AB Bank RWANDA

INTEGRATED REPORT 2020

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CHAIRMAN'S MESSAGE

The year 2020 was an unprecedented year, as the world faced the significant health, operational, and economic impacts of COVID-19.

In March 2020, the country saw its first Covid-19 case. The arrival of the pandemic in Rwanda triggered policies intended to curb the spread of the virus and reduce its impact. These measures included travel limitations, restrictions on physical interactions and lockdowns.

Micro and small businesses were particularly affected, as these measures also limited their ability to do business, disrupted their supply chains, and all too often their own health, the health of their families and that of their customers and suppliers.

I would like to commend the leadership and commitment of the management of AB Bank Rwanda (ABR) with the support of the Board in expeditiously implementing measures to cushion the effect of this pandemic on staff, clients and other stakeholders. I am also inspired by the resilience of AB Bank and our esteemed clients during this crisis. Our staff adapted quickly to new processes designed to safeguard health and safety and look for new ways to support our clients.

Our clients have rapidly moved to rebuild businesses and in some cases, were able to find new opportunities amidst the pandemic.

In 2020, our Bank focused on helping our loan clients to navigate through the financial impact of the pandemic on their businesses. In recognition of the effects of the pandemic on our clients, the bank extended a grace period to about 60% of our loan clients during the first 90 days after the declaration of the first lockdown. In May 2020, the bank did an assessment of all loan clients to determine how we can best serve them individually. Based on the survey results, the bank was able to tailor fit solutions for each client.

> *"Our bank focused on helping clients to navigate through the financial impact of the pandemic on their businesses."*

In order to ensure that we continue to meet the needs of our clients, ABR started offering MoMo Push solutions in May 2020.

This begun our path towards digitalization. A year later, the bank already offers multi-channel solutions (MoMo Pull, Chatbot services via the website, FB Messenger, and WhatsApp). We are optimistic that our strategic initiative will lead to improved efficiency in the future with positive effect on the bottom line and a better overall client experience.

Despite the challenges posed by the pandemic, ABR went ahead with its geographical expansion. We opened 9 new credit outlets in addition to the 6 we already have. AB Bank therefore ended the year with 5 branches and 15 credit outlets which officially allowed us to offer our product and services throughout the country.

Despite the expansion, the bank's loan portfolio stagnated between 2019 and 2020.
The pandemic had a very adverse impact on the performance of our Bank. As with micro entrepreneurs around the world, our clients faced sharply lower business activity, supply chain disruptions, and restrictions on movement, as well as direct health impacts.

Though the number of loan clients increased by 20% as compared to the end of 2019, the loan portfolio remained at about Rwf12bn at the end of 2020.

The volume of loans disbursed reduced by 26%. The bank made a conscious decision to focus on the micro and small clients, as opposed to medium-sized enterprises. This accounts for the significant drop in loan disbursements.

Customers' deposits decreased by 22%. The decrease was triggered by the management's decision to not accept the renewal of some institutional deposits. This enabled the bank to manage its financial expenses more efficiently during the year.

Our interest income decreased by 12% in 2020, due to the relief given to our clients through grace periods and interest reductions, as well as the lower volume of business during the year. Total equity stayed over RWf 2bn, above the minimum regulatory requirement for a microfinance bank.

Going Forward

We have bigger expectations in 2021. ABR will expand to new locations- thereby increasing our client outreach and geographic coverage. We will rollout the Agro Loan and Bancassurance products and services; develop additional loan products and improve existing ones, intensify our partnerships with various organizations to leverage on expertise and presence, invest on needs-based training of the staff so that they are better able to manage risks and scale up, upgrade our contact center, and explore various digital delivery channels so as to improve our efficiency.
As we face another year, I in behalf of the Board, am confident that ABR is able to grow even more—and to do so as a responsible microfinance service provider. I am convinced that as long as we maintain our passion and commitment to serving the economically active portions of the population, we will continue to make headway in fulfilling our objectives and eventually make our presence in the market stronger and even more enduring.

I would like to express deep appreciation to all our stakeholders for their trust in AB Bank Rwanda and immense thanks to my colleagues in the board, management and staff, for their dedication, and to our customers for their loyalty and support. Thank you as well to all of the partners who believe in our vision to be the market leader in the provision of microfinance and related financial services at world-class standard.

I am optimistic of the future and confident in the focused leadership of the management team, talented staff, with the support of the board to optimize the opportunities to better position AB Bank.

Nick Barigye
Board Chairman

CEO'S REPORT

We are very pleased to share with you AB Bank Rwanda's 2020 Integrated Report. Though 2020 was the most challenging year, by far, we saw the opportunity to expand our business both geographically and digitally. This enabled us to somehow contain the shocks brought by the pandemic, and prepare us for the challenges and opportunities ahead.

The Covid-19 Pandemic redefined and remodeled all aspects of lives. The pandemic led to disruptive economic activities with many parts of the world declaring lockdowns to contain the Coronavirus infection. The cost of the outbreak for businesses and the global economy is even now still on the increase.

The pandemic triggered a severe economic shock leading to sharp decline in aggregate demand and supply, disruptions in global supply chain, increased sovereign and corporate debts, heightened financial market vulnerabilities, increased prices of basic commodities. Consequently, the global economy contracted by an estimated 4.3 percent in 2020.

However overall, the medium-term outlook for the global economy is beginning to show a ray of optimism following the discovery of vaccines to tackle the virus. In addition, peoples and economies started to adopt to a new way of life, a new way to thinking and working, and a new way of supplying.

Rwanda's economy had been growing by an average of 7% annually in the last few years. Last year, however, the GDP (gross domestic product) dropped by 3.4%. The country saw a 3.7% growth in the first quarter, but following the entry of the Covid-19 virus in the country (in March), the economy started to slid.

The hospitality industry and education were the worst hit sectors. However, the communication and information sector grew by 29%, with most business transactions converting to digital platforms. This helped speed up the country's efforts to convert to a cashless economy. The e-payment to GDP rate
increased from 34.6% in June 2019 to 54% in June 2020. Additionally, the percentage of counterfeit banknotes dropped significantly.

AB Bank had to make several adjustments to its business strategy in 2020. We developed a business continuity plan that is solid enough to ensure the continued growth of the business, as well as fluid enough to meet whatever possible challenges and opportunities lie ahead.

First stop- digitalization: Faced with the need to continue serving the clients especially
during the first lockdown (in March-May 2020), we embarked on the fastest Mobile Money (MoMo) Push implementation ever. In less than 6 weeks, we were able to offer a way for our loan clients and depositors to push money from their MoMo wallets to the bank.

With technical assistance support from the Nordic Microfinance Initiative (NMI),
a microfinance investment fund that focuses in building financial inclusion in Africa and Asia, AB Bank Rwanda embarked in the
development of Abby, the Chatbot. Through Abby, we are able to serve our clients via WhatsApp, FB messenger, as well as the AB Bank website. Abby was fully launched in the beginning of 2021.

Second, AB Bank Rwanda decided to open 9 more credit outlets in different parts of the country. By the end of the year, the bank has a total of 5 branches and 15 credit outlets, and has therefore officially covered the entire country. With digital platforms and physical presence across the country,
AB Bank Rwanda is now poised to serving communities across the country.

> "We developed a business continuity plan that is solid enough to ensure the continue growth of the business."

Performance in 2020

Loan Portfolio Growth

ABR ended the year with a gross loan portfolio of Rwf 11.2bn, which is 5% less than the end of the previous year. Though the bank was able to disburse an average of Rwf 900m monthly in the second half of the year, the SME portfolio continued to drop which mainly explains the reduction of the loan portfolio.

SME reduced by 20% in 2020, as compared to the previous year, while Micro and Super micro increased by 6% and 8% respectively. Owing to the challenges posed by Covid to all business operators, especially to the SMEs, the demand for loans in 2020 was not as high as in previous years. The upcountry
expansion aided in the growth of Micro and Super micro loan products.

Prior to 2020, ABR's loan portfolio was growing by an average of 45% annually. The growth, however, was mainly comprised of the SME portfolio. In 2020, many of our SME clients had difficulty coping with the disruption in the supply chain, and fell into overdues.
We continued to support our SME clients by adjusting to their repayment capabilities and timing.

However, the difficulties across the sector

persisted. ABR management decided to divert the bank's resources to growing the micro and small business enterprises.

Deposits

As at December 31, 2020, ABR has a total deposit portfolio of Rwf 8.8 bn. This is 22% lower than the previous year.

The reduction in deposits was primarily driven by the management's decision to not renew some institutional term deposits. In other words, ABR offloaded some excess liquidity, as the demand for loans was not as high as the previous years. This enabled the bank to reduce its financial costs, while still remaining very liquid through the year.

The retail deposits, however, remained fairly stable.

Financial Performance

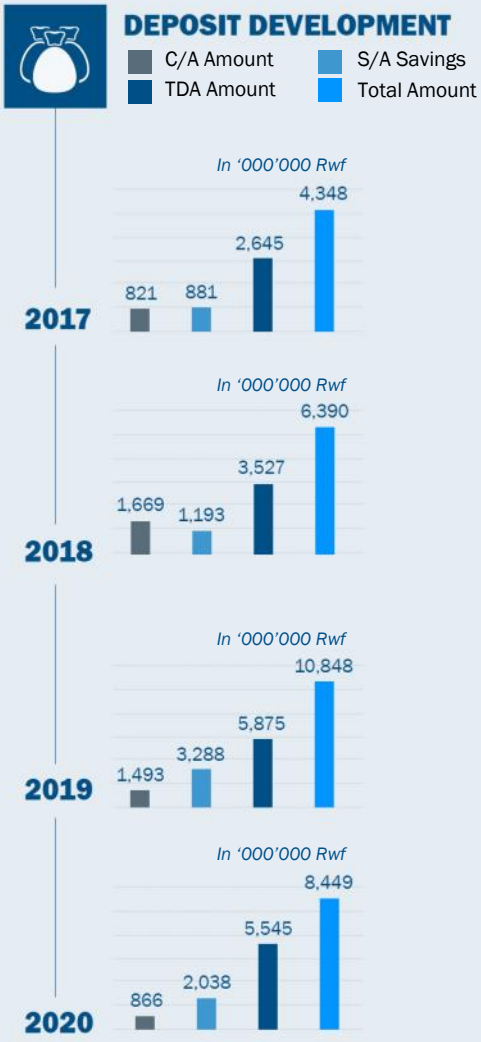
ABR saw a positive monthly P&L on the first 2 months of 2020, but immediately after the first lockdown started, we started experiencing losses on a month-to-month basis.

By the end of 2020, losses after tax accumulated to Rwf 1.9bn, partly owing to the Rwf 210m write-down in TDA, but mainly due to due to less interest income.

Notably, provision expenses reduced as compared to 2019. This is mainly because while several of our clients were hard-hit by Covid, the bank also introduced several improvements in the loan recovery process. The responsibility to do loan recovery (for defaults over a certain number of days) was given to a specialized team. This enabled the business team to continue producing new and repeat loans. The call Center also aided in loan recovery.

Additional Highlights 2020

- In order to strengthen the bank's governance, 2 new Directors joined ABR, Ms. Dianne Dusaidi and Dr. Gregor Taistra. Ms. Dianne Dusaidi is currently the Program Manager



of the Mastercard Foundation in Rwanda. Dedicated to the development of Rwanda and the African continent, Dianne has been involved in several high impact programs ranging from group financing for financial inclusion to E-Commerce for women.
Dr. Gregor Taistra is currently the Principal Project Manager at KFW Development Bank Germany.
He holds a PhD from Johann Wolfgang Goethe University in Frankfurt. He is a financial sector specialist with focus on financial policy, credit risk assessment, microfinance, and was shareholder representative for various type of micro-finance funds.

- We received our bancassurance license from BNR in September 2020 and subsequently, launched 2 new products (account insurance the end of the year and motor insurance in Q2, 2021).
  This allowed us to diversify our product offering, and expand the options of our clients.
- We started the implementation and pilot testing of the micro agro-loan in Musanze. The uptake was initially slow (mainly because of the country-wide lockdown between March and May), but it gained momentum by Q3. Towards the end of 2020, we prepared the rollout covering almost all of our geographic reach.
- We started upgrading our call center in 2020. This involves implementing a contact center solution that will allow us to improve the quality of our service to our clients, automate some of our service delivery, etc.
- ABR further strengthened its human resources in 2020. We hired a Senior L&D Officer as the bank shifted to more online training and coaching, an Insurance specialist that can lead the launch and performance of the Bancassurance products, and an Agro-specialist that can help prepare the rollout of the agro-loan, among others.
- In addition, we continued to assist the various communities where we operate.
  In April 2020, we partnered with AVEGA to support vulnerable widows and survivors of the 1994 Genocide against the Tutsis living in Kigali providing food and basic home cleaning products.
  In December 2020, ABR further extended support to communities living in the eastern Province namely in Muyumbu sector, Rwimbogo model village and Rwamagana town. This action aimed at promoting the spirit of mutual aid and solidarity among our clients and other families that were severely affected by the Covid-19 pandemic.

Social Performance

We remained true to our aim of serving rural low income communities, especially the women. Forty per cent (40%) of the total borrowers are women. The share of women contribution to the overall GLP mix was 35% i.e. an increase of 1ppt since the previous year. YoY-, there is a 3% increase of women GLP while the same ratio has remained stable for men category. 37% of the number of active deposit accounts are held by women depositors (up by 2% since last reporting). Women clients' contribution to total deposits volumes is 17% i.e. up by 2ppt compared to the previous year.

In terms of client's product exposure, compared to the previous year, the total exposure has increased by 1%. The micro products segment accounts for 55% of the total portfolio mix. This is key to our mission of addressing the financing needs of the low income strata (up by 2% compared to

the previous year).

As part of its sustainability objectives, the bank also tracks the client's exposure to environmentally risky activities. The structure of our loan portfolio exposure by Sector / Activity shows that we are on a positive track as a result of financing activities that have a low environmental risk impact.

Strategic Priorities for 2021

- We plan to open 3-7 new credit outlets.
- We will rollout the agro-loan products in all of the credit outlets.
- We plan to complete the implementation and subsequently launch the Mobile Money Push services. This will enable the bank to offer complete MoMo services to all its clients.
- We also want to intensify our Environmental and Social Performance Management (ESPM) program; and to leverage these for improved risk management, as well as increased market share.
- We plan to rollout the Chatbot services in Kinyarwanda and English.

We certainly look forward to a more productive and more exciting year! We have shown in 2020 that we can manage the challenges posed by Covid-19. And we will continue to manage. As we face another year, I in behalf of the management and staff, am confident that ABR is able to grow even more—and to do so as a responsible microfinance service provider.

I am convinced that as long as we maintain our passion and commitment to serving the economically active portions of the population, we will continue to make headway in fulfilling our objectives and eventually make our presence in the market stronger and even more enduring.

Let me acknowledge all the hard-working and committed members of ABR's management and staff. Your contribution is driving ABR to what it is today—one of the fastest growing microfinance provider in the country! I would also like to express my sincere gratitude to our customers, our shareholders, development and strategic partners and strategic business partners for your overwhelming support to AB Bank Rwanda.

Lastly, I wish to thank the Shareholders and the Board of Directors without whose support we would not have developed the resiliency and strength that we currently have.

We deeply thank you for your oversight and guidance. May 2021 be another year of growth and service excellence!

Arah Sadava
Chief Executive Officer

WHO
WE ARE

Eric Nzabonimpa
ABR Customer since 2015

"I feel useful to my country as my business grows".

ABR first opened its door to the public in January 2014 with 1 branch in the Nyamirambo district. Before the dawn of the same year, the bank expanded its network, adding two new branches located at Nyarugenge and Gisozi.

Year 2015, ABR inaugurated its 4th branch in Kimironko. By the end of its third year, the bank was covering most of the strategic areas in the Rwandan capital , becoming the fastest growing bank in its segment.

In July 2016, ABR opened its fifth branch, also the first upcountry branch located in Musanze covering the northern part of the country.

The Musanze branch was deemed as the flagship branch for rural finance.

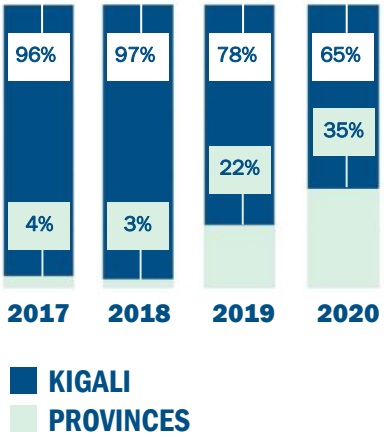
In 2018, ABR opened 1 more branch (Nyabugogo) in Kigali. In that same year, ABR expanded its footprint across the country by opening 3 credit outlets situated in Muhanga, Rwamagana and Kabarondo.

In the first quarter of 2019, AB Bank expanded its network with 3 more credit outlets respectively located in Huye, Gicumbi and Nyagatare.

In 2020, AB BANK continued its geographical expansion with 9 credit outlets respectively in Kamonyi, Nyamata, Kabarore, Nyanza, Ruhango, Rubavu, Nyamagabe, Karongi and Rusizi.

To date, ABR has a network of 5 branches and 15 credit outlets in all parts of the country.

