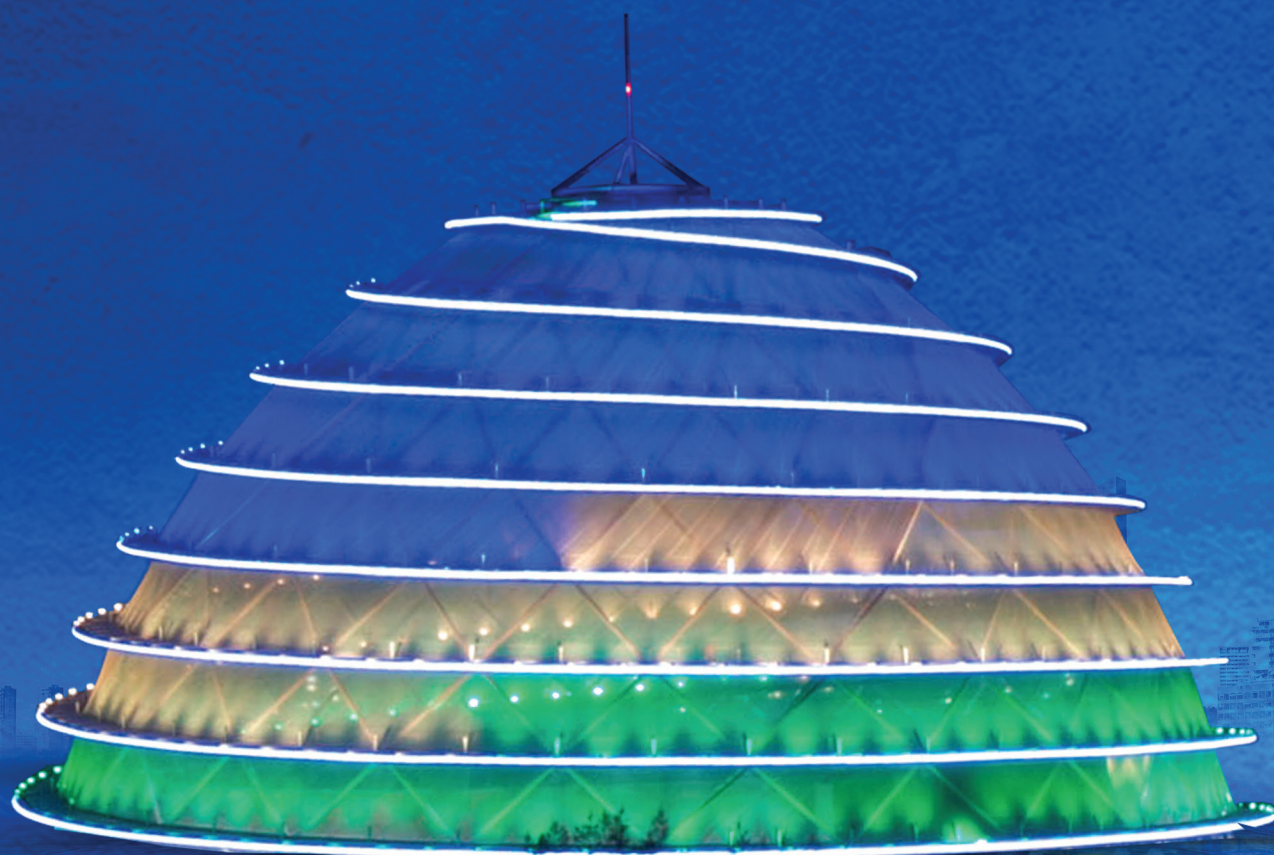




ANNUAL REPORT

2019



BK *Zamuka
Mugore*

KABYA INZOZI ZAWAWE
IYO KONTI INAGUHESHA
INGUZANYO NTA NGWATE
KUGEZA KURI **1,000,000 FRW**
KU NYUNGU YOROHEJE!



VISION MISSION & VALUES

OUR VISION

BK Group Plc aspires to be the leading provider of the most innovative financial solutions in the region.

OUR MISSION

Our mission is to be the leader in creating value for our stakeholders by providing the best financial services to businesses and individual customers, through motivated and professional staff.

OUR VALUES

- *Customer focus*
- *Integrity*
- *Quality*
- *Excellence*



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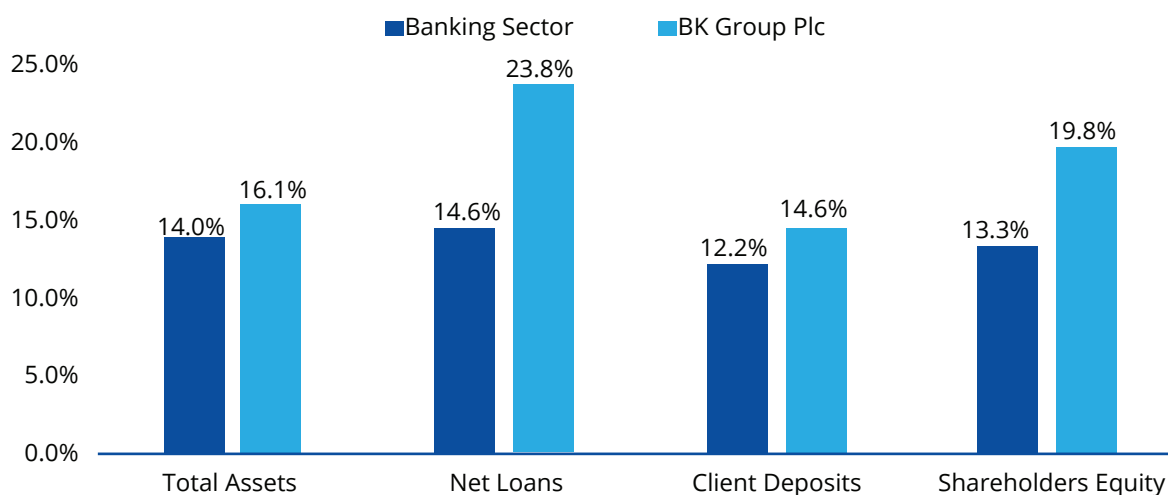
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FINANCIAL HIGHLIGHTS

BK Group Plc Growth vs. Banking Sector Growth, CAGR 2014 - 2019



Total Assets grew by 16.1% y-o-y to FRw 1,019.1 billion

Total Assets	2019	2018	2017	2016	2015	2014
BK Group Plc	16.1%	20.7%	13.9%	13.7%	16.3%	14.3%
Banking Sector	12.5%	15.1%	12.9%	11.6%	18.3%	20.8%

VisioNet Loans grew by 19.3% y-o-y to FRw 678.0 billion

Net Loan Book Growth	2019	2018	2017	2016	2015	2014
BK Group Plc	19.3%	20.4%	22.3%	22.9%	34.5%	17.3%
Banking Sector	12.2%	12.6%	12.6%	14.3%	21.5%	21.6%

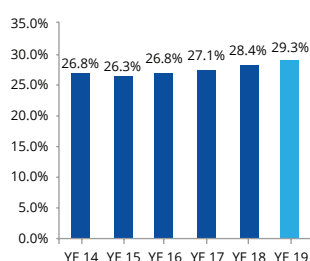
Client Balances and Deposits increased by 20.8% y-o-y to FRw 642.7 billion

Client Balances Growth	2019	2018	2017	2016	2015	2014
BK Group Plc	20.8%	16.9%	8.6%	8.9%	18.5%	15.7%
Banking Sector	11.4%	14.1%	12.6%	7.4%	15.6%	20.4%

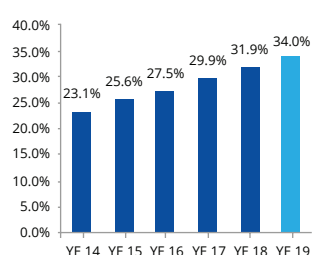
Shareholders' Equity Increased by 13.4% y-o-y to FRw 220.8 billion

Shareholders' Equity Growth	2019	2018	2017	2016	2015	2014
BK Group Plc	13.4%	58.6%	13.1%	9.3%	10.8%	26.5%
Banking Sector	20.5%	12.2%	3.9%	11.1%	19.8%	5.0%

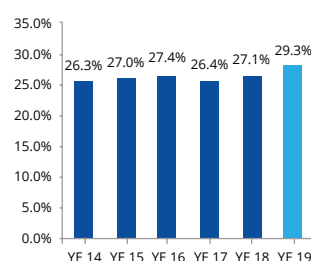
Market Share by Total Assets



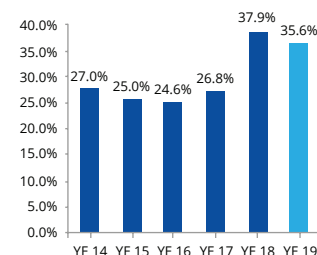
Market Share by Net Loans



Market Share by Clients Balances & Deposits

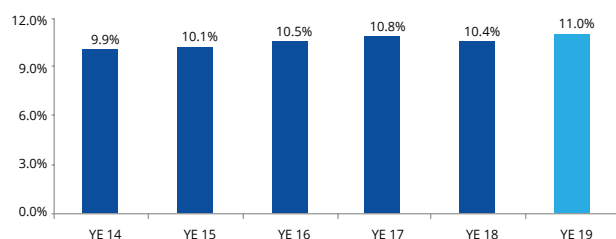


Market Share by Equity

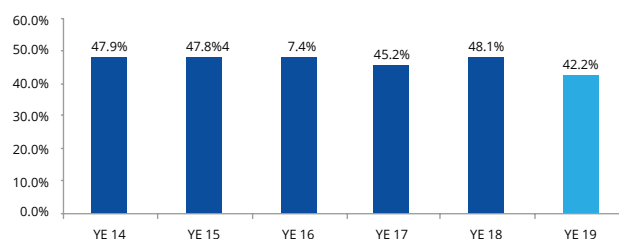


*Market share data are based on the 2019 results submitted to BNR.

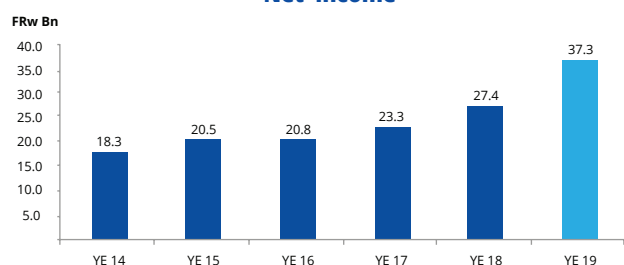
Net Interest Margin, %



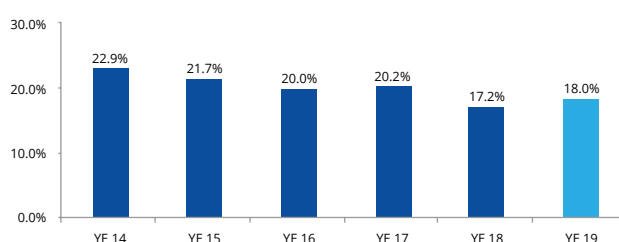
Cost to income, %



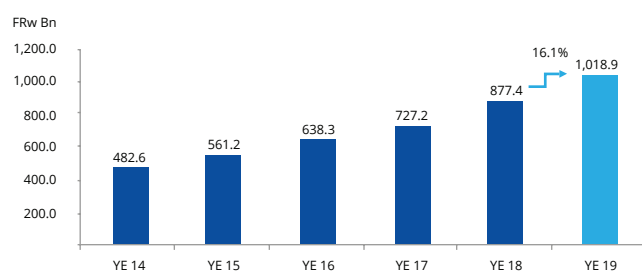
Net income



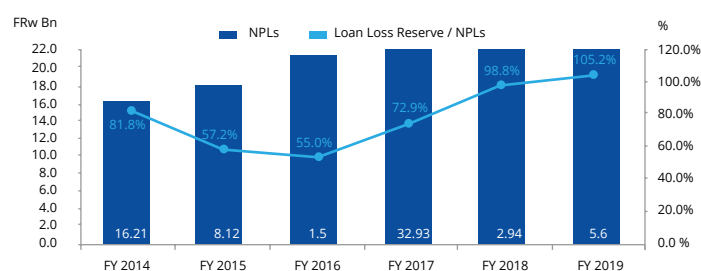
Return to Shareholders



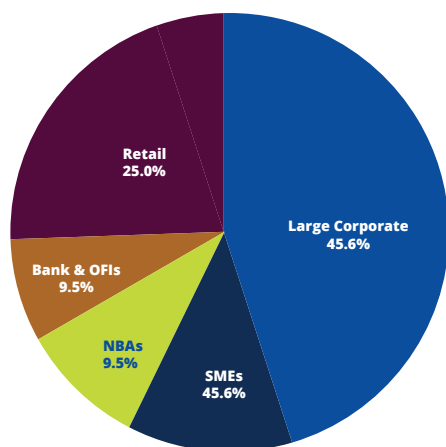
Total Assets



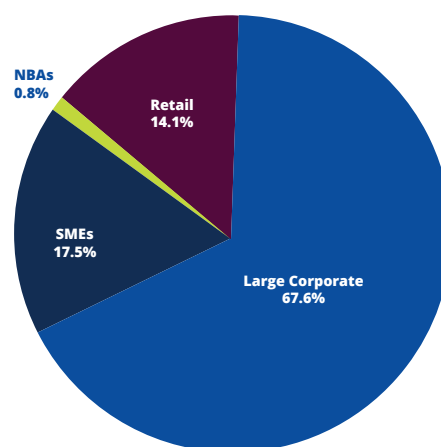
Improving coverage, %



Total Deposits - 2019



Gross Loans & Advances - 2019



BK GROUP PLC

KEY PERFORMANCE RATIOS

	YE 2019	YE 2018	YE 2017	YE 2016	YE 2015	YE 2014	YE 2013	YE 2012	YE 2011	YE 2010
Profitability										
Return on Average Assets, %	3.9%	3.4%	3.4%	3.5%	3.9%	4.0%	4.0%	3.9%	3.6%	3.5%
Return on Average Equity, %	18.0%	17.2%	20.2%	20.0%	21.7%	22.9%	22.2%	18.9%	18.6%	24.5%
Net Interest Margin , %	11.0%	10.4%	10.4%	10.5%	10.1%	9.9%	11.1%	9.6%	8.4%	8.3%
Loan Yield, %	16.2%	15.3%	16.2%	17.6%	19.2%	20.5%	20.5%	17.0%	16.9%	15.8%
Interest Expense/Interest Income,%	19.4%	19.4%	22.3%	22.9%	22.9%	24.4%	22.2%	26.0%	26.8%	25.6%
Cost of Funds, %	3.1%	3.0%	3.2%	3.3%	3.2%	3.4%	3.3%	3.4%	3.1%	2.8%
Efficiency										
Cost/Income Ratio	42.2%	48.1%	45.2%	47.4%	47.8%	47.9%	48.4%	52.8%	48.4%	47.5%
Costs/Average Assets, %	5.4%	6.2%	6.1%	6.1%	5.8%	6.2%	7.0%	6.6%	5.9%	5.8%
Personnel Costs/Total Recurring Operating Costs	48.3%	45.6%	50.5%	38.6%	49.4%	51.8%	45.0%	47.4%	51.8%	52.3%
Personnel Costs/Average Total Assets, Annualised	2.6%	2.8%	3.1%	2.3%	2.9%	3.2%	3.1%	3.1%	2.9%	3.0%
Personnel Costs/Total Operating Income	20.4%	21.9%	22.9%	18.3%	23.6%	24.8%	21.8%	25.0%	25.1%	25.0%
Net Income/Total Operating Income	30.8%	26.3%	25.3%	27.0%	32.1%	31.5%	27.6%	30.7%	29.5%	29.2%
Total Operating Income/Average Assets %	12.8%	13.0%	13.5%	12.8%	12.2%	12.9%	14.4%	12.6%	12.1%	12.1%
Liquidity										
Net Loans/Total Assets,%	66.5%	64.7%	64.9%	60.4%	55.9%	48.4%	47.1%	57.3%	42.8%	51.3%
Liquid Assets / Total Assets	27.9%	30.1%	28.8%	32.8%	38.4%	45.7%	46.0%	31.9%	45.1%	37.0%
Liquid Assets / Total Deposits	40.9%	44.5%	42.1%	47.3%	52.9%	64.9%	65.2%	44.7%	64.9%	47.3%
Liquid Assets / Total Liabilities	35.7%	38.6%	34.7%	39.5%	46.7%	56.1%	55.2%	39.6%	57.4%	44.1%
Total Deposits / Total Assets	68.4%	67.6%	68.5%	69.4%	72.6%	70.4%	70.5%	71.3%	69.5%	78.2%
Total Deposits / Total Liabilities	87.3%	86.9%	82.4%	83.6%	88.2%	86.5%	84.7%	88.7%	88.4%	93.2%
Interbank Borrowings / Total Deposits	7.8%	10.3%	8.6%	5.4%	5.6%	4.5%	5.8%	8.0%	9.5%	12.2%
Gross Loans/Total Assets	71.2%	68.4%	68.2%	62.3%	57.9%	51.1%	50.2%	60.1%	45.4%	53.4%
Gross Loans / Total Deposits	104.2%	101.2%	99.5%	88.9%	79.7%	72.6%	71.1%	84.2%	65.3%	68.3%
Interest Earning Assets/Total Assets	90.6%	91.1%	91.0%	88.9%	87.8%	87.7%	88.4%	80.5%	82.0%	81.6%
Leverage (Total Liabilities/Equity), Times	3.6	3.5	4.9	4.9	4.7	4.4	5.0	4.1	3.7	5.2
Asset Quality										
NPLs /Total Loans, %	5.7%	4.9%	5.6%	4.5%	4.9%	6.6%	6.9%	6.5%	8.3%	8.5%
NPL Coverage Ratio	105.2%	98.8%	72.9%	55.0%	57.2%	81.8%	87.4%	70.3%	69.1%	45.8%
NPL Coverage Ratio (Net Exposure)	132.8%	99.9%	199.6%	128.4%	110.2%	169.0%	134.6%	90.0%	94.0%	62.3%
Loan Loss reserve / Gross Loans ,%	6.6%	5.4%	4.8%	3.0%	3.3%	5.4%	6.1%	4.6%	5.8%	3.9%
Average Loan Loss reserve / Average Gross Loans ,%	6.1%	5.2%	4.0%	3.1%	4.2%	5.7%	5.4%	5.1%	4.9%	4.3%
Large Exposures / Gross Loans	38.3%	36.8%	46.2%	54.3%	24.1%	18.0%	5.4%	6.5%	8.8%	14.3%
Cost of Risk, Annualised	2.7%	2.1%	3.7%	2.9%	2.6%	3.3%	4.4%	2.2%	3.8%	2.0%
Capital Adequacy										
Core Capital / Risk Weighted Assets	30.3%	32.1%	18.9%	19.0%	22.1%	25.8%	23.1%	22.4%	28.1%	18.7%
Total Qualifying Capital / Risk Weighted Assets	30.6%	32.0%	19.5%	19.6%	22.5%	26.3%	23.7%	23.2%	29.1%	20.1%
Off Balance Sheet Exposure / Total Qualifying Capital	38.5%	41.2%	80.7%	77.9%	66.0%	39.5%	62.1%	53.8%		
Large Exposures / Core Capital	138.4%	124.2%	208.7%	227.5%	84.2%	53.5%	17.9%	22.6%	21.3%	61.1%
NPLs less Provisions / Core Capital	(1.2%)	0.2%	8.1%	10.2%	8.7%	3.5%	2.9%	6.8%	6.2%	19.7%
Market Sensitivity										
Forex Exposure / Core Capital	(12.9%)	(3.7%)	(14.4%)	(9.5%)	(20.4%)	(20.4%)	(9.1%)	(41.2%)	11.7%	11.5%
Forex Loans / Forex Deposits	66.7%	69.0%	101.4%	68.9%	26.9%	8.4%	0.7%	1.0%	0.8%	1.0%
Forex Assets / Forex Liabilities	88.6%	97.1%	92.3%	95.0%	86.4%	87.5%	93.8%	61.0%	105.3%	106.7%
Forex Loans / Gross Loans	16.4%	18.5%	26.5%	21.3%	8.2%	3.3%	0.3%	0.3%	0.3%	0.4%
Forex Deposits/Total Deposits	25.7%	27.2%	26.0%	27.7%	24.3%	28.4%	33.2%	25.3%	23.8%	27.4%
Selected Operating Data										
Full Time Employees	1,235	1,218	1,215	1,225	1,140	1,019	980	877	602	454
Assets per FTE (FRw in billion)	0.8	0.7	0.6	0.5	0.5	0.5	0.4	0.4	0.5	0.4
Number of Branches	68	79	76	76	75	70	65	59	44	33
Number of Mobibank/ Outlets	22	9	22	22	22	22	18	18	13	13
Number of ATMS	94	95	91	91	84	76	65	55	26	26
Number of POS Terminals	2,233	1,611	1,250	1,002	801	656	568	405	202	97
Number of Retail Customers	331,221	293,450	257,990	236,545	327,441	288,022	231,409	191,632	124,248	50,073
Number of BK Yacu Agent	1,654	1,427	1,437	1,280	1,043	861	569	30	-	-

For the Year ended 31 December 2019

Value Added Statement	2019	2018
Interest, commissions and other revenues	145,082,539	124,034,513
Interest paid to depositors and costs of services	(41,181,834)	(39,836,860)
Net impairment for loan loss	(17,886,085)	(11,409,582)
Value added	86,014,620	72,788,071

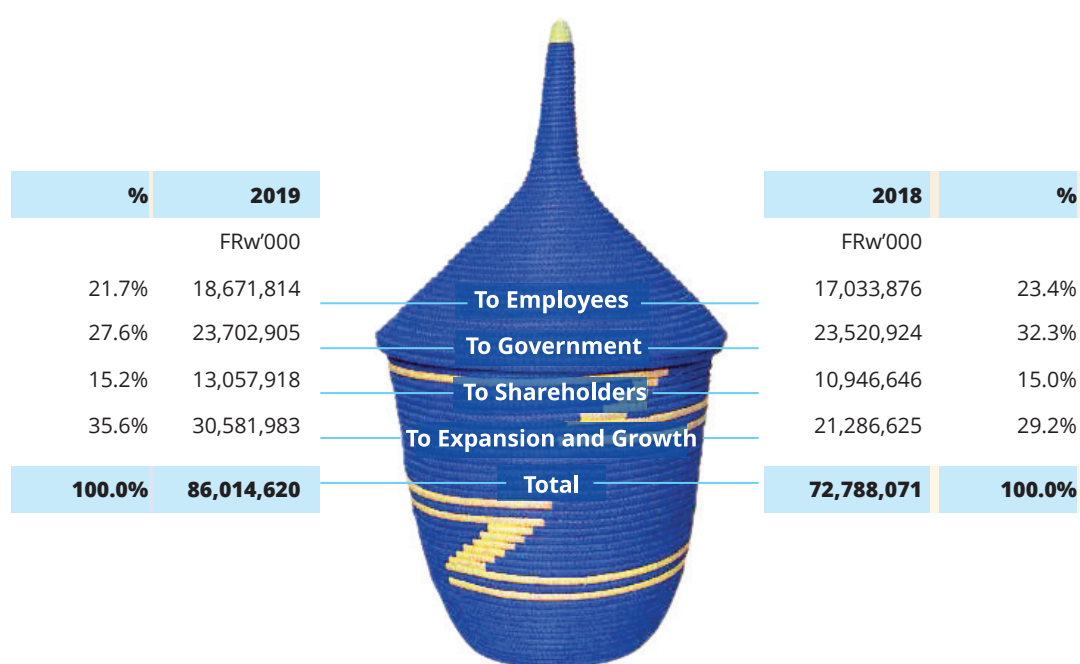
Distribution of Value Added	2019	%	2018	%
To Employees				
Salaries, wages and other benefits	18,671,814	21.7%	17,033,876	23.4%

To Government				
Corporation Tax	14,784,270	17.2%	15,235,009	20.9%
VAT	1,812,780	2.1%	1,395,372	1.9%
Withholding Tax	1,088,269	1.3%	1,058,773	1.5%
District Taxes	49,372	0.1%	46,967	0.1%
PAYE Tax	5,968,215	6.9%	5,784,803	8.0%
	23,702,905	27.6%	23,520,924	32.3%

To Shareholders				
Dividends paid to shareholders	13,057,918	15.2%	10,946,646	15.0%

To Expansion and Growth				
Retained Income	24,250,418	28.2%	16,419,970	22.6%
Depreciation and amortisation	6,331,565	7.4%	4,866,655	6.7%
	30,581,983	35.6%	21,286,625	29.2%

Wealth distributed	86,014,620	100.0%	72,788,071	100.0%
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MARC HOLTZMAN
Chairman

Dear Fellow Shareholders,

It is with a great pleasure and pride that I present BK Group's 2019 annual report. Our shared commitment has made 2019 an extremely successful year. Strong foundations have been laid for our digital transformation and future. BK Group's net income was a record FRw 37.3 billion – 36.3% higher than the previous year with a ROAE of 18%. During 2019, our group became the first home grown Rwandan company to reach FRw 1 trillion in total assets – a fivefold increase from an asset base of FRw 200 billion when we launched our IPO in 2011. This achievement is a tribute to our hard work and determination to create maximum value for our customers and shareholders.

