering the inherent uncertainty surrounding the financial impact of the Covid-19 pandemic.

35. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to net

	Note	2020 Frw'000	2019 Frw'000
Cash flows from operating activities			
Profit before income tax		7,838,348	8,990,374
Adjustments for:			
Depreciation on property and equipment	24	1,664,964	1,615,106
Amortisation of intangible asset	25	1,443,878	1,179,994
(Loss)/Gain on disposal of property and equipment		42,826	(24,988)
Loss on non-current assets held for sale		189,340	-
Impairment charge on loans and advances	22(b)	5,536,066	1,067,391
Interest income earned	9	(39,123,691)	(34,808,787)
Interest expense incurred	10	16,710,944	12,942,802
		(5,697,325)	**(9,038,108)**
Decrease in operating assets			
Movement in loans and advances to customers	22(a)	(33,341,438)	(2,854,852)
Movement in financial assets measured at (FVOCI)	21(a)	(32,498,313)	(10,612,679)
Movement in financial assets at fair value through profit or loss (FVTPL)	21(b)	(214,996)	(422,448)
Movement in financial assets at amortised cost	21(c)	(19,598,194)	16,038,693
Change in Restricted balances with central Bank		358,821	(1,791,673)
Other assets		(530,875)	234,386
		(85,824,995)	**591,427**
Increase in operating liabilities			
Customer deposits	27	56,631,256	(1,035,944)
Deposits from banks	26	(1,743,409)	13,469,809
Other payables	29	5,109,702	541,340
		59,997,549	**12,975,205**
Cash flows (used)/generated from operating activities		(31,524,771)	4,528,524
Interest received		36,943,482	32,538,317
Interest paid		(17,834,654)	(14,549,142)
Tax paid	15 (b)	(2,510,831)	(3,362,257)
Net cash flows generated from operating activities		(14,926,774)	19,155,442

35. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

(b). Analysis of cash and cash equivalents

	Note	2020 Frw'000	2019 Frw'000	Change Frw'000
Cash and balances with National Bank of Rwanda	18	17,036,459	17,102,837	(66,378)
Investment securities	21 (c)	32,262,239	10,652,979	21,609,260
Deposits from banks		9,958,743	15,143,464	(5,184,721)
Due from group companies	20 (a)	1,131,523	4,272,324	(3,140,801)
		60,388,964	47,171,604	13,217,360
Net Foreign exchange difference on foreign denominated balances		(1,093,236)	(679,953)	(413,283)
		59,295,728	**46,491,651**	**12,804,077**

36. OFF BALANCE SHEET CONTINGENT LIABILITIES AND COMMITMENTS

(a). Legal proceedings

There were a number of legal proceedings outstanding against the Bank as at 31 December 2020. Directors have made provisions in instances where they believe that there is a chance for the cash outflow against the Bank (Frw 84.2 Million) and the amounts are included in other liabilities(note 29) The rest of the instances directors based on the legal advice are of the view that chances of cash out flow are remote.

(b). Contractual off-balance sheet financial liabilities

In the ordinary course of business, banking entities in the Bank conduct business involving guarantees, acceptances and letters of credit. These facilities are offset by corresponding obligations of third parties. At the period end, the contingent liabilities were as follows:

	2020 Frw'000	2019 Frw'000
Contingencies related to:		
Letters of credit	19,692,072	13,224,224
Guarantees	42,538,490	40,385,462
	62,230,562	**53,609,686**
Commitments related to:		
Outstanding spot/forward contracts	13,966,926	18,898,076
	76,197,488	**72,507,762**

Nature of contingent liabilities

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.

Letters of credit commit a bank to make payment to third parties, on production of documents, which are subsequently reimbursed by customers.

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 almost immediate.

Forward contracts are arrangements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate.

The fair values of the respective currency forwards are carried on the face of the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

37. RELATED PARTIES TRANSACTIONS

I&M (Rwanda) Bank Plc's immediate parent is BCR Investment Company incorporated in Republic of Mauritius. The ultimate parent is I&M Holding PLC incorporated in Kenya. All entities within I&M Holding Group are related parties.

In the normal course of business, the Bank enters into transactions with related parties. All the loans and advances and deposits are issued or received from the related parties are at market interest rates. There were no provisions held towards impairment of any of the advances to related parties.

Transactions with directors/shareholders	2020 Frw'000	2019 Frw'000
Loans to directors/shareholders	67	187,629
Interest Income from loans to directors/shareholders	-	14,727
Directors emoluments	402,326	364,050
The non-executive directors do not receive pension entitlements from the Bank.		
Transactions with related companies		
Loans to related companies	-	329,643
Interest income from relates companies	-	74,487
Transactions with key management personnel		
Key Management personnel loans	374,577	286,638
Interest Income	24,392	18,050
Shared service cost	669,069	625,616
Balances		
Due from group companies (note 20)	1,131,523	4,272,426
Due to group companies (note 29)	122,758	503,153

38. EMPLOYEE SHARE OPTION PLAN

The board of directors approved an Employee share ownership plan of 5,000,000 shares of Frw 10 each effective 31st March 2017. The Bank's local directors and eligible employees are entitled to participate under this scheme. As per the agreement, the share ownership plan is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees, and to promote the success of the Bank's business. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

During the year 2020, a further grant on similar terms was offered to employees with existing share options and continuous service status. In accordance with these programmes, holders of vested options are entitled to purchase shares at the market price of the shares at grant date.

The vesting period is maximum of 5 years from the date of the grant after which, as long as the continuous service status does not terminate, the Shares underlying this Option shall vest and become exercisable.

38. EMPLOYEE SHARE OPTION PLAN (CONTINUED)

The terms and conditions of the grants are as follows;

Grant date/employees entitled	Number of options	Vesting conditions	Contractual life of options
Option grant to employees at 31st March 2017	5,000,000	1 year of service and the confirmed employees	5 years
Option granted to employees at 14th July 2020	3,854,800	Employees with existing share options and continuous service status and Bonus issue at par in the ratio of 1:1 (one new share for every new ordinary share held).	5 years
Total share options	**8,854,800**		

Reconciliation of outstanding share options;

	Number of options 2020	Weighted average exercise price 2020	Number of options 2019	Weighted average exercise price 2019
Outstanding at 1 January	5,000,000	90	5,000,000	90
Exercised during the period	(1,422,300)	90	-	-
Granted during the period	3,854,800	42	-	-
Outstanding at 31st December	**7,432,500**	**45**	**5,000,000**	**90**

The options outstanding at 31st December 2020 had an exercise price of Frw 45 (2019: 90 before share sprit).

The weighted-average share price at the date of exercise for share options exercised in 2020 was Frw 90 (2019: no options exercised).

Whenever possible, the determination of Fair Market Value is based upon the per share closing price for the shares as reported in the Rwanda Stock Exchange for the applicable date. The exercise price of the option is determined by the board.

39. FAIR VALUE HIERARCHY

Accounting classifications at carrying amounts and fair values

The COVID-19 pandemic has significantly affected financial markets and may impact valuation techniques used by banks and classification of financial instruments in the fair value hierarchy.