REGIONAL PORTFOLIO DISTRIBUTION (%)



2014
ABR founded , 3 branches opened in Kigali.

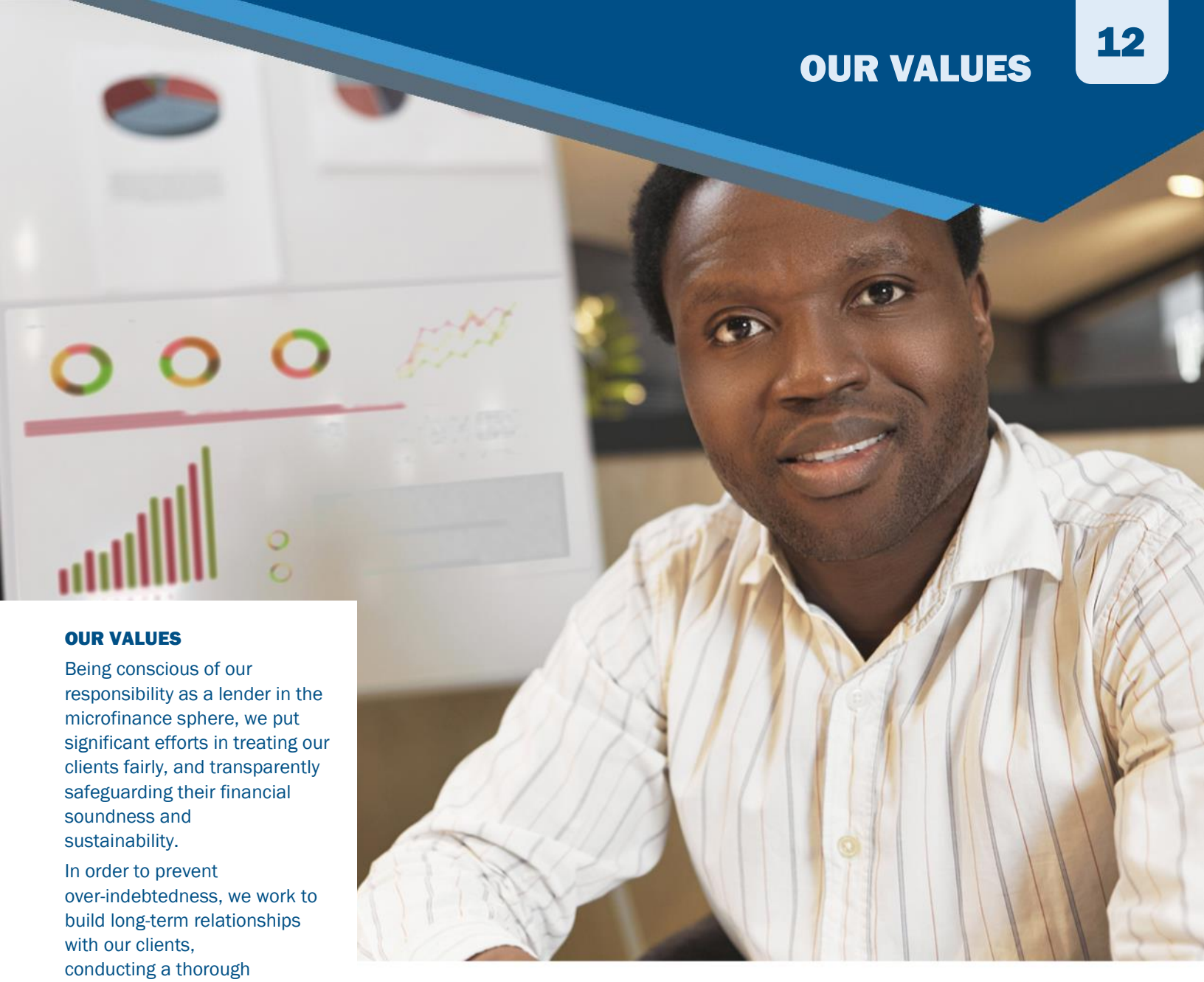
2015
The 4th branch opened in Kigali.

2016
First branch established outside of Kigali at Musanze.

2018
Opened the 6th branch in Nyabugogo and 3 credit outlets upcountry.

2019
Opened additional 3 credit outlets upcountry.

2020
9 credit outlets opened. Introduced Push&Pull digital service and bancassurance products.



OUR VALUES

Being conscious of our responsibility as a lender in the microfinance sphere, we put significant efforts in treating our clients fairly, and transparently safeguarding their financial soundness and sustainability.

In order to prevent over-indebtedness, we work to build long-term relationships with our clients, conducting a thorough analysis of their repayment capacities and tailoring loan products to suit their needs, while at the same time, ensuring financing is made available in a timely manner.

Appropriate product design and delivery channels which are tailored to the specific needs of the bank's target clientele – micro entrepreneurs in the informal sector.

Prevention of over-indebtedness by ensuring that the credit process determines client's repayment capacity. We also check the client's credit history with the Credit Bureau.

Mechanisms for complaints and problem resolution for clients– We provide various channels for our clients to complaint and raise issues and queries and services.

Protection of client data by respecting the privacy of individual client data in accordance with the laws and regulations of the land.

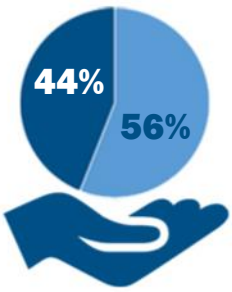
Fair and respectful treatment of clients Safeguarding against discrimination, corruption and any kind of aggressive or abusive treatment by its staff and agents.

Responsible pricing—we set our pricing in such a way that it is affordable for our clients and sustainable to the bank.

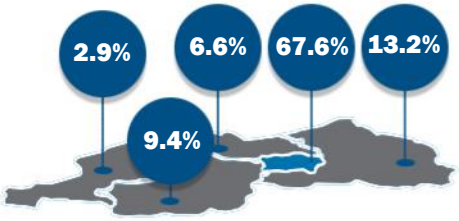
Transparency in pricing –We disclose the pricing, terms, and conditions of the products we offer in such a way that is understandable to clients.

TOTAL PORTFOLIO
(Bn Rwf)

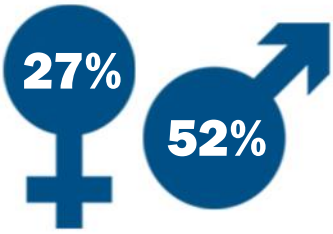
PORTFOLIO PER BUSINESS SIZE



REGIONAL DISTRIBUTION OF PORTFOLIO



GENDER DISTRIBUTION OF PORTFOLIO



A GLIMPSE OF 2020

Despite the challenges posed by the Covid-19 pandemic on the financed businesses thus affecting our business growth targets, especially the loan portfolio, the bank continued its strategic efforts to expand the business' foot-print mainly targeting the rural clientele.

In 2020 alone, we opened 9 credit outlets in major rural business centers, making a total of 15 credit outlets which are operational countrywide.

This geographical expansion enabled the bank to record a 35% increase in the credit portfolio outside Kigali. The bank is certainly gearing for growth.

OUR STRATEGY

We are committed to the development of the Rwandan financial sector by rendering accessible services to the people and their communities, with excellent quality standards.

Our strategy is articulated around 4 pillars:

We strive to grow the business income and profit through product diversification and client acquisition. We are committed to grow the banking service's accessibility through geo-expansion. We aim to improve efficiency through business processes automation, as well as the implementation of digital financial services.

We are a socially responsible bank and the bank of choice for micro and small enterprises. We strive to be the leading provider of financial services in this market segment in Rwanda.

Business loans, which are primarily based on the assessment of the borrower's repayment capacity, are the core product of the Bank. We build long term business relationships with customers based on
mutual respect. In doing so, we promote a savings culture and support borrowers to build-up a sound credit history.

01 | GROWTH

02 | ACCESSIBILITY

03 | EFFICIENCY

04 | DIGITALIZATION

OUR LEADERSHIP

BOARD OF DIRECTORS

NICK BARIGYE
Chairman

Nick is currently the CEO of Rwanda Finance Ltd where he is bringing extensive strategic, operating and general management experience. Nick has occupied C-level positions in various companies from agro business to infrastructure. Mr. Barigye has spent three years of his early career as a Policy Analyst at the Rwandan Ministry of Finance and Economic Planning, where he was responsible for the implementation of the Rwandan Government's Fiscal Decentralization Strategy.

ALBERT KINUMA
Board Member

Albert is currently the African Partnerships Lead at Segovia, a Fintech company based out of New York focusing on payments and international remittances. In 2010, he launched the first mobile money deployment in Rwanda as the Head of MTN Mobile Money. A former member of IFC (World Bank Group), he served as a Digital Financial Services Specialist. As Senior director at VISA Inc, Albert was in charge of MVISA the first interoperable branchless banking mobile solution in the world.

BERND ZATTLER
Board Member

Dr. Bernd Zattler joined the AB Bank's Board of Directors in September 2018. Dr. Zattler is the Chief Executive Officer of AccessHolding. In 1994, Dr. Zattler established the consulting firm LFS Advisory GmbH (former name LFS Financial Systems), the founding shareholder of AccessHolding. His prior professional experience includes working for a multinational firm and other institutions engaged in development finance. Dr. Zattler holds a PhD in Economics.

ROLF REICHARDT
Board Member

Dr. Rolf Reichardt joined the AB Bank Board in May 2019. He is currently the Chief Finance & Risk Officer of AccessHolding, the majority shareholder of AB Bank Rwanda.

Previously, Rolf worked as CFO and later as CEO of AccessBank Azerbaijan. His former professional experience covers various risk management functions in some of the largest German banks.

Dr. Reichardt holds a doctoral degree in Finance and a M.Sc. in Economics.

CHRISTIAN RAMM
Board Member

Christian is currently the Investment Director at the Nordic Micro-☐finance Initiative (NMI). Christian also served as Finance Manager at the impact investor Ferd Social Entrepreneurs and Acting Country Director & Finance Manager for Norwegian People's Aid in Angola. Christian holds an MBA in Finance from the Norwegian School of Economics (NHH) and Universität Mannheim, Germany.

GREGOR TAISTRA
Board Member

Dr. Taistra holds a PhD from Johann Wolfgang Goethe University in Frankfurt and is the Principal Project Manager at KFW Development Bank Germany.
He is a financial sector specialist with focus on financial policy, credit risk assessment, and microfinance; and was a shareholder representative for various types of microfinance funds. Currently, he is mainly involved in managing KfW projects in the field of decentralization in Central Africa.
Dr. Taistra has more than 20 years of experience in the financial sector.

DIANNE DUSAIDI
Board Member

Ms. Dusaidi is a Program Manager at the Mastercard Foundation.

At Mastercard Foundation, she plays a major role in developing strategic partnerships to promote youth employment in the tourism sector.
Ms. Dusaidi holds a MBA in International Business from Maastricht School of Management and a bachelor in Public Administration and Governance from Ryerson University in Toronto, Canada.

MANAGEMENT TEAM

ARAH SADAVA
Chief Executive Officer

Arah Sadava assumed the CEO role at AB Bank Rwanda in April 2015. Prior to joining AB Bank, she was the Retail/Banking Services Manager of Access Bank Liberia.

She has more than 20 years of experience in microfinance and banking in over 9 countries, 7 of which are in Africa.

Arah started her career as a rural banking/microfinance specialist and later managing transformation projects. After having succeeded with those projects, she served for a well-known MF bank as the Chief Operations Officer in Tanzania, and then in Mozambique.

In 2009, she accepted the CEO post for a licensed non-bank financial institution in Ghana. Arah later on moved to Ethiopia to serve as the Project Manager for a rural savings project. In 2011, she joined one of the largest licensed MFIs in Cambodia as the CEO.

ROBERTO RANDRIANARISON
Chief Business Officer

Roberto joined AB Bank Rwanda as the Chief Credit Officer in 2016. With the merger of the retail and credit functions, Roberto assumed the role of Chief Business Officer.

He has been pivotal in managing the bank's credit risk leading to improved asset quality. He has extensive experience in credit analysis and management from having worked in the financial sector for over 10 years in various countries.

Prior to joining the bank, he worked for an international microfinance holding in various positions, the last being Chief Business Development Officer.

Roberto holds a Project Management Professional degree from the Project Management Institute and is a certified expert in Risk Management and SME finance from the Frankfurt School of Finance and Management.

JEAN CLAUDE BIHOYIKI
Chief Finance Officer

Jean Claude joined AB Bank Rwanda as a senior accountant. The following year, he was promoted as Head of Finance. In January 2019, he was further promoted to the CFO position, and officially joined the senior management team.

Prior to joining the bank, he worked at the Agaseke Bank Ltd for a total of 6 years and served in different positions: 1 year as Branch Manager, 3 years as Head of Internal Audit and 2 years as Head of Finance and Administration.

Jean Claude holds a bachelor's degree in Economics, Money and Banking from the University of Rwanda and a master's degree in Financial Management from Amity University.

He is currently undertaking ICPAR courses.

DIDIER MUTABAZI
Head of Digital Finance and Innovation

Didier joined AB Bank in 2018 as the Head of Digital Finance. Prior to joining AB Bank, he was the Head of Non-Voice Business in Tigo Rwanda, overseeing the Internet Business portfolio and leading the digital growth acceleration plan.

He has 7 years of experience in the telecom industry, where he occupied different roles ranging from Operations and Quality Coordinator to Head of Value-Added Services and later Head of Non-Voice Business.

He has been instrumental in the Tigo brand transformation project from a "Mass-Market targeted" to a "Digital Lifestyle" brand.

Didier holds a bachelor's degree in Business IT from the Institut African d'Informatique, Gabon and a Diploma of Executive Training in Business Administration from Mount Kenya University, Rwanda. He speaks English, French and Kinyarwanda.

DON KING AGABA
Head of Legal and Company Secretary

Don K. Agaba Joined AB Bank in April 2016 as a Senior Legal Officer and later appointed as Head of Legal and Company Secretary in 2018,

Don is a corporate lawyer specializing in corporate governance and Banking & Finance law in Rwanda.

Prior to joining AB Bank, Don was a Senior Associate in Cedar Ark Law, a corporate law firm that specializes in providing legal support to corporate entities as well as small and medium sized companies. During this time, he advised on a number of transactions ensuring the transactions were executed in conformity with the Rwandan laws.

Don's professional experience is in line with Project finance, Banking, Corporate law and Company secretary practices. He holds a Bachelor's degree in Law, a LLM in Business Law from the University of Rwanda and also completed a Sustainable Business Strategy course at Harvard Business School. Don is also currently completing a Master's degree in Business Administration from Mount Kenya University in which he is majoring in strategic management.

JERRY JOAS NDIKUMANA
Head of Retail Business

Joas is currently the Head of Retail. He joined AB bank Rwanda in November 2013 and has served in different roles like Head of micro credit department, Deputy Head of Micro Department, Branch Manager, Group Leader and Client advisor.

Before joining AB Bank Rwanda, he worked in the education sector in the Rubavu district for four years.

Joas holds a First Class Honor Bachelor's Degree in Management and he has pursued different Leadership and Management training programs, both local and international.

YVES KEVIN HABUMUREMYI
Head of Internal Audit

Yves Kevin joined AB Bank Rwanda in May 2019, as the Head of internal Audit. Prior to joining AB Bank, Yves Kevin worked for Prime Insurance Ltd as Head of Internal Audit for a period of 7 years.
He has over 13 years of experience in Auditing financial information systems, internal controls and Accounting in highly reputable institutions including the Central Bank of Rwanda (BNR), Office of the Auditor General (OAG) and Magasins Generaux du Rwanda (MAGERWA).
Yves Kevin holds a Bachelor's degree of Business Administration, specialized in Finance (BBAfin) from the Kigali Institute of Sciences Technology and Management (KIST). Yves Kevin is also a Certified Information System Auditor (CISA) delivered by the Information System Audit and Control Association (ISACA), and Certified Forensic Investigation Professional (CFIP) delivered by the International Institute of Certified Forensic Investigation Professionals (IICFIP).

DAGOBERT RUGWIRO
Head of Risk

Dagobert is the bank's head of risk department, responsible for overseeing the company's governance and strategy for overall risk management and compliance. He joined AB Bank Rwanda in 2014 and served in various positions, including Front Office Supervisor, Compliance Officer and Senior Risk Officer.
Dagobert holds a Master's Degree in Business Administration and Project Management from the University of Kigali and had completed a certified expert in risk management course from the Frankfurt School of Finance & Management as well as the Management Development Program from Strathmore University.
Dagobert has also gone through several career development training and has completed several courses in Risk management, AML/CFT, Information security and leadership both local and international

ASSA KUGURU
Head of IT Operations

Assa is the bank's head of IT department, responsible for overseeing the company's Information Technology Operations.

He joined AB Bank Rwanda in late 2019 from sister Bank in Tanzania, where he served in various positions in IT department since 2012.

Assa played major roles in leading ABR IT team in various IT projects including digital transformation of the bank.
Assa holds a bachelor's degree in Information Systems from the University of Dodoma (Tanzania). He is fluent in English and Swahili.

FIDELE NTAGAWA NGANDO
Head of HR

Fidele holds a bachelor's degree in Agricultural Economic and Agribusiness from the University of Rwanda and is a certified Job evaluator by Korn Ferry. As our Head of Human Resources department, he oversees strategic alignment and operations efficiency over the Bank's human resources.
In addition to over 8 years of working experience, mainly in Human resources management, Learning, development and Business management, Fidele has acquired a tremendous expertise in the field of human resources management.
Prior to joining AB Bank Rwanda, Fidele has worked with a UNHCR Partner involved in bringing support to refugees, offering capacity building workshops and coaching in entrepreneurship.
Fidele is about to graduate from Access Campus of AccessHolding (Berlin) where he is undertaking a year and half management development program .

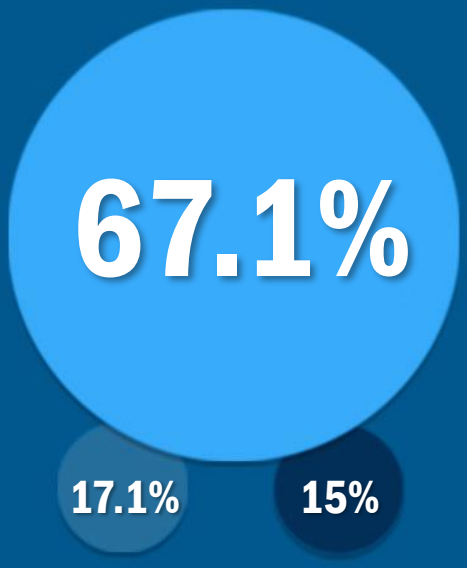
OUR SHAREHOLDERS

OUR SHAREHOLDERS

Percentage Shareholdings

As per December 2020

- Access Holding
- KFW
- IFC



AccessHolding

Access Microfinance Holding AG is a private company incorporated in Germany. AccessHolding was founded in 2006 as a partnership among high profile investors from the public sphere (Development Finance Institutions or "DFIs") and private sector impact investors.

AccessHolding is a strategic investor and active manager of the financial institutions in its network spread across Sub-Saharan Africa, Eurasia and South America.