Consistent with the growth of financial markets in Rwanda, BK Group continues to achieve impressive progress in our subsidiaries. BK General Insurance has completed a second year of profitability with a 43% increase of net income from the prior year. Respectively, BK Capital grew assets under management from FRw 1.7 billion to 8.5 billion in just a span of one year.

Our digital transformation program is well underway. Our digital team has been skillfully transforming and navigating the customer experience supported by the most up-to-date cutting-edge technologies. A wonderful example is Ikofi. Since most small family farmers don't yet have formal banking relationships, Ikofi app was designed to help farmers manage agricultural inputs, outputs as well as encourage a culture of saving. By the end of last year, more than 200,000 farmers have enjoyed using our Ikofi app and our target is to double that number by mid-2020. Ikofi was originally designed for relatively small to medium size farmers but it has proven widely popular among mainstream customers. In 2020, we have ambitious plans to introduce Ikofi across the country.

As Rwanda's largest and premier financial institution, we are continually reminded of our obligation to support the social-economic development of Rwanda. Every year, a portion of our operating income earmarked to providing home renovation, health insurance and school fees to deserving low-income earners as well as green initiatives and zero-interest financing to young entrepreneurs. Our team also takes pride in joining with people across Rwanda to help plant trees and to demonstrate our commitment to our local communities.

Given Rwanda's extremely favorable business environment and aggressive financial inclusion initiatives, we anticipate greater competition in the financial sector. Our digital factory, our determination to best serve our customers and overall determination to win gives me great comfort that we will not only maintain but increase our market share.

Changes to the Board:

As at 31 December 2019, the Board of Directors comprised 8 members, seven of whom were independent directors. Mr Richard Tusabe who was my vice chair was appointed as the Minister of State in charge of National Treasury at the Ministry of Finance and Economic Planning, having had a distinguished tenure at the Rwanda Social Security Board (RSSB) as Director General. He has been ably replaced on the Board by Regis Rugemanshuro, following his appointment as Director General of RSSB in February 2020. As we thank Richard for his invaluable contribution to the Group and wish him well in his new role, we look forward to working with Regis, who contributed remarkably to the digital transformation of the Bank in his role as Chief Digital Officer.

Following the reorganization of the Group last year where the banking business was hived-out to Bank of Kigali Plc, we look to reconstitute the board to enable us focus on the group strategy as well as maintain the best standards of corporate governance in our respective subsidiaries. The changes to the Group Board of Directors will be proposed during the May 2020 Annual General Meeting.

Covid-19 pandemic:

The devastating impact of Covid-19 on the economy globally has not spared Rwanda. The Government of Rwanda has shown effective leadership in its containment measures, support to vulnerable people and to the economy. The period ahead is likely to be challenging for our customers with the macroeconomic downturn, our robust position has however seen us offer various level support to the affected customers and will continue to walk with them through this difficult phase. As a strong financial services group, I am confident we shall emerge from the pandemic well placed to continue to serve our customers and our other stakeholders.

Sincerely,

Marc Holtzman



DIANE KARUSISI
CEO

Dear shareholders,

Introduction

We are pleased to report yet another remarkable performance in 2019 for BK Group, in line with the impressive economic performance in Rwanda. This is a demonstration of our commitment to creating sustainable value to our shareholders. We met our net income target, improved our cost management despite critical investments in technology, and introduced new products to meet evolving needs of our customers. We have continued to execute our transformation strategy with diligence and have registered encouraging successes in 2019.

Performance

The Group increased profit after tax by 36.3% to FRw 37.3 billion while the balance sheet hit FRw 1.0 trillion, representing 16.1% increase from 2018. We improved on efficiency as shown by our cost-to-income ratio that reduced to 42.2% from 48.1% last year and delivered an increase in return on average equity (ROAE) of 18% from 17.2% in 2018.

The growth of Bank of Kigali Plc, our commercial banking subsidiary mainly resulted from our aggressive strategy to mobilize customer deposits and to continue diversifying our loan book into growing sectors of the economy such as manufacturing, energy, and transport. Bank of Kigali Plc remains the leading commercial bank in Rwanda with more than 50% market share in profitability terms.

Other subsidiaries also continue to show a steady and sustained growth with BK General Insurance increasing its profitability by 43%, while BK Capital grew its assets under management by 500%. BK TechHouse has kept momentum in creating digital consumers for the Group, through the development of AgriTech and EduTech solutions that are being scaled country-wide.

Strategy update

We have intensified our progress towards the digital banking agenda. Our digital factory leads our digital innovations, automating internal processes, designing and developing new delivery channels with an improved customer experience. We selected cloud-native Temenos T24 to power our digital transformation strategy, help reduce our deployment costs and drive simplicity and efficiency of operations.

In May 2019, we launched IKOFI, the NextGen digital experience, targeting the underserved segments of our market. This enhanced experience offers BK's very own digital wallet within the IKOFI Mobile App and USSD channels. Anyone can register on our wallet instantly from their mobile phone. Users can make payments, transfers and manage their money anytime, anywhere. In just few months, we had registered over 200,000 farmers, a true testimony of the need for financial services in rural communities.

On the business side, our strategy remained to diversify our lending portfolio into various economic sectors and to optimize value chains to boost our SME and Retail banking with the objective to reduce our concentration risk. As a result, our SME and Retail lending grew by 6.0% and 17.9 % respectively.

Customer Focus

We believe that customer satisfaction is the most important value driver in our business. One of our overall aspirations is to "Wow the customer" and deliver an NPS score above 70%. To achieve this ambitious target, we are putting the customer at the center of all our decision making processes. Our operating model is designed in a way that favors collaboration in order to enhance customer experience and create an emotional connection with clients. We have launched cross-functional teams that are in charge of end-to-end customer journeys and have set an objective to deliver a unified experience across all channels.

Human capital and development

We recognize that our people are essential to our success. We also recognize the need to continuously train and up-skill our people to fit in the digital future we have set to achieve for the Group. Consequently, our training plan has been fully aligned to the Digital Transformation Strategy, and we have started a young talent program to build the work force the industry will need in the medium term.

In addition, we developed a balanced scorecard tool, to translate the strategy into operational initiatives, align all functions with the strategy, and enhance performance management. This has resulted into more clarity on peoples' roles and individual contributions to the overall aspirations of the organization. Finally, we implemented an e-learning solution, to offer customized training material to all staff and keep them engaged and knowledgeable about all areas of our business.

Risk and Compliance Management

BK Group is adequately capitalized for its business model and the risk appetite as defined by the Board. The Group's capital ratios are higher than the minimum requirements prescribed by the Prudential requirements. We believe the Group's current capital position provides flexibility to take advantage of growth opportunities for the Bank, acquisition opportunities in the local financial sector to expand the Group's product offering. Our risk universe is constantly reviewed to identify new areas of potential risk and appropriate mitigating measures.

As a financial services Group, we recognize the critical importance of information security for our business. In 2019 the Bank managed to implement the ISO/IEC 27001:2013 standard for Information Security Management System (ISMS). To comply with this international standard, the bank adopted a comprehensive set of security controls, policies and processes to increase protection of the bank's information assets against all threats.

As a financial services group, we maintain a zero tolerance stance towards non-compliance and unethical behavior. We have built a compliance department that is no longer just an adviser but one that puts emphasis on active risk management and monitoring so as to provide an independent oversight of the control framework.

Awards and Recognitions

During the year, the company was honored with several awards for excellence. For the 10th time, Bank of Kigali was named Best Bank in Rwanda by EMEA Finance. We also won Euromoney Awards for Excellence which recognized the unmatched effort of our staff to deliver world-class services to our customers. We won THE BIZZ Award by World Confederation of Business for our valuable contribution towards the economic growth of Rwanda. During the Annual Rwanda Trade Fair International 2019, the bank was awarded the best financial services exhibitor by the Private Sector Federation (PSF). Once again, we won the best Financial Reporting Award in the Financial Sector by the Institute of Certified Public Accountants Rwanda (ICPAR).

Credit Rating of the bank

BK's long term Rwanda national scale rating has been upgraded to AA+(RW) from AA-(RW) while the short-term Rwandan national scale issuer rating has been affirmed at A1+(RW). GCR has also assigned long and short-term Rwandan national scale issuer ratings for BK Group Plc of AA(RW) and A1+(RW), respectively.

Outlook for 2020

In 2020, we will continue to put our customers at the heart of what we do, leverage our investments in digital infrastructure, people and brand to deliver to our customer promise. A big part of the year will be dedicated to ensuring business continuity in line with the disruptions caused by the COVID-19 pandemic as well as supporting economic recovery. Our employees will not spare any effort in helping our clients, customers, communities and the government and continuing to operate with the highest standards every day. We are confident that the Group will weather the crisis, owing to strong capital and liquidity positions as well as exceptional franchise in the Rwandan market.

Acknowledgement

I take this opportunity to thank our staff community for their commitment and hard work which has delivered remarkable performance in 2019. We count on each and every one to drive the strategy we have set in place in order to meet our promise to shareholders in the years to come.

I would also like to thank our valued customers and business partners for their loyalty and support throughout 2019. Although 2020 is expected to be a challenging year, we are committed to providing the best services and being true to our motto: "financially transforming lives".

Lastly, I wish to express my gratitude to Mr. Marc Holtzman, Chairman and the entire Board of Directors for their guidance and oversight. I am constantly inspired by their commitment to making BK Group a formidable player in the Rwandan economy.

STRATEGY BRIEF

BK Group Plc (BK) plans to cement its position as Rwanda's leading financial institution. BK's growth approach, mostly from the Banking subsidiary will focus on attracting one million retail customers at a low cost. The retail growth path will rely on expanding the Bank's digital services offering while defending BK's share of the Rwandan corporate credit market – supporting BK's NIMs throughout. The notes below highlight the Bank's strategy for achieving those goals.

Expand channel capacity

With 68 branches, 95 ATMs and 2,233 operational agents across the country, BK is building sufficient channel capacity to be able to service 1 million clients by 2021. The Bank has already taken significant steps in channel expansion and roll out of self-service products such as mobile-based banking products and cards as well as introducing agency banking. BK will continue to deploy ATMs both within branches and in high footfall locations.

Enhance BK's digital finance offering

To grow the Bank's services and distribution network responsibly, expansion must be performed in phases, with the acquisition of a new core banking system at the forefront to support digital products, cost-cutting, and innovation.

BK recognizes that the financial sector is undergoing a major evolution driven by evolving client needs. Financial institutions looking to remain ahead of the curve must become digital-ready, implementing reliable IT systems to earn the trust of financial users, and move to an open banking system that is capable of incorporating real-time functionality at all stages of the processing chain.

The goal is to achieve higher onboarding and adoption of digital payment and lending platforms, and to enhance the digital banking experience for all segments through automation, advanced analytics, and innovation. Improving the Bank's digital platform will also result in lower costs of transactions for the Bank and in higher PBT as retail users increasingly opt to use the Bank digitally for their everyday services and loan acquisitions. Technology can also be used to introduce automated scoring models for personal loans, salary advances, and SMEs loans – reducing the risk of NPLs and losses throughout robust reconciliation systems.

Shore up deposits by increasing BK's retail product offering

Rwanda's retail banking sector is developing at a quick rate in response to challenges including low levels of banking penetration, heavy use of cash, lighter credit bureau coverage, and limited branch and ATM networks. Retail deposits is currently at c.25% of BK's total deposits, with the lion's share of deposits, c.50%, attributed to large corporate clients.

To make transactions more efficient and convenient for customers, BK launched and upgraded three digital products in 2018: BK Quick, BK Mobile App, and BK Online. Through these digital services, by providing mobile solutions towards transactions and small loans, BK will be able to tap into the retail market competitively, increasing both loans and deposits in the segment.

BK is also expanding its card offering for instant issuing at every branch location. With more than 200,000 Visa and Mastercard debit and credit cards already in circulation, the Bank is also gearing up to launch Union Pay, Diners Club, and Amex cards. BK has also started segmenting its card offering to cater to the customers' different needs and lifestyles, with the BK Visa Platinum card launched in 2017.

Expand SME product offering

For corporate loans, BK provides CAPEX, commercial mortgage, working capital, and overdrafts with interest rates in the 16.0-18.5% range. While the loan book grew by a solid CAGR of 24.9% between 2014 and 2018 mostly driven by the large corporate book, SME loans made up 8.0% of the total loan book, down from 11.0% in 2017. The planned reversal of this decrease will also be technology-led. BK Online banking services and the transactions acquiring strategy through point-of-sale (POS) machine are also extended to SMEs, allowing BK to expand its SME portfolio digitally and ease of access to existing products.

Implement a universal banking model

Overall, BK is implementing a balanced universal banking model currently. The development potential of BK's businesses will cement the group's position at the forefront of the Rwandan financial sector. Research suggest that a higher degree of diversification enhances financial stability and capitalization.

Bringing together the full range of financial services activities under one roof, from retail banking to corporate and investment banking, including asset management and offering diverse range of insurance products (life and non-life) will enable the group to serve a wider array of clients: individuals, professionals, SMEs, multinationals, and even other financial institutions, thus contributing to all facets of the economy as well as enjoying possible synergies between its divisions. To this end, BK's operations fall under the following four subsidiaries:

1. **Business & Retail Banking.** Traditional banking services are offered through the Bank of Kigali plc to Corporate, SMEs, Retail, Micro and Non-profit Organizations. The Treasury function of the Bank manages the day-to-day relations with other Financial Institutions.
2. **Insurance.** In 2015, BK Group launched the insurance business through BK General Insurance Company (BKGI). BKGI offers a wide range of non-life insurance products, including motor-private and commercial, fire, burglary/theft, business interruption, engineering, marine, individual and group, personal accident, household, travel, money, goods in transit, public liability, workmen's compensation, products liability, transport, etc. In partnership with Swan Group, based in Mauritius, BK plans to expand into new product lines to include life and non-life insurance offerings through acquisitions to attain higher insurance market share and market penetration, while maintaining higher margins.
3. **Technology.** BK TechHouse specializes in high quality innovative technology products and services. Launched officially in 2017, the company is currently serving the agriculture, education sectors, in addition to the Internet of Things (IoT). BK TechHouse core mandate for the future is to identify digital ecosystems to enhance and grow digital consumers base for the group products.
4. **Advisory/Wealth Management** Initially introduced as a securities brokerage in 2015, BK Group relaunched BK Capital Ltd. in 1Q19, with an expanded service offering which includes investment & wealth management, corporate finance and advisory services, brokerage (bonds/equities), and pension fund administration.

Going forward, BK will continue to enhance the offerings of services and products within the Rwandan market primarily, whilst attracting a diverse base of international investors to Rwanda.



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

At BK GROUP Plc. ("the Company"), the principles of good corporate governance practices remain one of our core values and an important ingredient in creating and sustaining shareholder value and providing excellent service to our clients, while ensuring that behaviour is ethical, legal and transparent.

The Company is mindful of its obligations to remain committed to safeguarding and improving shareholders' value through transparent best practices fashioned along local regulatory standards as well as international best practices.

The Company is governed by a framework that facilitates checks and balances and ensures that appropriate controls are put in place. It encompasses authority, accountability, stewardship, leadership, direction and control and ensures that the responsibilities and functions of the Board as well as the senior management of the Company are well defined.

1. OUR BOARD

BK Group Plc. is governed by a Board of Directors ("Directors" or "Director") each of whom is, elected by the Company's shareholders. The Board is accountable to the shareholders for the overall Group performance and is collectively responsible for the long term success of the Group. The Board achieves such success by setting appropriate business strategy and overseeing delivery against the set strategy. It ensures that the Group manages risks effectively and monitors financial performance and reporting.

The Board is currently structured with one non-executive director, and seven Independent Directors including the Group Chairman. The Board determines its size and composition, subject to the Company's Articles of Association, Board Charter and applicable laws.

As of 31 December 2019, the Board is comprised of eight Directors which are the following:

Nº	Director	Directorship type	Date of appointment
1	Marc Holtzman	Independent	October 2015
2	Richard Tusabe	Non-executive	13 November 2018
3	Lilian Kyatengwa	Independent	19 September 2018
4	Reuben Karemera	Independent	March 2014
5	Julien Kavaruganda	Independent	March 2012
6	Alline Kabbatende	Independent	18 May 2018
7	Risper Alaro Mukoto	Independent	17 February 2019
8	Rod Michael Reynolds	Independent	6 February 2019

2. THE ROLE OF OUR BOARD

The ultimate responsibility for governance of the Company resides with the Board of Directors which is accountable to shareholders for creating and delivering sustainable shareholders' value through the management of the Company's business.

The Board accordingly determines the strategic objectives and policies of the Company to deliver long-term value, providing overall strategic direction within a framework of rewards, incentives and controls. The Board also ensures that management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives. In fulfilling its primary responsibility, the Board is aware of the importance of achieving a balance between conformance to governance principles and economic performance. The Board is the decision-making body of all matters of importance to the Company as a whole because of their strategic, financial or reputational implications or consequences.

Powers reserved for the Board include the approval of quarterly, half yearly and full year financial statements, significant changes in accounting policy and practice, review of the performance of the Chief Executive Director, the appointment or removal of Directors and the Company Secretary, change in the Company's capital structure and major acquisitions, mergers, disposals or capital expenditure, approval of dividend and annual budget.

Executive and Non-executive Directors share the same responsibilities in relation to the Company. Directors owe both fiduciary duties and general duties of care and skill to the Company as a whole.

The Board Charter regulates the Board composition, the Board meeting process and defines the relationship and interactions between the Board and management.

3. BOARD MEETINGS AND ATTENDANCE

Board meetings will be held at least once in a quarter making a minimum of four times in a year. All Directors are expected to attend each meeting, unless there are circumstances that prevent them from doing so.

Directors unable to attend a Board meeting should send apologies ahead of the meeting. Every member of the board shall attend at least 75% of the board meetings in any financial year.

Each board member will have to resign if he or she fails to attend board meetings as required.

Structure	Category	Main Board (Bank of Kigali Plc.)	Main Board (BK Group Plc.)	Audit Committee	Risk committee	Credit Committee	Nomination and Remuneration Committee	IT Committee
Mr. Marc Holtzman	Independent	4/4	4/4					
Mr. Richard Tusabe	Non-Executive Non-Independent	3/4	3/4		3/5	13/13		5/5
Mr. Julien Kavaruganda	Independent	4/4	4/4		1/5	12/13	4/4	
Mr. Reuben Karemera	Independent	4/4	4/4	5/5		13/13	4/4	
Ms. Alline Kabbatende	Independent	3/4	3/4	4/5				4/5
Mrs. Lilian Kyatengwa	Independent	4/4	4/4	5/5	5/5			5/5
Mr. Rod Reynolds	Independent	4/4	4/4				3/4	
Mrs. Risper Alaro Mukoto	Independent	4/4	4/4	5/5	3/5		3/4	

4. ROLE OF BOARD COMMITTEES

Directors may from time to time appoint committees consisting of such members of their body and such other persons as they think fit and may delegate any of their powers to such committees. Any committee so formed shall in the exercise of its powers so delegated, conform to Regulations laid down by the Board.

Committee members are expected to attend each committee meeting, unless circumstances prevent them from doing so, in which case apologies should be sent ahead of the meeting.

The Board shall be responsible for determining the terms of reference of the Board Committees. The Committees shall render reports to the Board at quarterly meetings.