The tables below show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

39. FAIR VALUE HIERARCHY (CONTINUED)

Accounting classifications at carrying amounts and fair values (continued)

	Carrying amounts						Fair value			
31 December 2020	Non-financial assets	Financial assets at amortized cost	Financial assets at FVOCI	Financial assets at FVTPL	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
Financial assets										
Balances with Central Bank of Rwanda	-	-	24,542,423	-	-	**24,542,423**	-	-	24,542,423	**24,542,423**
Financial assets at fair value through profit or loss	-	-	-	644,061	-	**644,061**	644,061	-	-	**644,061**
Financial assets measured at fair value through other comprehensive income	-	-	48,943,246	-	-	**48,943,246**	48,943,246	-	-	**48,943,246**
Other financial assets at amortised cost	-	51,263,367	-	-	-	**51,263,367**	51,263,367	-	-	**51,263,367**
Land and building	4,244,580	-	-	-	-	**4,244,580**	-	4,244,580	-	**4,244,580**
Due from Banks	-	39,302,920	-	-	-	**39,302,920**			39,302,920	**39,302,920**
Loans and advances to customers	-	205,229,128	-	-	-	**205,229,128**	-	-	205,229,128	**205,229,128**
Due from group companies	-	1,131,523	-	-	-	**1,131,523**	-		1,131,523	**1,131,523**
Other assets	-	3,001,489	-	-	-	**3,001,489**			3,001,489	**3,001,489**
	4,244,580	**299,928,427**	**73,485,669**	**644,061**	**-**	**378,302,737**	**100,850,674**	**4,244,580**	**272,075,960**	**378,302,738**
Financial liabilities										
Deposits from banks	-	-	-	-	49,823,984	**49,823,984**	-	-	49,823,984	**49,823,984**
Deposits from customers	-	-	-	-	248,435,597	**248,435,597**	-	-	248,435,597	**248,435,597**
Long term borrowings	-	-	-	-	39,349,792	**39,349,792**	-	-	39,349,792	**39,349,792**
Subordinated debt	-	-	-	-	9,754,824	**9,754,824**	-	-	9,754,824	**9,754,824**
Other liabilities		-	-	-	1,970,147	**1,970,147**	-	-	1,970,147	**1,970,147**
	-	**-**	**-**	**-**	**349,334,344**	**349,334,344**	**-**	**-**	**349,334,344**	**349,334,344**

39. FAIR VALUE HIERARCHY (CONTINUED)

Accounting classifications at carrying amounts and fair values (continued)

31 December 2019	Carrying amounts						Fair value			
	Non financial assets	Financial assets at amortised cost	Financial assets at FVOCI	Financial assets at FVTPL	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
Financial assets										
Balances with Central Bank of Rwanda	-	-	25,422,534	-	-	**25,422,534**	-	-	25,422,534	**25,422,534**
Financial assets at fair value through profit or loss	-	-	-	429,065	-	**429,065**	429,065	-	-	**429,065**
Financial assets measured at fair value through other comprehensive income	-	-	16,444,932	-	-	**16,444,933**	16,444,933	-	-	**16,444,933**
Other financial assets at amortised cost	-	31,665,173	-	-	-	**31,665,173**	31,665,173	-	-	**31,665,173**
Land and building	4,935,602	-	-	-	-	**4,935,602**	-	4,935,602	-	**4,935,602**
Loans and advances to banks	-	28,604,211	-	-	-	**28,604,211**	-	-	28,604,211	**28,604,211**
Loans and advances to customers	-	171,887,690	-	-	-	**171,887,690**	-	-	171,887,690	**171,887,690**
Due from group companies	-	4,272,426	-	-	-	**4,272,426**	-	-	4,272,426	**4,272,426**
Other assets	-	2,470,613	-	-	-	**2,470,613**	-	-	2,470,613	**2,470,613**
	4,244,580	**299,928,427**	**73,485,669**	**644,061**	**-**	**378,302,737**	**100,850,674**	**4,244,580**	**272,075,960**	**378,302,738**
Financial liabilities										
Deposits from banks	-	-	-	-	51,567,393	**51,567,393**	-	-	51,567,393	**51,567,393**
Deposits from customers	-	-	-	-	191,804,341	**191,804,341**	-	-	191,804,341	**191,804,341**
Long term borrowings	-	-	-	-	13,336,947	**13,336,947**	-	-	13,336,947	**13,336,947**
Subordinated debt	-	-	-	-	9,259,073	**9,259,073**	-	-	9,259,073	**9,259,073**
Other liabilities	-	-	-	-	40,073	**40,073**	-	-	40,073	**40,073**
	-	**-**	**-**	**-**	**266,007,827**	**266,007,827**	**-**	**-**	**266,007,827**	**266,007,827**

39. FAIR VALUE HIERARCHY (CONTINUED)

Accounting classifications at carrying amounts and fair values (continued)

Measurement of fair values

Valuation techniques and significant unobservable inputs

Financial assets measured at fair value - At 31 December

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through profit or loss (FVTPL)	Market based valuation technique	Reference to information from similar transactions in the market.	Not applicable
Investment securities – Fair Value through Other Comprehensive Income	Market based valuation technique	Net asset value and last equity transaction on the shares	Not applicable
Property and Equipment - Land and buildings	Market based valuation technique	Price per square metre	Not applicable

40. FINANCIAL RISK MANAGEMENT

This section provides details of the Bank's exposure to risk and describes the methods used by management to control risk.

Financial risk

The more significant types of risk to which the Bank is exposed are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk and interest rate risk.

40.1. 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 obligations and arises principally from the Bank's loans and advances to customers and other banks and treasury bills. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded on the statement of financial position. In the case of credit derivatives, the Bank is also exposed to or protected from the risk of default of the underlying entity referenced by the derivative. With gross-settled derivatives, the Bank is also exposed to a settlement risk, being the risk that the Bank honours its obligation but the counterparty fails to deliver the counter-value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

40.1. Credit risk (Continued)

Credit-related commitment risks

The Bank makes available to its customers guarantees which may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

The Board of Directors is responsible for management and periodically reviewing the credit risk of the Bank and monitors concentrations of credit risk by sector. An analysis of portfolio concentrations of credit risk as at 31 December is shown below:

	2020 Frw'000	%	2019 Frw'000	%
Corporate and institutional banking	109,553,698	53%	90,692,541	53%
Business banking	29,352,623	14%	29,924,165	17%
Retail Banking	66,322,807	32%	51,270,984	30%
Net Loans	**205,229,128**	**100%**	**171,887,690**	**100%**

A Board Credit Committee, reporting to Board of Directors is responsible for oversight of the Bank's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to various Credit committees as stipulated in the Bank's Credit Charter.
- Reviewing and assessing credit risk. The Bank Credit risk management Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances) and by issuer, credit rating band, market liquidity and country (for investment securities).
- Developing and maintaining the Bank's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures as follows:-
- The current risk grading framework consists of five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive / committee as appropriate. Risk grades are subject to regular reviews by the Banks's Credit Risk department.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Bank Credit on the credit quality of local portfolios and appropriate corrective action is taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.
- Each business unit is required to implement the Bank credit policies and procedures, with credit approval authorities delegated from the Bank's Credit Committee. Each business unit has a Head of department who reports on all credit-related matters to local management and the Bank Credit risk management Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to Central Bank's approval. Regular audits of business units and Bank Credit processes are undertaken by Internal Audit.