KFW

International Finance Corporation (IFC) is the private sector arm of the World Bank which creates opportunity for people to escape poverty and improve their lives.

IFC fosters sustainable economic growth in developing countries by supporting private sector development, mobilizing private capital and providing advisory and risk mitigation services to businesses and governments.

IFC

KFW Development Bank is a member of KfW-Bankengruppe, a promotional bank under the ownership of the Federal Republic of Germany and its federal states.

KfW support programs and projects in developing countries and emerging economies to fight poverty, maintain peace, protect both the environment and the climate and shape globalization in an appropriate way.

GROWING
WITH US

We support MSMEs to grow their businesses by providing the working capital for stock financing or other business expansion needs. Our credit products are designed to match the client's repayment capacity and we strive to ensure the client receives the loan within maximum 10 days.

Our credit products are broken down into different following tiers:

- Micro loans: up to RWF 5m
- Super Micro loans: from RWF 5m up to RWF 25m
- SME loans: above RWF 25m and up to RWF 150m

For our existing clients with a good record of repayment, we endeavor to provide a repeat loan instantly upon receiving a repeat loan request.

The features and benefits provided are:

- Loan amount is determined by an assessment of the financing need expressed by the client and depends on individual capacity of repayment;
- A repayment period of up to 36 months;
- A repeat loan possibility is provided to willing clients upon paying 75% of the loan amount;
- Monthly repayment can be made using Mobile Money Push service;
- A loan protection insurance is provided to the client upon loan approval;
- Supports the client to build a credit history.

Education matters

Education is the most important investment for the future of children and the society in general. The schooling period often comes at a time when clients face financial challenges. The School loan is designed to remove the hassle, helping parents and guardians to send children to school and pay later in instalments hence, minimizing the financial burden on the family and business.

The features and benefits provided are:

- School fees paid instantly to the school account upon loan approval
- Covers other needs such as school

uniforms and school supplies;

- Flexible payment conditions depending on the loan amount.

Access to equipment

We help clients looking to acquire a new equipment such as home appliances, equipment or phone devices to get the desired equipment and repay in instalments. The equipment loan is designed to help clients in acquiring the desired equipment instantly with less financial burden.

The features and benefits provided are:

- Pre-agreed preferential retail price with our equipment partners;
- Large product catalogue: Smartphones, TVs, Refrigerators, kitchen appliances...etc.
- Loan disbursed instantly, equipment collected at the Partner store immediately;
- Product warranty offered by Partner and After Sales Service.

Agro-loans

A credit facility tailored to smallholder farmers and other MSMEs in the agri-business value chain to support their financial needs and empowering the rural economy.

The features and benefits provided are:

- Loan amount is determined by an assessment of the financing need expressed by the client and depends on individual capacity of repayment;
- A repayment period of up to 36 months;
- A repeat loan possibility is provided to willing clients upon paying 75% of the loan amount;
- Monthly repayment can be made using Mobile Money Push service;
- Supports the client to build a credit history.

Savings Accounts

With our diversified savings accounts, we help our clients to reach their savings goals and to build resilience to attend to unpredictable events. Clients who sign up for our savings accounts take advantage of our competitive rates hence benefit our account remuneration plans.

ONGERA Savings Account

ONGERA Savings account is designed to help clients start their saving journey at their own pace with more freedom to access their money whenever and unlimitedly. With a minimum opening balance of RWF 1,000, clients can earn an interest of 3.5% per year on savings.

The features and benefits provided are:

- Minimum Opening Balance fixed at only RWF 1,000
- No limit on the number of withdrawals per month
- No penalties for additional withdrawals
- 3.5% remuneration per annum on clients' deposits;
- Can save digitally using Mobile Money Push service;
- SMS notifications on account transactions.

SARURA Savings Account

SARURA saving account gives premium remuneration rates to dedicated saving clients looking to maximize the profit through savings.

The features and benefits provided are:

- Opening Balance fixed at RWF 100,000;
- 6 to 7.5% remuneration per annum depending on the saved amount;
- One Free withdrawal per month.
- Can save digitally using Mobile Money Push service;
- SMS notifications on account transactions.

IGIRE Term Deposit Account

Save an amount of money for an agreed length of time and we guarantee the interest rate you will be receiving for the term you select. IGIRE Term Deposit Account returns an attractive interest rate ranging from 6% to 9%. Invest your mon-

ey wisely and let it work for you!

The features and benefits provided are:

- Attractive annual interest rates from 6 to 9%;
- Affordable minimum deposit of RWF 50,000 for individuals and RWF 100,000 for legal entities (no maximum limit);
- Possibility of renewal or roll-over upon maturity;
- Free account statement;
- SMS notifications on account transactions.

IKIMINA Group Savings account

Clients can save money as a group for the future with our IKIMINA account.
Save together and grow together!

The features and benefits provided are:

- Loans for individual members who own businesses
- Contributions paid via standing orders on client's account (no need to walk to the bank to make your contributions)
- No account maintenance fees;
- Free withdrawals;
- One Free account statement per month;
- Minimum deposit of RWF 10,000;
- Minimum interest earning balance RWF 100,000;
- Possibility for qualifying groups to get financial literacy and entrepreneurship training opportunities;
- Earn up to 5% interest payable monthly on balances from RWF 25m and above;
- SMS notifications on account transactions.

ISANGE Current Account

Isange current account is tailored to address client's personal and business needs to transact conveniently and swiftly.

The features and benefits provided are:

- Account maintenance fees are at an affordable rate of only RWF 800 per month;
- Easy access to all Bank's services;
- Payroll processing;
- Standing orders;
- Transfers to all local banks;
- Bank guarantees;
- Cheque books;
- SMS notifications on account transactions.

Bancassurance products

We provide easy and fast insurance cover in partnership with insurers to enable clients to invest in their future knowing that the clients and their families love are protected.

NGOBOKA Insurance

With NGOBOKA insurance, clients confidently set aside a regular deposit to insure a cover in case of total disability or death.

The NGOBOKA policy offers flexibility to choose between two options: **Individual Scheme** (starting from RWF 400 per month) which offer the sole client a NGOBOKA coverage or include family members under the **Family Scheme** (starting from RWF 900per month) which enables you to extend coverage to your spouse and a maximum of four kids aged under 25.

SUSTAINABILITY INITIATIVES

AB Bank Plc considers Succession Planning as a process by which the staff members are scanned to pass on the leadership roles to ensure that business continues to operate efficiently without the presence of people who were holding key positions depending on various departure reasons among which are resignations, dismissal or retirement, though the ABR Staff is mainly young.

At ABR, positions are taken up from within and through organized processes of assessment, training, apprenticeships and shadowing to name a few, and this practice helps in motivating employees.

The ABR process involves:

- The initiation phase whereby the interns sourced from stakeholders such as RDB and/or academic institutions provide fresh graduates as interns who are trained for a 2 weeks minimum time in business areas of the bank and employee management procedures. Here, top internal trainers cope with the process. Interns are appointed according to vacant positions on which they get confirmed basing on performance. They are given buddies to support mentor them accordingly.
- The selection process for leadership Position (Team Leaders...) follows internal recruitment policies whereby the candidates are chosen on experience, performance, disciplinary basis and commitment. The related internal interviews are conducted and candidates are placed on competitive basis.
- Trainings are also planned according to employees' clusters by considering existing gaps and whereby both online and in class Trainings are conducted in theOngoing learning culture of the Bank.

Current Learning and Development programs at ABR

The **Dual Apprenticeship System Coordinator**, a program of 25 AB Bank's apprentices with other MFIs, implemented by the German Cooperation in partnership with Finanzgruppe, RDB, AMIR and RICEM. This adult-based Dual Apprenticeship System is a combination of workplace learning with supplementary vocational instruction and competence-based training for practical application of knowledge, skills & attitudes.

Group Development plans that involve recurring Leadership Trainings that prepare Team Leaders and Branch Managers for current and potential next level leadership positions.

Shadowing: the process is built on having internal employees have buddies who, while on the high levels, support those on lower levels to effectively carry out their endeavors in a "Doctor-Behind spirit". Shadowed staff learn from their individual buddies while delivering on their position -related responsibilities.

In a nutshell, ABR does believe Succession Planning is key for both employee management and business strategy achievements and it is open to additional Succession Planning initiatives and practices for further improvement.

Sanitary measures

Hand sanitizers available in branches and offices.
Temperature checks in all branches, security guards trained.
Continuous surface and floor disinfections.
Regular disinfection of bank's cars

Surgical gloves and masks made available to all front liners.

Sufficient stock of safety kits, hand sanitizers, cleaning chemicals, etc.

Removal of all biometrics authentication.

Increase of cleaners staff.

Measures Instituted at HO and at the Branches

Reduce/limit internal paper based communication.

Stickers on the floor to define distance to be respected for clients.

Regular Covid-19 updates through email and WhatsApp announcements to all employees.

Task force created with daily updates through Skype and Zoom.

Preventive information with regards to Corona in all branches.

Measures instituted at HO

Suspend all gathering including classroom training.

Suspend all recruitment plans.

Reduce the documents/papers that is coming into the Bank and documents/papers that are leaving the bank.

Remote work, except call centers and essential staff.

Remotely technological means to access the CBS off-site provided.

Provide communication support to enable staff to work from home: additional airtime top-up and internet bundle.

Develop the communication protocol to guide all staff.

Provided online training on COVID-19 via Access Mind portal.

Additional measures

Guidelines on what to do when staff come into contact with a person under investigation or told to self-quarantine.

Tips for employee to work remotely and rules that must be followed.

Weekly communication by the CEO to all the staff.

Internal regulation on heightened hygiene and safety measures and The Do's and Don'ts on the use of masks.

AB BANK RWANDA AND ITS CUSTOMERS ARE PROMOTING A SPIRIT OF MUTUAL AID.

Faithful to its values and aware of its social role, AB BANK RWANDA provided assistance to people made vulnerable by the Covid-19 pandemic, which has severely shaken the social fabric with a more pronounced impact in already disadvantaged spheres.

AB BANK RWANDA delegation began its tour at Muyumbu sector where it distributed rice, corn flour, sugar, oil and soap.
Sanitary rules oblige, 29 beneficiaries gathered at the sector's office garden, each of them representing between 2 and 10 people.

In his speech, Fidele Ntagawa, Head of Human Resources at AB BANK RWANDA, expressed his gratitude to all bank's customers who provided, by their loyalty, a support of great value and warmly thank Rwamagana district authorities for their total dedication.

"The solidarity action was made possible by the bank's customers. At AB Bank Rwanda, we promote a spirit of mutual aid and solidarity with our customers and the communities we serve at large.
Everyone has been affected in one way or another by this pandemic. However, we refuse to give up and opt to foster hope. With our clients and shareholders support, we extend a friendly hand to those who have been most affected while insisting to abide by the safety rules." Said Arah
Sadava, AB Bank Rwanda's CEO.

The bank's representatives continued their good work in the model village of Rwimbogo, a site built by Rwanda government and home of 50 economically vulnerable families located about twenty kilometers from Muyumbu.

Last but not least, AB BANK RWANDA visited the town of Rwamagana to extend its action to its customers severely impacted by the health crisis which has been prevailing globally since March 2020.
In total, the distribution of food products and other first necessity household items should allow more than 500 people to enjoy a pleasant festive season.

> *"We refuse to give up and opt to foster hope."*

AB BANK RWANDA DONATES FOOD COMMODITIES.

The COVID-19 pandemic paralyzed economic activity, plunging thousands of people in precarious situation, especially those depending on daily income.
It is in this context that AB BANK RWANDA undertook a responsible and civic action in partnership with AVEGA (The Association of The Widows of Genocide), providing food commodities to widows of the genocide against Tutsis and their descendants.
"We warmly thank AB BANK RWANDA and its partners. We pray that God remembers your good deed. Your contribution is priceless. On behalf of AVEGA and all our members, we are grateful to AB BANK RWANDA for its compassion and generosity", highlighted Munezero Clementine.
As part of its Corporate Social Responsibility mission, every year, AB BANK RWANDA Management and Staff visit families of Genocide Survivors to demonstrate their commitment to improve the livelihoods of the community the bank serves.

A TRUSTED PARTNER FOR GROWTH.

Philomena Twagiramariya is married and the mother of three children. She began her business career in the clothing industry, running a second hand clothing store with her husband.

Philomena is enterprising and very quickly realized that she has to stand on her own feet and finally carry out what she has always felt to be her calling.

She discerned the huge opportunity offered to her by the boom in the construction sector in Rwanda and decided to be part of this as an active player. In 2017, Philomena tapped into the commercialization of construction timber.

She contacted AB BANK RWANDA and applied for her first loan, which she paid back in 12 months. Today the 31-year-old is on her fourth loan, and her business turnover has grown two folds.

" It was important for me to find a financial institution that can serve me quickly and be responsive to my requests. In the kind of business I do, not getting funds in a timely manner can be very detrimental" said Philomena Twagiramariya when we met her at Gisozi market.

CORPORATE GOVERNANCE

"WE ARE COMMITED TO THE HIGHEST STANDARDS."

AB Bank is committed to the highest standards of corporate governance and recognizes that good governance is pivotal in helping the business to deliver its strategies whilst generating sustainable shareholder value and meeting its obligations towards shareholders and other stakeholders.

As required by the Law Relating to Companies N°17/2018 of 13/04/2018 as amended to date, Regulation No: 01/2018 OF 24/01/2018 on Corporate Governance of Banks and the ABR Memorandum and Articles of Association (MEMARTS), AB Bank's operating policy appreciates the institutional requirement for a transparent governance structure.

This policy ensures a clear distinction between the functions of the Board of Directors and the Management Team, in which the former is responsible for the definition of the Bank's commercial policies and the supervision of the management (decision controlling), whereas the latter is fully responsible for the day-to-day operative business (decision management).

The governing bodies of the bank are:

General Meeting of Shareholders (GMSH)

This is the highest decision making organ of the Bank. It approves the by-laws and annual financial statements of the company, appoints the Bank's external auditors and decides on the allocation of profits and dividends. The GMSH is composed of all the Shareholders and the Chairman of the Board of Directors if any will preside as Chairman at every General Meeting of the Shareholders.

Board of Directors (BoD)

The Directors who sit on the Board are appointed by the GMSH.

The BoD is subordinated to the GMSH. It has a dual mandate of guiding the institution in achieving its corporate mission and protecting the institutions assets over time. Consequently it is responsible for defining the internal corporate policy of the Bank; approving the Strategic Plan and Annual Budget and, importantly, agrees strategies for effective governance.

Board committees

The Board of Directors are assisted in their work by Board Committees. These Committees are Audit Committee, Credit Committee, Risk Management Committee, Nomination and Remuneration Committee and, Board IT Committee. Separate Charters stipulating the governance structure of each Committee shall be instituted. Each Board Committee is chaired by a non-executive Committee.

The board committees are:

Audit Committee (AC)

The Audit Committee (AC): Its functions are among others to review and confirm the internal audit charter and audit plan; recommend to the BoD the appointment of the external auditor, review its terms of engagement and receive the activity reports and recommendations of the internal audit department.

Credit Committee (CC)

The Credit Committee (CC): Its functions are to review and oversee the overall lending policy of the bank, as well as deliberate and consider loan applications beyond the discretionary limits of the Credit Risk Management Committee, among others.

Board Risk Committee (RCO)

The Board Risk Committee (RCO): This is a separate Committee of the Board and is appointed by the BoD to which it reports. Its functions are to review and discuss risk reports received from the Management Team, to appraise the risk exposure of the bank and to re-evaluate its risk management policies. As result of publication of regulation No 01/2018 OF 24/01/2018 on Corporate Governance of Banks, the Assets and Liabilities Committee (ALCO) was merged with the Board Risk Committee.

Executive Committee

The Executive Committee also referred to as the Management Team (MT): The Management Team is the principal executive body of the Bank. The MT is appointed by the BoD to which it reports. The MT will make policy proposals to the BoD and will be held responsible for the implementation of the BoD decisions. It carries the overall responsibility for the Bank's operative business. It is composed of the Chief Executive Officer (CEO) and a minimum of two other members, up to a maximum of five, all of whom are appointed by the BoD.

IT committee

Under the Governance structure of the Bank, the purpose of the ITSC is to oversee all IT related functions and to ensure a close alignment of the business and IT strategies. The ITC will work in close partnership with other Board committees and Senior Management to provide input, review and amend the aligned corporate and IT strategies.

Nomination and Remuneration Committee

Under the Governance structure of the Bank, the purpose of the NRC is to review and oversee the remuneration system of the bank, as well as ensure that the Board is effective in its governance function by recommending to the board new board members and members of senior management.

Composition of the board committees

Board Risk Committee	Albert Kinuma (Chair), Bernd Zattler, Rolf Reichardt, Nick Barigye, Dianne Dusaidi
Board Audit Committee	Christian Ramm (Chair), Bernd Zattler, Dianne Dusaidi
Board Credit Committee	Rolf Reichardt (Chair), Gregor Taistra, Christian Ramm, Roberto Radrianarison, Jean Claude Bihoyiki
Board IT Committee	Bernd Zattler Chair), Albert Kinuma, Gregor Taistra
Board Nomination and Remuneration Committee	Dianne Dusaidi (Chair), Nick Barigye, Arah Sadava

Record of Board of Directors and committee meetings attendance in 2020

Meetings Held		Nick Barigye	Albert Kionuma	Dr. Bernd Zattler	Christian Ramm	Dr. Gregor Taistra*	Dr. Rolf Reichardt	Dianne Dusaidi*
Main Board	4	4	4	4	4	2	4	2
Audit Meeting	4	4	4	4	4	2	4	2
Credit Meeting	4	4	4	4	4	2	4	2
Risk Meeting	4	4	4	4	4	2	4	2
Nomination and Remuneration Meeting	4	4	4	4	4	2	4	2
IT Meeting	4	4	4	4	4	2	4	2

*Dianne Dusaidi joined as a member of the Board on 31 August 2020. *Gregor Taistra joined as a member of the Board on 12 August 2020.

FINANCIAL **STATEMENTS** AND NOTES

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors have the pleasure of submitting their report together with the audited financial statements for the year ended 31 December 2020 which disclose the state of affairs of AB Bank Rwanda Plc (the "Bank"). The Bank was incorporated as a company on 2 October 2012 and issued with a banking license to operate in Rwanda by the National Bank of Rwanda on 31 December 2013 which was later amended on 15 October 2018. The Bank started operations on 6 January 2014.