The Board has created the following principal committees to review Bank Operations which meet regularly under well-defined and materially delegated terms of reference set by the Board:

a. Risk Committee

The committee was set up to appreciate and mitigate all risks in the business. It meets quarterly to advise the business on all matters pertaining to credit, market, operational, legal, and environmental and other risks. Business continuity issues are also discussed by this committee.

b. Audit Committee

The Audit Committee meets quarterly or as required. In accordance with regulatory requirement, the committee comprise non- executive members of the Board who are independent of the day today management of the Bank's operations. The committee deals with all matters relating to the financial statements and internal control systems of the Bank including dealing with independent auditors and National Bank of Rwanda inspectors. All the audits conducted under this committee are risk based.

c. Credit Committee

The committee meets monthly to review credit risk profile of the Bank and recommend to the Board for approval policies and standards

to credit risk governance and management. The frequency of the meeting has ensured that the needs of the Bank's customers are given timely attention. The committee also reviews the Bank's credit risk appetite and sectorial concentration.

d. IT Committee

The Committee reviews the scope and the effectiveness of IT operations and provide directions on enhancing the utility of IT resources through clearly laid down processes, procedures and time frames.

e. Nomination and Remuneration committee

The Committee is responsible for the appointment of and remuneration of the Management and also ensuring that the Bank's human resources are able to support the development and implementation of the Bank's strategy. This entails reviewing the Human Resources policies and procedures, organizational structure, senior management composition as well as remuneration. The Committee meets on a quarterly basis or more frequently as its business demands.

5. BOARD COMPOSITION

The Board shall comprise of seasoned professionals of proven integrity and good character, who have excelled in their various professions. The Board members are chosen based on their expertise, competence, special skills, and personality.

The Board will be of such size and competence necessary to understand and deal with the current and emerging issues of the business of the Company. The number of Directors (unless otherwise determined by an ordinary resolution of the Company) shall not be less than Three (3).

6. ANNUAL GENERAL MEETING

The Board of Directors calls an annual general meeting of shareholders to be held once a year and not later than fifteen (15) months after the last preceding meeting.

Notice of each meeting is sent to all shareholders not less than forty five (45) days before the date of the meeting. The notice states, at a minimum, the agenda for the meeting and any other information.

The Annual General Meeting are conducted in an open and transparent manner. Shareholders are allowed to freely participate and contribute effectively at the Meetings. The Chairperson and/or the Chief Executive Director endeavours to respond to the questions asked by shareholders.

All Directors are expected to attend the Annual General Meeting and to make themselves available during and after the meeting to answer questions from shareholders.

7. EXTERNAL AUDITOR

The audit or review by the external auditor provides a further level of protection of the integrity of the financial statements. The Audit Committee oversees the external audit function. This includes reviewing and approving the external audit plan and engagement, and assessing the performance of the external auditor.

Whereas the directors are responsible for preparing the accounts and for presenting a balanced and fair view of the financial position of the Company, the external auditor examines and gives their opinion on the reasonableness of the financial statements. Independence of the external auditor is important to the integrity of the audit function. The external auditor is invited to meetings with the Audit Committee. The external auditor report independently and directly to the Board every quarter and at the end year Board meetings.

8. DIRECTORS' REMUNERATION AND EXPENSE POLICY

As the Board jointly and the individual Directors play a vital role in advancing the Company's strategic priorities and objectives and in providing oversight and supervision of the management of the business and affairs, appropriate remuneration for services performed by Directors is part of good governance.

Remuneration reflects the importance and professional nature of Board work and attract and retain qualified individuals. The establishment of guidelines for the reimbursement of expenses by the Board and its Directors promotes accountability and transparency. The Human Resources & Nominations Committee of the Board is responsible for setting and administering the remuneration of board directors.

The aggregate amount of emoluments paid to Directors for services rendered during the Year 2019 is disclosed on Page 133 of this annual report

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BOARD
OF DIRECTORS





MARC HOLTZMAN
Chairman Of the Board

Marc is the Chairman of BK Group PLC, the largest financial services group in Rwanda with market share across all key balance sheet metrics exceeding 33%. Marc also serves as Chairman of CBZ Holdings, Zimbabwe's largest financial institution. Mr. Holtzman has served as a member of the Bank's Board of Directors since 2009. Following a successful transformation and sale of Kazkommertsbank (LSE: KKB:LI), Kazakhstan's largest bank in July 2017, Mr. Holtzman stepped down as Chief Executive Officer having joined as Chairman in March 2015. Previously, Mr. Holtzman was Chairman of Meridian Capital HK, a private equity firm with investments in natural resources, real estate, food, agriculture and transportation. Prior to joining Meridian, Mr. Holtzman served as Vice Chairman of Barclays Capital and as Vice Chairman of ABN Amro Bank. Previously, as co-founder and President of MeesPierson EurAmerica (a firm which was acquired by ABN Amro) and as Senior Adviser to Salomon Brothers, he lived and worked in Eastern Europe and Russia from September 1989 until October 1998. Mr. Holtzman also currently serves as a member of the Board of Directors TeleTech (NASDAQ: TTEC), the world's leading provider of analytics-driven technology-enabled services and FAT Brands (NASDAQ: FAT) a global franchisor of leading restaurant brands.

From 2012 through 2015, Mr. Holtzman served on the Board of Directors of FTI Consulting, Inc., (NYSE:FCN) a global financial and strategic consulting firm, and Sistema, Russia's largest listed private company (London Stock Exchange). To further assist with the development of Central Asia's financial sector, Mr. Holtzman was appointed by Kazakhstan's Prime Minister to serve on the Board of Directors of Kazyna - the nation's sovereign wealth fund from 2006 – 2008. In addition, Mr. Holtzman served as a member of the Board of Trustees of the United States Space Foundation from 2004 – 2010.

From 2003 through 2005, Mr. Holtzman was President of the University of Denver where he was responsible for the development of the Rocky Mountain Center for Homeland Security. The University of Denver has approximately 10,000 students and includes the Daniels College of Business, which, during Mr. Holtzman's tenure, was ranked by The Wall Street Journal as being among the world's top fifty MBA programs. Previously, Mr. Holtzman served in the Cabinet of Governor Bill Owens as Colorado's first Secretary of Technology. In addition, Mr. Holtzman was Chairman of Colorado's Information Management Commission and Co-Chairman of the Governor's Commission on Science and Technology. Mr. Holtzman helped guide Colorado's economic transformation into a fully diversified technology hub. During his tenure, Colorado was consistently ranked first among the fifty states in having the highest percentage of



RICHARD TUSABE
Vice Chairman

Richard is the Director General of Rwanda Social Security Board (RSSB). He has also served as the RRA's Commissioner General and Commissioner of Customs. Before joining the Rwanda Revenue Authority, Richard worked in the private sector, specifically as the chief financial officer of MTN Rwanda. He is an accountant by profession.

Richard holds an MBA and a CPA and is also a full member of the Institute of Certified Public Accountants of Rwanda (ICPAR).



JULIEN KAVARUGANDA
Director

Julien is a practicing lawyer and Founder and Senior Partner of K-Solutions & Partners; one of the leading law firms in Rwanda. He has vast experience in Banking and Finance law as well as Commercial and Corporate law. Prior to that, he worked as a corporate lawyer at the Brussels Bar Association. He serves as the President of the Rwanda Bar Association, Vice Chairman of Kigali International Arbitration Centre and Board member of New Bugarama Mining Company Ltd.

Julien was called to the Brussels Bar before joining the Rwanda Bar Association and he is as well a Board member of the East African Law Society. He holds a Bachelor's and a Master's degree in Law from the Université Catholique de Louvain in Belgium.



LILIAN KYATENGWA
Director

Lilian is the Chief Strategy Officer at Aviation Travel & Logistics Holding (ATL). ATL is comprised of five subsidiaries namely: RwandAir, Rwanda Links & Logistics Ltd, Rwanda Airports Company, Akagera Aviation Academy and Rwanda Tours & Events. She previously served in various positions in RwandAir which include: Director Global Sales Operations, Director Customer Experience and Head Corporate Planning & Strategy.

Prior to joining the Aviation Industry, Lilian served as a Lecturer and a Head of the Department of Finance at the School of Finance & Banking-SFB. She also worked with Rwanda Capital Market Advisory Council (CMAC) and Rwanda Institute of Administration and Management-RIAM. Lilian served as a Board of Director at the National Bank of Rwanda (BNR) for 9years where she served as the Chairperson of the Audit and Risk Committee and a member of the Human Resources Committee of the Board.

As a consultant, Lilian served as Local Economist in the contract with the Rwanda Development Board (RDB), to conduct a Feasibility Study for the Communication Infrastructure Backbone Project. In this contract, the consultant was responsible for conducting a market analysis and traffic study, business and financial modeling, technical designs and project implementation strategy, evaluation of the regulatory framework, conducting the impact assessment, environmental analysis, and preparation of procurement documents.

She holds a Master's degree in Business Administration/Strategic Management Practices and a Post Graduate Diploma in Business Management from the University of KwaZulu-Natal, South Africa as well as Bachelors' degree in Business Administration/Finance from Kigali Institute of Science, Technology, and Management-KIST.



REUBEN KAREMERA
Director

Reuben is the Deputy Accountant General in charge of Treasury Management in the Ministry of Finance and Economic Planning, Rwanda. He is a Qualified Accountant with a background in Economics. He has vast experience in the area of taxation especially the International Aspect of Taxation, gained both from formal training and 11 years of working with Rwanda Revenue Authority, where he occupied various positions in the Customs Services Department, the Commissioner General's Office and finally serving as the Chief Finance Officer.

Reuben is a full member of the Association of Certified Chartered Accountants. He holds a Master's Degree in International Taxation from The University of Sydney - Australia, a Bachelor's Degree in Economics from Makerere University - Uganda and a Diploma in Trade Policy from The University of Nairobi.



ALLINE KABBATENDE
Director

Alline Kabbatende is a tech enthusiast with a background in Electrical and Electronic Engineering. She is currently the Representative from the Government of Rwanda at WORLD ECONOMIC FORUM, Center for the Fourth Industrial Revolution where she spearheads the development of agile technology policy frameworks for Rwanda, and drive efforts to foster partnerships and multi-stakeholder collaboration with private companies.

Prior to that, she was the Chief Operating Officer at RwandaOnline Platform Ltd, a technology solutions provider in a PPP with the Government of Rwanda to transform government service delivery to all Rwandans, where she built relationships with Public and Private Stakeholders; and led the Product Development and Go-to-Market teams to deliver and deploy digitized government services. Her previous work experience has been in the technology field: at Rwanda Development Board (ICT Department), Samsung Electronics (HQ, South Korea), General Electric Transportation (USA) and as a regular columnist for the NewTimes (Rwanda).

She is currently the Chair of the IT Committee of the Board of Directors of Bank of Kigali Plc. since November 2018. She is also a Board Member of Rwanda Broadcasting Agency (Rwanda's Public Broadcaster) | kLab Rwanda (Rwanda's first tech hub), the Vice-Chair of the Board of Gasabo 3D (Specialised in 3D CAD; SolidWorks Regional Partner), a Global Shaper, World Economic Forum, Kigali Hub, a Mentorship Coordinator, GirlsInICT Rwanda Chapter | under International Telecom Union (ITU) and a Speaker/Panelist: Stanford Africa Business Forum (Palo Alto, 2016), ITU Telecom World (Budapest, 2015), TransformAfrica.



RISPER ALARO-MUKOTO
Director

Risper is an Accredited Certified Coach, Non-Executive Director and Finance professional. She currently serves as a Non-Executive Director on the Boards of the Nairobi Securities Exchange (NSE), Bank of Kigali, PS Kenya and Kenya Climate Ventures (KCV). She is an adjunct faculty and Associate Executive Leadership Coach at CDI Africa Coaching Group. Until 2018, Risper served as the Managing Director of Centum Business Solutions Limited (CBS); a uniquely structured integrated shared services subsidiary of Centum Investment PLC. Prior to this position, she served Centum Investment PLC as Group Finance & Operations Director. Risper holds a MBA from USIU Africa and a Bachelor of Business Management degree from Moi University. She is a fellow of the Association of Chartered Certified Accountants (FCCA), a member of the Institute of Certified Accountants of Kenya (ICPAK), a member of the International Coach Federation (ICF) and the Fellow of the Archbishop Desmond Tutu African Leadership Institute.



ROD M. REYNOLDS
Director

Rod is a senior, global banking executive with 35 years' experience leading a wide variety of business units. Career spanning eight countries with principal experience in turnarounds and growth strategies. Three years sabbatical from the end of 2009 to 2012 focused on high impact development work in Africa & India and advising medium size businesses in the US and Europe on strategic change. His current role is Principal, Aileron Project Ltd, London and Hong Kong. Prior to that, Rod Served at Bank of Nova Scotia as President Asia- Pacific, Hong Kong, Chief Executive Officer Scotiabank Europe Plc., London, Vice president Scotia plaza Toronto, General Manager Scotiabank Trinidad and Tobago Ltd. His sabbatical experience include among others, serving as mentor of entrepreneurs in Rwanda, Director of Bridges beyond boundaries organization and Chair of International Governance for Young Presidents Organization from 2009 to 2012. He served on numerous public and private company and NGO boards. He is a current board member of Thanachart Thailand (5th largest bank with assets of \$ 30 billion). He was graduated from Harvard Business School, Executive Series in 2010, he holds an MBA from York University 1983, and he has a B.Sc. Civil Engineering from Queen's University, 1979.



REGIS RUGEMANSHURO
Director

Mr. Regis Rugemanshuro serves as the Director General for Rwanda Social Security Board (RSSB). Prior his appointment, Mr. Rugemanshuro was the Chief Digital Officer of Bank of Kigali PLC where he oversaw and led the Digital Transformation of Bank of Kigali Plc; a position he took after serving as the first Chief Executive Officer of BK TechHouse, the Tech subsidiary of Bank of Kigali Group Plc, where his work and the company's achievements in the two years he spent there earned him the 2018 All Africa Business Leaders Award (AABLA) as Finalist for East Africa Innovator of the Year. Under his leadership, BK TechHouse was voted and awarded the 2017 Best Technology Company in Rwanda by the Smart Service Awards. Prior to joining BK Group Plc, Mr. Rugemanshuro spent his career in the United States consulting for the global Tech giants such as Hewlett Packard (HP) as a Program Manager and later with Accenture PLC in Seattle, Washington. During his time there, his main clients included Microsoft and T-Mobile.

His area of focus is at the intersection of Business and Technology; his expertise is in transforming large organizations to realize the promise of the digital revolution via adoption of business best practices and standards fit for the digital era, together with modern engineering platforms. He is known for his high energy, being a servant leader, and contagious passion to solving complex problems.

Mr. Rugemanshuro serves as Director on many boards, both in the public and private sectors. He is a Certified Project Management Professional (PMP) by the Global Project Management Institute (PMI) as well as a Certified SAFE Program Consultant (SPC4) by the Global Scaled Agile Academy; and he has a Bachelor's degree in Science Information Technologies, and an MBA in Management both from Misericordia University in Pennsylvania.



DR. DIANE KARUSISI
Chief Executive Officer

Diane is the Chief Executive Officer. She is a seasoned economist who has held several leadership positions in the past. Prior to joining Bank of Kigali, Diane was the Head of Strategy and Policy and Chief Economist at the Office of the President. Diane also served at the National Institute of Statistics of Rwanda where she oversaw the design and implementation of major surveys.

Before she moved back to Rwanda, Diane worked as a Fixed Income Portfolio Engineer at Credit Suisse in Zurich and taught Statistics at the University of Fribourg in Switzerland. She studied Economics majoring in Econometrics and holds a PhD in Economics from the University of Fribourg. Her research areas mainly concentrated on Risk Modeling and Measurement.

Her doctoral thesis entitled "Dependency in credit portfolios: Modeling with Copula Functions" was published in 2009. Diane currently serves as non-executive director on several boards including the University of Rwanda and Rwanda Development Board.



FLORA NSINGA
Chief Human Resources and Administration Officer

Flora Nsinga is the Chief Human Resources and Administration Officer at Bank of Kigali and has been with the Bank since 2007. Prior to this, she was the Head of Human Resources and Administration. Flora joined the Bank with about ten years' experience from the telecommunication industry.

During her tenure at BK, she has been a strategic advisor to the business in human resource and administration, contributing to the growth of the branch network as a key sales channel to its present 79 branches. She oversaw a restructuring in 2009 that sought to strategically align the bank's capabilities in delivering value to shareholders through talent. She is currently overseeing a similar exercise that further seeks to realign the bank's human resource framework to ensure the bank is well positioned to add value to shareholders while delivering an excellent customer experience through a customer centric structure. Key to this is ensuring the availability of competent talent that places the bank ahead of competitors in an ever changing and competitive banking industry. Under Administration, Flora is also responsible for procurement where her key mandate is directing all strategic sourcing for alignment with the Bank's strategy.

Flora holds a Master's degree in Management, majoring in Leadership and Human Resources from Cambridge College Boston, Massachusetts – USA. She also holds a Bachelor's degree in Business Administration with specialization in Human Resources from Kigali Institute of Science, Technology and Management (KIST).



NATHALIE MPAKA
Chief Finance Officer

Ms. Nathalie Mpaaka is the Chief Finance Officer of BK Group Plc (BK) since 2014. She is dynamic and passionate about Financial Excellence and Value Creation, which earned her the Prestigious 2019 AABLA nominations as Finalist for the Chief Financial Officer of the Year and Business Women of the Year. She joined the Bank's Management Team in 2011 as the Financial Reporting and Investor Relations Manager. She has vast experience in financial planning, analysis and reporting as well as systems implementation. Nathalie is qualified Chartered Certified Accountant (ACCA), and currently completing her MSc in international Banking and Finance. Nathalie was previously a Governing Council member of ICPAR.

Nathalie is responsible for leading the development and implementation of the Finance strategy that supports the profitability, growth, and sustainability of BK Group PLC. Further, the position coordinates the Group's strategy development and implementation to ensure the achievement of its vision and mission. One of the key areas for the position is also to coordinate Investors relationship management as a listed entity, to ensure timely funding is achieved for the business's growth objectives. During the recent HR restructuring, Nathalie was also tasked to setup and lead the Bank's Business Intelligence Department, a team passionate about using data and insights to help drive informed decisions for the Customer and the Group.

Before returning to Rwanda in 2011, Nathalie studied and worked in the UK for over 10 years and held various financial positions. She is very confident of her determination to succeed, hence her strength to interacting with different cultures. She is a strong supporter of positive energy to create extraordinary results through authenticity. Her leadership style focuses on taking courage, motivate, inspire and being able to influence change through efficiently working in teams, communicating openly and being persistent in seeking growth.



DÉSIRÉ RUMANYIKA, MBA, LL.M
Chief Operating Officer

Désiré is Bank of Kigali's Chief of Operating Officer (COO) responsible for the implementation of the Bank's operating model by ensuring a stable, optimal and efficient services delivery ecosystem across the Bank's expansive branch network and other digital channels.

Rumanyika has accumulated 20 years of experience in the financial sector spanning from development finance, financial advisory services to commercial banking. Prior to his current position as Bank of Kigali COO that he holds since 2017, he has worked with different local, regional and global financial institutions including but not limited to the East African Development Bank (EADB) as Country Manager for Rwanda from 2011 to 2016 and the Rwanda Development Bank (BRD) as Director for Corporate Affairs and Deputy Director General from 2004 to 2008.

Mr. Rumanyika also led the successful set up of the Business Development Fund (BDF), a financial advisory institution tasked with assisting and supporting SMEs to accessing financing; in 2010 he was subsequently appointed BDF first Chief Executive Officer, serving for two years before joining EADB in 2011. In 2008, Rumanyika joined Milbank, Tweed, Hadley & McCloy LLP in London in the United Kingdom as an Overseas Associates for one year.

Rumanyika has served on several local and regional financial institutions' Board of Directors including the BPR Bank, the housing Bank of Rwanda, Rwanda Enterprise Investment Company, REIC Ltd and the Association of African Development Finance Institutions (AADFI) based in Ivory Coast.

Rumanyika, who is fluent in English, French and Kinyarwanda, holds a Master's degree in International Financial Services and banking law from the University of Liverpool (UoL) and an MBA in Banking from Netherlands' Maastricht School of Management (MSM).



YVES GATSIMBANYI
Chief Risk Officer

Yves has been the Head of Risk and Compliance since early 2010 with vast experience in the banking sector. Yves served as a bank examiner at the National Bank of Rwanda for ten years. Prior to joining the Bank, he was the Head of Compliance and Internal Control at I&M Bank-Rwanda. He holds an MBA in finance and accounting from Mount Kenya University and a Bachelor's degree in Economics from the National University of Rwanda. He also has a diploma in Risk management in Finance and Banking.



ROHIT DHAWAN
Chief Information Officer

Rohit Dhawan has joined as the Chief Information Officer in September 2019. He has diverse exposure in technology spanning over 17 years, with over 7 years spent with Royal Bank of Scotland. His passion for simplifying use of technology for business has helped him create value and help address the complexity of business change. His focus has always been centered around the customer experience simplification, both internal and external. His area of responsibility is to continuously develop and maintain a long-term Technology strategy based on the pillars of Simplification, Scalability, Resilience, Compliance, Data and Innovation.

Rohit is an advocate of disrupting by using Technology and Innovation for Business Transformation projects. His exposure to the banking industry and technology has allowed him to engineer business optimization and deliver significant business benefits. He has been able to create solutions and opportunities for complex and sensitive requirements. He is an empathetic leader who likes to connect with people at grass root level. His people centric approach is focused on identifying, developing, coaching and promoting talent. He has consistently shown the ability to create and run energized teams which achieve well above their ability, to positions of increased responsibility in a professional, transparent and friendly atmosphere.

Rohit has a Bachelor of Technology Degree in Computer Engineering from Kurukshetra University. He is a certified Scrum Master and PRINCE2 Practitioner. His ability to amalgamate the conventional wisdom from the traditional project management and adopting agile practices has helped him deliver critical, time bound and regulatory projects which have varied in scale, value and complexity during his career.



GERARD NYANGEZI
Chief Representative Officer, Nairobi Office

Gerard is the Chief Representative Officer at Bank of Kigali, Nairobi Office. He joined the Bank in 2009 and has over 10 years' experience in Audit and Finance, especially from the financial sector and telecommunication industry.

Gerard holds a Bachelor of Commerce-Finance degree from Makerere University, Uganda; a Bachelor of Science in Accounting from Walter Sisulu University, South Africa and is also a Certified Chartered Accountant. Gerard is a Fellow of the Institute of Certified Chartered Accountants of United Kingdom, (FCCA) and is also a member of the Institute of Certified Public Accountants, Rwanda (ICPAR).