(i). Credit Quality analysis

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt investments. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

40.1. Credit risk (Continued)

(i) Credit Quality analysis - (Continued)

Risk classification	12 month ECL Frw'000	Lifetime ECL Not Credit Impaired Frw'000	Lifetime ECL Credit Impaired Frw'000	Total 31 December 2020 Frw'000
Loans and advances to Customers at amortised cost				
Normal	180,994,597	-	-	180,994,597
Watch	-	24,213,555	-	24,213,555
Non-Performing loans	-	-	7,353,797	7,353,797
Gross carrying amount	**180,994,597**	**24,213,555**	**7,353,797**	**212,561,949**
Loss allowance	(1,124,882)	(1,444,634)	(4,763,305)	(7,332,821)
Carrying amount	**179,869,715**	**22,768,921**	**2,590,492**	**205,229,128**

Risk classification	12 month ECL Frw'000	Lifetime ECL Not Credit Impaired Frw'000	Lifetime ECL Credit Impaired Frw'000	Total 31 December 2019 Frw'000
Loans and advances to Customers at amortised cost				
Normal	156,540,106	-	-	156,540,106
Watch	-	13,834,759	-	13,834,759
Non-Performing loans	-	-	5,881,051	5,881,051
Gross carrying amount	**156,540,106**	**13,834,759**	**5,881,051**	**176,255,916**
Loss allowance	(658,545)	(541,430)	(3,168,251)	(4,368,226)
Carrying amount	**155,881,561**	**13,293,329**	**2,712,800**	**171,887,690**

The Bank has estimated that the ECL for the following financial assets was not significant as of 31 December 2020. These financial assets have been assessed to be in Stage 1 (normal).

	Classification	2020 Frw'000	2019 Frw'000
Cash and balances with central banks	Normal	30,266,747	30,691,946
Loans and advances to banks	Normal	39,302,920	28,604,211
Financial assets at fair value through other comprehensive income (FVOCI)	Normal	48,943,246	16,444,932
Other financial assets at amortised cost		51,263,367	31,665,173
Due from group companies	Normal	1,131,523	4,272,426
		170,907,803	**111,678,688**

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

40.1. Credit risk (Continued)

(i) Credit Quality analysis (Continued)

The following shows the grading of loans and advances to customers in line with local prudential guidelines;

Loans and advances to customers	2020 Frw'000	2019 Frw'000
Non performing :		
Grade 3: Substandard	2,825,430	2,167,494
Grade 4: Doubtful	1,583,774	1,620,417
Grade 5: Loss	2,944,593	2,093,140
	7,353,797	**5,881,051**
Specific allowance for impairment	(4,763,305)	(3,168,251)
Carrying amounts	**2,590,492**	**2,712,800**
Performing & underperforming:		
Grade 2: Watch	24,213,555	13,834,759
Grade 1: Normal	180,994,597	156,540,106
	205,208,152	**170,374,865**
Portfolio impairment provision	(2,569,516)	(1,199,975)
Carrying amounts	**202,638,636**	**169,174,890**
Total carrying amounts	**205,229,128**	**171,887,690**

Loans and advances

	Gross *Frw'000*	Net *Frw'000*
Non performing:		
31 December 2020		
Grade 3: Substandard	2,825,430	1,853,357
Grade 4: Doubtful	1,583,774	1,263,107
Grade 5: Loss	2,944,593	139,243
	7,353,797	**3,255,707**
31 December 2019		
Grade 3: Substandard	2,167,494	1,364,006
Grade 4: Doubtful	1,620,417	1,024,260
Grade 5: Loss	2,093,140	324,534
	5,881,051	**2,712,800**

	Gross Frw'000	**Net Frw'000**
Performing & underperforming:		
31 December 2020		
Grade 1: Normal	180,994,597	180,814,524
Grade 2: Watch	24,213,555	19,774,596
	205,208,152	**200,589,120**
31 December 2019		
Grade 1: Normal	156,540,106	155,881,561
Grade 2: Watch	13,834,759	13,293,329
	170,374,865	**169,174,890**

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

40.1. Credit risk (Continued)

(i) Credit Quality analysis (Continued)

Impaired loans and securities

Impaired loans and securities are loans for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement(s). These loans are graded 3 (Substandard) to 5 (Loss) in the Bank's internal credit risk and grading system.

Stage 1

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed with reference to the Bank's internal rating system. All such loans must be performing in accordance with the contractual terms and are expected to continue doing so. Loans in this category are fully protected by their current sound net worth and paying capacity of the borrower. These loans and advances are categorised as normal in line with National Bank of Rwanda prudential guidelines.

Stage 2

These are loans where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank. These loans are stage 2 (Watch) in the Bank's internal credit risk and grading system.

(ii) Collateral and other security enhancements

The Bank holds collaterals against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimate of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowings activity. Collateral usually is not held against investment securities, and no such collateral was held at 31st December 2020 or 2019.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

	2020 Frw'000	**2019 Frw'000**
Fair value of collateral held – against impaired loans	6,782,918	5,475,832

(iii) Amounts arising from ECL

Significant increase in credit risk

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

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

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

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

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

40.1. Credit risk (Continued)

(iii) Amounts arising from ECL (Continued)

COVID-19 considerations for the year ended 31st December 2020

In response to the impacts of COVID-19, various packages, such as repayment deferrals, have been offered to eligible customers. The Bank does not consider that when a customer is first provided assistance, all other things being equal, that there has been a Significant Increase in Credit Risk (SICR) and a consequent impact on ECL when assessing provisions. Subsequent to take-up, customers have been contacted to discuss available options once the packages reach their end date. This additional information on the customer's financial position and ability to recommence their loan repayments is used to assist in classification of customers into risk categories. Customers in higher risk categories, and those who have requested a deferral extension, have been classified as having a SICR

Our impairment models has been calibrated to capture changes in probabilities of defaults (PDs) and forward looking information in the estimation of expected credit losses (ECL).

Management has considered below parameters in arriving at its full year ECL in order to reflect the impact of the current pandemic:

- For Stages 1 & 2: The December 2019 Macro adjusted PDs has been used, 10% floor rate (which is the minimum LGD of 10% for fully secured loans recommended by the Basel framework); and
- For Stage 3: Revision has been made in the estimation of the minimum collateral realization from a period of 1 year to 3 years as per the Central Bank regulation;
- PDs were modelled at a portfolio (Sector) level comprising of 11 key sectors.

Credit risk grading

Other than for loans and advances to banks and investment securities where the Bank relies on internal credit rating models, the Bank relies substantially on the prudential guidelines applicable for credit risk grading that reflect its assessment of the probability of default of individual counterparties.

In addition, the prudential guidelines are supplemented;

- by Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures
- External data such as credit bureau scoring information on individual borrowers.
- Expert judgement from the Credit Risk Officer to be fed into the final credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

The following are additional considerations for each type of portfolio held by the Bank:

Customer loans and advances

After the date of initial recognition, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural score. Any other known information about the borrower which impacts their creditworthiness. A relationship manager will also incorporate any updated or new information/credit assessments into the credit system on an ongoing basis.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for loans and advances. The Bank collects performance and default information about its credit risk exposures analysed by country and borrower as well as by credit risk grading.

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.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark interest rates and exchange rate.

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

40.1. Credit risk (Continued)

(iii) Amounts arising from ECL (Continued)

Generating the term structure of PD

Based on advice from the Risk Committees and economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Bank then uses these forecasts to adjust its estimates of PDs.

The Bank has applied a simpler methodology (lifetime ECL) for its other exposures including lease receivables and trade receivables.

COVID-19 considerations for the year ended 31 December 2020

The key consideration for probability weightings in the current period is the continuing impact of COVID-19.

The Bank considers these weightings in each geography to provide the best estimate of the possible loss outcomes and has analysed inter-relationships and correlations (over both the short and long term) within the Bank's credit portfolios in determining them.

In addition to the base case forecast which reflects the negative economic consequences of COVID-19, greater weighting has been applied to the downside scenario given the Bank's assessment of downside risks.