1 **Principal activities**

The principal activity of AB Bank Rwanda Plc is the provision of microfinance services.

2 **Results**

The results for the year are set out on page 42.

3 **Directors**

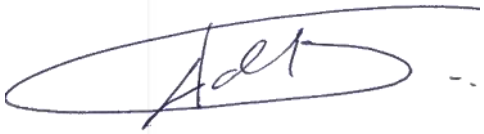
The Directors who served during the period are set out on page 16.

4 **Auditor**

KPMG Rwanda Limited, the auditors, was appointed I March 2020 and has expressed their willingness to continue in office.

5 **Approval of financial statements**

The financial statements were approved and authorised for issue by the Directors on 18 March 2021.



By the order of the board

STATEMENT OF THE DIRECTORS RESPONSABILITIES FOR THE YEAR ENDED 31 DECEMBER 2020

The Bank's Directors are responsible for the preparation of financial statements that present fairly, in all material respects, the financial position of the Bank as at 31 December 2020 and its financial performance for the year then ended, in accordance with International Financial Reporting Standards (IFRS), Law No. 17/2018 of 13/04/2018 Governing Companies in Rwanda, and Regulation No. 28/2019 of 09/09/2019 on publication of financial statements and other disclosures by banks in Rwanda, for such internal control as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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 ability of the Bank to continue as going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The independent 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 No: 17/2018 of 13/04/2018 Governing Companies in Rwanda, and Regulation No. 28/2019 of 09/09/2019 on publication of financial statements and other disclosures by banks in Rwanda.

Approval of financial statements

The financial statements of AB Bank Rwanda Plc were approved and authorised for issue by the Board of Directors on 18 March 2021.

Chief Executive Officer

Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AB BANK RWANDA PLC REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of AB Bank Rwanda PLC ("the Bank") set out on pages 11 to 61, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of AB Bank Rwanda PLC as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), 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 issued by the National Bank of Rwanda.

Basis of opinion

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

Key audit matters

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

Key audit matters | How matters was addressed in our audit

IFRS 9. Expected Credit Losses
Ref to Notes 17(a) and 7 of the financial statements

Measurement of expected credit losses ("ECL") on loans and advances involves significant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Bank's implementation of IFRS 9 are:

- **Economic scenarios** – IFRS 9 *Financial Instruments* requires the Bank to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. Significant management judgment is applied to determining the economic scenarios used and the probability weightings applied to them especially when considering the current uncertain economic environment as a result of COVID.
- **Model estimations** – inherently judgmental modelling is used to estimate ECL which involves determining probabilities of default ("PD"), loss given

Our audit procedures in this area included:

- Obtaining an understanding of the credit management processes and Performing an end to end process understanding to identify the key systems, applications and controls used in the determination of ECL processes. This included assessing the design and operating effectiveness of the key controls over the staging criteria such as the review and approval of model inputs and outputs.
- Using our data and analytics specialists to independently recompute probability of default modelling based on historical days past due reports.
- On a sample basis, we recomputed the loss given default and exposure at default amounts and compared with what management used in the ECL model.
- Challenging the accuracy of the key inputs and assumptions into the IFRS 9 impairment models.

This was performed by:

- For a sample 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AB BANK RWANDA PLC REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Key audit matters | How matters was addressed in our audit

IFRS 9. Expected Credit Losses
Ref to Notes 17(a) and 7 of the financial statements

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 judgmental aspect of the Bank's ECL modelling approach.

- *Qualitative adjustments* – adjustments to the model driven ECL results are raised by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts especially in relation to the retail and corporate portfolios.

We determined that the ECL on loans and advances to customers to be a key audit matter due to the high degree of estimation uncertainty and significant judgement applied by management in the determination of the ECL.

the reperformance of the economic forecasts and PDs;

- Evaluating the appropriateness of the Bank's SICR determinations by assessing the qualitative and quantitative factors used by management in their evaluation of the classification into stages 1, 2 and 3;
- Involving our own economic specialists in assessing the reasonableness of the adjustments to the macroeconomic overlay model(s) to incorporate the impact of economic uncertainty by comparing the macroeconomic forecast with externally available information;
- Assessing the appropriateness of parameters used in the statistical models in respect of Probability of Default (PDs), Loss Given Default (LGDs), and Exposure at Default (EADs) by considering local economic conditions, and;
- Assessing the adequacy of the disclosures related to the ECL on loans and advances to customers in the financial statements in accordance with IFRS 9

Other information

The Directors are responsible for the other information. The other information comprises the information included in the *AB Bank Rwanda PLC Annual Report and Financial Statements for the year ended 31 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.

Director's responsabilities 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 issued by the National Bank of Rwanda and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AB BANK RWANDA PLC REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Director's responsibilities for the financial statements (Continued)

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 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 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 the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AB BANK RWANDA PLC REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Report on other legal and regulatory requirements

As required by Law No. 17/2018 of 13/04/2018 governing companies in Rwanda and Regulation No. 28/2019 of 09/09/2019 on publication of financial statements and other disclosures by banks in Rwanda, 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 Bank, so far as appears from our examination;

We have no relationship, interest or debt with AB Bank Rwanda PLC. As indicated in our report on the audit of 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.

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

According to the best of the information and the explanations given to us as auditors, as shown by the accounting and other documents of the Bank, the annual financial statements comply with Article 123 of Law No. 17/2018 of 13/04/2018 Governing Companies in Rwanda.

.....
Wilson Kaindi Kalyesula

KPMG RWANDA
3 1 MAR 2021
KIGALI RWANDA
250 252 579790

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

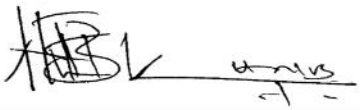
Date: 31 March 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020 AUDITED BY EXTERNAL AUDITORS

in `000 Frw	Note	2020	2019
Interest income accounted for using effective interest method	5	4,050,746	4,599,717
Interest expense	6	(1,481,351)	(1,825,812)
Net interest income before allowance for impairment losses on interest-bearing assets		**2,569,395**	**2,773,905**
Impairment charge for loan losses	7	(925,234)	(1,260,064)
Net interest income		**1,644,161**	**1,513,841**
Fee and commission income		158,276	168,051
Fee and commission expense		(4,824)	(8,715)
Net fee and commission income	8	**153,452**	**159,336**
Net result from foreign exchange operations	9	(9,586)	(19,114)
Net other operating income	10	(102,528)	1,749,797
Net non-interest income		**41,338**	**1,890,019**
Net operating income		**1,685,499**	**3,403,860**
Personnel expenses	11	(1,830,618)	(1,768,765)
Lease expenses	12	(73,190)	(61,052)
Depreciation and amortization expenses	12	(405,372)	(392,507)
Other administrative expenses	12	(981,805)	(1,484,429)
Total operating expenses		**(3,290,985)**	**(3,706,753)**
Loss before tax		**(1,605,486)**	**(302,893)**
Income tax (expense)/credit	13	(370,191)	14,587
Loss for the year		**(1,975,677)**	**(288,306)**
Other comprehensive income		-	-
Total comprehensive income		**(1,975,677)**	**(288,306)**

The financial statements were approved and authorised for issue by the Board of Directors on 18 March 2021 and were signed on its behalf by:

Chief Executive Officer



Chairperson of the Audit Comittee

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 AUDITED BY EXTERNAL AUDITORS

in `000 Frw	Note	2020	2019
ASSETS			
Cash and cash equivalents	14	2,589,859	2,046,726
Debt securities	15	364,866	-
Loans and advances to banks	16	1,715,303	5,007,605
Loans and advances to customers	17	9,163,116	10,469,771
Other financial assets	18	135,839	69,584
Other non-financial assets	19	459,156	229,753
Intangible assets	20	115,771	85,995
Property and equipment	21	717,092	712,035
Rights-of-use assets	22	1,295,817	1,331,468
Deferred income tax asset	23	842,091	1,212,283
Total assets		**17,398,910**	**21,165,220**
LIABILITIES			
Loans from banks and other financial institutions	24	4,805,851	4,163,306
Customer accounts	25	8,660,704	11,161,310
Provisions	26	74,845	46,466
Lease liabilities	39	1,288,744	1,294,415
Other financial liabilities	27	97,561	90,313
Other non-financial liabilities	28	78,409	79,017
Subordinated debt	29	247,307	209,227
Total liabilities		**15,253,421**	**17,044,054**
EQUITY			
Share capital	30	11,336,300	11,336,300
Accumulated losses		(9,190,811)	(7,215,134)
Total equity		**2,145,489**	**4,121,166**
Total liabilities and equity		**17,398,910**	**21,165,220**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020 AUDITED BY EXTERNAL AUDITORS

For year ended 31 December 2020

in `000 Frw

	Notes	Share capital	Accumulated losses	Total equity
Carry Forward as at 1 January 2020		11,336,300	(7,215,134)	4,121,166
Loss for the year		-	(1,975,677)	(1,975,677)
Total comprehensive income		-	(1,975,677)	(1,975,677)
Issue of share capital	30	-	-	-
Balance as at 31 December 2020		11,336,300	(9,190,811)	2,145,489

For year ended 31 December 2019

in `000 Frw	Notes	Share capital	Accumulated losses	Total equity
Carry Forward as at 1 January 2019		9,611,300	(6,926,828)	2,684,472
Loss for the year		-	(288,306)	(288,306)
Total comprehensive income		-	(288,306)	(288,306)
Issue of share capital	30	1,725,000	-	1,725,000
Balance as at 31 December 2019		11,336,300	(7,215,134)	4,121,166

NOTES TO THE FINANCIAL STATEMENTS

Reporting Entity

AB Bank Rwanda, is a limited liability company incorporated and domiciled in Kigali, Rwanda. Its registered office is at 15 KN 78 Street, P.O. Box 671, Kigali, Rwanda. Its parent and ultimate holding company is Access Microfinance Holding AG. Banking operations started on 6 January 2014. The principal activities of the Bank, as a microfinance bank, is providing financial services to micro, small and medium sized enterprises as well as to the general public.

The financial statements for the year ended 31 December 2020 were authorised for issue by the Bank's Board of Directors on 18 March 2021.

Accounting policies

Basis of preparation

The financial statements have been prepared on a historical cost basis, except for financial assets and liabilities that have been measured at amortised cost, or at fair value through profit or loss. The financial statements are presented in Rwandan francs (Frw), which is the presentation currency of the Bank and all values are rounded to the nearest thousands, except when otherwise indicated. All values below Frw 500 are presented as zero and all "-" represent no value.

Details of the Bank's significant accounting policies, including changes during the year, are included in note 2.3.

Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretation Committee (IFRIC) interpretations and comply with the Law No: 17/2018 of 13/04/2018 Governing Companies in Rwanda.

Presentation of financial statements

The Bank presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in note 37.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

Significant accounting judgements, estimates and assumptions

The COVID-19 pandemic and its effect on the global economy have impacted our customers, operations and Bank performance necessitating governments to respond at unprecedented levels to protect the health of the population, local economies and livelihoods. This 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 governments, businesses and consumers to contain the spread of the virus;
- the extent and duration of the expected economic downturn, and subsequent recovery;
- the effectiveness of government and central bank measures to support businesses and consumers through this disruption

STATEMENT CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
AUDITED BY EXTERNAL AUDITORS

in `000 Frw

	Note	2020	2019
Loss			
Loss before tax		(1,605,486)	(302,893)
Adjustments for non-cash items:			
Impairment charge for loan losses	7	1,023,686	1,319,749
Unrealised (gain)/loss from currency revaluation	9	5,003	5,715
Depreciation and amortisation expense	12	405,372	392,507
Losses and (gains) from sale of property and equipment		-	(53)
Interest income	5	(4,050,746)	(4,599,717)
Interest expense	6	1,481,351	1,825,813
Cash flows used in operating activities before changes in operat-		**(2,740,820)**	**(1,358,879)**
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Loans and advances to customers		247,339	(345,224)
Other assets		(295,657)	242,234
Interest received		4,076,253	4,684,539
Increase/(decrease) in operating liabilities			
Loans from banks and other financial institutions		81,891	(2,981,727)
Customer accounts		(2,396,056)	4,481,558
Other liabilities		6,639	(25,842)
Provisions		28,379	9,419
Interest paid		(987,167)	(1,631,719)
Cash (outflow)/inflow from operating activities before taxation		**(1,979,199)**	**3,074,359**
Income tax paid		-	-
Net cash (outflow)/inflow from operating activities		**(1,979,199)**	**3,074,459**
Cash flow from investment activities			
Purchase of intangible assets	20	(94,742)	(1,520)
Purchase of property and equipment	21	(161,276)	(36,988)
Purchase of debt securities	15	(359,985)	-
Sale of property and equipment		-	528
Net cash outflow from investing activities		**(616,003)**	**(37,980)**
Cash flow from financing activities			
Proceeds from issuance of ordinary shares		-	1,725,000
Payment of lease liabilities (principal portion)		(186,468)	(268,954)
Net proceeds from issuance/(net repayments) of debt		-	(38,300)
Net cash (outflow)/inflow from financing activities		**(186,468)**	**1,417,746**
Effect of changes in foreign exchange rate on cash and cash		32,501	67,404
Total Cash flow		**(2,749,169)**	**4,521,529**
Cash and cash equivalents, beginning of year		**7,054,331**	**2,532,802**
Cash and cash equivalents, end of year		**4,305,162**	**7,054,331**

and economic downturn.

The Bank has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2020 about future events that the Directors believe are reasonable in the circumstances. The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses.

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 financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets 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 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 staff turnover and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios to derive the economic inputs into the ECL models

For more details, please refer to note 2.3.1 "Impairment of financial assets – Overview of the ECL (Expected-Credit-Loss) principles".

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary. The Bank's management has taken its best effort in incorporating impact of COVID 19 in its estimation of the ECL.

Modification losses and additional interest income

As an effect of the pandemic the Bank has put large parts of its loan portfolio in moratorium for one up to three months. The moratoria were executed in a way which moved the payment obligation for the interest which would have been charged during the moratorium period to the last instalment of the respective loan. However, the system would allow these interests to be waived at maturity. IFRS 9 would require the recognition of a modification loss at the time of the moratorium and an interest accrual on the reduced net present value during the moratorium period. The amount of the modification loss and the additional interest income largely depend on the percentage of loan clients for which the interests are indeed charged and the share of

loan clients for which they are waived. The Bank neither recognized the modification loss, nor the additional interest income as we expect a rate of approximately 10% of clients for which the interests are charged. In this scenario the net financial impact would be immaterial. In the below overview we present the expected financial impact for alternative percentages of application/payment:

100%: RWF 387,945 thousand additional net income

50%: RWF 171,594 thousand additional net income

20%: RWF 41,783 thousand additional net income

0%: RWF 44,758 thousand additional net expense

Accounting for leases

In establishing the lease term for each lease contract that has an option to extend, judgement has been applied to determine the extension period. When it is concluded that it is reasonably certain that the extension option will be utilised, the lease term is extended to include the reasonably certain period of one to five years, depending on the specific lease contract. The Bank assumed that all of the existing leases expiring within the following five years, that have an extension option, will be extended, when determining the lease term.

In addition, IFRS 16 requires lease payments to be discounted using the interest rate implicit in the lease. In case the interest rate implicit in the lease cannot be readily determined, the incremental borrowing rate should be used. That is the rate of interest that a lessee would have to pay to borrow over a similar value to the right-of-use asset in a similar economic environment. Accordingly, the Bank elected to use the local borrowing rates for each operating unit at the commencement date. That is the rate at which local operating units would need to borrow to acquire the asset.

(2.3) Summary of significant accounting policies

(2.3.1) Accounting policies in accordance with IFRS 9 Financial Instruments

Financial instruments – initial recognition

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and customer accounts, are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises customer accounts when funds are transferred to the Bank.

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, as described in notes "Business model assessment" and "The SPPI test". Financial instruments are initially measured at their fair value, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised. In 2019 and 2020, there were no transac-

tions with day 1 profits or losses.

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. In 2019 and 2020 all financial assets were measured at amortised cost.

As a rule, financial liabilities must be measured at amortised cost. In addition, the possibility exists of applying the fair value option.

Financial assets and liabilities

Loans and advances to banks, Loans and advances to customers and Debt securities

The Bank measures Loans and advances to banks, Loans and advances to customers and Debt securities at amortised cost 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.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- Business Model "hold to collect" – receipt of contractual cash flows with only rare or immaterial sales activities.
- Business Model "hold to collect and sell" – receipt of cash flows through holding and also through sales.
- Residual Business Model – all portfolios that are not allocated to the "hold to collect" or "hold to collect and sell" business model. These include primarily trading portfolios and portfolios managed on a fair value basis. The receipt of contractually agreed cash flows is of minor importance; the main objective is instead to maximize cash flows through purchases and sales.

The business model assessment is based on reasonably expected scenarios (taking into account the amount, frequency and the date of sales) without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Bank holds its financial assets within the "hold to collect" business model.

The SPPI test

As a second step of its classification process, the Bank assesses the contractual terms of debt instruments to identify whether they meet the SPPI test.

For this purpose, the characteristics of cash flows of the financial instrument are examined on an instrument-by-instrument basis. In the assessment, it must be decided whether the cash flows essentially represent interest and principal payments on the outstanding capital. In principle, a financial instrument is SPPI-compliant only if its contractual cash flows are equivalent to those of a simple loan.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank considers relevant factors such as the currency in which the

financial asset is denominated, and the period for which the interest rate is set.

Impairment of financial assets

Overview of the ECL (Expected-Credit-Loss) principles

The Bank is recording the allowance for expected credit losses for all loans and other debt financial assets, in this section all referred to as "financial instruments".

The Bank segments the loan portfolio according to product type, arrears category and whether or not the loan was disbursed prior or after the COVID pandemic started in March 2020.

In regard to cash and cash equivalents, loans and advances to banks, debt securities at amortised cost, and other financial assets, the Bank assumes low credit risk and applies the low credit risk exemption according to IFRS 9.5.5.10. The debt securities measured at amortised cost are short-term treasury bills. No defaults have been incurred. With these considerations in mind, the Bank considers for the above-mentioned instruments that the probability of default is very low and therefore provisioning (12mECL) is insignificant.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss 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 loss (12mECL) as outlined in note "The calculation of ECLs".