ALEX N. BAHIZI
Managing Director

Alex served in Bank of Kigali since 2010 in various Senior Management Positions until mid-2016 when he became the Chief Executive Officer of BK General Insurance. Prior to joining Bank of Kigali, Alex was the Head of Quality Assurance, a member of the reform team in charge of modernizing the Social Security industry and a State Attorney in the National Social Security Fund. He was a member of the Kigali Bar Association and the East African Law Society.

Alex holds a Bachelor's of Laws (LLB) from the National University of Rwanda (NUR), a Master's of Laws (LLM) majoring in International Commercial Law from The Robert Gordon University - United Kingdom and completed an MBA at Mount Kenya University. He holds a Certificate of Arbitration from the London Chartered Institute of Arbitration (CIARB).



ADOLPH NGUNGA
Chief Operating Officer

Adolphe is a career Banker who worked in Bank of Kigali for more than 20 Years. He held various Senior Management roles in the Bank - he headed Departments of Corporate Banking, Retail Branch Network and Operations where he played a key role in the implementation of the Bank's Retail strategy. He later joined Inyange Industries as a Managing Director before he rejoined Bank of Kigali Group. Adolphe holds a Bachelor's Degree in Economics from the National University of Burundi.



JEAN CLAUDE MUNYANGABO
Managing Director

Jean Claude is the Managing Director of BK TechHouse Ltd. He has 12 years of experience in the Telecommunication and Technology Business.

Prior to joining BK TechHouse, Jean Claude worked in the Business Development Capacity with different Telecommunication and Technology companies including but not limited to KT Rwanda Network (KT RN) from 2014 to 2016, Broad Band System Corporation (BSC Ltd) from 2012 to 2014 and New Artel Ltd. from 2008 to 2012.

He holds a Master's degree in Business Administration from Maastricht School of Management (MSM) and is a Certified Business Mediator from London International Dispute Resolution Center.



CARINE UMUTONI
Managing Director

Carine Umutoni is the Managing Director of BK Capital. Carine has 16 years' experience in the banking industry with expertise in Treasury solutions, Assets & Liabilities Management, Investments, Trade Finance and Capital Markets Activities.

Carine holds an MBA in Economic Policy & Corporate Strategy from Maastricht University of the Netherlands and a Bachelor degree in Banking and Finance from Damelin South Africa; Carine serves in the Board of Rwanda National Investment Trust, which was incorporated in 2015 by the Government of Rwanda.

She has 16 Years' experience on the Financial Markets in Rwanda with a vast knowledge of capital markets activities and played key roles on important transactions that contributed to the milestones of the Capital Markets in Rwanda:



Get Your Personal Loan

As Fast As 72 Hours.

Home appliances



Education



Wedding



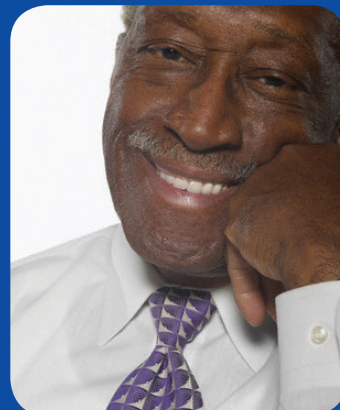
Plot purchase



Furniture



Retirement



BANK OF



SENIOR MANAGEMENT



KIGALI





AIMABLE MALAALA
Head of Compliance

Aimable Malaala is the Head of Compliance, Litigations and subsidiaries corporate counsel. His main duty is to ensure that the Bank complies with National laws and Regulations and international best practices in Banking. He is also in charge of giving legal advice to BK Group PLC subsidiaries. As the Head of litigations department, Aimable liaises with all Judicial and Para-Judicial institutions in matters concerning the law.

He brings vast experience to the Bank in the areas of Commercial Litigation and Arbitration, Insolvency Administration and Receivership, Energy and Corporate Finance.

Prior to joining the Bank he was a Principal State Attorney and Head of Civil Litigation Department at the Ministry of Justice/Office of the Attorney General where represented the Government of Rwanda in different cases at national, regional and international courts and also advised the Government of Rwanda on numerous projects in Energy, Infrastructure and Finance. He was part of the team of legal experts negotiating Political federation of the East African Community. He served for 8 years as a member of Government Commission in charge of settling disputes against the Government out of court.

Aimable holds a Bachelor of Laws degree (LLB) from the National University of Rwanda 2005, a Master of Laws (LLM) in International Human Rights from Utrecht University (The Netherlands) 2007, Master of Laws (LLM) International Business Law from University of Liverpool (United Kingdom) 2011, a Post graduate Diploma in international environmental Law (UNITAR) and holds a diploma Legal practice from Institute of Legal Practice and Development.

He is a member of the Rwanda Bar Association & the East African Law Society, a member of the Chartered Institute of Arbitrators (CIARB) London and a qualified Adjudicator under Kuala Lumpur Regional Centre for Arbitration



BARBARA BUSINGYE
Head of Operations

Barbara is the Head of Operations at Bank of Kigali. She has over 15 years of banking experience specifically in banking operations. Prior to joining Bank of Kigali, she worked with ECOBANK Rwanda where she held various positions; Branch Manager, Marketing Manager; Manager in charge of Foreign Currency operations, both local and international transfers, Head of credit administration, and Head of operations.

Barbara joined Bank of Kigali as a branch manager and later transferred to Corporate Banking as a manager in charge of SME's, NGO's and NBA's, Head of Retail Branch network & operations and currently Head of Operations. Her core responsibility entails developing and implementation of an operations strategy on domestic operations, international operations, Branch operations & cash management operations to ensure timely and quality service to customers for customer retention and attraction across the Branch network to achieve Bank's overall goals & objective.

Barbara holds a bachelor's degree in accounting from Kigali institute of science and Technology (KIST), a master's degree in economic policy management from Makerere University Uganda and a certificate in leadership.



KEVIN RUDAHINDUKA
Director of Aheza Transformation Program

Kevin is the Director of Aheza Transformation Program at Bank of Kigali Plc. Before taking up the new role, he was Head of Digital Banking and also headed Electronic and Digital channels in the bank prior to that.

Mr. Kevin has also worked as Head of IT for KCB Bank Rwanda LTD, CIO for I-Finance Microfinance Bank in Kinshasa, DRC and CIO for Urwego Opportunity Bank (UOB). In his capacity, as Chief Information Officer, he managed ICT operations and Innovation Technology. Kevin holds a Master's degree in Information Technology from Carnegie Mellon University.



CÉLÉSTIN ZIMULINDA
Head of the IT department

Céléstin is the Head of the IT department at Bank of Kigali and is responsible for the bank's daily IT Operations. He joined the Bank in November, 2014. Prior to joining the Bank, he worked as Project Manager with Ericsson where he was in charge of network rollout activities. He also worked with Cisco Systems East Africa as a Project Manager in charge of Cisco businesses in Rwanda and Tanzania.

He previously worked as a Senior ICT Officer with the Ministry of Infrastructure in Rwanda and Assistant Head of ICT Centre as well as Assistant Lecturer at Kigali Institute of Science and Technology.

Celestin holds a Bachelor of Science Degree in Computer Engineering and Information Technology from Kigali Institute of Science and Technology, Rwanda and a Master's Degree in IT and Management from Illinois Institute of Technology, United States. He has undergone numerous Telecommunications and IT trainings offered by Ericsson, Intel Corp, QUALCOMM, and USTTI. He is a former recipient of the Fulbright Junior Scholarship through the United States Department of State.



MAMI FATOU SAID
Head of Human Resources

Mami more than thirteen years of experience in Human Resources. She started her HR career in the energy sector (Electrogaz) in 2005. She started with the banking sector in 2007 where she worked with Access Bank Rwanda SA for 4 years as Country Human Resources Manager. She broadened her expertise when playing the role of Group Human Resources Manager of Crystal Ventures Ltd for three years. Her areas of expertise are change management, company reorganization and structure definition, performance management, skills audit, compensation and benefit, recruitment process and manpower planning, policies and procedures definition and alignment.

Mami went back in the Banking sector in 2014 when she joined Guaranty Trust Bank (Rwanda) as a Country Head of Human Resources; she had to drive the change management process and played a strategic role during the integration process. In April 2017, she joined Bank of Kigali where she is working as Head of Human Resources.

Mami holds a Bachelor degree in Sociology from Independent University of Kigali and an MBA from Oklahoma Christian University. She has undergone different leadership and management courses that strengthened her with mentorship and coaching capabilities and has recently received a Certification in Coaching from Kora Coaching Leadership Academy.



THIERRY NSHUTI
Head of Marketing

Thierry is the Head of Marketing department. He is in charge of driving Bank of Kigali's brand and products advertising agenda to ensure the success of the company's overall objectives.

Prior to join Bank of Kigali, he was the Head of Marketing services for Tigo Rwanda and before this, he had an 8 years career adventure with Bralirwa Ltd, experiencing various position in sales and Marketing departments including Heineken AME region, where he worked as a Sales Capability project manager.

Thierry holds a bachelor's degree in science, Applied Mathematics from the National University of Rwanda and he is a certified Chartered Marketing Analyst. He also has multiple certificates as sales capability champion and Leadership.



BONAVENTURE URIMUBE
Head of Credit

Bonaventure is the Head of Credit Department at Bank of Kigali Plc. He joined the Bank's Management Team in April 2017 as Head of Retail Credit Department and is responsible for credit portfolio management. He has vast knowledge and experience in credit risk management and bank treasury management with 9 years of banking experience specifically in Credit Risk and Treasury Management. Prior to joining Bank of Kigali, he was the Credit Administration Manager at Guaranty Trust Bank (Rwanda) Ltd. He also played Foreign Exchange Trader, Asset and Liability Manager (ALM) and Domestic Bank Credit Risk Manager roles in Ecobank Rwanda.

Bonaventure holds an MBA in Finance from Oklahoma Christian University and holds a first class Bachelor's degree in Applied Statistics from the National University of Rwanda. He also holds an International Diploma in Banking Profession from the Institut Technique de Banque (ITB), Groupe CFPB-L'Ecole supérieure de la banque, France.



BARNABAS KALENZI
Head of Business Intelligence

Barnabas Kalenzi is currently the Head of Business Intelligence in charge of coordinating the business planning process to ensure timeliness and quality in the process. He coordinates research and strategy to ensure the availability of data that advises timely and quality strategy development for the bank. Prior to that, He was Head of Business in charge of developing and leading the implementation of the bank's strategy covering Corporate, SMEs, NGOs and digital business banking in Bank of Kigali. He previously worked in Auditing and Financial Planning for private consultancy firm (KPS Associates/Consulting), after which he went on into Corporate Banking starting with Ecobank as an Account Manager in 2013 and becoming Head of Corporate Banking in 2016. He joined Bank of Kigali in April 2017 assuming the position of Head Corporate Banking managing the corporate and SME banking portfolio after which he became Head of Business in 2018.

Barnabas has managed to establish relationships with clients operating in the country and within the region managing their day to day needs in terms of financing and cash management solutions, managing a portfolio including multinational companies, regional corporates, public sector corporates, Non Business Associations, SMEs and the bank's digital business. Barnabas is a holder of a degree in Finance and Planning from Nelson Mandela Metropolitan University in South Africa.



SAMUEL NSHIMIYIMANA

Deputy Program Director for Aheza Transformation Program

Samuel is a Deputy Program Director for Aheza Transformation Program since May 2019; he is responsible for the formulation of strategic objectives and initiatives for the implementation transformation Program with the vision of building Core Systems to support the Digitization of customer journeys identified in the Bank's Strategy. The Aheza Program will implement core solutions to further support the digitization of the Bank:

- Core banking System- Temenos T24 R19 to replace the amplitude SOPRA;
- Temenos Financial Crime Mitigation (FCM);
- Temenos Enterprise Financial Risk Management (FRM);
- Enterprise Resources Planning (ERP);
- Bank's Data Governance and Temenos Analytics for Data warehouse;
- Contextual Learning and Business Process Management solution (GEIOM)

Before his deployment in Aheza, Samuel was the Head of Finance and Budget, he joined Bank of Kigali in April 2017 having served in the Public Sector for over 10 years in different capacities. A proficient with a broad knowledge of a wide range in financial management, strategic planning, budgeting, accounting, designing internal controls as well as financial reporting for decision making. Prior to joining Bank of Kigali, Samuel was Chief Finance Officer at Agaciro Development Fund and he was responsible for budget preparation, control and overseeing the preparation of financial statements and other reports to summarize Agaciro financial performance and position.

He also worked at the Ministry of Finance as Senior Public Financial Report specialist where he participated actively in the several Public Finance Management (PFM) Reforms, and was much involved in the production of the first ever Government of Rwanda Consolidated Financial Statements for the fiscal year of 2006 streamlining the financial reporting mechanisms for public entities.

Samuel was responsible for analyzing financial information and oversees the preparation of financial statements and other reports to summarize the Bank's financial position. He Develops, implements and reviews the Bank's internal controls and procedures to ensure efficient management and preservation of the Bank's assets.

Samuel is an ACCA qualified finance professional, a member of the Association of Certified Chartered Accountants (ACCA), a member of the Institute of Certified Public Accountants of Rwanda (ICPAR) and serving as examiner and marker for CPA Rwanda Students, He is also a Chairperson of audit committee of the Ministry of Culture and Sports. Samuel holds a bachelor's degree in accounting from Kigali institute of science and Technology (KIST).



ROSE NGABIRE

Head of Customer Experience Management

Rose is currently Head of Customer Experience Management. Over a seven-year period at Bank of Kigali, Ms. Ngabire has served the bank in various managerial positions including Head of Consumer Banking, Premier Banking Manager and Marketing Manager. Improving the bank's quality of customer service and promoting that customer-experience philosophy and entrenching it as a company culture is her mission. She led the team that set up our High Net worth & VIP. Prior to joining the Bank,

Rose served at Rwandan High commission in London United Kingdom as Administrative Attaché in charge of communication and public relations.

Rose holds an MA International Relations and Globalization from London Metropolitan University in the United Kingdom and Bachelor of Commerce degree from Barkatullah University in India. She has undergone various management and leadership training by John C. Maxwell.



BONAVENTURE NTABWOBA
Head of Branch Business

Bonaventure is the Head of Branch Business at Bank of Kigali. He has 19 years of experience in branch business in banking industry.

Prior to joining Bank of Kigali, Bonaventure worked for COGEBANQUE since 2001 where he starts as a junior staff in branch as a Front Officer and get promoted to various positions in branch network: Deputy Branch Manager, Branch Manager and Head of Branches.

He holds a Bachelor degree in Management from Kigali Independent University. He has specialized in banking profession with an international diploma ITB (Institut Technique de Banque) from CFPB "Centre de Formation Professionnelle Bancaire de Paris-France". He also holds an international certificate in Strategic Business Management from SIDA (Swedish International Development Agency). He holds also a mini MBA certificate obtained from Management Centre Europe MCE (Brussels).



FABRICE BUGINGO
Head of Procurement and Administration

Fabrice is the Head of procurement & Administration. He has a wealth of experience and career spanning over 16 years in the banking sector.

Fabrice is responsible for leading the sourcing effort, identifying potential suppliers, conducting negotiations on high-value or strategic categories and identification and realization of cost-saving and cost-reduction opportunities

Fabrice's exposure spanned through a number of job functions including: Credit, Banking operations, Risk, and managerial position in Treasury, Taxation, and Financial Control & Budget.

Fabrice holds a BBA Majoring in Finance from Kigali Institute of Science and Technology.



INNOCENT MUSOMINARI
Head of Recovery

Innocent is the Head of Recovery Department; previously he was the Head of Corporate Credit Department from 2010 through 2017; and has worked with the Bank since 2004.

He has extensive experience in credit analysis and management gained from having worked with the Rwandan Banking sector for over 19 years. Prior to joining the Bank; Innocent worked at Banque Commerciale du Rwanda (BCR) which is now I&M Bank for 5 years as Corporate Credit Analyst.

He has been instrumental in managing the Bank's credit risk as well as the consistent growth in Bank's loan portfolio. Hence, this has contributed in bringing major improvements in asset management and quality.

Innocent holds a Bachelor's degree in Economics from the National University of Rwanda.



EMMANUEL NKUSI BATANAGE
Head of Corporate affairs & Company Secretary

Emmanuel Nkusi is the BK Group Plc. and Bank of Kigali Plc. Company Secretary – Head of Corporate Affairs. Prior to this, he was the Chief Legal and regulatory Affairs Officer/Company Secretary of (KTRN Ltd) Korea Telecommunication Rwanda Networks Ltd. He also served at Tigo Rwanda Ltd, a Millicom Inc. Subsidiary, as Legal Manager and Company Secretary.

Before joining the Telecommunication Industry, he served as Acting Head Legal and Company Secretary in (Banque Commerciale du Rwanda BCR) now I&M Bank and Head legal and Company Secretary at Ecobank Rwanda Ltd.

With 16 years' experience (in both public sector –Supreme Court of Rwanda legal advisor - and private sector) he has been involved in various legal opinion drafting matters; contract drafting and negotiation; successful merger and acquisition transactions, taking part in solving conflicts, representing companies in arbitration and being part of regulatory investigations in both the Banking and Telecommunications industries.

With the extensive senior corporate legal advisory services experience, Emmanuel has earned required skills in managing legal complex problems and corporate governance exposure for Board of Directors' affairs.

He holds a Bachelor's Degree of Law (LLB) and a Master's degree in International Business Law. Emmanuel has participated in various certification programs on regulatory affairs management and legal advisory across the world. He is a Certified In-House Corporate Counsel from the Institute of Corporate Counsel – Association of Corporate Counsel, Washington DC. He serves as Board member of the East African Business Council.



SANTOS MUSONERA
Agile Coach - Digital Factory

Santos Musonera joined Bank of Kigali in February 2019 as the Agile coach, heading the bank's internal agile transformation initiative. Prior to joining Bank of Kigali, Santos spent the last 8 years consulting with top Financial institutions in the United States, including Capital One, Wells Fargo and Chase Bank. He held multiple positions through-out his career ranging from Business systems analysis, project and program management, as well as strategy consultant.

His area of focus is aligning operational execution with lean, efficient and results-driven best practices in the tech space.

Santos holds a Masters in Business Administration (MBA) with a concentration in Corporate finance from Mercer University in Atlanta GA. He is also a Certified Scrum Master (CSM), and a Certified Project Management Professional (PMP) by the Global Project Management Institute (PMI).



JACQUELINE NKWIHOREZE
Head of Internal Audit

Jacqueline is the Head of Internal Audit department at Bank of Kigali Plc. She joined the Bank in July 2018. Prior to joining the Bank, she worked at BDF (Business Development Fund) as Head of Finance department for over 7 years where she was in charge of financial accounting and reporting, financial analysis, Taxation, Budget preparation and control and systems implementation. At BDF also, she was the chairperson of the Credit committee and on the committees of both IT and Portfolio. She also previously worked with KPMG and then KPS Associates both audit and consultancy firms as senior auditor doing financial audits and reporting and consultancy work for 7 years.

At Bank of Kigali Plc., my main role is to help the bank accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, Control, and Governance processes.

Jacqueline serves as a Board member of RwandAir, Rwanda Revenue Authority, ISCO and Burera Dairy Ltd Company. She is the chairperson of Audit and Risk committee of RwandAir and ISCO Board committees.

Jacqueline holds a Bachelor of Business Administration degree specializing in Accounting from university of Science, Technology and Management (KIST). She is a Certified Chartered Accountant and a member of the Institute of Certified Public Accountants of Rwanda (ICPAR). She is also a member of Institute of Internal Auditors, Rwanda Chapter. She has undergone a series of training especially in Corporate Governance, leadership and risk management.



CHARLES GAKURU
Head of Treasury

Charles is the Head of Treasury at Bank of Kigali, he is responsible for the Bank's assets and liabilities management, liquidity, funding and foreign exchange transactions.

Charles has 16 Years banking experience mainly in Treasury and Branch operations. Prior joining Bank of Kigali, he worked with I&M Bank Rwanda and KCB Bank Rwanda LTD in different Treasury positions. He holds an MBA in Finance & Accounting from Mount Kenya University and a Bachelor in Management from Université Libre de Kigali.



EVEQUE MUTABARUKA
Head of Engineering Chapter in Digital Factory

Eveque is the Head of Engineering Chapter in Digital Factory. Previously he occupied various other management positions dealing with developments and integrations in ICT division Bank of Kigali Ltd. Prior to joining Bank of Kigali, he worked as IT Applications and Software's Development Manager for KCB Bank Rwanda Ltd, also worked for Kigali Institute of Science and Technology as Website and Application Manager.

He has extensive experience of technology use in banking industry to respond to business and customer needs. In his different capacity, he managed complex developments and integrations using middleware between various banking systems (CBS, ERP, HRMS, CMS, etc), innovations and implementations of digital channels such as Internet Banking, Mobile Banking and payment Systems.

Eveque has undergraduate degree in Computer Engineering and Information Technology from University of Ngozi and Master of Science's degree in Software Engineering from Jomo Kenyatta University of Agriculture and Technology.

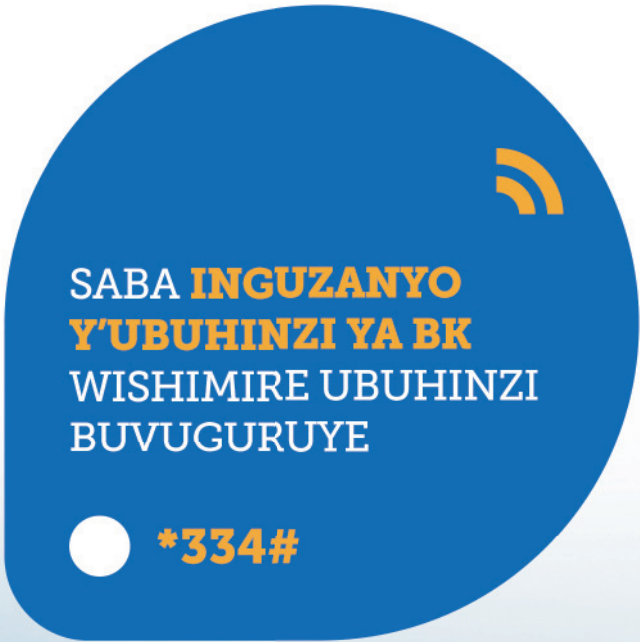


SUSTAINABILITY REPORT



IKOFI

INZIRA Y'UBUKUNGU



SABA **INGUZANYO**
Y'UBUHINZI YA BK
WISHIMIRE UBUHINZI
BUVUGURUYE

 ***334#**



IKOFI

During the Transform Africa Summit held in May 2019, Bank of Kigali PLC officially launched a new digital product called “IKOFI”, a revolutionary universal wallet that offers financial services with focus on Rwandan farmers, agro-dealers, agri-businesses and other players in the agricultural ecosystem.