The assigned probability weightings are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in note3(d)(iii).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired /in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

COVID-19 considerations for the year ended 31st December 2020

During the year, the Bank has offered various forms of assistance to customers to counteract the impact of COVID-19 on the ability of customers to meet their loan obligations. The assistance provided has included arrangements such as temporary deferral of principal and interest repayments, replacing principal and interest with interest only repayments, and extension of loan maturity dates. Refer to Key Judgements and Estimates

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

40.1. Credit risk (Continued)

(iii) Amounts arising from ECL (Continued)

COVID-19 considerations for the year ended 31st December 2020 *(Continued)*

in this Note for details of the impact of deferrals when determining if there has been a Significant Increase in Credit Risk (SICR). This assessment considers both changes in cash flows arising from the modified terms as well as changes in the overall instrument risk profile; for example, changes in the principal (credit limit), term, or type of underlying collateral.

The loan repayment deferral package is considered to be a loan modification under IFRS 9. This either results in the loan being derecognised and replaced with a new loan (substantial modification) or the existing loan continuing to be recognised (non-substantial modification).

From a risk management point of view, once an asset is forborne or modified due to financial difficulties of the borrower, the Bank's business departments for distressed assets continues to monitor the exposure until it is completely and ultimately derecognised.

The table below shows the amortised cost before the modification and the net modification gain or loss recognised for financial assets for which the contractual cash flows have been modified during the reporting period while they had a loss allowance measured at an amount equal to lifetime expected credit losses:

As at 31st December 2020	**2020**
	Frw'000
Assistance package category	
Principal Moratorium	
Corporate & Institutional Banking	647,542
Business Banking	191,258
Interest only	
Corporate Institutional Banking	9,137,199
Term extensions	
Corporate Institutional Banking	24,098,445
Business Banking	15,901,659
Personal Banking	19,052,211
Total	
Corporate Institutional Banking	**33,883,186**
Business Banking	**16,092,917**
Personal Banking	**19,052,211**
	69,028,314
Modification Gain on modified financial assets as 31st December 2020	**976,567**

The Bank remained throughout the period committed to ensure business continuity and operations in all branches, onboarding customers on digital channels, ensuring safeness of its employees and supporting government to cushion the economic impact of the pandemic. The modification gain has been included under other operating income.

Guaranteed loans and other customer support

Regulators and governments have implemented a broad range of measures to promote financial stability in response to COVID-19. Those measures implemented by governments and regulators in Rwanda include financial assistance packages through economic recovery fund at average rate of 2% to the Bank and the Bank

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

40.1. Credit risk (Continued)

(iii) Amounts arising from ECL (Continued)

Guaranteed loans and other customer support (Continued)

lends to its customers at an average rate of 7%.

The following table presents fair value measurement under government support schemes as at 31st December 2020:

	2020
	Frw'000
Disbursed amount under ERF scheme	2,130,262
Loan from Central Bank through ERF	1,596,456
Government Grant	533,806
Fair Value Measurement of loans to customers	766,159
Interest expense for the year	3,872
Unwinding the discounting impact for the year	12,769

The following table presents the number of customer accounts and associated loan values of customers under government and bank specific schemes as at 31 December 2020:

	Corporate Banking	**Business Banking**
Number of approved accounts	4	9
Loan value of customers under the scheme	1,099,963	1,030,299
% of portfolio	1%	4%

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); or
- the borrower is past due more than 90 days on any material credit obligation to the Bank. 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.

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.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Assets and Liabilities Committee (ALCO) and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organisations such as the International Monetary Fund (IMF), World Bank and selected private-sector and academic forecasters.

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Amounts arising from ECL (Continued)

Incorporation of forward-looking information (Continued)

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses.

The Banking Industry non-performing loans (NPL %) was a reasonable approximation to the default risk. The correlation between the Banking Industry non-performing loans (NPL %) with the macroeconomic factors was then inferred to the Bank's predicated Probabilities of Default. Further, in determining the economic scenarios to be applied, each of the economic variable was adjusted either upside or downside using the historical standard deviation.

In determining the likelihood of each of the macroeconomic scenarios, a weighting of 91% (base case), 8% (upside case) and 1% (downside case) was applied in 2020 where as a weighting of 90% (base case), 5% (upside case) and 5% (downside case) were applied in 2019.

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets were developed based on analysing historical data over the past 3 to 5 years.

COVID-19 considerations for the year ended 31st December 2020

There have been no changes to the types of forward-looking variables (key economic drivers) used as model inputs in the current year.

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

The economic scenarios used as at 31st December included the following ranges of key indicators:

Incorporation of forward-looking information

Macro-Economic variable	Coefficient/ Sensitivity	2020 Base %	Upside %	Downside %
Weighting		**91.00%**	**8.00%**	**1.00%**
Central Bank Rate	(5.34)	4.5%	5%	4%
Repo rate	(6.71)	4.5%	5%	4.25%
Treasury bills 182 days	0.81	7.04%	7.69%	6.40%
T-Bills 91 days	10.94	5.84%	6.72%	4.96%
Lending rate	16.092	16.43%	17.32%	15.54%
GDP	0.12	(2%)	(6%)	2%
Inflation	0.61	5%	8%	2%
Public debt to GDP	0.16	71.10%	71.10%	71.10%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Amounts arising from ECL (Continued)

COVID-19 considerations for the year ended 31st December 2020 (Continued)

Macro-Economic variable	Coefficient/ Sensitivity	2019 Base %	Upside %	Downside %
Weighting		**90.00%**	**5.00%**	**5.00%**
Repo rate	(0.63)	3.65%	5.50%	1.80%
Treasury bills 182 days	(0.53)	7.05%	9.74%	4.36%
Lending rate	0.87	16.98%	17.82%	16.14%
GDP	0.12	6.78%	7.70%	5.85%
Constant	0.06	-	-	-

The backward elimination multiple regression model led to the following macro-economic factors per sector for the year ended 31st December 2020;

Sector	Macro-economic factors
i) Agriculture	· Central Bank Rate
ii)Manufacturing	· T-Bills 182 days. · GDP
iii)Building and Construction	· Repo
iv)Tourism Restaurants and Hotels	· Inflation · Public debt to GDP
v) Mining and Quarrying	· T-Bills 91 days · T-Bills 182 days · Lending rate
vi) Personal/Households	· Public debt to GDP
vii) Social, Community and Personal	· Public debt to GDP

With incorporation of forward looking information the followings were used as micro adjusted PDs;

Sector	Weighted Macro Adjusted PDs Stage 1	Stage 2	Stage 3
Agriculture	0.05%	0.05%	100%
Manufacturing	0.46%	46.09%	100%
Building & Construction	1.14%	3.00%	100%
Mining & Quarrying	14.29%	42.86%	100%
Energy and water	0.05%	0.05%	100%
Trade	2.13%	19.89%	100%
Tourism, Restaurants and Hotels	7.37%	15.60%	100%
Transport & communication	3.14%	6.05%	100%
Real Estate	0.53%	6.87%	100%
Financial Services	2.53%	0.05%	100%
Personal & Household	2.72%	25.00%	100%
Social, Community and Personal	4.70%	33.64%	100%

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

40.1. Credit risk (continued)

(iii) Amounts arising from ECL (Continued)

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above. PDs are estimates at a certain date, which are calculated based on statistical models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for loans and advances to banks and investment securities.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based mainly on the counterparties' collateral and also on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

ECL - Sensitivity analysis

The uncertainty of the impact of COVID-19 introduces significant estimation uncertainty in relation to the measurement of the Bank's allowance for expected credit losses. The rapidly evolving consequences of COVID-19 and government, business and consumer responses could result in significant adjustments to the allowance in future financial years.