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on portfolio level (collective basis). Only for those cases, where certain notional thresholds are breached, there is an additional analysis on individual asset level. In any case, collective provisioning rates are applied at least.

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.

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

- Stage 1: A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1'. Financial instruments in this stage have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Stage 1 includes all financial instruments, which did not exhibit a "significant increase in credit risk" and for which no signs of impairment have been observed. The reference date is the date of initial recognition. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2. Significant increase in credit risk is defined whether the credit risk of default on a financial instrument has increased significantly since initial recognition (significant increase in credit risk is defined as stage 2 (30 days PD) per the group credit risk policy), the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.
- Stage 2: Consists of all loans that appear to show a significant increase in credit risk, but is not yet deemed to be credit-impaired. As a general rule, loans between 30-90 days of arrears are classified under Stage 2, unless other signs of impairment are observed. Generally, loans more than 30 days overdue are not moved back to Stage 1 except for individually assessed loans where a discounted cash flow analysis reveals lower risk than the days-past–due information would indicate. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Consists of all loans, for which there is evidence of credit-impairment. As a general rule, loans above 90 days of arrears are classified under Stage 3, unless individual assessment indicates lower likely losses, as evaluated based on analysis of discounted cash flows.

- 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. ECLs are 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.

The calculation of ECLs

The Bank calculates ECLs 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.
- 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.
- 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. It is usually expressed as a percentage of the EAD.

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.

The mechanics of the ECL method are summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs 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 actual EAD at the end of the reporting period and multiplied by the expected LGD, which is calculated by discounting expected recoveries using an estimation of the EIR.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. 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, the Bank recognises 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 ECLs since initial recognition, based on a probability-weighting and discounted by the credit-adjusted EIR.
- Individually insignificant (collective): All on-balance sheet credit exposures (non-restructured and restructured) that at the reporting date have an outstanding balance (principal only) of USD 30,000 or less are treated as individually insignificant, unless the Bank explicitly assesses the credit exposure as individually significant upon approval by Access Microfinance Holding.

- Individually significant: All on-balance sheet credit exposures (non-restructured and restructured), that at the reporting date have an outstanding balance (principal only) of more than USD 30,000, are treated as individually significant. Additionally, the Bank has the possibility to consider credit exposures below this threshold as individually significant in rare circumstances and only upon the written approval of Access Microfinance Holding.

With regards to restructured loans the mechanics of the ECL method are similar to those described above, but with the restriction that restructured loans can't be allocated to Stage 1. Furthermore, the parameters for the ECL model are different compared to the parameters applied for non-restructured loans.

Grouping of instruments for losses measured on a collective basis

Future cash flows in a group of financial assets are collectively evaluated for impairment to be estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

The Bank collects default matrices to capture, in the calculation, the loans disbursed between the periods of analysis. The outstanding principal amount at the beginning of the current period/end of previous period is distributed per product category (Micro, SME, Staff, Other), and within each product category distributed per each arrears category (i.e., 0, 1-30, 31-90, 91-180, > 180 days).

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking internal/external supplementary data to use for modelling purposes (see note 37)

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.

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
- Foreign exchange rates
- Staff turnover
- Copper prices

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments are occasionally made as management judgement to adjustments when such differences are significantly material. The presentation of ECL based on forward looking information is presented in note 36. The Bank applies a set of three internally developed scenarios within the scope of applied ECL model and their respective probabilities. A base scenario, an adverse scenario (downside scenario) and a favourable scenario (upside scenario). As at 31.12.2019 the Bank used one base scenario within the scope of applied ECL model as the effects of different scenarios did not have significant impact on the ECLs.

Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the

allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to Impairment charge for loan losses.

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 (e.g., fraudulent activities). Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. 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.

When the loan has been renegotiated or modified but not derecognised, the Bank also reassesses whether there has been a significant increase in credit risk. The Bank also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 6-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:

Principal and interest repayments on the loan have been repaid without any overdue over the six-month period. In case of forbearance, where the client is allowed to service only interest for some months before paying principal instalments, the six-month period will begin from the date the first principal payment is due. If the loan is changed into a bullet repayment loan with the entire outstanding principal amount repayable at the end, then the loan cannot be reclassified out of the forborne category.

At the end of the six-month period, the Bank's Recovery Committee must conduct a further assessment of the client's repayment capacity to determine that no quantitative or qualitative impairment remains.

If modifications are substantial, the loan is derecognised, as explained in section derecognition due to substantial modification of terms and conditions.

Derecognition of financial assets and liabilities

Derecognition other than for substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for 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.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

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 a 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, the Bank considers the following qualitative factors:

- Change in currency of the loan
- 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 (Present value change by <10%), the modification does not result in derecognition.

Recognition of interest income

The effective interest rate method

Interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, 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, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges). Loan disbursement fees for loans are deferred (together with related direct costs) and recognised as part of the effective interest rate of the loan.

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest income in the statement of profit or loss.

Interest income accounted for using the effective interest method

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired (as set out in note "Overview of the ECL principles") and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

(2.3.2) Foreign currency translation

The financial statements are presented in Rwandan Francs (Frw). Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency").

Transactions in foreign currencies are initially recorded at the spot rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences are recognised in Net result from foreign exchange operations in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The following exchange rates were applied in these financial statements.

Foreign currency equals	Abbreviation	31/12/2020	31/12/2019
United States Dollar	USD	972.48	922.52
Euro	EUR	1,195.37	1,033.09

Please refer to note 36 for currency exchange risk.

(2.3.3) Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

(2.3.4) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

(2.3.5) Depreciation and impairment of non-financial assets

Depreciation on property and equipment and intangible assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Leasehold improvements 15 years
- Computers 4 years
- Furniture 7 years
- Motor vehicles 4 years
- Software 2-5 years

The assets' residual carrying values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the statement of profit or loss.

(2.3.6) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets

and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets including carry-forward tax-losses are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences, tax credits or unused tax losses can be utilised.

(2.3.7) Other financial assets, other financial liabilities

Other financial assets and other financial liabilities are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost. Other financial assets and other financial liabilities generally comprise trade receivables and trade payables.

(2.3.8) Leases

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 assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either:
    - The Bank has the right to operate the asset; or
    - The Bank designed the asset in a way that predetermines how and for what purpose it will be used.

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

As a lessee

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 the underlying asset or to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement 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 Bank' incremental borrowing rate. Lease payments included in the measurement of 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
- 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
- Penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is 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, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

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

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value asset (less than USD 5,000). The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Bank has applied the practical expedient related to Covid-19-related rent concessions to all concessions that meet the conditions in the amendment.

(2.3.9) Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

(2.3.10) Non-current assets held for sale

Non-current assets and repossessed properties, which the Bank classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and repossessed properties are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal Bank is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

Property and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

(2.3.11) Share capital

Share capital is recognized at historical costs. Any incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(2.3.12) Employee benefits

i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as

personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(2.3.13) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, including: cash and non-restricted balances with the National Bank of Rwanda, Treasury and other eligible bills, and amounts due from other banks.

Change in significant accounting policies

Changes to IFRS 9 provisioning due to COVID-19 impact

As a fallout of the ongoing COVID-19 pandemic and related lockdowns, the financial assets of banks across the world have been negatively impacted. Although widespread, these negative effects are not likely to prolong into the long term. Further, it is likely that in the long term, banks will benefit from economic stimulus packages and other support measures.

Our customers have also been adversely affected by the health risks and by government-mandated business and travel restrictions. The effect on the loan portfolio of the Bank is summarized below:

- The majority of loan payment plans were changed, primarily following mandates from the Central Bank. Such restructuring included payment moratorium (generally less than three months) and / or extension of maturity of loans
- After the expiry of the moratorium period, some clients experienced difficulty repaying their instalments. However, it has been observed that repayment share on the affected portfolio has been improving month-on-month, returning to pre-COVID levels
- The Bank selectively offered further rescheduling assistance to selected clients on a bona fide basis, to help them reduce their financial stress. Thus, there are loans that were restructured more than once, often first at government instruction and second at either additional instruction or in order to accommodate customer constraints
- Fresh disbursement of loans was reduced during the initial periods of lockdown and disbursements resumed in June 2020. We have observed that fresh loans disbursed after the lockdown do not follow the repayment patterns of loans affected by COVID-19 lockdowns.

Nonetheless, the unexpected decline in the quality of financial assets and the current uncertainties posed by the fallout of pandemic have introduced significant challenges to estimating credit losses (ECL) as required under IFRS 9. International accounting bodies have acknowledged these challenges and have suggested that banks make appropriate changes to their models for estimating ECL, including making management overlays where necessary.

Based on available data on performance of loans at different time points, the Bank management considers carving out loans affected by COVID-19 into a separate pool and estimating ECLs on these loans separately would be the best and most scientific approach. 15 March 2020 is taken as the cut-off date.

The Bank has been mandated by the government/Central Bank to offer repayment moratoria. Given that the restructuring is a temporary measure under the current extraordinary circumstances, we believe that these modifications per se do not lead to a significant increase in credit risk. There is no other factor that would necessitate such restructuring under the normal course of business.

Further, we expect that over the total extended duration of the modified loans, our clients will be able to repay their dues fully once the current restrictions on businesses are eased. Therefore, considering the maximum contractual period (including extension options), the expected credit losses (ECL) on loans restructured due to the current COVID-19 crisis will not exceed the ECL associated with non-restructured loans.

Accordingly, for loans restructured due to the ongoing COVID-19 crisis, the Bank will continue providing for 12-month expected credit losses at the ECL rates applicable for non-restructured loans.

In addition to the changes described above, it is anticipated that the methodology for adjusting the calculated ECL based on forward-looking information would need to be changed, incorporating inter alia:

Upside and downside scenarios for macro-economic and internal operational factors that are part of the model

Management overlays for the expected impact of government stimulus packages and other support measures

Management overlays for recovery of local markets and economic recovery post introduction of vaccine

In accordance with IFRS 9, the changes to the methodology for estimating ECLs will be reviewed periodically, based on progression of COVID-19 affected portfolio and availability of more reliable and consistent data on loan performance.

COVID-19-related rent concessions

The Bank has adopted COVID-19-related rent concessions – Amendment to IFRS 16 issued on 28 May 2020. The amendment introduces an optional practical expedient for leases in which the Bank is a lessee – i.e., for leases to which the Bank applies the practical expedient, the Bank is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications. The Bank has applied the amendment retrospectively. The amendment has no impact on retained earnings at 1 January 2020.

There are a number of other new standards are also effective from 1 January 2020 but they do not have a material effect on the Bank's financial statements. The details of the accounting policies are disclosed in Note (4).

New and amended standards and interpretations

The following new or amended standards and interpretations have become effective for financial years beginning on or after 1 January 2020:

- Amendments to IAS 1 and IAS 8: Definition of Material was issued on 31 October 2018. IAS 1 has been revised to incorporate a new definition of "material" and IAS 8 has been revised to refer to this new definition in IAS 1. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted. According to current knowledge, the amendments did not have any significant impact on the Bank's financial statements.
- Amendments to References to the Conceptual Framework in IFRS Standards were issued on 29 March 2018. The amendments aim to update, in existing Standards, references to, and quotes from, the existing version of the Conceptual Framework or the version that was replaced in 2010 so that they refer to the revised Conceptual Framework. The amendments are effective for annual periods beginning on or after 1 January 2020. Earlier application is permitted. The amendments did not have any impact on the Bank's financial statements.
- Amendments to IFRS 9, IAS 39 and IFRS 7 was issued on 26 September 2019. These changes affect the impact of the IBOR reform (phase one of the project) on the financial reporting. IBOR (Interbank Offered Rates) are reference interest rates such as LIBOR, EURIBOR and TIBOR, which represents the costs of unsecured funding in a specific combination of currency and maturity within inter banking market. The amendments address accounting issues prior to the change to alternative benchmark interest rates and shall avoid discontinuation of hedge accounting. The amendments are effective for annual periods beginning on or after 1 January 2020. Earlier application is permitted. The amendments did not have any impact on the Bank's financial statements as the Bank does not apply hedge accounting.
- Amendments to IFRS 3 Business Combinations were issued on 22 October 2018. The amendments change the implementation guidance of IFRS 3 in order to improve the determination if an acquirer has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period. The amendments did not have any impact on the Bank's financial statements.
- Amendment to IFRS 16 Leases COVID-19-Related Rent Concessions was issued on 28 May 2020. The amendment simplifies how lessees account for rent concessions. These amendments introduce a practical expedient for lessees – i.e., a lessee is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandem-

ic are lease modifications. Instead, it accounts for them under other applicable guidance. The amendment is effective for annual periods beginning on or after 1 June 2020. The Bank has adopted the amendment and applied the practical expedient consistently to eligible rent concessions.

Standards issued but not yet effective

The standards that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9. The IASB has issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) on 25 June 2020. Subsequently the effective date of IFRS 9 has been extended further to 1 January 2023 in order to align with the effective date of IFRS 17 Insurance Contracts. The amendments are not expected to have any impact on the Bank's financial statements
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 were issued on 27 August 2020. This second phase focuses on assessing the potential financial reporting implications when an existing interest rate benchmark is replaced with an alternative interest rate. The amendments are not expected to have any impact on the Bank's financial statements.
- IFRS 17 Insurance Contracts was issued on 18 May 2017 and replaces IFRS 4 Insurance Contracts. The standard is not expected to have any impact on the Bank's financial statements.

Amendments to existing standards and improvements that are not yet effective have not been the subject of early adoption at the Bank. Entity shall apply the new standards, amendments to existing standards and interpretations for annual periods beginning on or after the effective date. In principle, the financial statements have been prepared under the historical cost convention, unless IFRS require recognition and measurement at fair value. Reporting and valuation are undertaken on the assumption that the Bank will continue to operate. All estimates and assumptions required for reporting and valuation in conformity with IFRS are best estimates undertaken in accordance with the applicable standards. The Bank presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in note 36.

(5) Interest income accounted for using the effective interest method

Interest income is broken down as follows:

in `000 Frw	2020	2019
Interest income from loans and advances to customers	3,677,400	4,288,413
Interest income from loans and advances to banks	343,769	311,304
Interest income from debt securities at amortized cost	29,577	-
Total	**4,050,746**	**4,599,717**

(6) Interest expense

Interest expense is broken down as follows:

in `000 Frw	2020	2019
Interest expense on borrowings	652,572	937,359
Interest expense on term deposits	523,825	574,447
Interest expense on savings accounts	172,113	178,163
Interest expense on lease liabilities	132,841	135,843
Total	**1,481,351**	**1,825,812**

(7) Impairment charge for loan losses

The table below shows the ECL charges on financial instruments for the year recorded in the statement of profit or loss:

2020 in `000 Frw	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	Total
Loans and advances to customers	(34,840)	53,841	(65,442)	85,651	984,476	1,023,686
Income from recovery of written-off loans	-	-	-	-	(98,452)	(98,452)
Impairment charges for loan losses	(34,840)	53,841	(65,442)	85,651	886,024	925,234

The table below shows the ECL charges recorded in the statement of profit and loss during 2019:

2019 in `000 Frw	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	Total
Loans and advances to customers	34,744	(42,621)	56,244	36,948	1,234,434	1,319,749
Income from recovery of written-off loans	-	-	-	-	(59,685)	(59,685)
Impairment charges for loan losses	34,744	(42,621)	56,244	36,948	1,174,749	1,260,064

(8) Net fee and commission income

Net fee and commission income is broken down as follows:

In '000 Frw	2020	2019
Account maintenance fee	67,109	62,129
Loan application fee	33,588	31,517
Other account service fees	17,328	25,156
Fee and commission income from insurance brokerage	14,600	18,283
Fees from cash transactions	6,097	9,016
Fees on cheques	5,941	9,295
Fees from money transfer	1,520	2,434
Other fees from customers	12,093	10,221
Total fee and commission income	**158,276**	**168,051**

Other fees from customers includes fees mainly relate to fees for account balance to customers in the amount of Frw 8,332 thousand (2019: Frw 5,094 thousand) and fee income from certification of loans in the amount of Frw 3,368 thousand (2019: Frw 3,716 thousand).

In `000 Frw	2020	2019
Other fees to banks	(4,824)	(8,715)
Net fee and commission income	**153,452**	**159,336**

(9) Net result from foreign exchange

Net result from foreign exchange is broken down as follows:

in `000 Frw	2020	2019
Gains/(losses) from foreign exchange operations with customers	(43)	353
Gains/(losses) from currency revaluations	(5,003)	(5,715)
Gains/(losses) from foreign exchange operations with banks	(4,540)	(13,752)
Total	**(9,586)**	**(19,114)**

(10) Net other operating income

Net other operating income is broken down as follows:

in `000 Frw	2020	2019
Other operating income	8,127	-
Modification gain from loans from banks and other financial institutions	-	1,801,787
Income from sale of repossessed property	-	547
Income from the disposal of property and equipment	-	53
Total other operating income	**8,127**	**1,802,387**
Modification loss from loans from banks and other financial institutions	81,891	-
Expenses for litigation settlements	12,000	875
Write-off of receivables	8,741	-
Expenses for impairment of repossessed property	5,000	5,100
Other operating expense from group companies (IT audit ABN)	3,018	2,509
Penalties and surcharges	5	44,106
Total other operating expenses	**110,655**	**52,590**
Net result	**(102,528)**	**1,749,797**

The modification loss in 2020 was due to an amendment to the existing restructuring agreement in December 2020, which required the Bank to reassess the expected future cash flows of the related borrowings. The modification gain in 2019 related to the impact of the initial restructuring agreement from 20 December 2019.