For a long time, agriculture has been considered to be a high risk sector for financial institutions mainly due the lack of accurate and real time information regarding the dynamics of the sector as well as the lack of collateral and historical financial information of the small holder farmers.

In Rwanda, though 70% of people live on agricultural activities, contributing to 30% of the GDP, only less than 6% of the total commercial loans are allocated to this sector.

IKOFI is Bank of Kigali’s brand new digital financial platform whose goal is to provide the necessary tools for the Agriculture sector, opening doors and opportunities to financial inclusion.



Speaking on the development, Bank of Kigali’s CEO, Dr. Diane Karusisi said that: “IKOFI is beyond a payment solution, but rather a tool that creates a digital footprint on how much farmers harvest and invest which gives the bank the needed trust to lend in the agricultural sector”.

INITIATION OF TRANSACTIONS STRAIGHT THROUGH PROCESSING

The Bank has initiated “Straight Through Processing” (STP) for local Interbank transactions that enables our customers to send and receive money the same day instantly through the National Clearing house. This has enabled our customers to pay and be paid instantly through the local banks on the market. The service is available to all our customers and can be accessed through various channels such as all Bank of Kigali’s Branches, Internet Banking and Mobile Banking”.

OTHERS

We also continued to support public speaking skills development of secondary students through the annual national high school debate championship with focus on cashless economy, taxation and financial solutions to small medium enterprises.

Naming few, the bank contributed to the Breast Cancer Initiative “Ulinzi Walk”; we donated to the Special Olympics Rwanda in order to support them in the preparation of the boot camp (training sessions) of the National games for the “intellectually disabled”; the bank also donated to Jordan foundation, a local non-governmental organization, which came up with an initiative of starting a foundation in order to help children with visual impairment specially coming from rural poor families and so many more...

CORPORATE SOCIAL RESPONSIBILITY OUTLOOK

At Bank of Kigali Plc., we believe that giving back to the community in which our business has thrived in more than five decades formed a big part of the Bank's business growth. This was done through several activities under the Bank's Corporate Social Responsibility (CSR) function.

OUR MANDATE
We dedicate 1% of Operating Income to support our CSR strategy based on these pillars:
• Education
• Environmental Sustainability
• Innovation
• Other- Based on CEO's budget and on the Reserve Budget

EDUCATION

1. SCHOLARSHIP PROJECT WITH IMBUTO FOUNDATION



Imbuto foundation scholars participating to their annual boot camp



During the 2019 school year, with Bank of Kigali's donation to Imbuto Foundation; 148 students were able to pursue their studies with ease. These students are from 43 different schools in the country and 60 of them graduated from secondary school. Our support enables Imbuto Foundation to finance the students' living cost in boarding schools, uniforms, health insurance, scholastic materials and national examination registration fees for those enrolled in the third and the sixth years. Our partner, Imbuto Foundation also conducts a holiday camp for the scholars every year during which they empower students with foundational skills and values to prepare them for a good future.

Since the beginning of this partnership in 2009 and with the help of Bank of Kigali, 614 Rwandan youth have completed their secondary studies.

The support provided to this project contributed to the development of Rwanda while unleashing their potential.

2. PARTNERSHIP WITH THE BHC CHEVENING SCHOLARSHIP PROGRAM

The Bank also established a partnership with the UK Chevening Scholarship program in which one Rwandan student is sponsored every three years, to undertake post-graduate training.

ENVIRONMENTAL SUSTAINABILITY

AGROFORESTRY FOR SUSTAINABLE ENVIRONMENT AND IMPROVED AGRICULTURE PROJECT IMPLEMENTED BY WORLD AGROFORESTRY



Bank of Kigali, through the project entitled "Agroforestry for Sustainable Environment and Improved Agriculture", funded this project supported by Minister of Environment through the Rwanda Water and Forest Authority (RWFA) to increase tree cover, soil productivity, biodiversity and other ecosystem services for improving livelihood of small holder farmers of Rweru sector. It was proven that trees influence the hydrology cycle and contribute to the resilience to climate change for smallholder farmers.

World Agroforestry Centre (ICRAF) has implemented this project in Bugesera district, Rweru sector where the tree cover is lower. Therefore, the bank partnered with ICRAF to increase trees cover through plantation of agroforestry trees on-farm. Thus, the target given to ICRAF was to plant agroforestry trees on an area equivalent to 180 ha in Rweru sector for 200 households. The planted trees correspond to 50,000 seedlings for agroforestry and 14,291 of fruit seedlings.



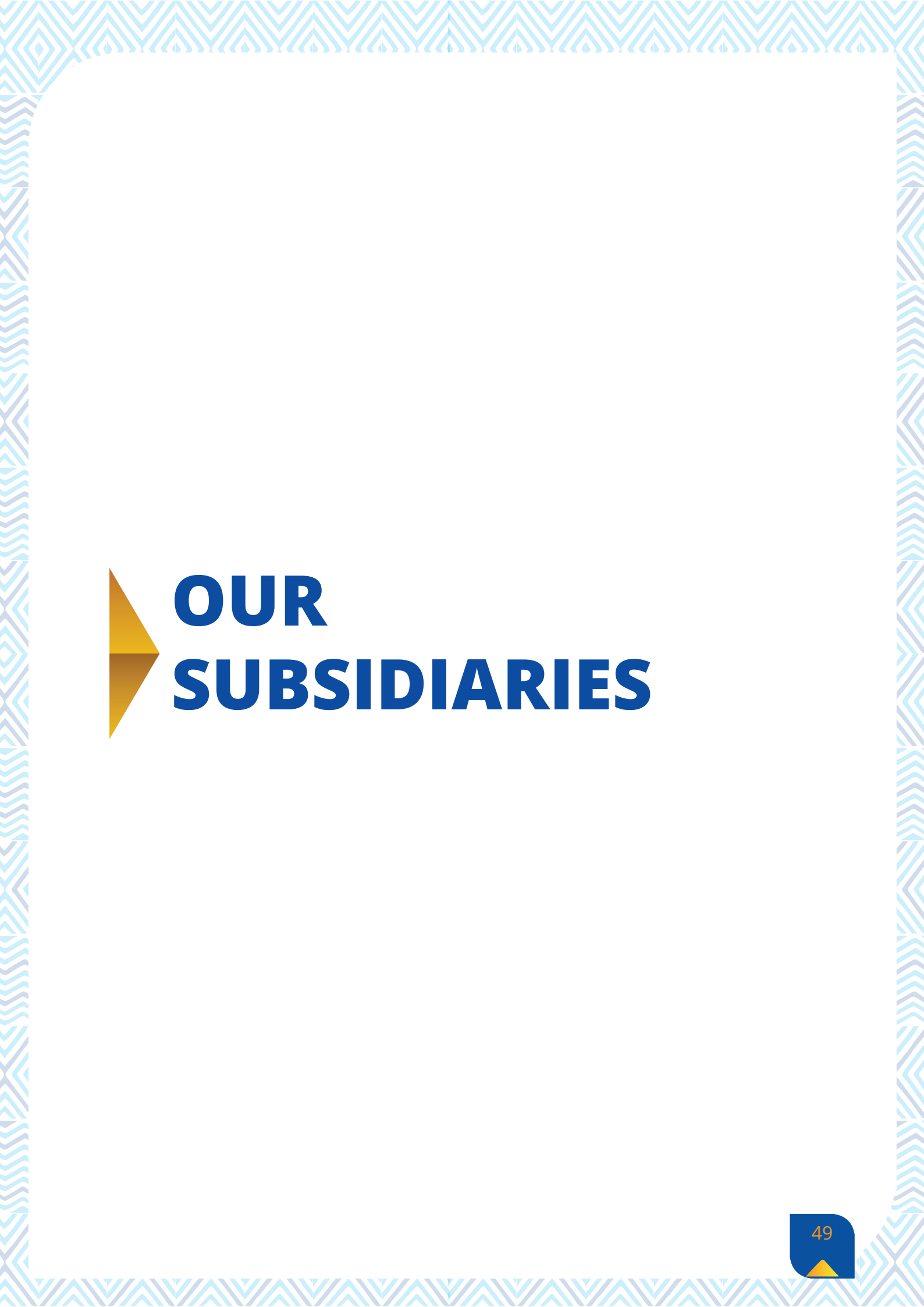
INNOVATION

URUMURI INITIATIVE

The Urumuri Initiative is an annual entrepreneurship competition organized by Bank of Kigali as part of its Corporate Social Responsibility aimed at helping local, small and medium enterprises to access interest-free loans and intensive business training. So far 100 businesses have completed the program, and have received more than 100 million Rwf in 0% interest loans from Bank of Kigali.

Bank of Kigali has awarded the third cohort of Urumuri Initiative winners with Rwf 25 million interest free interest. The 6 awardees were selected among 25 entrepreneurs following six months incubation program offered by Inkomoko Business Development. 12 of them were picked to pitch their business ideas mid November 2019 after going through a series of trainings by Inkomoko Business Development. The six winners were selected for outstanding projects promoting Made in Rwanda and employment. These include Kipepeo Kids, Nziza Igisura, Ishyo Foods Business Enterprise, Greenleaves Business Enterprise, Avo Health Business Enterprise and Amazon Nutrition Cabinet which won interest free loans.





OUR SUBSIDIARIES



BK GENERAL INSURANCE COMPANY LTD

In 2015, Bank of Kigali incorporated an insurance business through BK General Insurance Company that was licensed by the National Bank of Rwanda to transact general insurance in 2016. The Vision of BK General Insurance Company is to be the leading provider of innovative, high quality insurance services while its mission is the provision of innovative, high quality insurance services that add value to shareholders' investments through technology enhanced products and motivated professional staff. The insurance business strategy in the short and medium term is to build a model that will enable it to set the standard of excellence among insurance providers by being innovative, growing the insurance business, building adequate reserves, enhance its services to meet and exceed customer expectations.

BKGI offers a range of insurance products; Motor-Private and Commercial, Fire, Burglary/Theft, Business interruption, Engineering, Marine, Individual and Group Personal Accident, Household All Risks, Guarantees, Professional Indemnity, Travel, Money, Goods in Transit, Public Liability, Workmen's Compensation, Products Liability, Transport and Micro Insurance. Travel Insurance was launched in 2018. The company intends to introduce digital products offering starting with motor and fire insurance.

The year 2019 like the previous 2 years was characterized by sustained growth: numbers indicate that, Y-On-Y; Premiums grew by 16%. Underwriting Profit by 61%, Net Profit by 43%, Investment Income by 106%, Solvency Margins by 200%, Assets by 47%, Retained Earnings by 117%, and settled claims from our customers of 2.3Bn. BKGI Return on Equity increased to 24.4%, a clear demonstration of value addition to shareholders' investments.

BKGI growth places its market share to 14% in a space of only Three Years. BKGI's performance capacity in the last three years has been tested and the company's books point to unequalled growth potential. The company shall continue to build a sustainable portfolio, enhance its already efficient claim settlement process, maintain a transparent and ethical business relationship with insurance intermediaries and invest in digital distribution channels.

ABOUT US

BK General Insurance Company (BKGI) was incorporated as a Limited Liability Company on 16th September 2015 by Rwanda Development Board and was licensed by the National Bank of Rwanda to transact general insurance business on 22nd March 2016.

OUR VISION

To be a leading provider of innovative, high quality insurance services.

OUR MISSION

To provide innovative, high quality insurance services that add value to shareholders' investments through technology enhanced products and motivated professional staff.

OUR GOALS

To exceed customer expectations. In providing insurance services, BK General Insurance has put in place strategies to become a customer-centric company.

We offer various insurance products/Services to the Rwandan market.

Engineering Insurance	Aviation Insurance	Motor Insurance	Liability Insurance	Accidents Insurance	Marine Insurance	Business Interruption Insurance
Professional Indemnity Insurance	Guarantees Insurance	All-risk Insurance	Burglary /Theft Insurance	Goods-in-transit Insurance	Money Insurance	Fire Insurance

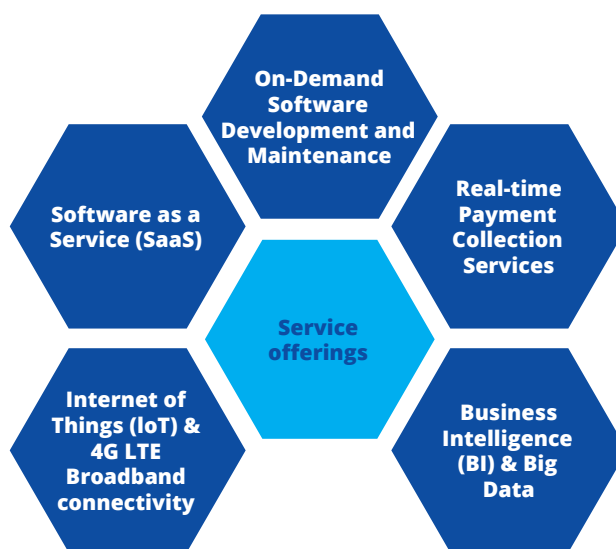
We Safeguard your Wealth!



COMPANY BACKGROUND

Launched officially in March 2017, BK TechHouse Ltd is engaged in the business of providing Advanced Information and Communication Technology Services based on broadband connectivity. Our domain expertise is in AgriTech, EduTech and SMEs.

SERVICE OFFERINGS



BK TECHHOUSE

PRODUCT PORTFOLIO

Agri-Tech:

- **Smart NKUNGANIRE System (www.smartnkunganire.rw):** Is an Innovative Supply Chain Management System built by BK TechHouse in partnership with Rwanda Agriculture Board (RAB) to digitize the end-to-end value chain of the Agro-Inputs Subsidy Program. To date the system has captured approximatively 1,5 Million farmers. The system is accessible on Web, Mobile App and USSD at *774#. Through its Mobile Application, MOPA (Mobile Order Processing Application), the Platform is integrated with BK Payment Gateway, to enable the digital payment of the agro-inputs and application of digital agriculture loans through BK digital payment channels.
- **Smart KUNGAHARA System (www.smartkungahara.rw):** Is an Innovative Digital Platform built in partnership with National Agriculture Export Development Board (NAEB) to digitize the Coffee Value Chain in order to equip all the stakeholders with the most efficient and indispensable digital tool to link all stakeholders involved in the value chain in Rwanda, thus enabling proper standardized data reporting across the value chain, on one hand, and enabling, through its integration with BK Digital Payment Gateway the digital payment and agriculture micro-loans through BK digital payment channels, in another hand. The platform is accessible via Web-based application, Smart Phone Application, USSD short code at *774# and is counting as of now 350,000 coffee farmers.

EduTech:

- **URUBUTO Education System:** Is Comprehensive School Management Platform for Smart Schools with over 115 schools on-boarded on the platform and more than 152,000 users including school teachers, parents and students. The system is accessible on Web, Mobile App and USSD at *775#.

FinTech:

- **E-Tuition Payment Collection Tool:** Is an innovative and secured Tuition Payment Collection Platform that enables the implementation of cashless economy in education WHEREBY school fees and Tuition Fees payment are now possible through BK digital payment channels and Mobile Money Platforms for all schools and High Learning Institutions. As of now 105 secondary schools and 6 High Learning Institutions

Broadband Connectivity: In partnership with KTRN, BK TechHouse provides a variety range of internet broadband packages.



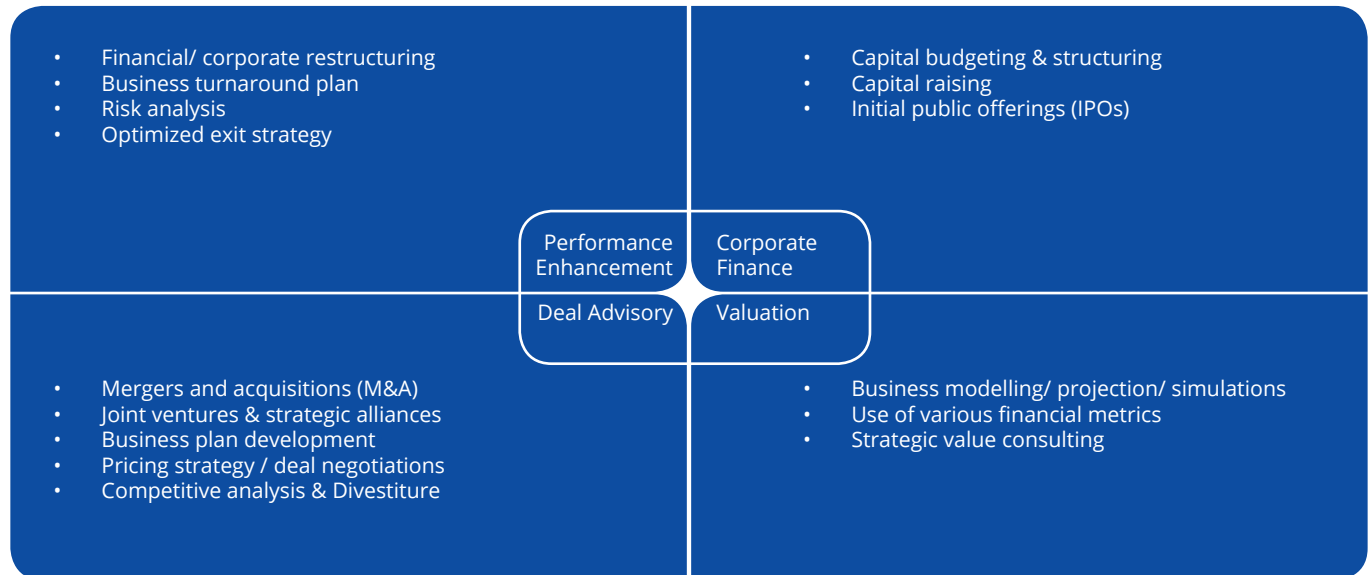
WHO WE ARE



SOPHISTICATED STRATEGIC FINANCIAL ADVICE



CORPORATE FINANCE & ADVISORY



FUND & WEALTH MANAGEMENT

WHY US?

Holistic Wealth Management

- Investment management tailored to specific needs and risk profile
- Pension Fund management services
- Corporate finance and structured transactions
- Global investment capabilities across all asset classes

Best Execution

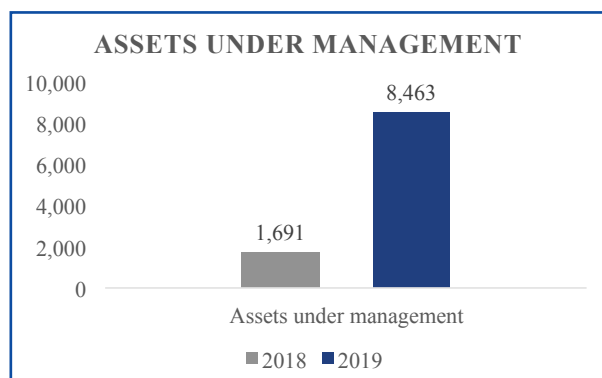
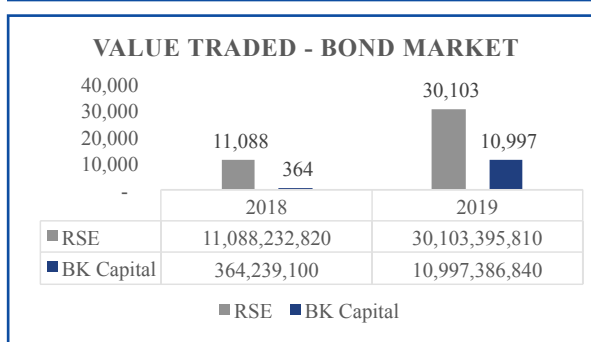
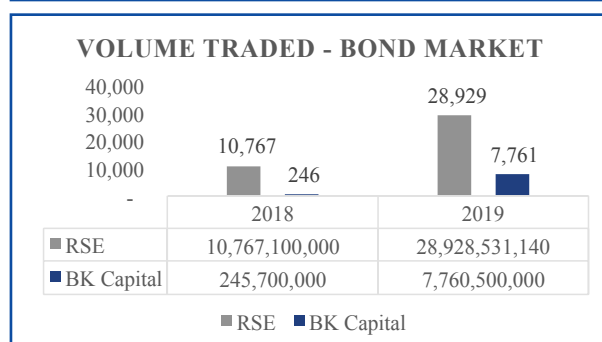
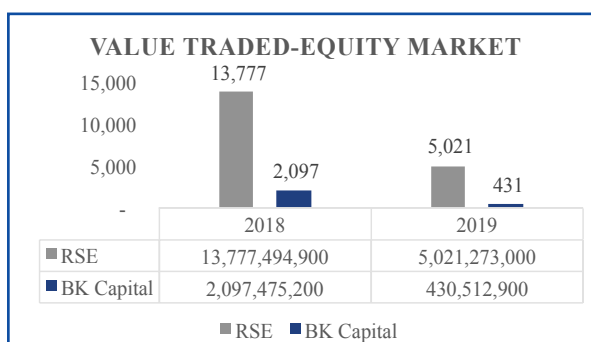
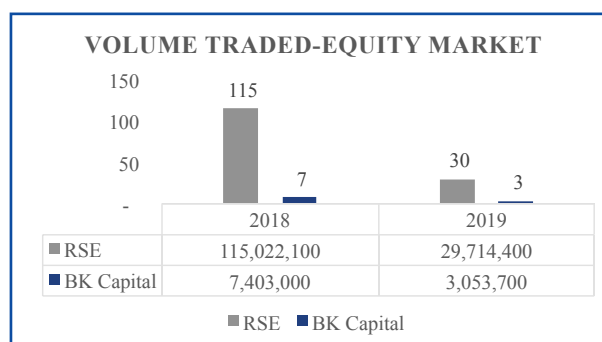
- Competitive pricing and transparent fee structure
- Effective execution and settlement
- Transactions executed in best interests of clients
- Best-of-breed product selection and smart investment vehicles
- Robust risk management mechanism



SECURITIES BROKERAGE & MARKET RESEARCH

WHY US?