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Bank should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of collectively assessed ECL to key factors used in determining it as at 31st December 2020:

	ECL Frw'000	Impact Frw'000
If 1% of stage 1 facilities were included in Stage 2	2,790,136	105,674
If 1% of stage 2 facilities were included in Stage 1	2,670,854	(13,608)

Expected credit loss allowance

The following tables show reconciliations from the opening to the closing balance of the expected credit losses for the loans and advances and loan commitments and financial guarantee contracts;

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

40.1. Credit risk (continued)

(iii) Amounts arising from ECL - continued

Loss allowance- Loans and advances (continued)

	Provisions				Exposure			
2020	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
Balance at 31 January 2020	**658,545**	**541,430**	**3,168,251**	**4,368,226**	**156,540,106**	**13,834,759**	**5,881,051**	**176,255,916**
Transfer from 12 months ECL (Stage 1)	(52,099)	43,545	8,554	-	(12,839,650)	11,385,794	1,453,856	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	136,400	(275,557)	139,157	-	2,340,492	(4,085,079)	1,744,587	-
Transfer from Lifetime ECL credit impaired (Stage 3)	68,565	36,313	(104,878)	-	160,945	78,916	(239,861)	-
Net remeasurement of loss allowance	79,508	931,716	3,027,899	4,039,123	17,401,149	3,816,004	551,364	21,768,517
New financial assets originated or purchased	253,625	227,743	88,710	570,078	23,391,011	1,084,910	128,248	24,604,169
Financial assets derecognised	(19,664)	(60,555)	(1,564,387)	(1,644,606)	(5,999,456)	(1,901,749)	(2,165,448)	(10,066,653)
Balance at 31 December 2020	**1,124,880**	**1,444,635**	**4,763,306**	**7,332,821**	**180,994,597**	**24,213,555**	**7,353,797**	**212,561,949**

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

40.1. Credit risk (continued)

(iii) Amounts arising from ECL - continued

Loss allowance- Loans and advances (continued)

2019:	Provisions (ECL allowance) 12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	Exposure (Gross balance) 12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
Balance at 1 January 2019	**495,700**	**510,194**	**3,455,505**	**4,461,399**	**158,121,099**	**10,094,751**	**5,278,387**	**173,494,237**
Transfer from 12 months ECL (Stage 1)	(28,940)	22,142	6,798	-	(8,963,309)	7,281,519	1,681,790	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	117,225	(207,485)	90,260	-	1,637,270	(3,386,089)	1,748,819	-
Transfer from Lifetime ECL credit impaired (Stage 3)	52,905	53,934	(106,839)	-	157,525	116,878	(274,403)	-
Net remeasurement of loss allowance	(95,240)	77,342	1,152,710	1,134,812	968,143	(624,131)	(452,370)	(108,358)
New financial assets originated or purchased	129,482	87,090	102,204	318,776	13,708,186	544,795	169,500	14,422,481
Financial assets derecognised	(12,587)	(1,787)	(1,532,387)	(1,546,761)	(9,088,808)	(192,964)	(2,270,672)	(11,552,444)
Balance at 31 December 2019	**658,545**	**541,430**	**3,168,251**	**4,368,226**	**156,540,106**	**13,834,759**	**5,881,051**	**176,255,916**

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

40.1. Credit risk (continued)

(iii) Amounts arising from ECL - continued

Loss allowance- Loan commitments and financial guarantee contracts (continued)

Loan commitments and financial guarantee contracts	Provisions 12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	Exposure 12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
Balance at 31 January 2020	**38,208**	**1,864**	**-**	**40,072**	**72,224,026**	**283,736**	**-**	**72,507,762**
Transfer from 12 months ECL (Stage 1)	(1,855,383)	182	1,855,201	-	(6,268,267)	2,692,391	3,575,876	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	606	(606)	-	-	11,295	(11,295)	-	-
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	1,860,698	11,078	-	1,871,776	4,926,514	(578,296)	(1,172,298)	3,175,920
New financial assets originated or purchased	6,080	55,490	-	61,570	2,057,194	3,968,945	-	6,026,139
Financial assets derecognised	(2,475)	(798)	-	(3,273)	(2,842,409)	(266,347)	-	(3,108,756)
Balance at 31 December 2020	**47,734**	**67,210**	**1,855,201**	**1,970,145**	**70,108,353**	**6,089,134**	**2,403,578**	**78,601,065**

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

40.1. Credit risk (continued)

(iii) Amounts arising from ECL (Continued

Loss allowance- Loan commitments and financial guarantee contracts (Continued)

Loan commitments and financial guarantee contracts	Provisions (ECL allowance) 12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Total	Exposure 12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
Balance at 1 January 2019	**61,749**	**157**	**61,906**	**47,989,983**	**6,394**	**47,996,377**
Transfer from 12 months ECL (Stage 1)	(13)	13	-	(11,727)	11,727	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	5	(5)	-	934	(934)	-
Net remeasurement of loss allowance	(9,926)	960	**(8,966)**	(3,881,420)	11,449	**(3,869,971)**
New financial assets originated or purchased	6,825	817	**7,642**	37,086,257	259,553	**37,345,810**
Financial assets derecognised	(20,432)	(78)	**(20,510)**	(8,960,001)	(4,453)	**(8,964,454)**
Balance at 31 December 2019	**38,208**	**1,864**	**40,072**	**72,224,026**	**283,736**	**72,507,762**

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

40.1. Credit risk (continued)

(iii) Amounts arising from ECL - continued

Credit risk analysis on the maximum exposure by asset class, industry segment

An analysis of risk concentration in gross carrying amounts and corresponding ECL in the loans portfolio by type of lending(Segment) and sector is presented below tables;

Loans to customers	Gross carrying amount (Frw"000") Stage 1	Stage 2	Stage 3	Total exposure	ECL Coverage % Stage 1	Stage 2	Stage 3	Total ECL
Business	23,641,939	4,792,785	2,277,729	30,712,453	0%	2%	51%	4.4%
Corporate	95,846,872	13,912,880	1,106,583	110,866,335	0%	2%	80%	1.3%
Retail	61,505,786	5,507,890	3,969,485	70,983,161	1%	20%	68%	6.3%
Total	**180,994,597**	**24,213,555**	**7,353,797**	**212,561,949**	**0.6%**	**6%**	**64.8%**	**3.5%**

Sector	Gross carrying amount (Frw"000") Stage 1	Stage 2	Stage 3	Total exposure	Allowance for ECL (Frw"000") Stage 1	Stage 2	Stage 3	Total ECL	ECL Coverage % Stage 1	Stage 2	Stage 3	Total
constructions	32,822,471	14,025,053	5,153,821	52,001,346	9,061	245,825	3,625,611	3,880,497	0%	2%	70%	7.5%
Wholesale	29,920,845	2,881,041	1,213,543	34,015,429	192,692	66,082	669,945	928,719	1%	2%	55%	2.7%
Transport and communication	29,866,274	1,689,323	149,779	31,705,376	202,493	40,156	80,429	323,078	1%	2%	54%	1.0%
Agriculture	10,495,980	20,024	-	10,516,004	1,404	1	-	1,405	0%	0%	0%	0%
Manufacturing	34,424,664	-	715,704	35,140,368	14,813	-	295,828	310,641	0%	0%	41%	0.9%
Others	43,464,363	5,598,114	120,950	49,183,427	704,417	1,092,571	91,493	1,888,481	2%	20%	76%	3.8%
	180,994,597	**24,213,555**	**7,353,797**	**212,561,949**	**1,124,880**	**1,444,635**	**4,763,305**	**7,332,821**	**0.6%**	**6%**	**64.8%**	**3.5%**

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

40.2. Liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by Asset and Liabilities Committee. The Asset and Liabilities Committee (ALCO) also monitors the liquidity gap and at first instance would source funds from market using interbank borrowings and as a last resort, use repo and reverse repo arrangements with the National Bank of Rwanda. The Bank has also arranged for long term funding as disclosed under Note 31 and Note 32.