(11) Personnel expenses

The breakdown of personnel expenses is as follows:

in `000 Frw	2020	2019
Salary expenses	1,593,151	1,575,604
Social security expenses	76,111	76,510
Other personnel expenses	161,356	116,651
Total	**1,830,618**	**1,768,765**

(12) Other operating expenses

The breakdown of other operating expenses is as follows:

In'000 Frw	2020	2019
Short-term lease expenses	55,857	61,052
Expenses for low-value leases	17,333	-
Sub-total lease expenses	**73,190**	**61,052**
Depreciation expenses of right of use assets	220,502	205,136
Depreciation expenses of property and equipment	119,904	104,688
Amortization expenses of intangible assets	64,966	82,683
Sub-total depreciation and amortization expenses	**405,372**	**392,507**
Communication expenses	177,281	146,739
Other service expenses	173,392	136,315
Security service expenses	88,996	77,954
Utilities and electricity expenses	59,150	56,462
Legal and advisory expenses	52,141	36,026
Marketing, advertising and entertainment	49,784	36,361
Transport expenses	43,347	53,016
IT expenses	38,728	39,560
Impairment of property and equipment	36,403	265
Repair and maintenance	35,190	21,949
Other consumables	31,604	18,332
Insurance expenses	31,034	34,609
Audit Fees	30,440	30,981
Board expenses	25,040	27,250
Printing and office supplies	21,078	46,154
Non-profit tax expenses	20,000	163,457
Travel expenses	15,780	39,506
Training and recruitment expenses	8,600	5,593
Expenses for central services from AH	-	307,964
Royalties and maintenance fees AH software	-	145,897
Others	43,817	60,039
Sub-total other administrative expenses	**981,805**	**1,484,429**
Total	**1,460,367**	**1,937,988**

(13) Income tax expense

The breakdown of income tax expenses is as follows:

in `000 Frw	2020	2019
Deferred income tax expense/(income)	370,191	(14,587)
Total	**370,191**	**(14,587)**

The following table shows the reconciliation between accounting loss and income tax expense:

Tax reconciliation in `000 Frw	2020	2019
Loss before income tax	(1,605,486)	(302,893)
Income tax rate of	30%	30%
Expected income tax expense	(481,646)	(90,868)
Tax effects		
+ Effect of write-down of previous year deferred tax assets	850,168	-
+ Effect of non-recognized income tax losses	-	189,868
+ Effect of tax disallowable expenses	14,230	192,656
+/- Effects of previously unrecognized tax losses from prior periods	-	(354,441)
+ Deferred tax expense arising from write-down of a deferred tax asset	-	48,198
+/- Other tax effects	(12,561)	-
Income tax expense	**370,191**	**(14,587)**

in `000 Frw	2020	2019
Deferred income tax expense/(credit)	370,191	(14,587)
Loss before tax	(1,605,486)	(302,893)
Effective income tax rate	**N/A**	**5%**

The various tax effects explain the differences between the expected income tax credit of Frw 481,646 thousand (2019: Frw 90,868 thousand) on the basis of the enacted income tax rate and the actual income tax expense of Frw 370,191 thousand (2019: income of Frw 14,587 thousand).

Deferred income tax expense is derived mainly from allowances for impairment losses of Frw 237,861 thousand (2019: Frw -108,628 thousand), tax losses carried forward of Frw 154,710 thousand (2019: Frw 108,679 thousand), other provisions of Frw -2,514 thousand (2019: Frw -2,826 thousand), other temporary differences of Frw -8,994 thousand (2019: Frw 11,116 thousand), accelerated tax depreciation of Frw -10,872 thousand (2019: Frw -22,929 thousand).

(14) Cash and cash equivalents

Cash and cash equivalents were comprised as follows:

in `000 Frw	2020	2019
Cash on hand	382,925	293,058
Balances with National Bank of Rwanda	2,206,934	1,753,668
Total	**2,589,859**	**2,046,726**

(15) Debt securities

As at 31.12.2020 the Bank held treasury bonds in the amount of Frw 364,866 thousand (2019: nil).

Loans and advances to banks in `000 Frw	2020	2019
Short-term balances with other banks (< 90 days maturity)	1,715,303	5,007,605
Cash and cash equivalents in the statement of cash flows	**4,305,162**	**7,054,331**

(16) Loans and advances to banks

Loans and advances to banks in `000 Frw	2020	2019
Short-term balances with other banks (< 90 days maturity)	1,715,303	5,007,605
Cash and cash equivalents in the statement of cash flows	**4,305,162**	**7,054,331**

(17) Debt securities

Loans and advances to customers are broken down as follows:

in `000 Frw	2020	2019
Loans and advances to customers (outstanding principal)	11,219,843	11,873,688
Accrued interest on loans and advances to customers	253,056	290,715
Deferred disbursement fees	(281,808)	(283,837)
Total amount outstanding	**11,191,091**	**11,880,566**
Credit impairment losses	(2,027,975)	(1,410,795)
Total net book value	**9,163,116**	**10,469,771**

The total outstanding principal amount can be split into the following industries:

in `000 Frw	2020	2019
Trade	7,762,886	7,501,703
Services	2,302,844	1,964,216
Manufacturing	480,208	808,799
Agriculture	269,257	197,707
Transport	251,281	295,546
Staff	111,045	158,467
Household	-	882,682
Consumer	42,322	64,568
Total	**11,219,843**	**11,873,688**

The development of the gross loan portfolio (excl. deferred fees) in 2020 is shown in the following table:

in `000 FRW	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	Total
Gross carrying amount as at 01. January 2020	**478,454**	**9,875,974**	**321,363**	**323,907**	**1,164,705**	**12,164,403**
New assets originated	452,000	7,449,189	-	-	-	7,901,189
Assets derecognised or repaid (excl. write offs)	(396,661)	(7,140,653)	(170,876)	(138,280)	(339,717)	(8,186,187)
Transfers to Stage 1	-	(46,692)	-	(15,624)	62,316	-
Transfers to Stage 2	-	(579,684)	-	579,684	-	-
Transfers to Stage 3	(421,293)	(562,142)	(150,487)	(98,198)	1,232,120	-
Amounts written off	-	.	-	-	(406,506)	(406,506)
At 31 December 2020	**112,500**	**8,995,992**	**-**	**651,489**	**1,712,918**	**11,472,899**

Impairment allowance for loans and advances to customers

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment .

In `000 Frw	2020					
	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	Total
Non-restructured		5,083,421	-	40,450	13,354	**5,137,225**
Restructured	-	**48,005**	-	-	-	**48,005**
Standard	-	48,005	-	-	-	**48,005**
Watch	-	-	-	-	-	-
Impaired	-	-	-	-	-	-
COVID	112,500	3,864,566	-	611,039	1,699,564	**6,287,669**
TOTAL	**112,500**	**8,995,992**	-	**651,489**	**1,712,918**	**11,472,899**

The following table shows the corresponding ECL allowance:

in `000 FRW	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	Total
ECL allowance as at 1 January 2020	37,143	340,802	63,554	135,601	833,695	**1,410,795**
New assets originated or purchased	24,514	263,886	-	-	-	**288,400**
Assets derecognised or re-paid (excluding write offs)	(22,747)	(252,371)	(31,231)	(64,186)	(243,169)	**(613,704)**
Transfers to Stage 1	-	8,283	-	(267)	(8,016)	-
Transfers to Stage 2	-	(21,159)	-	21,159	-	-
Transfers to Stage 3	(34,232)	(3,809)	(32,323)	(48,987)	119,351	-
Impact on year end ECL of exposures transferred be-tween stages during the	-	(7,843)	-	157,755	815,223	**965,135**
Changes to models and inputs used for ECL calculations	-	64,479	-	18,289	301,087	**383,855**
Amounts written off	-	-	-	-	(406,506)	**(406,506)**
At 31 December 2020	**4,678**	**392,268**	-	**219,364**	**1,411,665**	**2,027,975**

Impairment allowance as at 31 December 2019
An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows:

in `000 FRW	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	Total
Gross carrying amount as at 01. January 2019	334,667	10,981,411	426,626	198,665	811,126	12,752,495
New assets originated	742,835	9,137,855	41,000	616,191	145,385	10,683,266
Assets derecognised or repaid (excl. write offs)	(261,349)	(9,566,604)	(66,877)	(357,414)	(112,163)	(10,364,407)
Transfers to Stage 1	79,386	14,071	(79,386)	(14,071)	-	-
Transfers to Stage 2	-	(219,904)	-	219,904	-	-
Transfers to Stage 3	(417,085)	(360,455)	-	(195,556)	973,096	-
Amounts written off	-	(110,400)	-	(143,812)	(652,739)	(906,951)
At 31 December 2019	**478,454**	**9,875,974**	**321,363**	**323,907**	**1,164,705**	**12,164,403**

Impairment allowance for loans and advances to customers
The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

In `000 Frw	2019					
	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	Total
Non-restructured	37,143	340,802	49,290	129,129	833,695	**1,390,059**
Restructured (Watch)	-	-	14,264	6,472	-	**20,736**
TOTAL	**37,143**	**340,802**	**63,554**	**135,601**	**833,695**	**1,410,795**

The following table shows the corresponding ECL allowance:

in `000 FRW	Stage 1 Individual	Stage 1 Collective	Stage 2 Individual	Stage 2 Collective	Stage 3	Total
ECL allowance as at 1 January 2019	6,677	379,144	16,895	89,069	506,212	**997,997**
New assets originated or purchased	24,513	224,735	11,150	55,563	108,275	**424,236**
Assets derecognised or repaid (excluding write offs)	(23,521)	(382,665)	(10,031)	(178,707)	(78,514)	**(673,438)**
Transfers to Stage 1	8,714	704	(2,382)	(7,036)	-	-
Transfers to Stage 2		(10,995)	-	10,995	-	-
Transfers to Stage 3	(8,342)	(18,023)	-	(91,910)	118,275	-
Impact on year end ECL of exposures transferred between stages during the year	29,102	258,302	47,922	401,439	832,186	**1,568,951**
Amounts written off	-	(110,400)	-	(143,812)	(652,739)	**(906,951)**
At 31 December 2019	**37,143**	**340,802**	**63,554**	**135,601**	**833,695**	**1,410,795**

Collateral and other credit enhancements
The principal collateral types for loans and advances of the Bank are as follows:

2020 in `000 Frw	Maximum credit exposure	Mortgage	Cash	Vehicles	Inventories	Other	Total
Loans and advances to banks and other financial institutions	1,715,303	-	-	-	-	-	-
Debt securities	364,866	-	-	-	-	-	-
Loans and advances to customers	11,191,091	3,151,463	635,797	218,170	1,403,629	5,782,032	11,191,091
Other financial assets	135,839	-	-	-	-	-	-

2019 in `000 Frw	Maximum credit exposure	Mortgage	Cash	Vehicles	Inventories	Other	Total
Loans and advances to banks and other financial institutions	5,007,605	-	-	-	-	-	-
Loans and advances to customers	11,880,566	4,061,277	968,135	714,257	856,322	5,280,577	11,880,566
Other financial assets	69,584	-	-	-	-	-	-

(18) Other financial assets
Other financial assets are distributed as follows:

in `000 Frw	2020	2019
Sundry receivables	117,039	33,929
Receivables against group companies	14,164	35,615
Clearing and internal accounts	4,636	43
Total	**135,839**	**69,584**

(19) Other non-financial assets

Other non-financial assets are distributed as follows:

in `000 Frw	2020	2019
Prepayments / advance payments	274,575	130,082
Claims on tax authorities	99,670	54,050
Repossessed property (assets held for sale)	83,600	44,000
Inventory	1,311	1,621
Total	**459,156**	**229,753**

As at 31.12.2020 the Bank held repossessed collaterals comprised of buildings from its default borrowers with a value of Frw 83,600 thousand (2019: Frw 44,000 thousand).

(20) Intangible assets

The following table shows intangible assets held by the Bank:

in `000 Frw	2020	2019
Software	110,044	80,268
Banking license	5,727	5,727
Total	**115,771**	**85,995**

Licences, rights and other intangible assets in ´000 Frw	2020	2019
Net book value, 1 January	5,727	5,727
Net book value, 31 December	**5,727**	**5,727**

The Bank assessed indefinite useful life for its banking license as the asset has no maturity, the Bank has no plans to sell or redeem the license and as it has no abrasion.

Software in `000 Frw	2020	2019
Net book value, 1 January	**80,268**	**161,432**
Additions	94,742	1,520
Amortization	(64,966)	(82,684)
Net book value, 31 December	**110,044**	**80,268**

(20) Property and equipment

The following table shows the composition and development of property and equipment:

in `000 Frw	2020	2019
Leasehold improvements	438,723	524,665
Furniture, fixtures and equipment	118,682	122,268
IT and computer equipment	144,648	65,102
Motor vehicles	15,039	-
Total	**717,092**	**712,035**

2020 in `000 Frw	Leasehold improvements	Furniture, fixtures, equipment	Computer equipment	Motor vehicles	Total
Costs					
1 January	**845,841**	**406,989**	**309,839**	-	**1,562,669**
Additions	-	30,299	115,184	15,792	**161,275**
Disposal	(70,595)	-	-	-	**(70,595)**
31 December	**775,246**	**437,288**	**425,023**	**15,792**	**1,653,349**
Accumulated depreciation					
1 January	**321,177**	**284,720**	**244,737**	-	**850,634**
Charge for the year	49,627	33,886	35,638	753	**119,904**
Impairment	36,403	-	-	-	**36,403**
Disposals	(70,595)	-	-	-	**(70,595)**
Others	(89)	-	-	-	**(89)**
31 December	**336,523**	**318,606**	**280,375**	**753**	**936,257**
Net book value	**438,723**	**118,682**	**144,648**	**15,039**	**717,092**

The impairment loss was due to the closure of a branch and the necessary impairment of the residual book value for the activated leasehold improvements.

2019	Leasehold improvements	Furniture, fixtures, equipment	Computer equipment	Total
Costs				
1 January	**855,134**	**393,860**	**284,301**	**1,533,295**
Additions	-	14,325	22,663	**36,988**
Transfers	(4,081)	546	3,535	-
Disposals	-	-	(660)	**(660)**
Others	(5,212)	(1,742)	-	**(6,954)**
31 December	**845,841**	**406,989**	**309,839**	**1,562,669**
Accumulated depreciation				
1 January	**274,845**	**254,332**	**218,431**	**747,608**
Charge for the year	47,226	31,735	25,728	**104,689**
Transfers within PPE	(894)	131	763	-
Disposals	-	-	(185)	**(185)**
Others	-	(1,478)	-	**(1,478)**
31 December	**321,177**	**284,720**	**244,737**	**850,634**
Net book value	**524,664**	**122,269**	**65,102**	**712,035**

(22) Right-of-use assets

The Bank leases a number of office premises for periods between 1.5-12 years, including renewal options.

In `000 Frw	2020	2019
Acquisition costs		
1 January	**1,536,604**	**1,527,457**
Additions	161,385	9,147
Modifications	89,336	-
Derecognition	(83,543)	-
31 December	**1,703,782**	**1,536,604**
Accumulated depreciation		
1 January	**205,136**	**-**
Additions	220,502	205,136
Derecognition	(17,673)	-
31 December	**407,965**	**205,136**
Net book value 31 December	**1,295,817**	**1,331,468**

(23) Deferred tax assets

The deferred tax assets are allocated as follows:

in `000 Frw	2020	2019
Tax loss carried forward	978,832	1,133,542
Other provisions	16,453	13,940
Allowance for loan impairment	5,476	243,337
Other temporary differences	(2,122)	(11,116)
Accelerated tax depreciation	(156,548)	(167,420)
Total	**842,091**	**1,212,283**

In 2020 the Bank recognized a total amount of Frw 978,832 thousand (2019: Frw 1,133,542 thousand) as deferred tax assets for unused tax losses, which are subject to the availability of future taxable profits. The recognized amount was calculated on the basis of the current five-year business plan. The deferred tax asset recognized for unused tax losses will be reviewed annually by updating the five-year business plans. Tax losses of Frw 2,910,353 (2019: Frw 637,128 thousand) were not recognised.

(24) Loans from banks and other financial institutions

in `000 Frw	2020	2019
Loans from banks and other financial institutions	4,805,851	4,115,278
Accrued interest on loans from banks and other financial institutions	-	48,028
Total	**4,805,851**	**4,163,306**
Balance as at 1 January	4,163,306	7,149,761
Additional principal	-	790,733
Interest expense	608,682	138,134
Repayments	(48,028)	(2,180,558)
Modification (note 10)	81,891	(1,734,764)
Total	**4,805,851**	**4,163,306**

On 23 December 2020, the Bank amended the restructuring agreement with its lenders to provide the Bank with a waiver for its covenant breaches and to modify the payment terms of the agreement which resulted in a modification loss of Frw 81,891 thousand (see note 10).

On 20 December 2019 the Bank concluded the restructuring with lenders whereby lenders unconditionally agreed to waive full interest payments from 1 July 2019 to 31 December 2020 and 50% of interest payments from January to March 2021. In addition, they agreed on debt forgiveness in the amount of Frw 300 million in December 2019, Frw 300 million in September 2020 and Frw 300 million in June 2021. As a result, the Bank calculated the new debts as present value of expected repayments and existing debt balance which gives as substantial difference of Frw 1,801,787 thousand recognised as gain from restructuring in other operating income. The Bank derecognized the existing debts and recognized new debt
amounting to Frw 4,163,306 thousand.

(25) Customer accounts

The customer accounts are distributed as follows:

in `000 Frw	2020	2019
Term deposit accounts	5,586,756	6,004,975
Savings accounts	2,002,578	3,265,787
Current accounts	857,851	1,585,472
Pending Client transfers	27,411	14,417
Accrued interest on customer accounts	186,108	290,659
Total	**8,660,704**	**11,161,310**

(26) Provisions

Provisions are distributed as follows:

in `000 Frw	2020	2019
Provision for untaken vacation	42,845	46,466
Provision for legal obligations	32,000	-
Total	**74,845**	**46,466**

The provision for legal obligations includes a provision for possible non-income tax exposures in the amount of Frw 20,000 thousand and a legal claim with a loan client in the amount of Frw 12,000 thousand. All provisions are expected to be settled in 2020.