- BK Capital is a licensed market intermediary and depository participant that offers to investor's access to domestic, regional and international markets through its partnership with regional and global players.
- We have a dedicated research team that provide market reports, which covers the macro perspective and the listed companies on the domestic market by providing market.
- We encourage individuals and organizations to diversify their investments through promoting the benefits of trading in securities



- BK Capital provided specialist Corporate Finance and Advisory services to a variety of Corporate, Investment and Sovereign Entities in Rwanda during the period.
- Asset under management were able to grow of 400% from 1,691Billion in 2018 to 8,463 Billion in 2019 this was mainly from the new businesses BK Capital managed to incorporate in 2019



BK GROUP PLC FINANCIALS

The directors that served during the year and to the date of this report are shown below:

DIRECTORS

Non-Executive and Independent Directors

Mr. Marc Holtzman (Chairman)

Mr. Julien Kavaruganda

Ms. Lilian Kyatengwa

Ms. Alline Akintore Kabbatende

Ms. Risper Alaro Mukoto

Mr. Rod M. Reynolds

Mr. Reuben Karemera

Non-Executive and Non-Independent Directors

Mr. Richard Tusabe (Vice Chairman)- (resigned February 2020)

Mr. Regis Rugemanshuro (Vice Chairman)- (appointed February 2020)

CHIEF EXECUTIVE OFFICER

Dr. Diane Karusisi

SECRETARY

Emmanuel Nkusi

KN4 Ave No 12, Plot No 790
P.O Box 175
Kigali-Rwanda

AUDITOR

PricewaterhouseCoopers Rwanda Limited

5th Floor, Blue Star House, 35, KG 7 Avenue, Kacyiru
PO Box 1495
Kigali - Rwanda

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

BK Group Plc Building
KN4 Ave No 12, Plot No 790
P.O Box 175
Kigali-Rwanda

ADVOCATES

Mr. Emmanuel Rukangira

P.O Box 3270
Kigali-Rwanda
Mr. Athanase Rutabingwa
P.O Box 6886
Kigali-Rwanda

The directors have the pleasure of submitting their report together with the audited consolidated financial statements for the year ended 31 December 2019 which disclose the state of affairs of BK Group plc and its subsidiaries (together, the “Group”).

1 Principal activities

The principal activities of the Group are provision of retail and corporate banking services, insurance services, brokerage services, internet and digital services.

2 Results

The results for the year are set out on page 62.

3 Dividends

a) During the annual general meeting held on 8th May 2019, the shareholders approved a dividend pay-out of 35% of the group’s audited IFRS based net income in respect of the year 2019.

b) The total proposed dividend for the year is therefore FRw 13,057,918,000 (2018 was FRw 10,946,646,400) for ordinary shareholders.

4 Reserves

The reserves of BK Group plc are set out in note 37.

5 Directors

The Directors who served during the year and up to the date of this report are set out on page 17.

6 Auditors

The Group’s auditor, PricewaterhouseCoopers Rwanda Limited has expressed willingness to continue in office.

7 Approval of the financial statements

The consolidated financial statements were authorised for issue by the Directors on 19th March 2020. The directors have the power to amend and reissue the financial statements.

BY ORDER OF THE BOARD



Emmanuel Nkusi

Company Secretary

The Group's directors are responsible for the preparation and fair presentation of the consolidated financial statements, comprising the consolidated statement of financial position at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the twelve months period then ended, and the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and Law No. 17/2018 of 13/04/2018 Governing Companies, and for such internal control as the Directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement whether due to fraud or error.

The directors' responsibilities include: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. They are also responsible for safe guarding the assets of the Group.

The directors accept responsibility for the consolidated financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements Law No. 17/2018 of 13/04/2018 Governing Companies. The Directors are of the opinion that the consolidated financial statements give a true and fair view of the state of the financial affairs and the profit and cash flow for the year ended 31 December 2019. The directors have made an assessment of the Group's ability to continue as a going concern and have no reason to believe the Group will not be a going concern for at least the next twelve months from the date of this statement.

The auditor is responsible for reporting on whether the annual consolidated financial statements are fairly presented in accordance with the International Financial Reporting Standards and Law No. 17/2018 of 13/04/2018 Governing Companies.

The consolidated financial statements which appear on pages 62 to 136 were approved by the Board of Directors on 19th March 2020 and signed on its behalf by:



Director



Director



Report on the audit of the financial statements

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of BK Group Plc (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2019, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of Law No. 17/2018 of 13/04/2018 Governing Companies.

What we have audited

The consolidated financial statements of BK Group Plc and its subsidiaries are set out on pages 62 to 136 and comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of profit or loss and other comprehensive income for the year ended;
- the consolidated statement of changes in equity for the year ended;
- the consolidated statement of cash flows for the year ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the IESBA International Code of Ethics for Professional Accountants (including International Independence Standards). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

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

Key audit matter	How key audit matter was addressed in the audit
Expected credit losses on loans and advances at amortised cost Loans and advances to customers comprise a significant portion of the Group's total assets. The estimation of expected credit losses (ECL) on loans and advances requires management judgment in the assumptions that are applied in the models used to calculate ECL. The policies for estimating ECL are explained in note 5 of the consolidated financial statements. The key areas where significant judgement has been exercised and therefore, an increased level of audit focus applied, include: • the assumptions applied in deriving the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD) for the corporate and retail segments; • the judgments made to determine the staging of facilities in line with IFRS 9. In particular, the identification of Significant Increase in Credit Risk ("SICR") and Default requires consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether a 12-month or lifetime PD is used. Specific assumptions have been applied by management in determining the staging, PD and LGD; • the relevance of forward-looking information used in the models; and Due to the significant impact of management judgments applied in calculating the ECL, we designated this as a key audit matter in our audit.	Our audit procedures focused on the significant areas of judgement and estimations that could result in material misstatements in the consolidated financial statements. These procedures included: • Evaluating the appropriateness of the Group's IFRS 9 impairment methodology, against the requirements of IFRS9; • We tested how the Group extracts 'days past due (DPD)' applied in classifying the loan book into the three stages required by IFRS 9. For a sample of loans, we recalculated the DPD applied in the model and agreed these to the DPD as per the Group's IT system and the respective customer files; • We assessed judgments applied in the staging of loans and advances; • We obtained an understanding of the basis used to determine the probabilities of default. We tested the completeness and accuracy of the historical data used in derivation of PDs and LGDs, and re-calculated the same on a sample basis; • For LGD, we tested the assumptions on the timing of the cash flows based on empirical evidence. In addition, for secured facilities, we agreed the collateral values used in the ECL model to external valuer reports; • We tested, on a sample basis, the reasonableness of EAD for both on and off balance sheet exposures; • For forward-looking assumptions used in the ECL calculations, we corroborated the assumptions using publicly available information; • We assessed whether the disclosures in the consolidated financial statements on the key judgements and assumptions were adequate.



Other information

The directors are responsible for the other information. The other information comprises Directors and Statutory Information, Report of the Directors, Statement of Directors' Responsibilities and the Corporate Governance Statement, but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the other information that will be included in the Annual report which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information that will be included in the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirement of Law No. 17/2018 of 13/04/2018 Governing Companies, and for such internal control as directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 Group, or to cease operations, or have no realistic alternative but to do so.

Directors are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated 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.

Report on other legal and regulatory requirements

Law No. 17/2018 of 13/04/2018 Governing Companies requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
2. In our opinion proper books of account have been kept by the Group, so far as appears from our examination of those books;
3. We have communicated to the Group's Board of Directors, through separate management letters, internal control matters identified in the course of our audit including our recommendations in relation to those matters.
4. We have no relationships, no interests and debt in the Group; and
5. In our opinion according to the best of the information and explanations given to us as shown by the accounting and other documents of the Group, the consolidated financial statements comply with Article 125 of Law No. 17/2018 of 13/04/2018 Governing Companies

For PricewaterhouseCoopers Rwanda Limited, Kigali

A handwritten signature in blue ink, appearing to read 'Moses Nyabanda'.

Moses Nyabanda
Director

31st March 2020

	Note	31 December 2019 FRw'000	31 December 2018 FRw'000
Interest income	8	116,517,161	93,997,805
Interest expense	9	(21,743,716)	(18,199,106)
Net interest income		94,773,445	75,798,699
Net fees and commission income	10	14,470,680	16,523,167
Foreign exchange related income	11	8,783,166	9,188,503
Gross earned insurance premiums	12	6,671,948	4,855,521
Other operating income	13	155,409	392,387
Operating income before impairment losses and claims		124,854,648	106,758,277
Credit impairment losses - loans	14	(17,886,085)	(11,409,582)
Credit impairment losses - other assets	16	(492,925)	(2,523,649)
Premium ceded to reinsurance	12	(1,515,824)	(922,870)
Insurance benefits and claims paid	15	(2,368,177)	(1,785,522)
Net operating income		102,591,637	90,116,654
Employee benefits expense	16(i)	(24,640,029)	(22,818,679)
Depreciation and amortisation	16(ii)	(6,331,565)	(4,866,655)
Administration and general expenses	16(iii)	(19,245,083)	(19,829,695)
Total operating expenses		(50,216,677)	(47,515,029)
Operating profit		52,374,960	42,601,625
Finance cost	35	(282,354)	-
Profit before income tax		52,092,606	42,601,625
Income tax expense	17	(14,784,270)	(15,235,009)
Profit for the year		37,308,336	27,366,616
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss		-	-
Items that will not be subsequently reclassified to profit or loss		-	-
Total comprehensive income for the year		37,308,336	27,366,616
Attributable to:			
Equity holders of the parent		36,924,658	27,278,184
Non-controlling interests		383,678	88,432
Basic and Diluted earnings per share in FRw	19	41.4	39.5

The notes set out on pages 66 to 136 form an integral part of these financial statements.

Assets	Note	31 December 2019 FRw'000	31 December 2018 FRw'000
Cash in hand	20 (a)	14,400,534	20,071,592
Balances with the National Bank of Rwanda	20 (b)	68,351,345	64,914,684
Due from banks	21	77,286,457	105,210,355
Investment securities at amortized costs	22 (a)	124,797,114	73,594,798
Equity Investments	22 (c)	-	-
Loans and advances to customers	23	678,005,885	568,104,724
Insurance receivables	24	2,923,995	2,877,789
Current income tax	-	-	551,644
Assets classified as held for sale	27(ii)	1,669,490	1,634,510
Other assets	25	9,908,447	7,867,609
Right of use assets	26	3,309,375	-
Deferred income tax	31	5,261,914	672,030
Property and equipment	27(i)	26,389,977	28,226,576
Intangible assets	28	6,771,054	3,675,053
TOTAL ASSETS		<u>1,019,075,587</u>	<u>877,401,364</u>
LIABILITIES			
Due to banks	29	54,160,261	61,312,934
Deposits and balances from customers	30	642,698,799	531,959,345
Current income tax	18	7,441,556	4,095,815
Dividends payable	32	13,291,112	11,078,029
Insurance liabilities	33	5,079,081	3,909,011
Lease liabilities	35	3,426,696	-
Other liabilities	34	26,189,778	19,457,343
Long-term finance	36	45,977,418	50,883,806
TOTAL LIABILITIES		<u>798,264,701</u>	<u>682,696,283</u>
CAPITAL AND RESERVES			
Share capital	37 (i)	9,045,474	8,967,592
Share premium	37 (ii)	76,573,491	74,795,986
Revaluation reserves	37(iii)	13,000,149	13,000,149
Retained earnings	37(iv)	<u>120,862,519</u>	<u>96,995,779</u>
Equity attributable to the owners of the parent		219,481,633	193,759,506
Non-controlling interests		<u>1,329,253</u>	<u>945,575</u>
TOTAL EQUITY		<u>220,810,886</u>	<u>194,705,081</u>
TOTAL LIABILITIES AND EQUITY		<u>1,019,075,587</u>	<u>877,401,364</u>

The notes set out on pages 66 to 136 form an integral part of these financial statements.

	Note	Issued capital FRw'000	Share premium FRw'000	Revaluation FRw'000	Retained earnings FRw'000	Non-controlling Total interests FRw'000	Total FRw'000
As at 1 January 2018		6,745,370	18,936,176	13,000,149	84,068,437	-	122,750,132
Change on initial application of IFRS 9					(3,404,196)	-	(3,404,196)
Restated balance at 1 January 2018		6,745,370	18,936,176	13,000,149	80,664,241	-	119,345,936
Comprehensive income:							
Profit for the year		-	-	-	27,278,184	88,432	27,366,616
Transactions with owners:							
Right issue	37	2,222,222	55,859,810	-	-	-	58,082,032
Contributions of equity, net of transaction costs and tax		-	-	-	-	857,143	857,143
Dividends paid/declared	32	-	-	-	(10,946,646)	-	(10,946,646)
As at 31 December 2018		8,967,592	74,795,986	13,000,149	96,995,779	945,575	194,705,081

	Note	Issued capital FRw'000	Share premium FRw'000	Revaluation FRw'000	Retained earnings FRw'000	Non-controlling Total interests FRw'000	Total FRw'000
As at 1 January 2019		8,967,592	74,795,986	13,000,149	96,995,779	945,575	194,705,081
Comprehensive income:							
Profit for the year		-	-	-	36,924,658	383,678	37,308,336
Transaction with owners:							
Dividend re-investment plan	37(ii)	77,882	1,962,626	-	-	-	2,040,508
Right issue carried costs	37(ii)	-	(185,121)	-	-	-	(185,121)
Dividends paid/declared	32	-	-	-	(13,057,918)	-	(13,057,918)
As at 31 December 2019		9,045,474	76,573,491	13,000,149	120,862,519	1,329,253	220,810,886

The notes set out on pages 66 to 136 form an integral part of these financial statements

Cash flows from operating activities	Note	31 December 2019 FRw'000	31 December 2018 FRw'000
Profit before income tax		52,092,606	42,601,625
Adjusted for:			
Depreciation of property and equipment	27	3,811,623	3,860,518
Amortization of intangible assets	28	1,692,648	1,006,137
Depreciation one right to use assets	26	827,295	-
Loss on disposal of fixed assets		22,975	-
Interest incurred and revaluation loss on long-term financing	36	4,092,259	5,566,021
Release of impairment on investment securities		-	(3,404,196)
Dividend income		-	(40,335)
Changes in expected credit losses and other credit impairment charges		18,379,010	13,933,231
Cash flows before changes in working capital		80,918,416	63,523,001
Changes in working capital			
-Increase in loans and advances	23 (a)	(127,787,246)	(107,809,991)
-Increase in insurance receivables	24	(46,206)	(1,995,129)
-Decrease in other assets	25	(2,568,742)	(1,456,419)
- (Increase)/decrease in cash reserve requirement	20(b)	(5,179,339)	(4,784,072)
-Increase in deposits and balances from customers	30	110,739,454	76,745,952
-Increase in insurance liabilities	33	1,170,070	2,006,645
- Decrease in other liabilities	34	6,732,435	3,968,980
Other provisions and payables		1,620,687	(1,284,837)
Income tax paid	18	(17,479,070)	(20,109,110)
Net cash generated from operating activities		48,120,457	8,805,020
INVESTING ACTIVITIES			
Purchase of property and equipment	27	(2,136,535)	1,442,532
Purchase of intangible assets	28	(5,103,835)	(4,002,833)
Proceeds from sale of fixed assets		125,363	-
Investment in securities	22(b)	(51,202,316)	20,654,126
Dividends received		-	40,335
Net cash flows (used in)/ from investing activities		(58,317,323)	18,134,160
FINANCING ACTIVITIES			
Dividends paid	32	(10,844,835)	(9,246,927)
Drawdown of long-term finance	36	14,918,236	-
Repayment of long-term finance	36	(23,916,883)	(25,524,390)
Investment of non-controlling interests		-	857,143
Proceeds from issue of new shares	37(i)	77,882	2,222,222
Increase in share premium on new shares	37(ii)	1,777,505	55,859,810
Net cash flows (used in)/from financing activities		(17,988,095)	24,167,858
Net (decrease)/ increase in cash and cash equivalents		(28,184,960)	51,107,038
Net foreign exchange difference		499,984	454,371
Cash and cash equivalents at 1 January		97,691,687	46,130,278
Cash and cash equivalents at 31 December	20(c)	70,006,710	97,691,687

The notes set out on pages 66 to 136 form an integral part of these financial statements.

1. CORPORATE INFORMATION

BK Group Plc is a non-operating holding company registered with Rwanda Development Board (RDB) under Law No. 17/2018 of 13/04/2018 Governing Companies.

The Group provides corporate and retail banking services, insurance services, brokerage services, internet and digital services.

The Group is incorporated in Rwanda and is publicly traded on the Rwanda Securities Exchange and cross listed in the Nairobi Securities Exchange. The address of its registered office is as follows:

BK Group Plc Building
KN4 Ave No 12 Plot No 790
P.O Box 175
Kigali-Rwanda

Representative Office - Nairobi

The Group opened a representative office in Nairobi, Kenya on 19th February 2013 that is wholly owned by BK GROUP PLC. The representative office acts as a liaison between the Group and its clientele in Kenya seeking to strengthen the Group's relationship with existing clients operating in Nairobi as well as establish a relationship with prospective clients. The office however does not directly offer deposit taking or lending facilities.

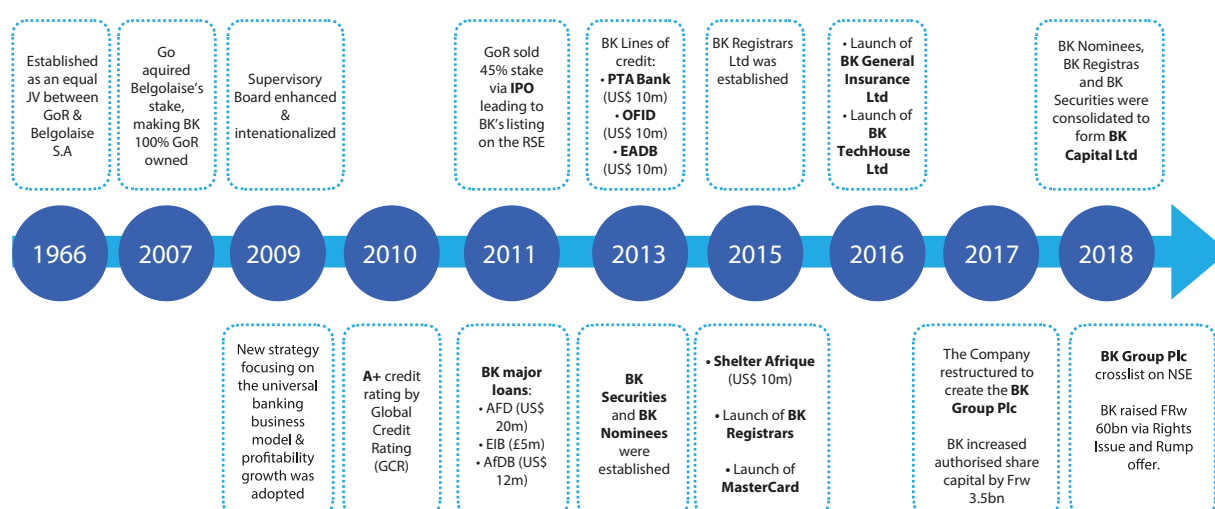
Business Overview

History

BK Group Plc was originally Bank of Kigali and was incorporated in the Republic of Rwanda on December 22, 1966. It was founded as a joint venture between Government of Rwanda (GoR) and Belgolaise, with each owning 50% of the Ordinary Share Capital of the Bank. The Bank commenced operations in 1967 with the opening of its first branch in Kigali. Belgolaise was a subsidiary of Fortis Bank operating in Sub-Saharan Africa, which in 2005 began to withdraw from its operations in Africa in line with Fortis' global strategy. In 2007 the GoR acquired the Belgolaise's shareholding in Bank of Kigali, thereby increasing its direct and indirect shareholding in the Bank to 100% of the entire Issued Shares. In 2011, the Bank changed its name under the new Companies' Law from Bank of Kigali S.A to Bank of Kigali Limited. In June 2011, GoR also divested by selling 25% of its shareholding to the public through the capital market – the Rwanda Stock Exchange, that led to the subsequent listing of the Bank.

The Group reorganised in 2017, and a new structure was implemented, leading to the creation of the non-operating holding company – BK Group Plc after hive down of banking assets and liabilities on 31 December 2018. BK Group Plc is composed of 5 subsidiaries, Bank of Kigali Plc, BK General Insurance Ltd, BK Techhouse Ltd, BK Capital Ltd and Avial Ltd, with the ambition to become the reference companies in their individual sectors. Driven by an ambitious business project and human resources mobilized around a common vision, the Group consolidates its leadership by pursuing a policy of innovation and an entrepreneurial growth strategy.

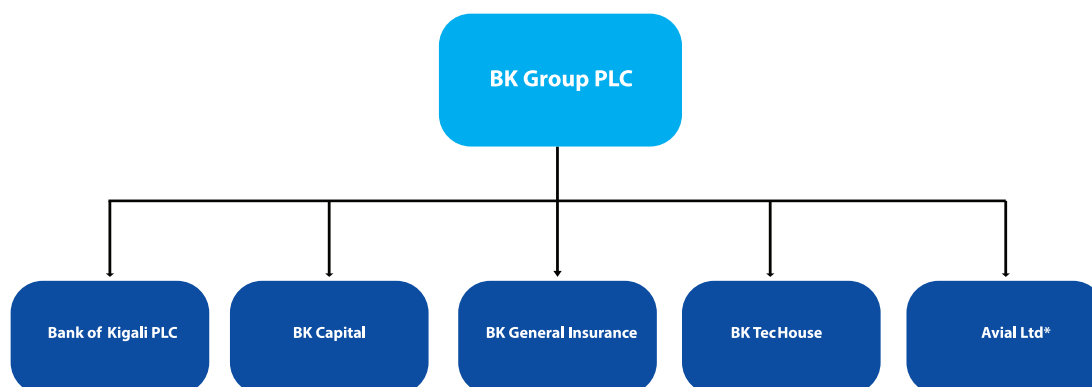
Milestones



CORPORATE INFORMATION (continued)

Structure

The current principal functions at BK Group are carried out through Bank of Kigali which accounts for over 95% of the Groups revenues.