The liquidity ratios at the reporting date and during the reporting period (based on month end ratios) were as follows;

	2020	2019
At close of the year (at 31 December)	52.9%	39%
Average for the period	39.7%	37%
Highest for the period	52.9%	40%
Lowest for the period	31.1%	35%
Minimum statutory requirement	20%	20%
Liquidity coverage ratio	542%	229%
NSFR ratio	155%	153%
Cash reserve requirement	4%	5%

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at 31 December 2020 to the contractual maturity date.

31 December 2020	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
LIABILITIES						
Deposits from banks	15,668,004	10,033,769	14,958,552	5,719,116	3,444,543	**49,823,984**
Items in the course of collection	-	-	2,371,917	-	-	**2,371,917**
Deposits from customers	71,611,777	32,873,477	66,440,045	38,718,948	38,791,350	**248,435,597**
Other liabilities	-	9,308,854	-	-	-	**9,308,854**
Long term debt	-	-	2,453,347	34,696,445	2,200,000	**39,349,792**
Subordinated debt	-	-	30,074	9,724,750		**9,754,824**
Outstanding spot/ forward contracts	-	-	13,966,926	-	-	**13,966,926**
Letters of credit	-	-	19,692,072	-	-	**19,692,072**
Guarantees	-	-	42,538,490	-	-	**42,538,490**
Capital commitments	-	-	25,827,261	-	-	**25,827,261**
Leases	-	-	587,894	1,039,247	65,959	**1,693,100**
At 31 December 2020	**87,279,781**	**52,216,100**	**188,866,578**	**89,898,506**	**44,501,852**	**462,762,817**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

40.2. Liquidity risk (continued)

31 December 2019	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
LIABILITIES						
Deposits from banks	18,951,436	4,276,441	19,010,061	4,276,441	5,053,014	**51,567,393**
Items in the course of collection	-	1,364,320	-	-	-	**1,364,320**
Deposits from customers	54,795,149	33,750,765	50,653,621	23,031,487	29,573,319	**191,804,341**
Other liabilities	-	3,950,700	-	-	-	**3,950,700**
Long term debt	-	-	2,287,235	9,910,752	1,138,960	**13,336,947**
Subordinated debt	-	-	-	6,055,573	3,203,500	**9,259,073**
Outstanding spot/forward contracts	-	-	18,898,076	-	-	**18,898,076**
Letters of credit	6,347,460	3,094,604	3,782,160	-	-	**13,224,224**
Guarantees	-	-	40,385,462	-	-	**40,385,462**
Capital commitments	-	-	22,046,276	-	-	**22,046,276**
Leases	-	-	549,690	1,309,079	82,782	**1,941,552**
At 31 December 2019	**80,094,045**	**46,436,830**	**157,612,581**	**44,583,332**	**39,051,575**	**367,778,364**

Deposits from customers represent business transaction, personal transaction, savings, call and fixed deposit balances, which past experience has shown to be stable.

40.3. Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Traded market risk: the risk of the Bank being impacted by changes in the level or volatility of positions in the trading book. The bank currently holds financial assets at fair value through other comprehensive income amounting to Frw 48.9 billion (2019: Frw 16.4 billion).

Non-traded market risk: the risk of the Bank's earnings or capital being reduced due to the market risk exposure from banking book positions which may arise net of hedging activities. Market risk on the currency swap is based on the differential of the interest rates between the two currency swaps. This interest rate is fixed at the onset of the contract. The Bank holds a derivative financial instrument valued at notional amount of Frw 30 Billion (2019: Frw 18 billion).

Management of market risk

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

All foreign exchange risk within the Bank is managed by the Treasury Department. Accordingly, the foreign exchange position is treated as part of the Bank's trading portfolio for risk management purposes.

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

40.3. Market risk (Continued)

Overall authority for market risk is vested in the Board. The Finance and Treasury Departments in collaboration with the Risk Management Department are responsible for the development of detailed risk management policies (subject to review and approval by Board Risk Management Committee) and for the day-to-day review of their implementation. Management actively engage with their clients to continually roll forward their deposits.

Exposure to market risks – trading portfolio

The bank holds financial assets at fair value through other comprehensive income amounting to Frw 48 billion (2019: Frw 16 Billion) that is exposed to market risk. Management adopted the use of the yield curve in the current year as it is a better representation of fair value.

Exposure to interest rate risk – non-trading portfolio

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. All of the interest rate risk is due to fair value. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for reprising bands. The Treasury back office and Finance Department is the monitoring body for compliance with these limits.

Exposure to interest rate risk

A summary of the Bank's interest rate gap position reflecting assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates is shown below.

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

40.3. Market risk (Continued)

Exposure to interest rate risk (continued)

31 December 2020	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Non-interest bearing	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
ASSETS							
Cash and balances with National Bank of Rwanda	-	-	-	-	-	30,266,747	**30,266,747**
Due from Banks	-	28,478,686	-	-	-	10,824,234	**39,302,920**
Loans and advances to customers	24,873,460	14,777,771	40,714,467	87,100,099	37,742,355	20,976	**205,229,128**
Financial assets at fair value through profit or loss (FVTPL)	644,061	-	-	-	-	-	**644,061**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	1,922,173	-	10,747,526	36,273,547	-	**48,943,246**
Other financial assets at amortised cost	4,481,813	8,865,584	23,828,695	7,786,719	6,300,556	-	**51,263,367**
Due from group companies		-	-	-	-	1,131,523	**1,131,523**
Other assets	-	-	-	-	-	3,001,489	**3,001,489**
At 31 December 2020	**29,999,334**	**54,044,214**	**64,543,162**	**105,634,344**	**80,316,458**	**45,244,969**	**379,782,481**
LIABILITIES							
Deposits from banks	9,051,119	38,387,306	2,000,000	-	-	385,559	**49,823,984**
Items in the course of collection	-	-	-	-	-	2,371,917	**2,371,917**
Deposits from customers	3,952,166	147,851,671	27,540,945	52,107	-	69,038,708	**248,435,597**
Due to group companies	-	-	-	-	-	-	**-**
Other liabilities	-	-	-	-	-	11,001,954	**11,001,954**
Long term debt	-	-	2,453,347	34,696,445	2,200,000	-	**39,349,792**
Subordinated debt	-	-	30,074	9,724,750	-	-	**9,754,824**
At 31 December 2020	**13,003,285**	**186,238,977**	**32,024,366**	**44,473,302**	**2,200,000**	**82,798,138**	**360,738,068**
Interest rate gap	**16,996,049**	**(132,194,763)**	**32,518,796**	**61,161,042**	**78,116,458**	**(37,553,169)**	**19,044,413**

40. FINANCIAL RISK MANAGEMENT (CONTINUED)
40.3. Market risk (continued)

Exposure to interest rate risk (Continued)