The movements for 2020 are as follows:

in `000 Frw	Legal obligations	Untaken vacation
Opening balance	-	**46,466**
Amounts used	-	(46,466)
Additions	32,000	42,845
Closing balance	**32,000**	**42,845**

The movements for 2019 are as follows:

in `000 Frw	Legal obligations	Untaken vacation
Opening balance	-	**37,048**
Amounts used	-	(5,829)
Additions	-	15,247
Closing balance	-	**46,466**

(27) Other financial liabilities

Other financial liabilities are distributed as follows:

in `000 Frw	2020	2019
Accrued expenses	51,847	39,371
Clearing accounts	20,082	-
Social security contributions payables	13,236	12,150
Liabilities for goods and services	12,396	37,763
Payables against group companies	-	899
Other liabilities to employees	-	130
Total	**97,561**	**90,313**

All liabilities are due within 12 months and equal their carrying balances as the impact of discounting is not significant.

(28) Other non-financial liabilities

Other non-financial liabilities are distributed as follows:

in `000 Frw	2020	2019
Non-income tax liabilities	71,470	79,017
Grant liabilities	6,939	-
Total	**78,409**	**79,017**

The Bank received a grant from MasterCard Foundation for IT equipment in the amount of Frw 7,500 thousand.

(29) Subordinated debt

Subordinated debt is distributed as follows:

in `000 Frw	2020	2019
Subordinated debt others	247,307	209,227
Accrued interest subordinated debt others	-	-
Total	**247,307**	**209,227**

Balance as at 1 January	209,227	247,526
Interest expense	38,080	22,449
Modification (note 10)	-	(60,748)
Total	**247,307**	**209,227**

The subordinated debt is payable principal in 5 years starting from 30 June 2021 at rate 18.15%.

(30)Other non-financial liabilities

As at 31 December 2020 the authorized share capital is Frw 11,461,300,046 (2019: Frw 11,461,300,046) of which only Frw 11,336,300,046 has been fully paid in by the shareholders of the Bank with the following shareholder structure:

Shareholder	Subscribed shares 2020	Paid shares 2020	Subscribed and paid shares 2019	% total 2020	% total 2019
Access Microfinance Holding AG	75,690,363	75,690,363	75,690,363	67.88%	67.88%
International Finance Corporation	16,731,963	15,261,375	16,731,963	15.01%	15.01%
Kreditanstalt für Wiederaufbau	19,081,629	19,081,629	19,081,629	17.11%	17.11%
Total	**111,503,955**	**110,033,367**	**111,503,955**	**100%**	**100%**

The subscribed and unpaid shares of 1,470,588 are for IFC. The shares are not grouped into classes, and there are no different rights, preferences and restrictions, including restrictions on the distribution of dividends and the repayment of capital. However, shares were bought at different par value as follows: 5,000,000 shares at Frw 1,000, 5,242,863 shares at Frw 381.47, 4,672,857 shares at Frw 210, 86,000,000 shares at Frw 30 and 10,588,236 shares at Frw 85.

Number of shares	2020	2019
Opening 1. January	**111,503,955**	**69,249,054**
Addition capital increase in cash	-	42,254,901
31.December	**111,503,955**	**111,503,955**

(31) Net result according to financial categories

2020 in `000 Frw	Interest	Subsequent measurement Fair value	Subsequent measurement Impairment	Total
Loans and advances to customers	3,677,400	-	(925,234)	2,752,166
Cash and cash equivalents, loans and advances to banks	343,769	-	-	343,769
Debt securities	29,577	-	-	29,577
Loans from borrowings	(614,492)	-	-	(614,492)
Customer accounts	(695,938)	-	-	(695,938)
Lease liabilities	(132,841)	-	-	(132,841)
Subordinated debt	(38,080)	-	-	(38,080)
	2,569,395	-	**(925,234)**	**1,644,161**

2019 in `000 Frw	Interest	Subsequent measurement		Total
		Fair value	Impairment	
Loans and advances to customers	4,288,413	-	(1,260,064)	3,028,349
Cash and cash equivalents, loans and advances to banks	311,304	-	-	311,304
Loans from banks and other financial institutions	(892,529)	-	-	(892,529)
Customer accounts	(752,610)	-	-	(752,610)
Lease Liabilities	(135,843)	-	-	(135,843)
Subordinated debt	(44,830)	-	-	(44,830)
	2,773,905	-	**(1,260,064)**	**1,513,841**

(32) Financial instruments

Carrying amounts as at 31 December 2020 and 31 December 2019

Classes of financial assets	Category	Carrying amount 31.12.2020 in`000 Frw	Carrying amount 31.12.2019 in`000 Frw
Cash and cash equivalents	Amortised cost	2,589,859	2,046,726
Debt securities	Amortised cost	364,866	-
Loans and advances to banks	Amortised cost	1,715,303	5,007,605
Loans and advances to customers	Amortised cost	9,163,116	10,469,771
Other financial assets	Amortised cost	135,839	69,584
Classes of financial liabilities			
Loans from banks and other financial institutions	Amortised cost	4,805,851	4,163306
Customer accounts	Amortised cost	8,660,704	11,161,311
Lease liabilities	Amortised cost	1,288,744	1,294,415
Other financial liabilities	Amortised cost	97,561	90,313
Subordinated debt	Amortised cost	247,307	209,227

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable
The fair values for loans and advances to customers have been determined according to level 3 of the fair value hierarchy. The fair values for all other financial instruments have been determined using level 2 of the fair value hierarchy.

To determine the fair value for any financial assets or liabilities the following guidelines are applied within the Bank. There are different key indicators to determine the fair value. One is the remaining maturity, if it is less than six months the fair value equals the balance sheet amount. The fair value remains the balance sheet amount too, if the remaining maturity is more than six month and has still the same effective interest rate for newly disbursed loans at measurement date, as it can be assumed to be a market rate. The interest rate is another indicator and if the interest rate is variable the fair value is equal to the balance sheet amount. A different effective interest rate at measurement date would lead to application of discounted cash flow method in order to determine the fair value.

The fair value calculations have been determined using a discounted cash flow method. The valuation techniques use observable current market transactions and market rates for similar market transactions.

The Bank considers that the carrying amounts of all classes of financial assets and financial liabilities carried at amortized cost approximate their fair values, while short-term treasury bills, financial assets available-for-sale and financial assets and liabilities at fair value through profit or loss are carried at fair value in the financial statements.

There were no transfers between the different levels in 2020 and 2019.

(33) Financial instruments:

As at year-end there were no transactions with netting arrangements outstanding, which had not been offset in the statement of financial position.

(34) Contingent liabilities

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing.
As at 31 December 2020, the Bank was party to legal proceedings for a total amount of Frw 57,000 thousand (2019: -) against the Bank for which no provisions were made as the Bank did not consider an outflow of future cash flows as probable.

(34) Contingent liabilities

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulators of the banking markets where the Bank operates; and
- To maintain a strong capital base to support the development of its business

Capital adequacy will be monitored on a minimum monthly basis. As a recommendation the Bank aims at a capital adequacy ratio of 15% relating to the ratio of risk-weighted assets to total capital. Total capital comprises of share capital, retained earnings and subordinated debt. The book value of intangible assets and deferred income tax assets are generally deducted in arriving at total capital. The capital adequacy requirements for the Bank were met in 2020 and 2019.

The Bank's regulatory capital position at 31 December 2020 was as follows:

Description	2020 Frw'000	2019 Frw'000
Core Capital (Tier 1):		
Ordinary share capital	11,336,300	11,336,300
Retained earnings and reserves	(9,190,811)	(7,215,134)
Less intangible assets	(115,772)	(85,995)
Less deferred income tax asset	(842,091)	(1,212,283)
Total	**1,187,626**	**2,822,888**
Additional Tier 2 Capital (Tier 2):	336,132	351,597
Total qualifying capital	**1,523,758**	**3,174,485**
Risk weighted assets	**11,062,864**	**12,048,691**
Capital Ratios:		
Total capital expressed as a percentage of total risk-weighted assets	**13.77%**	**26.35%**
Minimum capital required %	15%	15%

(36) Risk Management

Management of individual risks

Credit Risk

Credit risk is the risk that the party to a credit transaction will be unable to meet its contractually agreed obligations towards the Bank. In the Bank's case, credit risk arises mainly from customer credit exposures and to a lesser extent from interbank or other short-term placements. As more than 97% of the Bank's lending is to micro, small and medium-sized businesses this section concentrates on business lending.

The economy where the Bank operates in is characterised by a relatively high degree of informal transactions. Moreover, the Bank's typical borrowers (especially in the micro loan segment) often do not possess significant assets that could be pledged as collateral. Having operated for almost 5 years in Rwanda the Bank has developed an approach to lending under these conditions that has allowed the Bank to preserve a good portfolio quality over many years.

The core principle of this technology is that credit decisions are primarily based on a thorough analysis of the borrowers' credit worthiness, i.e., the capacity and willingness of the credit applicant to pay. The debt capacity is reflected in a cash flow projection, forming the basis for the decision on the loan conditions and the payment plan, which in almost all cases is an instalment loan with monthly payments of interest and principal. By conducting an in-depth analysis of the borrower's financial status, the Bank avoids overburdening its customers and thus control the danger of over indebtedness. In addition to the financial analysis, other indicators for his/her willingness to pay are assessed, including credit history, credit reference checks, statements of guarantors, suppliers, neighbours or employers.

One common feature in Rwanda is that official information concerning the economic situation of the micro and small borrowers is incomplete and often not reliable. In order to mitigate this risk, the Bank's loan officers' collect and cross-check relevant primary data, in particular through visits in the applicant's enterprise(s) and household. The economic situation of the applicants' household and other related parties is included in the credit analysis.

As loans are primarily backed by information instead of collateral, credit risk (as well as operational cost) crucially de-

pends on the efficiency of gathering and processing information. To prevent any loss of information, a high degree of responsibility is assigned to the loan officer as opposed to the delegating of work commonly seen in the traditional bank business. In microfinance this includes all aspects from screening to contract enforcement. Loan officers receive a performance-based salary that includes rewards for productivity and portfolio quality.

All loans have to be approved by a committee comprised of at least two responsible managers (four-eye principle). Various competency levels are established depending on the loan size and the individual experience of the manager.

The Bank intends to build up a long-term client relationship with the borrower, which is based on mutual respect and trust, and implies the promise of access to follow-up loans with better terms and conditions if the client repays the loan without delay. The long-run client relationship creates incentives for repayment and full disclosure of relevant information. At the same time, the Bank continuously increases its knowledge on the borrower, which reduces the Bank operational costs over time. In consequence loan conditions and access to loans is differentiated according to the clients' records which reflect their individual risk profile (graduation principle).

The use of the loan and its repayment are closely monitored by regular visits to the client and immediate action if the client falls into arrears. This is supported by a strong MIS system and a culture of strict adherence to procedures and rules.

While the principles outlined above are relevant to all of the Bank's business lending, the Bank applies them in a differentiated way for the segments of micro and SME business lending. While in micro lending the Bank puts a strong focus on standardisation and efficiency, in the SME segment loan analysis goes deeper and contains more elements of prospective analysis. Furthermore, traditional collateral plays a much larger role in our SME lending.

Loan officers, middle managers and head offices have access to online information about any loans in arrears, and are prepared to take immediate action. If a loan officer or individual branch is not able to cope with specific cases, or a general deterioration of the loan portfolio, they are supported by specialised recovery units, credit management and the Bank's legal department.

Based on the Bank's experience, the level of credit risk is measured mainly in the Portfolio at Risk (meaning the total outstanding exposure to parties that are in arrears with any part of their obligations) 1 and 30 days. Overall PAR 30 for the Bank was 20.69% as of 31 December 2020 (14.16% in 2019). Write-offs during the year totalled Frw 406,506 thousand or 3.6% of the total portfolio (Frw 906,951 thousand /7.6% in 2019). When a borrower is not able to repay an exposure in accordance with the original payment schedule but is willing and in principle able to return the loan, the Bank may renegotiate the repayment terms. In most cases this is done in the event of force majeure (e.g., fire, natural disaster, etc.). The overall volume of outstanding renegotiated exposures amounted to Frw 4,751,196 thousand (41.41%) at the end of 2020 (Frw 94,250 thousand / 0.77% in 2019), although the majority was due to the moratorium between March and May 2021.

The following table shows the current quality of the loan portfolio. The risk coverage ratio puts loan loss provisions in relation to the PAR 30 portfolio.
As of 31 December 2020, the quality of the loan portfolio is as follows:

Outstanding Portfolio	PAR>30		PAR>90		Risk Coverage Ratio
`000 Frw	`000 Frw	%	`000 Frw	%	%
11,219,843	2,321,568	20.69%	1,712,918	15.27%	87%

As of 31 December 2019, the quality of the loan portfolio is as follows:

Outstanding Portfolio	PAR>30		PAR>90		Risk Coverage Ratio
`000 Frw	`000 Frw	%	`000 Frw	%	%
11,873,688	1,681,793	14.16%	1,184.083	9.97%	84%

Portfolio concentration

Portfolio concentration arises when the Bank has significant credit exposures focussed in limited number of counterparties. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

Following table shows the amount of the loan portfolio concentrated on the 10 largest client exposures as follows:

	2020	2019
Outstanding Portfolio	11,219,843	11,873,688
10 largest client exposures	685,076	937,698
Percentage (%)	6%	8%

The maximum exposure to credit risk for loans and advances to customers at the end of the reporting period equal the total amount outstanding in note 16. The total amount of collateral held as security for loans and advances to customers was split as follows:

	2020	2019
Real estate	3,151,463	6,458,789
Vehicles	218,170	914,257
Cash collateral	635,797	968,134
Others	7,185,661	1,458,302
Total	**11,191,091**	**9,799,482**

The Bank additionally held substantive amounts of inventory, guarantees and equipment as collateral. The fair values of these items cannot be reliably measured.
Non-business loans consist of retail loans (including a growing share of housing loans) and staff loans and together make up less than 2% of the total portfolio. In retail lending, we apply very conservative standards to avoid over indebtedness and resulting high risk levels.

Credit quality based on default rates:
The following table shows the maximum credit risk and the impairment of Gross Loan Portfolio (excluding deferred disbursement fees):

Loans to customers	Total gross carrying value	Stage 1	Stage 2	Stage 3
Not overdue	8,333,489	8,333,489	-	-
1 to 30 days overdue	89,389	89,389	-	-
31 to 90 days overdue	49,719	-	49,719	-
Restructured loans overdue less than 90 days	1,287,384	685,614	601,770	-
Loans overdue more than 90 days; defaulted loans	1,046,286	-	-	1,046,286
Restructured loans overdue more than 90 days	666,632	-	-	666,632
Total loans to customers	**11,472,899**	**9,108,492**	**651,489**	**1,712,918**

In 2019 the maximum credit risk and the impairment of Gross Loan Portfolio (excluding deferred disbursement fees) was as follows:

Loans to customers	Total gross carrying value	Stage 1	Stage 2	Stage 3
Not overdue	9,624,853	9,624,853	-	-
1 to 30 days overdue	472,792	472,792	-	-
31 to 90 days overdue	517,089	-	517,089	-
Restructured loans overdue less than 90 days	94,250	-	94,250	-
Loans overdue more than 90 days; defaulted loans	1,164,704	-	-	1,164,704
Restructured loans overdue more than 90 days	-	-	-	-
Total loans to customers	**11,873,688**	**10,097,645**	**611,339**	**1,164,704**

The maximum credit risk for other financial assets is reflected in their balance sheet values.
Note (2.3) provides an explanation of the ECL model applied by the Bank.

The following table shows key forward-looking economic variables/assumptions used for the ECL calculations.

31 December 2020	Upside	Base	Downside
Staff turnover in %	15%	20%	25%
FX-rate against USD in %	-4%	-5.4%	-7%
GDP Growth (annual %)	2%	1%	0%
Copper price	5%	-1.2%	-10%
COVID recovery	good markets, liquidity normal	partial market & liquidity recovery	limited markets & liquidity recovery
Government intervention	good stimulus, good liquidity boosting measures	stimulus as expected, normal liquidity boosting measures	limited stimulus, limited liquidity boosting measures

In 2019 the Bank applied more simplified forward-looking variables:

31 December 2019	
Staff turnover in %	22.70%
FX-rate in %	5%)
GDP Growth (annual %)	7.80%
Copper price	6.31%

Currency risk

Currency risk in the narrow sense arises when assets and liabilities of the Bank are denominated in more than one currency and the assets and liabilities in one currency do not match in amount and maturity (open foreign currency positions, OCP). In Rwanda, foreign currencies play an important role in the economy. A significant share of customer deposits is held in USD, and international medium-long term refinancing is often available only in these currencies. Therefore, no material impact from depreciation in the country.

The Bank manages its OCP on a daily basis and does not allow any violation of externally and internally set limits, which are in the range of 5-20% of the core capital per currency. No OCP are being held for speculative purposes.

No liabilities of the Bank in foreign currency are hedged.

The following table shows the currency distribution in the Bank in Frw equivalent. Financial assets /liabilities are split according to their currencies.

Financial assets 2020 (in `000 Frw)	Local currency	USD	EUR	Total
Cash and cash equivalents	2,435,070	153,551	1,238	2,589,859
Debt securities	364,866	-	-	364,866
Loans and advances to banks	1,642,486	67,371	5,446	1,715,303
Loans and advances to customers	9,163,116	-	-	9,163,116
Other financial assets	87,467	35,898	12,474	135,839
Total financial assets	**13,693,005**	**256,820**	**19,158**	**13,968,983**
Loans from banks and other financial institutions	4,805,851	-	-	4,805,851
Customer accounts	8,224,297	436,407	-	8,660,704
Other financial liabilities	97,561	-	-	97,561
Provisions	74,845	-	-	74,845
Lease liabilities	1,288,744	-	-	1,288,744
Subordinated debt	247,307	-	-	247,307
Total financial liabilities	**14,738,605**	**436,407**	-	**15,175,012**
Open currency position	**(1,045,600)**	**(179,587)**	**19,158**	**(1,206,029)**

Financial assets 2019 (in `000 Frw)	Local currency	USD	EUR	Total
Cash and cash equivalents	1,960,095	84,493	2,138	2,046,726
Loans and advances to banks	4,534,055	427,500	46,050	5,007,605
Loans and advances to customers	10,469,771	-	-	10,469,771
Other financial assets	33,969	-	-	33,969
Total financial assets	**16,997,890**	**511,993**	**48,188**	**17,558,071**
Loans from banks and other financial institutions	4,163,306	-	-	4,163,306
Customer accounts	10,779,225	382,086	-	11,161,311
Other financial liabilities	89,414	-	-	89,414
Provisions	46,466	-	-	46,466
Lease liabilities	1,294,415	-	-	1,294,415
Subordinate debt	209,227	-	-	209,227
Total financial liabilities	**16,582,053**	**382,086**	-	**16,964,139**
Open currency position	**415,837**	**129,907**	**48,188**	**593,932**

The Bank did not have outstanding forward contracts as at 31 December 2020 (2019: nil)

An Frw depreciation against USD of 3.5% would result in a pre-tax net loss from currency revaluations of Frw 6,286 thousand (2019: gain of Frw 4,546 thousand). An Frw depreciation against EUR of 14% would result to a pre-tax net gain from currency revaluations of Frw 2,682 thousand (2019: Frw 6,746 thousand).