Notes:

- *Avial Ltd was formed in 2018 and is not yet operational*
- *All the subsidiary companies are controlled by the BK Group*

Bank of Kigali Plc

Bank of Kigali Plc is the largest and substantive subsidiary of the BK Group. Following the reorganization towards the end of 2017, the Group opened a wholly owned subsidiary, Bank of Kigali Plc on 21 December 2017. It is a licensed commercial banking institution offering retail and corporate banking services. Banking products include: lending (including micro-financing loans, mortgage loans, general consumer loans, automobile loans, payroll loans, term loans, working capital financing, bill discounting, overdrafts and credit cards), current, savings and term deposit accounts, bank card products and services, ATM services, Internet and SMS banking, utilities and other bill payments, treasury and foreign exchange management services, money transfers and remittances, standing orders, direct deposit services for wages and other monetary entitlements.

BK Capital Ltd

BK Capital is a 100% owned subsidiary of BK Group PLC and has been operating as BK Securities Limited offering brokerage services and financial advisory services. BK Capital is licensed by the Rwanda CMA, by the BNR for Fund Management and Administration service for Pensions Schemes and is a member of the RSE. Among the services that BK Capital offers are: brokerage and research, corporate finance and advisory, private equity, pension investment management, administration services, registry services and transfer agents.

BK General Insurance Ltd

In 2015, BK Group incorporated an insurance business through BK General Insurance Company that was licensed by the National Bank of Rwanda to transact general insurance in March 2016. It offers a range of insurance products Motor-Private and Commercial, Fire, Burglary/Theft, Business interruption, Engineering, Marine, Individual and Group Personal Accident, Household All Risks, Guarantees, Professional Indemnity, Travel, Money, Goods in Transit, Public Liability, Workmen's Compensation, Products Liability, Transport and Micro Insurance. In [2018], BK entered into an agreement with Swan Insurance of Mauritius, for Swan Insurance to acquire 30% stake in BK General Insurance. BK intends on extending its insurance services to include life insurance, and the understanding is that Swan Insurance would also partner with BK in that venture at 30% stake.

BK TecHouse Ltd

In 2017, BK TecHouse was launched as an innovative technology company that develops digital platforms to create more value adding solutions to clients. It currently had key partnerships and platforms in agriculture, education, real estate and internet of things. While the basket of products currently offered is very diverse, the Group is continuously developing new products and services to meet the needs of its customers, to which end BK TecHouse is crucial.

CORPORATE INFORMATION (continued)

Competitive Advantages and Strengths

Bank of Kigali Plc is the largest contributor to the Group's revenues and consequently its strategy. However, the overall motivation of BK Group is to be the one-stop-shop to its customers for all their financial needs.

The different subsidiaries of the Group compete with other financial institutions (directly and indirectly) to obtain customers (whether individuals, private sector companies or public sector authorities) for matters related to selling products, spreading geographically and providing banking and financial services in general. Accordingly, the Group will be affected if it cannot keep pace with its competitors in the prices and quality of its products and services. However, due to its long and established history, the Group has a number of advantages and strengths that give it a competitive edge. Some of these include:

Brand and Reputation

Bank of Kigali, and by extension BK Group, has a strong brand and reputation that is well known and appreciated spread across the Country. Part of this emanates from its long 50-year history, which makes it a symbol of the good quality of services.

Commercial Banking Service

The Bank has a dedicated unit for commercial banking services that provides convenient and cost-effective services to the its customers and helps to strengthen relations between the Bank and corporations and SMEs. The Bank was among the first to develop an independent commercial banking services unit dedicated to serve corporations and SMEs, which has led to Bank of Kigali being the leading commercial bank in Rwanda. The Bank then used the experience gained to provide quality services to the retail market and expand its customer reach. Through its rich banking experience, the BK Group benefits from being able to augment Bank of Kigali's services and customer reach network to offer unparalleled services to its customers.

Culture of Risk Management

BK Group adopts a constantly-evolving policy for risk management, where it has been investing consistently to improve its risk management procedures. In addition, it performs risk management functions through a number of support units and Board Committees.

Seasoned Management Team and Staff

The management team of all BK's subsidiaries bring together a well experienced team and significant knowledge of the markets in which they operate, that has gathered considerable understanding and know-how related to operational issues required to run the Bank and other subsidiaries. The Board believes that this experience and know how is one of the key assets of the Group and has confidence that this will put the management team in a strong position to face potential challenges and to continue growing the Bank and the Group at large.

Comprehensive Training and Development of the Work Team

Each of the subsidiaries provide regular training services to their staff at all levels through a dedicated training department that is part of the human resources. New staff are required to attend a training program that provides them with a comprehensive introduction to the Group's products and services. The Group, through innovative programs, aims to develop the careers of its employees and increase the staff's knowledge of all of its current and anticipated services. The Group believes that training and development programs have contributed to development of the skills of its staff. This is evidenced through how they serve customers and perform their duties. As a result, the subsidiaries is seen as a leaders and can confidently relay on employees to continue serving customers and stakeholders with utmost professionalism.

Innovation in Technology

The financial sector in Rwanda has generally been very traditional. However, with the setup of BK TechHouse, the Group is committed to more innovative products and platforms that leverage on technology and make banking, insurance, investment and overall financial inclusion convenient and cost effective both for the customer and for the Group. To this end, the Group has developed a strategy that strongly depends on technical and digital systems for the purposes of providing services, monitoring financial performance and collecting information enabling it to manage business in an effective and low-cost way and provide customers with fast, efficient and safe services.

Social Responsibility

The Group is an institution with tightly-knit community relations in Rwanda, and has a strong philosophy based on building strong ties with the local community. The Group intends to continue to promote positive community development in the Country, while supporting the Government in some of its development agendas. The Group has continued to implement a range of activities aimed at supporting and helping the community, such as providing financial assistance to various charitable organizations, launching vocational training programs, sponsoring training programs for various under privileged groups as well as for various SMEs that form the backbone of Rwanda's growing economy.

2. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of BK Group Plc and its subsidiaries.

(a) Basis of preparation

(i) Compliance with IFRS

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IC) applicable to companies reporting under IFRS. All values are rounded to the nearest thousand (FRw'000) except when otherwise indicated.

The Group presents its consolidated statement of financial position broadly in order of liquidity as the banking business contributes over 95% of the results and assets of the Group. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in note 38.

ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

Certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment – measured using the revaluation model.

iii) Comparatives

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

iv) International Financial Reporting Standards, interpretations and amendments issued but not effective for December 2019 year-end

IFRS 9, IAS 39 and IFRS 7 – Amendments relating to Interest Rate Benchmark Reform

IFRS 9, IAS 39 and IFRS 7 were amended in September 2019. The amendments are effective for periods beginning on or after 1 January 2020 with earlier application permitted. The Group elected to not to early adopt the amendments.

These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

The Group's exposure is predominantly on external borrowings that are tagged to LIBOR amounting to FRw 27.9 Billion. Approaches to transition will vary product by product and counterparty by counterparty. The agreements will be negotiated bilaterally with the counterparty.

Changes required to existing contracts solely due to IBOR reform could result in derogation of financial liabilities and recognition of new financial liabilities which could give rise to unexpected income statement volatility for amortised cost debt instruments due to derecognition gains/losses.

Management is yet to assess impact of these amendments.

Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material.

These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:

- use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the guidance in IAS 1 about immaterial information.

The amended definition is:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

Summary of significant accounting policies (Continued)

This amendment is effective for annual periods beginning on or after 1 January 2020.

Amendment to IFRS 3, 'Business combinations' Definition of a business

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions.

To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.

This amendment is effective for annual periods beginning on or after 1 January 2020.

IFRS 17, 'Insurance contracts'

The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.

Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.

Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.

For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

This standard is effective for annual periods beginning on or after 1 January 2023. Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17.

(iv) Leases

Accounting for leases under IFRS 16 effective from 1 January 2019

The group leases various branches and ATM space for the banking business. Rental contracts are typically made for fixed periods of 1 year to 5 years but may have extension options.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property and equipment were classified as either finance leases or operating leases, see below for details. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Summary of significant accounting policies (Continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following; the amount of the initial measurement of lease liability plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the group revalues its land and buildings that are presented within property and equipment, it has chosen not to do so for the right-of-use buildings held by the group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

When the Group is the lessor, the lease must be classified as either a finance lease or an operating lease. A finance lease is a lease which confers substantially all the risks and rewards of the leased assets on the lessee.

An operating lease is a lease where substantially all of the risks and rewards of the leased asset remain with the lessor.

When the lease is deemed a finance lease, the leased asset is not held on the balance sheet; instead a finance lease receivable is recognised representing the minimum lease payments receivable under the terms of the lease, discounted at the rate of interest implicit in the lease. When the lease is deemed an operating lease, the lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate.

Accounting for operating leases under IAS 17 for 2018

Until 31 December 2018, leases of property and equipment where the group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases.

Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the

lease period so as to produce a constant periodic rate of interest on the remaining balance of the

liability for each period. The property and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are

added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Summary of significant accounting policies (Continued)

(b) Going concern

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

(c) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

The estimates and assumptions are based on the Directors' best knowledge of current events, actions, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 4.

(d) Principles of consolidation

i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the consolidated statement of profit and loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

ii) Changes in ownership interests

The group treats transaction with non-controlling that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amount of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of BK Group Plc.

When the group ceases to consolidate because of loss of control any retained interest in the entity is measured at fair value with changes in carrying amount recognised in profit and loss.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of BK Group Plc has appointed the executive committee which assesses the financial performance and position of the group, and makes strategic decisions. The executive committee, which has been identified as being the chief operating decision maker, consists of the Chief Executive Officer, the Chief Operating Officer, the Chief Commercial Officer, the Chief Financial Officer, the Chief Human Resources and Administration Officer, and the Chief Information Technology Officer.

The Group's segment reporting is based on the following operating segments: Retail banking, corporate banking, treasury functions, non-bank subsidiaries and central costs.

Summary of significant accounting policies (Continued)

(f) Revenue recognition

(i) Interest income

See note 2(i) below on financial assets and liabilities

(ii) Fees and commission

Fees and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – are recognised as the related services are performed.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

(i) Dividend income

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI.

(ii) Net trading income

Net trading income' comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, and foreign exchange differences.

(iii) Premiums

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period. They are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium; others are recognised as an expense. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Reinsurance premiums

Gross reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts.

Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

(g) Property and equipment

Land and buildings are recognised at fair value based on periodic, but at least every 3-5 years, valuations by external independent valuers, less subsequent depreciation for buildings. A revaluation surplus is credited to revaluation reserves in shareholders' equity. All other property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Summary of significant accounting policies (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

	Buildings 5%		Furniture, Fittings & Equipment 25%
	Motor vehicles 25%		Computers & IT equipment 50%

Freehold land is not depreciated as it is deemed to have an indefinite life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When re-valued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(h) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to that liability. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any disbursement.

(i) Financial assets and liabilities

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets — assets that are credit-impaired at initial recognition — the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Summary of significant accounting policies (Continued)

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- (a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- (b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- (a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- (b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets

(i) Classification and subsequent measurement

The Group classifies its financial assets in the following measurement categories:

- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

- (i) the Group's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following two measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

Summary of significant accounting policies (Continued)

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in Net Investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the Net trading income' line in the statement of profit or loss.

(ii) Impairment

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 5.1.2 provides more detail of how the expected credit loss allowance is measured.

Summary of significant accounting policies (Continued)

(iii) Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to

customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

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

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

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

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

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

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

Financial liabilities

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives. Gains or losses on derivatives are recognised in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

Summary of significant accounting policies (Continued)

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

(j) Cash and cash equivalents

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

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

(k) Foreign exchange forward and spot contracts

Foreign exchange forward and spot contracts are classified as held for trading. They are marked to market and are carried at their fair value. Fair values are obtained from discounted cash flow models which are used in the determination of the foreign exchange forward and spot contract rates. Gains and losses on foreign exchange forward and spot contracts are included in foreign exchange income as they arise. The Group uses Rwanda's national currency, Rwanda Franc (FRw) as both functional and presentation currency.

(l) Income tax expense

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Summary of significant accounting policies (Continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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 or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(m) Fiduciary assets

The Group provides trust and other fiduciary services such as nominee or agent that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity and income arising from related undertakings to return such assets to customers are not reported in the financial statements, as they are not the assets of the Group.

(n) Intangible assets

The Group's intangible assets currently only comprise computer software. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates and accounted for prospectively. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Computer software	2 years
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There are no intangible assets with indefinite useful lives.

(o) Dividends on ordinary shares

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

Dividends for the year that are approved after the statement of financial position date are disclosed as an event after the reporting date.

Summary of significant accounting policies (Continued)

(p) Employee benefits

Retirement benefit costs

The Group contributes to a statutory defined contribution pension scheme, the Rwanda Social Security Board (RSSB). Contributions are determined by local statute and are currently limited to 5% of the employees' gross salary. The company's RSSB contributions are charged to the statement of profit or loss and other comprehensive income in the period to which they relate.

Short-term benefits

Short term benefits consist of salaries, bonuses and any non-monetary benefits such as medical aid contributions and transport allowance. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Contingent liabilities

Letters of credit, acceptances, guarantees and performance bonds are disclosed as contingent liabilities. Estimates of the outcome and the financial effect of contingent liabilities is made by management based on the information available up to the date that the financial statements are approved for issue by the directors.

(r) Earnings per share

Basic and diluted earnings per share (EPS) data for ordinary shares are presented in the financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding

ing during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

(s) Benefits, claims and expenses recognition

Gross benefits and claims

Insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

(t) Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the company will receive from the reinsurer. The impairment loss is recorded in the statement of comprehensive income.

Gains or losses on buying reinsurance are recognised in the statement of profit or loss immediately at the date of purchase and are not amortised. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Summary of significant accounting policies (Continued)

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective interest rate method when accrued.

(u) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of comprehensive income. Management considers the receivable to be impaired in line with the policy set out in 5.1.2.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

(v) Insurance contract liabilities

Insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

At each reporting date, the Group reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the statement of comprehensive income.

(w) Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Derecognition insurance payables

Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

3. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements.

The Group has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The Group did expedient option with no impact to opening reserves on 1 January 2019. The new accounting policies are disclosed in note 2 (a).

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7.5%.

CHANGES IN ACCOUNTING POLICIES (Continued)

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(ii) Measurement of lease liabilities

	2019 FRw '000
Operating lease commitments disclosed as at 31 December 2018	3,336,048
Discounted using the lessee's incremental borrowing rate of at the date of initial	
Application;	2,960,487
Add: finance lease liabilities recognised as at 31 December 2018	-
(Less): short-term leases not recognised as a liability	-
(Less): low-value leases not recognised as a liability	-
Add/(less): adjustments as a result of a different treatment of extension and termination options	1,176,182
Lease liability recognised as at 1 January 2019	4,136,669

(iii) Measurement of right-of-use assets

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2019.

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019

Statement of financial position (extract)	31 December 2018 FRw '000	IFRS 16 FRw '000	01 January 2019 FRw '000
Assets			
Right-of-use assets	-	4,136,669	4,136,669
Liabilities			
Lease liabilities	-	4,136,669	4,136,669

(iv) Lessor accounting

The group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. The directors also need to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

• Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of branch network, management considered the following:

With the transformation project having commenced, the business model for the bank subsidiary will be impacted and projecting beyond a five year planning period has uncertainties as to the Group exercising its extension options.

As at 31 December 2019, potential future cash outflows of FRw 4.5billion (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease term by a further five years to reflect the effect of exercising extension options would be an increase in recognised lease liabilities and right-of-use assets of FRw 2.6 billion.

• Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 5.1.2.3, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring

ECL, such as:

- Determining criteria for significant increase in credit risk;
 - Choosing appropriate models and assumptions for the measurement of ECL;
 - Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
 - Establishing groups of similar financial assets for the purposes of measuring ECL.
- Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 5.1.2.
- Estimation uncertainties and judgements made in relation to lease accounting, note 2 (m)

5. FINANCIAL RISK MANAGEMENT

The following section discusses the Group's risk management policies. The measurement of ECL under IFRS 9 uses the information and approaches that the Group uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of IFRS 9. The approach taken for IFRS 9 measurement purposes is discussed separately in note 5.1.2.

5.1 Credit risk

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

FINANCIAL RISK MANAGEMENT (Continued)

5.1 Credit risk (Continued)

The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures') including non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties and reverse repurchase agreements. Credit risk is the single largest risk for the Group's business; the directors therefore carefully manage its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team which reports regularly to the Board of Directors.

(a) Loans and advances (including loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9. Refer to note 5.1.2 for more details.

Credit risk management

There were no material changes to the policies and practices for the management of credit risk in 2019. We continued to apply the requirements of IFRS 9 'Financial Instruments' within Credit Risk.

We have established Group-wide credit risk management and related IFRS 9 processes. We continue to assess actively the impact of economic developments in key markets on specific customers, customer segments or portfolios. As credit conditions change, we take mitigating action, including the revision of risk appetites or limits, adjustment of interest rates and tenors, as appropriate. In addition, we continue to evaluate the terms under which we provide credit facilities within the context of individual customer requirements, the quality of the relationship, market practices and our local regulatory requirements.

Credit risk grading

The Group uses the National Bank of Rwanda (BNR) credit risk gradings to reflect its assessment of the probability of default of retail counterparties. The facilities are rated as either performing, watch, substandard, doubtful or loss, based on the number of days overdue. The classification criteria are as follows:

Performing

These are credit facilities which are up to date in payments. Where there are no fixed payments, these are facilities that are operating within their approval limits, and are unexpired.

Watch

These are credit facilities where principal or interest is due and unpaid for 30 days to 89 days, or for facilities with no fixed payments, the approval limit has been exceeded by 30 days to 89 days, or the credit line has expired for more than 30 days to 89 days.

Substandard

These are loan balances due for 90 days but less than 180 days. They are also those credit facilities that display well-defined credit weaknesses that jeopardize the liquidation of the debt such as inadequate cash flow to service the debt, undercapitalized or insufficient working capital, absence of adequate financial information or security documentation and irregular payment of principal or interest.

Doubtful

These are loan balances that are more than 180 days but less than 365 days overdue. They are also those credit facilities which, in addition to the weaknesses existing in substandard credits, have deteriorated to the extent that full repayment is unlikely or that realizable security values will be insufficient to cover the Group's exposure.

Loss

These are loans that are more than 365 days overdue. These are also those credit facilities that are considered uncollectable or which may have some recovery value but it is not considered practicable nor desirable to defer write off. They are also accounts classified as "Doubtful" with little or no improvement over the period it has been classified as such.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. Once a facility is classified as substandard, the probability of default reaches 100%.

FINANCIAL RISK MANAGEMENT (Continued)

5.1 Credit risk (Continued)

5.1.1 Credit risk measurement (continued) Corporate

The table below shows the link between the regulator risk classifications and the IFRS 9 stage allocation for assets for the Group;

National Bank of Rwanda Guidelines	Days past due	Stage allocation
Normal	0-29	1
Watch	30-89	2
Sub-standard	90-179	3
Doubtful	180-364	3
Loss	Over 364 or considered uncollectible	3

For debt securities in the Treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

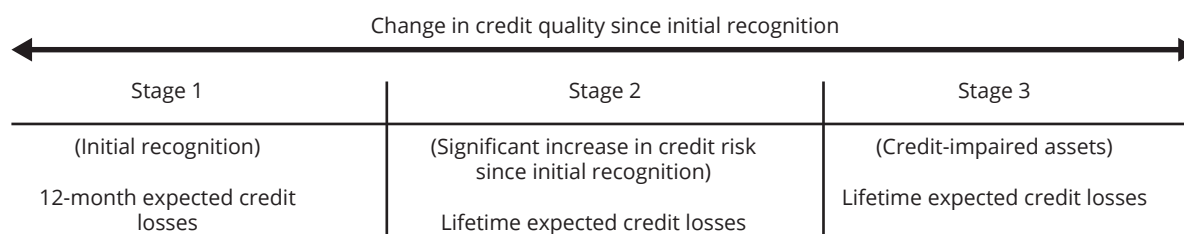
The rating methods are subject to an annual validation and recalibration so that they reflect the latest projections in the light of all actually observed defaults.

5.1.2 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 5.1.2.1 for a description of how the Group determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 5.1.2.2 for a description of how the Group defines credit-impaired and default.
- Financial instruments in Stage 1 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. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 5.1.2.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 5.1.2.4 includes an explanation of how the Group has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):



FINANCIAL RISK MANAGEMENT (Continued)

5.1 Credit risk (Continued)

5.1.2 Expected credit loss measurement (continued)

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

5.1.2.1 Significant increase in credit risk (SICR)

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Qualitative criteria:

For Corporate and Retail portfolios, if the borrower meets one or more of the following criteria:

- In short-term forbearance
- Direct debit cancellation
- Extension to the terms granted
- Previous arrears within the last 12 months
- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans

The assessment of SICR incorporates forward-looking information (refer to note 5.1.2.4 for further information) and is performed on a monthly basis at a portfolio level for all financial instruments held by the Group. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

The Group has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2019.

5.1.2.2 Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculations.

FINANCIAL RISK MANAGEMENT (Continued)

5.1 Credit risk (Continued)

5.1.2.2 Definition of default and credit-impaired assets (continued)

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

5.1.2.3 Measuring ECL — Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per “Definition of default and credit-impaired” above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PDs have been developed using 34 months of empirical data at year end and 22 months for the opening balance adjustment.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Group’s expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a “credit conversion factor” which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group’s recent default data.
- The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.
- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGD’s are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD’s are influenced by collection strategies, including contracted debt sales and price.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to note 5.1.2.4 for an explanation of forward-looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculation — such as how the maturity profile of the PDs and how collateral values change etc. — are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

5.1.2.4 Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

FINANCIAL RISK MANAGEMENT (continued)

5.1. Credit risk (continued)

5.1.2 Expected credit loss measurement (continued)

5.1.2.4 Forward-looking information incorporated in the ECL models (continued)

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario"). The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Group's credit team also provide other possible scenarios along with scenario weightings. The three scenarios and their attributes are reassessed at each reporting date. At 31 December 2019, the Group concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators (see note 5.1.2.1). This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2019 and 31 December 2018 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

Macroeconomic factors	Base scenario		Upside		Downside	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Domestic GDP	5.3%	5.4%	6.6%	6.6%	4.0%	3.9%
Interest rates	16.6%	15.6%	16.9%	15.9%	16.1%	15.1%
Inflation	121	113	115	107	126	118

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

	Base %	Upside %	Downside %
As at 31 December 2019			
Scenario probability weighting	77.97%	16.95%	5.08%
As at 31 December 2018			
Scenario probability weighting	79.31%	15.52%	5.17%

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

The weights of Base and Upside have decreased/increased slightly reflecting the small change in dispersion in the scenarios. The impact on ECL is immaterial.