31 December 2019	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Non-interest bearing	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
ASSETS							
Cash and balances with National Bank of Rwanda	-	-	-	-	-	30,691,946	30,691,946
Loans and advances to banks	-	15,143,464	-	-	-	13,460,747	28,604,211
Loans and advances to customers	34,599,464	8,981,608	19,792,165	73,543,590	39,339,089	(4,368,226)	171,887,690
Financial assets at fair value through profit or loss (FVTPL)	429,065	-	-	-	-	-	429,065
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	1,950,278	5,621,731	8,872,924	-	16,444,933
Other financial assets at amortised cost	798,650	1,930,368	9,939,232	11,631,984	7,364,939	-	31,665,173
Due from group companies	-	-	-	-	-	4,272,426	4,272,426
Other assets	-	-	-	-	-	4,535,644	4,535,644
At 31 December 2019	**35,827,179**	**26,055,440**	**31,681,675**	**90,797,305**	**55,576,952**	**48,592,537**	**288,531,088**
LIABILITIES							
Deposits from banks	19,186,421	19,467,240	3,000,000	2,000,000	-	7,913,732	51,567,393
Items in the course of collection	-	-	-	-	-	1,364,320	1,364,320
Deposits from customers	10,907,562	35,674,588	15,047,878	815,059	-	129,359,254	191,804,341
Due to group companies	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	5,837,204	5,837,204
Long term debt	-	-	2,287,235	10,140,512	909,200	-	13,336,947
Subordinated debt	-	-	-	6,055,573	3,203,500	-	9,259,073
At 31 December 2019	**30,093,983**	**55,141,828**	**20,335,113**	**19,011,144**	**4,112,700**	**144,474,510**	**273,169,278**
Interest rate gap	**5,733,196**	**(29,086,388)**	**11,346,562**	**71,786,161**	**51,464,252**	**(95,881,973)**	**15,361,810**

40. FINANCIAL RISK MANAGEMENT (CONTINUED)
40.3. Market risk (Continued)

Exposure to interest rate risk - continued

Customer deposits up to three months represent current, savings and call deposit account balances, which past experience has shown to be stable and of a long term nature.

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that the interest earning assets (including investments) and interest bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the Bank's business strategies.

Sensitivity Analysis

A change of 200 basis points in interest rates at the reporting date would have increased/decreased equity and profit or loss by the amounts shown below. The analysis assumes that all other variables in particular foreign currency exchange rates remain constant.

31 December 2020	**Equity net of tax**
200 basis points	Increase/decrease in basis points ('000)
Assets	4,699,367
Liabilities	(3,891,159)
Net position	**792,366**

31 December 2019	**Equity net of tax Increase/decrease in basis points ('000**
Assets	3,359,140
Liabilities	(1,801,727)
Net position	**1,557,413**

Currency risk

The Bank is exposed to currency risk through transactions in foreign currencies. The Bank's transactional exposure gives rise to foreign currency gains and losses that are recognised in the profit or loss. In respect of monetary assets and liabilities in foreign currencies, the Bank ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate. The table below analyses the currencies which the Bank is exposed to as at 31st December 2020 and 31st December 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

40.3. Market risk (Continued)

Currency rate risk

At 31 December 2020	USD Frw'000	GBP Frw'000	Euro Frw'000	Other Frw'000	Total Frw'000
ASSETS					
Cash and balances with National Bank of Rwanda	7,857,978	368,821	6,244,607	19,592	**14,490,998**
Due from Banks	27,101,116	425,654	11,575,074	201,076	**39,302,920**
Loans and advances to customers	31,944,580	3	176	-	**31,944,759**
Due from group companies	1,139,085	2,384	25,580	720	**1,167,769**
Other assets	12,943,067	-	-	-	**12,943,067**
At 31 December 2020	**80,985,826**	**796,862**	**17,845,437**	**221,388**	**99,849,513**
LIABILITIES					
Deposits from banks	6,152,437	-	231,124	-	**6,383,561**
Items in the course of collection	90,930	83,992	360,065	145,906	**680,893**
Deposits from customers	68,330,258	712,870	12,689,049	39,234	**81,771,411**
Other liabilities	641,290	-	3,586,099	-	**4,227,389**
Long term debt	24,553,520	-	-	-	**24,553,520**
Subordinated debt	9,754,824	-	-	-	**9,754,824**
At 31 December 2020	**109,523,259**	**796,862**	**16,866,337**	**185,140**	**127,371,598**
Net on statement of financial position	**(28,537,433)**	**-**	**979,100**	**36,248**	**(27,522,085)**
Net notional off balance sheet position	**48,362,412**	**-**	**1,512,896**	**-**	**49,875,308**
Overall net position – 2020	**19,824,979**	**-**	**2,491,996**	**36,248**	**22,353,223**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

40.3. Market risk (continued)

Currency rate risk (Continued)

At 31 December 2019	USD Frw'000	GBP Frw'000	Euro Frw'000	Other Frw'000	Total Frw'000
ASSETS					
Cash and balances with National Bank of Rwanda	6,809,992	162,152	1,611,042	21,359	**8,604,545**
Loans and advances to banks	21,348,115	69,727	6,818,496	367,873	**28,604,211**
Loans and advances to customers	31,368,543	-	273	-	**31,368,816**
Due from group companies	3,876,453	55,935	338,068	1,970	**4,272,426**
Other assets	21,762,032	604,987	441	-	**22,367,460**
At 31 December 2019	**85,165,135**	**892,801**	**8,768,320**	**391,202**	**95,217,458**
LIABILITIES					
Deposits from banks	14,073,083	-	242,131	-	**14,315,214**
Deposits from customers	60,628,041	264,438	6,807,863	176,351	**67,876,693**
Other liabilities	4,123,484	605,604	1,763,887	97,869	**6,590,844**
Long term debt	-	-	-	-	**-**
Subordinated debt	9,259,073	-	-	-	**9,259,073**
At 31 December 2019	**88,083,681**	**870,042**	**8,813,881**	**274,220**	**98,041,824**
Net on statement of financial position	**(2,918,546)**	**22,759**	**(45,561)**	**116,982**	**(2,824,366)**
Net notional off balance sheet position	**25,326,038**	**-**	**1,754,425**	**-**	**27,080,463**
Overall net position – 2019	**22,407,492**	**22,759**	**1,708,864**	**116,982**	**24,256,097**

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

40.3. Market risk (continued)

Currency rate risk - continued

Sensitivity Analysis

A reasonable possible strengthening or weakening of the USD, GBP, EUR against the Rwanda Francs (Frw) would have affected the measurement of financial instruments denominated in foreign currency and effected equity and profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates remain constant.

At 31 December 2020	Profit or loss Strengthening/ weakening of currency Frw'000	Equity net of tax Strengthening/ weakening of currency Frw'000
USD (± 2.5% movement)	495,624	346,937
GBP (± 2.5% movement)	-	-
EUR (± 2.5% movement)	62,300	43,610

At 31 December 2019	Profit or loss Strengthening/ weakening of currency Frw'000	Equity net of tax Strengthening/ weakening of currency Frw'000
USD (± 2.5% movement)	560,187	392,131
GBP (± 2.5% movement)	569	398
EUR (± 2.5% movement)	42,722	29,905

40.4. Capital management

Regulatory capital – Rwanda

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

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

The National Bank of Rwanda (BNR) sets and monitors capital requirements for the banking industry as a whole. In implementing its current capital requirements, BNR, requires Banks in Rwanda to maintain a prescribed ratio of total capital to total risk-weighted assets. The Bank's regulatory capital consists only of Tier 1 capital, which includes ordinary share capital, retained earnings, revaluation reserves and statutory reserves. The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

40.4. Capital management (continued)

Bank:	2020 Frw'000	2019 Frw'000
Core capital (Tier 1)		
Share capital	12,120,000	5,050,000
Share premium	6,249,832	400,000
Retained earnings	33,995,671	33,390,046
	52,365,503	38,840,046
Less: Other reserves	249,453	188,347
Intangible assets	(3,814,403)	(4,492,050)
Total Core capital	**48,800,553**	**34,536,343**
Supplementary capital (Tier 2)		
Revaluation reserve	465,475	2,047,698
Loans/Financing provisions	3,194,925	-
Subordinated debt	5,834,850	7,380,140
	9,495,250	**9,427,838**
Total capital	**58,295,803**	**43,964,181**

	2020 Frw'000	2019 Frw'000
Total risk weighted assets	**296,639,446**	**240,635,377**

Capital ratios	Minimum*		
Core capital /Total risk weighted assets	**10.0%**	**16.45%**	**14.35%**
Total capital /Total risk weighted assets	**15.0%**	**19.65%**	**18.27%**

* As defined by the National Bank of Rwanda

- The minimum level of regulatory capital is FRW15 billion.