Liquidity risk

Liquidity risk in the strict sense of the word is the danger that a bank will no longer be able to meet its payment obligations in full, or in a timely manner. In a wider sense, it is the danger that additional funding can no longer be obtained, or can only be obtained at significantly increased costs.

The Bank concentrates on lending to micro, small and medium sized enterprises as well as individuals – the portfolio of such loans makes up 53% (2019: 49%) of total assets. The portfolio is highly diversified to a large number of customers, and almost exclusively consists of instalment loans with monthly annuity repayments of interest and principal.

The main sources of refinancing are customer deposits 50% (2019: 53%); borrowings from financial institutions 29% (2019: 21%) of total assets and equity of 12% (2019: 20%). Borrowings are predominantly medium-long term and from specialised microfinance investment vehicles.

As a result, the Bank has a structurally positive liquidity mismatch and a strong liquidity position. In the event of a liquidity shortage, the Bank could react by reducing the speed of growth of the loan portfolio, which would lead to opportunity costs but not immediately increase funding cost. In view of these factors, the Bank uses a relatively simple liquidity management system that is based on a rolling forecast of cash flows as well as regular maturity mismatch analysis. The Bank applies a number of externally and internally set liquidity indicators and is usually well within the established limits.

Liquidity management is under the responsibility of an Asset and Liability Committee (ALCO) which is under Risk Committee that is composed of members of the management team and other key managers. Additional oversight and control are provided by the Bank's Board of Directors as well as the AccessHolding head office in Berlin. Throughout the reporting period, the Bank had adequate liquidity available at all times to meet all financial obligations in a timely manner.

The Bank maintains a high level of cash and cash equivalents that can be easily liquidated in the event of an unforeseen interruption in cash flow. The liquidity position is assessed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. Liquid assets consist of balances with the Central Bank and loans and advances to banks with maturity below than 90 days. The Bank believes it is important to use current accounts and savings accounts as sources of funds to finance lending to customers. They are monitored using the liquid assets to deposit ratio. The liquidity ratios as at year-end were, as follows:

	2020	2019
Liquid Assets / Total Assets	24.76%	33.32%
Liquid Assets / Deposits < 90 days	91.12%	91.95%

Additionally, the Bank monitors deposit concentration on single counterparties. The following table shows the amount of the deposit portfolio concentrated in the 10 largest client exposures.

In `000 Frw	2020	2019
Total deposits	8,660,704	11,161,311
10 largest client exposures	3,704,086	6,773,080
Percentage (%)	43%	61%

As a result of COVID-19 impacts the liquidity risk of the Bank has changed from prior period. However, management has not deemed it necessary to change the response to managing the risk as the methods applied in prior periods are still applicable and appropriate.

As of 31 December 2020, the maturity schedule is as follows:

in `000 Frw	< 1 month	1 – 3 months	3 – 12 months	12 months to 2 years	2 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	2,589,859	-	-	-	-	-	2,589,859
Debt securities	-	-	-	-	447,797	-	447,797
Loans and advances to banks	1,715,303	-	-	-	-	-	1,715,303
Loans and advances to customers	358,667	600,367	5,834,220	3,785,104	1,686,364	137,592	12,402,314
Other financial assets	135,839	-	-	-	-	-	135,839
Total financial assets	**4,799,668**	**600,367**	**5,834,220**	**3,785,104**	**2,134,161**	**137,592**	**17,291,112**
Liabilities							
Loans from banks and other financial institutions	-	39,886	1,704,638	2,077,720	2,295,426	-	6,117,670
Customer accounts	3,396,195	1,334,989	4,088,118	212,105	18,222	-	9,049,629
Other financial liabilities	97,561	-	-	-	-	-	97,561
Provisions	-	-	74,845	-	-	-	74,845
Lease liabilities	12,156	11,664	277,925	271,828	559,998	514,697	1,648,268
Subordinate debt	-	-	37,418	44,926	339,471	-	421,815
Total financial liabilities	**3,505,912**	**1,386,539**	**6,182,944**	**2,606,579**	**3,213,117**	**514,697**	**17,409,788**
Net liquidity gap	**1,293,756**	**(786,172)**	**(348,724)**	**1,178,525**	**(1,078,956)**	**(377,105)**	**(118,676)**
Cumulated liquidity gap	**1,293,756**	**507,584**	**158,860**	**1,337,385**	**258,429**	**(118,676)**	**-**

As of 31 December 2019, the maturity schedule was as follows:

in `000 Frw	< 1 month	1 – 3 months	3 – 12 months	12 months to 2 years	2 to 5 years	Over 5 years	Total
Assets							
Cash and cash equivalents	2,046,726	-	-	-	-	-	2,046,726
Loans and advances to banks	2,297,025	2,710,580	-	-	-	-	5,007,605
Loans and advances to customers	141,342	225,228	3,734,849	5,923,082	2,714,685	249,397	12,988,583
Other financial assets	33,969	-	-	-	-	-	33,969
Total financial assets	**4,519,062**	**2,935,808**	**3,734,849**	**5,923,082**	**2,714,685**	**249,397**	**20,076,883**
Liabilities							
Loans from banks and other financial institutions	48,028	-	-	407,818	4,792,704	-	5,248,550
Customer accounts	6,165,102	1,615,654	2,130,532	1,523,795	82,252	-	11,517,335
Other financial liabilities	89,414	-	-	-	-	-	89,414
Provisions	-	-	46,466	-	-	-	46,466
Lease Liabilities	118,127	-	23,582	147,247	366,645	638,815	1,294,416
Subordinate debt	-	-	-	37,418	112,377	272,020	421,815
Total financial liabilities	**6,420,671**	**1,615,654**	**2,200,580**	**2,116,278**	**5,353,978**	**910,835**	**18,617,996**
Net liquidity gap	**(1,901,609)**	**1,320,154**	**1,534,269**	**3,806,804**	**(2,639,293)**	**(661,438)**	**1,458,887**
Cumulated liquidity gap	**(1,901,609)**	**(581,455)**	**952,814**	**4,759,618**	**2,120,325**	**1,458,887**	**-**

The table above analyses assets and liabilities of the Bank into relevant maturity brackets based on the remaining contractual maturity at balance sheet date. The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for the Bank ever to be completely matched since business transacted is often of uncertain term. The maturity of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

The Bank considers interest rate risk as immaterial. The Bank considers the difference in modified duration as immaterial due to the short-term nature of its assets and a similar average duration on its liability side. Additionally, the Bank considers the correlation of interest rate levels of interest-bearing assets and interest-bearing liabilities as low. An interest rate shock of +2% (Basle shock) across all interest-bearing assets and liabilities would result in a net earnings loss of Frw 79,925 thousand (2019: Frw 37,766 thousand).
As of 31 December 2019, the maturity schedule was as follows:

in `000 Frw	Non-interest bearing	< 1 m	1 – 3 m	3 – 12 m	12 m to 2 years	2 – 5 years	Over 5 years	Total
Assets								
Cash and cash equivalents	2,046,726	-	-	-	-	-	-	2,046,726
Loans and advances to banks	505,025	1,792,000	2,710,580	-	-	-	-	5,007,605
Loans and advances to customers	6,878	130,789	201,450	3,261,993	4,960,606	1,747,513	160,542	10,469,771
Other financial assets	33,969	-	-	-	-	-	-	33,969
Total financial assets	**2,592,598**	**1,922,789**	**2,912,030**	**3,261,993**	**4,960,606**	**1,747,513**	**160,542**	**17,558,071**
Liabilities								
Loans from banks and other financial institutions	48,028	-	-	-	-	4,115,278	-	4,163,306
Customer accounts	1,890,549	4,267,392	1,590,472	2,057,242	1,283,307	72,349	-	11,161,311
Other financial liabilities	89,414	-	-	-	-	-	-	89,414
Provisions	46,466	-	-	-	-	-	-	46,466
Subordinate debt	-	-	-	-	-	-	209,227	209,227
Lease liabilities		118,127		23,582	147,247	366,645	638,815	1,294,415
Total financial liabilities	**2,074,457**	**4,385,519**	**1,590,472**	**2,080,824**	**1,430,554**	**4,554,272**	**848,042**	**16,964,139**
Net repricing gap	**518,139**	**(2,462,730)**	**1,321,558**	**1,181,169**	**3,530,052**	**(2,806,759)**	**(687,499)**	**593,932**

Compliance risks

Compliance risks in the Bank arise from national standards as well as international conventions.

Anti-money laundering and anti-terrorist financing procedures are an important focus area. The Bank has adopted detailed procedures for managing both issues, which are centred on a strict KYC (Know Your Client) policy and which serve to protect the customers and the laws. The procedures have been prepared in accordance with FATF (Financial Action Task Force) and other international recommendations.

These and other compliance risks are managed by the relevant departments of the Bank, including the finance, operations and legal department.

Organisation of the risk management function

Overall responsibility for risk management lies with the executive management of the Bank, which reports to the Board Risk Committee and Audit Committee. Specific risks are monitored by special committees on management level (and in some cases Board of Directors' level) – this includes, Risk Committee, Credit Committee, Remuneration Committee and IT Committee. These committees meet on a regular basis and record their findings and decisions.

Regular meetings and training events support the exchange of best practices and the development and enhancement of the risk management function.

Internal Audit

Having an independent Internal Audit Function (IAF) is a vital part of the corporate governance framework of the Bank. In order to provide for its independence, the IAF reports functionally to the Audit Committee as a sub-committee of the Board of Directors and administratively to the Chief Executive Officer (CEO) of the Bank.

The IAF operates independently in carrying out its duties and is free to initiate any investigation at any time as and when deemed appropriate. The activities of the IAF are governed by a charter that clearly outlines its role, responsibilities and scope of work and guarantees the standing and authority of the Internal Audit Function within the Bank.

In order to maintain its objectivity, the IAF is not involved in any day-to-day banking operations and control procedures. Instead, each business unit is responsible for its own internal control activities and for monitoring effectiveness and efficiency of its operations.

The IAF uses a risk-based approach both in determining its annual audit plan as well as in identifying audit priorities for individual audit assignments. In carrying out its duties, the IAF is guided by the International Standards for the Professional Practice of Internal Auditing, which are issued by the Institute of Internal Auditors – the global standard setter for internal audit.

The scope of work of the IAF is to determine whether the system of risk management, internal control and governance processes, as designed and implemented by the management, is adequate and functioning properly in the Bank. This mainly covers:

- Reviewing the functionality, effectiveness and adequacy of the risk management activities of the Bank,
- Reviewing the major systems of internal control in all areas of the Bank and assessing its adequacy, effectiveness and efficiency,
- Reviewing the procedures established by the management to determine and ensure compliance with all plans, policies, procedures, laws and regulations that could have a significant impact on objectives, operations and reports/financial information.

Therefore, the IAF is authorized to have unrestricted access to all functions, records, property and personnel needed to carry out its duties.

Internal audit functions of the Bank continued with further development and improvement of audit practices by emphasizing risk and process-based audit methodologies. Due to Covid-19 pandemic, that generally affected the Bank's operations, also internal audit activities have been affected. Hence, the 2020 audit plan was revised and approved by the Board Audit Committee. Overall, 7 regular audit assignments were planned and 5 ones have been completed

throughout the year. In addition to that 2 special audit assignments have been completed. Besides, The Bank progressed with further development of IT audit capacities, including the IT audit hub based in Lagos, Nigeria.

By the end of 2020, the Bank had in total 4 staff members within Internal Audit (2019: 4).

Events after the reporting period

As at 24 February 2021 an investor signed a binding offer with the shareholders of the Bank to acquire a majority ownership of the Bank. The share purchase agreement is expected to be signed shortly after the approval of the financial statements at the end of March or early April 2021, with the transfer of ownership only being subject to the approval of the Central Bank.

The Bank assessed the transfer of ownership interest as a non-adjusting event as the negotiations for the transactions did not advance materially enough as at 31.12.2020 and would therefore represent an event that is indicative of conditions that arose after the reporting period. The transfer of ownership will trigger the cessation of the accumulated tax losses to apply and would therefore result in the derecognition of deferred tax assets and recognition of deferred tax liabilities in the total amount of RWF 978,832 thousand.

Related-party transactions

The following table provides the total amount of transactions and balances that have been entered into with related parties for the relevant financial year:

In '000 Frw	Access Microfinance Holding AG		AB Microfinance Nigeria	
	2020	2019	2020	2019
Consultancy service	-	307,964	3,018	2,509
Royalty service	-	145,897	-	-
Amounts due from related parties	14,165	35,615	-	-
Amounts due to related parties	-	-	-	899

Access Microfinance Holding AG

As at 20 December 2019 the Bank finalized a restructuring agreement with its existing lenders and its parent AccessHolding. Besides the waiver of substantial parts of the outstanding debt, AccessHolding irrevocably and unconditionally waived 1/3 any fee or payment which is or has become due from July to September 2019 and 100% of any fee or payment which arises under the Group Services Contract from October to December 2019. In addition, AccessHolding waived the payments of Group service contract and the Software License Agreement in respect of the period from January 2020 to December 2021.

AccessHolding also acts as counterparty to the MasterCard Foundation, which provides grants to the Bank. The receivable to AccessHolding therefore represents a reimbursement for expenditures covered in the grant agreement.

AB Microfinance Bank Nigeria

AB Microfinance Bank Nigeria is a sister entity under joint ownership of Access Microfinance Holding AG, which provides IT audit services to the Bank.

Compensation of key management personnel of the Bank

In '000 Frw	2020	2019
Employee benefits	394,565	335.848
Employer contribution to pension funds (RSSB)	19,197	15,397
Total	**413,762**	**351,245**

No loans have been disbursed to members of the Board of Directors or of management team.

Members of the Board of Directors received sitting allowances of Frw 25,039 thousand in 2020 (2019: Frw 23,359 thousand).

(39) Lease liabilities

In '000 Frw	2020	2019
At 1 January	1,294,415	1,417,087
Additions	161,385	10,439
Modifications	89,336	0
Derecognition	(69,923)	0
Finance cost	132,840	135,843
Lease payments	(319,309)	(268,954)
At 31 December	**1,288,744**	**1,294,415**

Other Disclosures

Item	Amount /ratio/ number
A. Capital strength	
a. Core capital (Tier 1)	1,187,626
b. Supplementary capital (Tier 2)	336,132
c. Total capital	1,523,758
d. Total risk weighted assets	11,062,864
e. Core capital /Total risk weighted assets (Tier 1)	10.74%
f. Tier 2 ratio	3.03%
g. Total capital /Total risk weighted assets	13.77%
h. Leverage ratio	8%
II. Credit Risk	
1. Total gross credit risk exposures: after accounting offsets and without taking into account credit risk mitigation	11,219,843
2. Average gross credit exposure, broken down by major types of credit exposure	11,219,843
Micro	9,279,492
SME	1,786,983
Other Loans	153,368
a) Loans, commitments and other non-derivative off-balance sheet exposure	-
b) Debt securities	364,866
c) OTC derivatives	-

3.Regional or geographic distribution of exposures, broken down in significant areas by major types of credit exposures

	CITY OF KIGALI	NORTHERN PROVINCE	EASTERN PROVINCE	WESTERN PROVINCE	SOUTHERN PROVINCE	TOTAL
Micro loans	5,660,415	738,367	1,482,841	321,254	1,076,615	9,279,492
SME loans	1,786,983	-	-	-	-	1,786,983
Other Loans	148,803	1,575	1,451	147	1,392	153,368
	7,596,201	**739,942**	**1,484,292**	**321,401**	**1,078,007**	**11,219,843**

4.Sector distribution of exposures, broken down by Major types of credit exposure and aggregated in the following areas

	Micro loans	SME loans	Other loans	Total
a) Public	-	-	-	-
b) Financial	-	-	-	-
c) Manufacturing	284,945	195,262	119	480,326
d) Infrastructure and construction	676,211	290,485	82,730	1,049,426
e) Service and commerce	7,221,623	1,035,526	10,397	8,627,546
f) Others	1,096,714	265,710	60,121	1,422,545
	9,279,493	**1,786,983**	**153,367**	**11,219,843**

5. Off-balance sheet items	-
6. Non- performing loans indicators	
a) Non-performing Loans (NPL)	1,741,155
b) NPL Ratio	15.18%
7.Related Parties	
a) Loans to directors, shareholders and subsidiaries	-
b) Loans to employees	112,660
8. Restructured loans as at 31.12.2020	
a. No. of borrowers	2,357
b. Amount outstanding (Frw '000)	4,751,196
c. Provision thereon (Frw '000) (regulatory):	858,943
d. Restructured loans as % of gross loans	42%

C. Liquidity risk

High Quality liquid assets	2,589,859
Total net cash outflows	2,749,169
a) Liquidity Coverage Ratio (LCR)	391%
Available stable funding	12,348,310
Required stable funding	9,677,750
b) Net Stable Funding Ratio (NSFR)	128%

D. Operational Risk	Type	Number	Amount
Number and Types of Frauds and their corresponding amount	-	-	-

E. Market Risk

a. Interest rate risk	-
b. Equity position risk	-
c. Foreign exchange risk	179,548

F. Country Risk

a. Credit exposures abroad	-
b. Other assets held abroad	48,372
c. Liabilities to abroad	5,053,158

G. Management and Board composition

a. Number of Board members	7
b. Number of independent directors	3
c. Number of non-independent directors	4
d. Number of female directors	1
e. Number of male directors	6
f. Number of senior managers	2
g. Number of female senior managers	1
h. Number of male senior managers	1