40.5. Country risk

Country risk is the risk that an occurrence within a country could have an adverse effect on the Bank, directly by impairing the value of the Bank or indirectly through an obligor's ability to meet its obligations to the Bank. Generally, these occurrences relate, but are not limited, to: sovereign events such as defaults or restructuring; political events such as contested elections or referendums; restrictions on currency movements; non–market currency convertibility; regional conflicts; economic contagion from other events such as sovereign default issues or regional turmoil; banking and currency crisis; and natural disasters.

The Bank's risk management framework incorporates a number of measures and tools to monitor this risk. These measures include: stress testing of concentrated portfolios; various limits by country and a risk rating by country which determines the frequency of a country's review (weekly, bi–weekly, monthly, or quarterly). The country risk is generally identified with the domicile of the legal entity which is the Bank's counterparty, unless the majority of assets or revenues of such entity are located in another country, in which case reference is made to such different country.

40.6. Operational and business risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2020

40. FINANCIAL RISK MANAGEMENT (CONTINUED)

40.7. Compliance and regulatory risk

Compliance risk encompasses regulatory and legal compliance risk. Compliance risk is the risk that the Bank incurs financial or reputational risk through imposition of penalties or fines as a result of not adhering to applicable laws, rules and regulations and good market practice (including ethical standards). The Bank's compliance function proactively seeks to enhance compliance risk management and the supporting control framework. The Bank operates in a market where there is a significant level of regulatory change activity, therefore, compliance risk is a key area of focus for Senior Management. The compliance function monitors this risk through reference to metrics relevant to the Bank, review of incident reports and assessments, risk and control assessments pertaining to the first and second lines of defence functions, results of regulatory assessments, and review of results internal audit and external audit reports. Remediation of controls is conducted in a timely manner.

The Compliance function is responsible for establishing and maintaining an appropriate framework of Group compliance policies and procedures. Compliance with such policies and procedures is the responsibility of all managers. The regulatory quantitative information is disclosed on appendix 1.

40.8. Environmental and social risks

Environmental and social risks are the risks that the Bank could bear the consequences of socio-environmental fall-out of transactions. Such risks could arise from failure of the bank to assess the impacts of activities (of both the group and its clients) which could harm the environment or have negative social impact.

The Bank is aware that it has a responsibility to ensure that its internal practice and its lending activities do not have negative environmental and social impacts and is thus committed to ensure that such risks are sufficiently managed through its environmental and social management policy and by adopting the country's labour and environmental laws. The Bank also adheres to international best practice (IFC performance standards and ILO standards as ratified by the Rwanda government).

An environmental and social management system is being put in place to ensure due diligence and monitoring of the environmental and social risk is done efficiently. Compliance to these laws is monitored by the compliance function.

The Directors are responsible for selection and disclosure of the Bank's critical accounting policies and estimates and the application of these policies and estimates.

41. EVENTS AFTER THE REPORTING DATE

On January 18, 2021 up to February 08, 2021, Rwanda reintroduced a total lockdown of Kigali city in response to the rise of Covid-19 cases. After this period, there has been gradual easing of the restrictions through to February and March. Some of the restrictions included curtailed travel between various districts and provinces as well as a limit to business operating hours.

On 3 March 2021, Rwanda received the first shipment of COVID-19 vaccines through the COVAX initiative. Vaccines will be used to vaccinate a total of 171,480 people identified as priority risk groups, including health personnel, those above 65 years old or with underlying health conditions, and other frontline workers.

At Bank level, we are keenly following the developments, particularly the impact on business, bank customers and other stakeholders. Preliminary measures and business continuity plans to mitigate adverse impact have been activated as at the date of these financial statements even as the Bank continues to closely monitor and assess on an ongoing basis the rapidly changing situation.

Rwanda Publishes New Company Law

Rwanda has published the new Law Governing Companies (Law no. 007/2021 of 5 February 2021) in the Official Gazette, which repeals and replaces Law No. 17/2018 of 13/04/2018 governing companies. The new Law covers all requirements for the formation and operation of a company in Rwanda, the new Law Governing Companies entered into force on 8 February 2021 and provides that existing companies have one year to comply with the provisions of the Law.

OTHER REGULATORY DISCLOSURES (APPENDIX I):

I. Capital Strength	**2020**
	"Frw 000"
a. Core Capital (Tier 1)	48,800,553
b. Supplementary Capital (Tier 2)	9,495,250
c. Total Capital	58,295,803
d. Total Risk weighted assets	296,639,446
e. Core Capital/Total risk weighted assets ratio	16.45%
f. Tier 2 ratio	3.20%
g. Total Capital/Total risk weighted assets ratio	19.65%
h. Leverage Ratio	10.02%
II. Credit Risk	
1. Total gross credit risk exposures: after accounting offsets and without taking into account credit risk mitigation	**274,621,842**
2. Average gross credit exposures, broken down by major types of credit exposure:	
a) loans, commitments and other non-derivative off-balance sheet exposures :	274,621,842
b) debt securities:	100,206,614
c) OTC derivatives :	644,062
3. Regional or geographic distribution of exposures, broken down in significant areas by major types of credit exposure:	
Northern	3,294,875
Southern	2,301,071
Eastern	2,131,107
Western	5,583,210
Kigali City	261,311,579
4. Sector distribution of exposures, broken down by major types of credit exposure and aggregated in the following areas:	
a) Government;	377,110
b) financial;	-
c) manufacturing;	53,097,766
d) infrastructure and construction;	65,746,321
e) services and commerce.	116,385,221
f) others	39,015,425
5. Off Balance sheet items	**62,230,562**
6. Non-Performing Loans	
(a) Non performing Loans	9,628,881
(b) NPL Ratio	3.51%

7. Related Parties	
a. Loans to Directors, shareholders and subsidiaries	67
b. Loans to Employees	5,164,311
8. Restructured loans	
a. No. of borrowers	1,663
b. Amount outstanding (Frw '000)	69,028,314
c. Provision thereon (Frw '000) (regulatory):	1,589,029
d. Restructured loans as % of gross loans	25.14 %

Other regulatory disclosures (Appendix I) (Continued):
III. Liquidity

a. Liquidity Coverage ratio (LCR)	542%
b. Net Stable Funding ratio (NSFR)	155%

IV. Operational Risk

Number and types of frauds and their corresponding amount

Type	**Number Amount'Frw000'**
External - Use of forged payment order	-
Internal - Use of forged payment order	-
Internal - Theft	300

V. Market Risk	
1. Interest rate risk	1,846,203
2. Equity position risk	-
3. Foreign exchange risk	579,272
VI. COUNTRY RISK	
1. Credit exposures abroad	36,528,842
2. Other assets held abroad	-
3. Liabilities to abroad	44,389,403
VII. Management and Board Composition	
a. Number of Board members	9
b. Number of independent directors	6
c. Number of non-independent directors	3
d. Number of female directors	2
e. Number of male directors	7
f. Number of Senior Managers	11
g. Number of female senior managers	5
h. Number of male senior managers	6

www.imbank.com/rwanda