Sensitivity analysis

The most significant assumptions affecting the ECL allowance are as follows:

- (i) Collateral haircuts, and
- (ii) Period to recovery of collateral

FINANCIAL RISK MANAGEMENT (continued)

5.1. Credit risk (continued)

5.1.2 Expected credit loss measurement (continued)

Set out below are the changes to the ECL as at 31 December 2019 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Group's economic variable assumptions.

Time to realisation: The directors have assumed a time to realisation of 2 years both for commercial properties and residential properties. If time to realisation increased to 3 years, overall ECL would increase in the range of FRw 1.5 billion and FRw 2 billion.

Collateral haircuts: The directors have assumed collateral haircuts of 50% for commercial and 30% for residential properties. If haircuts were further adjusted by 10% the overall ECL would increase/reduce in the range of FRw 2 billion and FRw 2.5 billion.

5.1.3 Credit risk exposure

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

The following tables contain an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

ECL determination for government securities, due from other banks

Government securities and due from other banks are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months' expected losses. Management consider 'low credit risk' for these financial assets as they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The loss rate assigned to these has been determined to be 0.46% and 0.17% respectively which is the probability of default assigned to a B+ sovereign rating and investment grade by Standard & Poors rating agency.

Corporate					
	2019				2018
	ECL staging				
	Stage 1	Stage 2	Stage 3	Total	
	12 month ECL	Lifetime ECL	Lifetime ECL		
	FRw'000	FRw'000	FRw'000	FRw'000	
Normal	541,283,356	-	-	541,283,356	389,410,881
Watch	-	51,271,746	-	51,271,746	105,205,356
Default	-	-	31,053,749	31,053,749	23,579,746
Gross carrying amount	541,283,356	51,271,746	31,053,749	623,608,851	518,195,983
Expected credit loss	(11,782,378)	(8,515,849)	(13,792,038)	(34,090,265)	(24,488,280)
Carrying amount	529,500,977	42,755,897	17,261,711	589,518,586	493,707,703

	Retail				
	2019				2018
	ECL staging				
	Stage 1	Stage 2	Stage 3	Total	
	12 month ECL	Lifetime ECL	Lifetime ECL		
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Normal	84,737,969	-	-	84,737,969	70,169,167
Watch	-	3,740,895	-	3,740,895	3,376,862
Default	-	-	13,908,497	13,908,497	8,825,329
Gross carrying amount	84,737,969	3,740,895	13,908,497	102,387,361	82,371,358
Expected credit loss	(3,875,068)	(576,039)	(9,448,953)	(13,900,060)	(7,974,338)
Carrying amount	80,862,900	3,164,856	4,459,544	88,487,301	74,397,020

FINANCIAL RISK MANAGEMENT (continued)

5.1. Credit risk (continued)

5.1.3 Credit risk exposure (continued)

Government securities

	2019				2018
	ECL staging				
	Stage 1	Stage 2	Stage 3	Total	
	12 month ECL	Lifetime ECL	Lifetime ECL		
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Normal	125,359,230	-	-	125,359,230	74,323,165
Gross carrying amount	125,359,230	-		125,359,230	74,323,165
Expected credit loss	(562,117)	-		(562,117)	(728,367)
Carrying amount	124,797,114	-		124,797,113	73,594,798

Guarantees and commitments

	2019				2018
	ECL staging				
	Stage 1	Stage 2	Stage 3	Total	
	12 month ECL	Lifetime ECL	Lifetime ECL		
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Normal	74,452,708	-	-	74,452,708	43,093,120
Watch	-	3,213,808	-	3,213,808	30,521,212
Default	-	-	319,619	319,619	990,661
Gross carrying amount	74,452,708	3,213,808	319,619	77,986,135	74,604,993
Expected credit loss	(2,957)	(4,402)	(103,394)	(110,753)	(2,306)
Carrying amount	74,449,751	3,209,406	216,225	77,875,382	74,602,687

Nostros

	2019				2018
	ECL staging				
	Stage 1	Stage 2	Stage 3	Total	
	12 month ECL	Lifetime ECL	Lifetime ECL		
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
A	40,312,770	-	-	40,312,770	154,360
A-	635,702	-	-	635,702	-
A+	24,203,073	-	-	24,203,073	54,432,235
AA	13,862	-	-	13,862	-
B	496,208	-	-	496,208	19,915,115
B+	11,695,725	-	-	11,695,725	30,785,600
BB-	6,132	-	-	6,132	-
Expected credit loss	(77,015)	-	-	(77,015)	(76,954)
Carrying amount	77,284,457	-	-	77,284,457	105,210,356

FINANCIAL RISK MANAGEMENT (continued)

5.1. Credit risk (continued)

5.1.3 Credit risk exposure (continued)

AA	Very high credit quality with low credit risk
A	High credit quality with low credit risk
A-	Good credit quality with some credit risk
A+	Strong credit quality with low credit risk
BB-	Speculative with substantial credit risk
B	Highly speculative with high credit risk
B+	Highly speculative with high credit risk

Balances with National Bank of Rwanda

	2019				2018
	ECL staging				
	Stage 1 12 month ECL FRw'000	Stage 2 Lifetime ECL FRw'000	Stage 3 Lifetime ECL FRw'000	Total FRw'000	FRw'000
Gross amount	68,351,345	-	-	68,351,345	64,914,684
Expected credit loss	-	-	-	-	-
Carrying amount	68,351,345	-	-	68,351,345	64,914,684

Receivables arising out of direct insurance arrangements

	2019 FRw'000	2018 FRw'000
Premium debtors	346,856	1,869,561
Expected credit loss	(1,596)	(74,471)
	345,260	1,795,090

Movements in the provision for impairment of receivables arising out of direct insurance arrangements are as follows:

	2019 FRw'000	2018 FRw'000
At start of year	(70,554)	(66,637)
Charge for the year	(1,596)	(3,917)
Bad debt written off recovery	70,554	-
At end of year	(1,596)	(70,554)

Other assets

	2019				2018
	ECL staging				
	Stage 1 12 month ECL FRw'000	Stage 2 Lifetime ECL FRw'000	Stage 3 Lifetime ECL FRw'000	Total FRw'000	FRw'000
Gross amount	14,627,347	-	-	14,627,347	11,596,443
Expected credit loss	(3,049,410)	-	-	(3,049,410)	(2,094,324)
Carrying amount	11,577,937	-	-	11,577,937	9,502,119

FINANCIAL RISK MANAGEMENT (continued)

5.1. Credit risk (continued)

5.1.3 Credit risk exposure (continued)

5.1.3.2 Maximum exposure to credit risk — Financial instruments not subject to impairment

Information on how the Expected Credit Loss (ECL) is measured and how the three stages above are determined is included in note 5.1.2 'Expected credit loss measurement'.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

5.1.3.3 Loss allowance

Below is a transitional table between stages between 1 January 2019 to 31 December 2019:

31 December 2019				
	Stage 1 FRw 000	Stage 2 FRw 000	Stage 3 FRw 000	Total FRw 000
Loss allowance as at 31 December 2018	7,206,810	5,440,656	19,815,151	32,462,617
Movements with P&L impact				
Transfers from stage 1 to stage 2	(301,669)	301,669	-	-
Transfers from stage 2 to stage 1	1,011,495	(1,011,495)	-	-
Transfers to stage 3	(1,327,097)	(1,386,529)	2,713,626	-
Transfers from stage 3	1,355,979	1,450,838	(2,806,817)	-
ECL on new exposure raised	8,135,966	4,475,570	12,902,172	25,513,708
Subsequent changes in ECL	(424,075)	(178,821)	(3,263,255)	(3,866,151)
Net movement to profit or loss	8,450,637	3,651,232	9,545,726	21,647,557
Other movements with no P&L impact				
Financial asset derecognised	-	-	(6,119,849)	(6,119,849)
Loss allowance as at 31 December 2019	15,657,447	9,091,888	23,240,990	47,990,325

31 December 2018				
	Stage 1 FRw 000	Stage 2 FRw 000	Stage 3 FRw 000	Total FRw 000
Loss allowance as at 31 December 2017	5,700,753	7,192,205	11,114,375	24,007,333
On adoption of IFRS 9	3,350,780	(941,111)	994,527	3,404,196
As at 1 January 2018	9,051,533	6,251,094	12,108,902	27,411,529

FINANCIAL RISK MANAGEMENT (continued)

5.1. Credit risk (continued)

5.1.3 Credit risk exposure (continued)

	Stage 1 FRw 000	Stage 2 FRw 000	Stage 3 FRw 000	Total FRw 000
Movements with P&L impact				
Transfers from stage 1 to stage 2	(1,582,944)	1,582,944		
Transfers from stage 2 to stage 1	2,035,661	(2,035,661)		
Transfers to stage 3	(624,381)	(738,403)	1,362,784	-
Transfers from stage 3	529,392	581,263	(1,110,655)	
ECL on new exposure raised	(1,019,897)	426,988	16,394,024	15,801,115
Subsequent changes in ECL	(1,182,554)	(627,569)	-	(1,810,123)
Net movement to profit or loss	(1,844,723)	(810,438)	16,646,153	13,990,992
Other movements with no P&L impact				
Financial asset derecognised	-	-	(8,939,904)	(8,939,904)
Loss allowance as at 31 December 2018	7,206,810	5,440,656	19,815,151	32,462,617

The table below presents the credit quality of financial instruments:

Credit quality	31 December 2019	31 December 2018
Balances with National Bank of Rwanda - Counterparty without credit rating	68,351,345	64,914,684
Government securities B+	124,797,114	73,594,798
Loans and advances Counterparties without credit rating	678,005,885	568,104,724
Insurance receivables Counterparties without credit rating	2,923,995	2,877,789
Other assets Counterparties without credit rating	11,577,937	9,502,119
Equity instruments Counterparties without credit rating	-	-

5.1.4 Collateral and other credit enhancements

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

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

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

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured. Derivatives are not collateralised. The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

FINANCIAL RISK MANAGEMENT (continued)

5.1. Credit risk (continued)

5.1.4 Collateral and other credit enhancements (continued)

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

Corporate	Stage 1	Stage 2	Stage 3	Gross Loans	Impairment allowance	Carrying amount	Fair value of collateral
Overdrafts	31,540,048	862,671	2,530,076	34,420,407	(30,875)	34,389,532	766,454
Treasury loans	31,885,628	5,335,049	1,955,825	39,989,849	(1,458,707)	38,531,142	20,199,331
Equipment loans	440,129,132	35,019,142	7,604,308	484,661,658	(28,144,394)	456,517,263	1,322,048,949
Consumer loans	5,028,094	107,897	336,631	8,778,095	(114,831)	8,663,264	9,500,293
Mortgage loans	32,695,061	9,946,617	11,024,724	55,458,304	(4,212,652)	51,245,652	82,961,910
Others	5,393	370	128,182	300,538	(128,806)	171,732	27,817
	541,283,356	51,271,746	23,579,746	623,608,850	(34,090,265)	589,518,585	1,435,504,754
Retail							
Overdrafts	799,827	8,975	1,027,945	3,288,940	(158,307)	3,130,633	7,841
Treasury loans	1,159,258	78,583	1,217,537	1,378,993	(66,374)	1,312,619	2,298,034
Equipment loans	1,077,600	66,225	138,002	1,518,696	(65,742)	1,452,955	1,751,054
Consumer loans	38,568,883	1,268,140	4,233,514	46,902,519	(7,194,857)	39,707,663	20,465,291
Mortgage loans	43,122,134	2,316,952	2,152,206	49,021,264	(6,291,556)	42,729,708	148,092,408
Others	10,267	2,020	56,125	276,948	(123,227)	153,721	29,619
	84,737,969	3,740,895	8,825,329	102,387,361	(13,900,061)	88,487,300	172,644,249
Total							
Overdrafts	32,339,875	2,289,102	3,558,022	37,709,347	(189,181)	37,520,166	774,295
Treasury loans	33,044,886	7,184,991	3,173,362	41,368,842	(1,525,081)	39,843,761	22,497,365
Equipment loans	441,206,732	82,673,142	7,742,310	486,180,354	(28,210,136)	457,970,218	1,323,800,004
Consumer loans	43,596,977	1,331,293	4,570,145	55,680,614	(7,309,688)	48,370,926	29,965,584
Mortgage loans	75,817,195	15,050,290	13,176,930	104,479,569	(10,504,208)	93,975,361	231,054,319
Others	15,660	53,399	184,306	577,486	(252,033)	325,453	57,436
Total	626,021,324	108,582,218	32,405,075	725,996,211	(47,990,326)	678,005,885	1,608,149,003

FINANCIAL RISK MANAGEMENT (continued)

5.1. Credit risk (continued)

5.1.5 Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period (see note 5.1.6).

5.1.6 Write-off policy

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

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2019 was FRw 6,119,848,842 (2018: FRw 8,939,904,000). The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

5.1.7 Modification of financial assets

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities may include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

5.1.8 Concentration of credit risk

Concentrations of credit risk arise when a number of counterparties or exposures have comparable economic characteristics, or such counterparties are engaged in similar activities or operate in the same geographical areas or industry sectors so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political or other conditions. We use a number of controls and measures to minimise undue concentration of exposure in our two client segments. These include portfolio and counterparty limits, approval and review controls.

The Group monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

	31 December 2019		31 December 2018	
	FRw'000	%age	FRw'000	%age
Large Corporate	490,728,461	68%	388,662,626	65%
SMEs	127,118,705	18%	119,883,703	20%
Non Business Activities	5,761,684	1%	5,147,429	1%
Retail Banking	102,387,361	13%	86,873,583	14%
Gross loans	725,996,211	100%	600,567,341	100%

5.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's treasury maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. Details of the reported Group's ratio of net liquid assets to deposits from customers at the reporting date and during the reporting year were as follows:

	31 December 2019	31 December 2018
At close of the year	38.8%	44.5%
Average for the year	36.2%	43.0%
Maximum for the year	42.6%	48.1%
Minimum for the year	28.9%	39.8%
Minimum statutory requirement	20.0%	20.0%

FINANCIAL RISK MANAGEMENT (continued)

5.2 Liquidity risk

The table below summarizes the Group's liquidity risk as at 31 December 2019 and 31 December 2018, categorized into relevant maturity rankings based on undiscounted cash flows.

ASSETS	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Cash in hand	14,400,534	-	-	-	-	14,400,534
Balances with the National Bank of Rwanda	68,351,345	-	-	-	-	68,351,345
Due from banks	77,286,457	-	-	-	-	77,286,457
At amortised cost investments	9,895,202	23,766,080	67,088,309	23,813,112	10,176,289	134,738,992
Loans and advances to customers	35,853,763	69,585,849	26,939,928	336,416,428	675,123,728	1,143,919,696
Insurance receivables	-	2,923,995	-	-	-	2,923,995
Other assets	9,236,829	115,728	1,651,732	573,649	-	11,577,938
Swap receivables	-	-	1,819,491	16,755,060	-	18,574,551
TOTAL ASSETS	215,024,130	96,391,652	97,499,460	377,558,249	685,300,017	1,471,773,508
LIABILITIES						
Due to banks	39,232,784	2,286,248	16,426,417	-	-	57,945,449
Other customer deposits	495,512,493	39,183,189	130,381,111	1,372,714	6,454,950	672,904,457
Dividends payable	233,194	-	13,057,918	-	-	13,291,112
Insurance liabilities	-	5,079,081	-	-	-	5,079,081
Other liabilities	18,389,265	2,157,282	5,484,037	159,195	-	26,189,779
Lease liabilities	61,563	186,974	783,359	2,394,800	-	3,426,696
Long-term finance	691,125	945,098	16,443,572	36,747,809	-	54,827,604
Swap payables	-	-	1,903,275	20,032,335	-	21,935,610
At 31 December 2019	554,120,424	49,837,872	184,479,689	60,706,853	6,454,950	855,599,788
Off balance sheet items	20,640,844	31,530,738	32,929,813	10,448,346	-	95,549,742
Liquidity Gap December 2019	(359,737,138)	15,023,042	(119,910,042)	306,403,050	678,845,067	520,623,978

FINANCIAL RISK MANAGEMENT (continued)

5.2 Liquidity risk

The table below summarizes the Group's liquidity risk as at 31 December 2019 and 31 December 2018, categorized into relevant maturity rankings based on undiscounted cash flows.

ASSETS	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Cash in hand	20,071,592	-	-	-	-	20,071,592
Balances with the National Bank of Rwanda	64,914,684	-	-	-	-	64,914,684
Due from banks	104,899,097	38,039	78,293	-	-	105,015,430
At amortised cost investments	10,594,834	18,733,824	19,230,148	31,584,208	2,404,804	82,547,818
Loans and advances to customers	32,883,027	56,922,546	30,994,400	246,832,217	567,327,154	934,959,344
Insurance receivables	-	2,877,789	-	-	-	2,877,789
Other assets	2,959,394	73,714	2,598,220	3,870,791	-	9,502,119
Swap receivables	-	-	4,185,309	2,075,107	-	6,260,416
TOTAL ASSETS	236,322,628	78,645,913	57,086,370	284,362,323	569,731,958	1,226,149,192
LIABILITIES						
Due to banks	26,017,104	11,717,022	27,176,237	-	-	63,693,956
Other customer deposits	472,867,476	19,258,306	97,589,743	4,854,317	1,527,147	590,538,006
Dividends payable	131,383	-	10,946,646	-	-	11,078,029
Insurance liabilities	-	3,909,011	-	-	-	3,909,011
Other liabilities	12,826,900	2,157,282	4,313,967	159,195	-	19,457,344
Long-term finance	2,500,722	875,791	16,443,296	57,808,895	-	68,184,301
Swap payables	-	-	4,314,826	2,457,043	-	5,625,041
At 31 December 2018	514,343,585	37,917,411	160,784,715	65,279,450	1,527,147	762,485,688
Off balance sheet items	50,256,368	3,308,825	4,896,366	16,448,515	15,652,543	90,562,618
Liquidity Gap 2018	(328,277,325)	37,419,677	(108,594,711)	202,634,358	552,552,268	373,100,886

In managing its liquidity mismatch, the Group has three sources of funding available namely its natural cashflow, investment securities assets and capacity to borrow additional funds. The Bank subsidiary borrows from wholesale markets or other financial institutions long-term loans to cover for the short-term maturity gap. In addition, the analysis distinguishes between liquidity held to deal with normal conditions and additional liquidity held as a reserve for unforeseeable disruptions.

FINANCIAL RISK MANAGEMENT (continued)

5.3 Market Risk

(i) Currency risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions which are monitored daily and hedging strategies used to ensure that positions are maintained within the established limits.

Transactions in foreign currency are recorded at the rate in effect at the date of the transaction. The Group translates monetary assets and liabilities denominated in foreign currencies at the rate of exchange in effect at the reporting date. The Group records all gains or losses on changes in currency exchange rates in profit or loss.

The table below summarises the foreign currency exposure for the Group as at 31 December 2019 and 31 December 2018:

	31 December 2019 FRw'000	31 December 2018 FRw'000
Assets in foreign currencies	201,357,640	224,765,942
Liabilities in foreign currencies	(227,611,329)	(231,600,626)
Net foreign currency exposure at the end of the year	(26,253,689)	(6,834,684)

The following table demonstrates the sensitivity to a reasonably possible change in the below mentioned exchange rates of major transaction currencies, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

		Effect on profit before tax	
Currency	Increase/decrease in exchange rate	31 December 2019 FRw'000	31 December 2018 FRw'000
USD	+5%	(1,351,931)	(385,509)
	-5%	1,351,931	385,509
GBP	+5%	5,942	15,116
	-5%	(5,942)	(15,116)
EUR	+5%	7,814	(5,111)
	-5%	(7,814)	5,111

The various foreign currencies to which the Group is exposed as at 31 December 2019 are summarised below. All figures are in thousands of Rwandan francs (FRw'000):

Assets	USD	Euro	GBP	Other foreign currencies	Total
Cash, deposits and advances to banks	58,547,416	21,307,039	1,246,709	804,018	81,905,182
Loans and advances to customers	119,403,789	11,576	694	162	119,416,222
Other assets, property and investments	-	35,965	261	11	36,237
At 31 December 2019	177,951,205	21,354,580	1,247,664	804,191	201,357,640
Liabilities					
Deposits from banks	14,811,386	1,088,142	2,649	-	15,902,177
Deposits from customers	157,595,511	20,146,448	1,088,356	227,553	179,057,868
Other liabilities	990,828	1,158	369	66,819	1,059,174
Long-term finance	31,592,108	-	-	-	31,592,108
At 31 December 2019	204,989,834	21,235,748	1,091,375	294,372	227,611,327
Net currency exposure	(27,038,629)	118,832	156,289	509,819	(26,253,687)

FINANCIAL RISK MANAGEMENT (continued)

5.3 Market Risk (continued)

(i) Currency risk(continued)

The various foreign currencies to which the Group was exposed to as at 31 December 2018 are summarised below. All figures are in thousands of Rwandan francs (FRw'000):

Assets	USD	Euro	GBP	Other foreign currencies	Total
Cash, deposits and advances to banks	89,324,678	20,271,998	2,314,991	857,506	112,769,174
Loans and advances to customers	111,386,879	5,450	509	166	111,393,004
Other assets, property and investments	597,500	5,400	472	393	603,765
At 31 December 2018	201,309,057	20,282,848	2,315,972	858,065	224,765,942

Liabilities	USD	Euro	GBP	Other foreign currencies	Total
Deposits from banks	34,071,899	2,165,731	1,597,580	-	37,835,210
Deposits from customers	142,538,059	17,812,503	820,124	182,689	161,353,374
Other liabilities	548,204	2,286	486	-	550,976
Long-term finance	31,861,067	-	-	-	31,861,067
At 31 December 2018	209,019,228	19,980,519	2,418,190	182,689	231,600,626
Net currency exposure	(7,710,171)	302,329	(102,218)	675,376	(6,834,684)

(ii) Interest rate risk

Interest rate is the risk that the future cash flows of financial instruments will fluctuate because of changes in the market interest rates. Interest margin may increase as a result of such changes but may reduce losses in the event that unexpected movement arises. The Group closely monitors interest rate movements and seeks to limit its exposure by managing the interest rate and maturity structure of assets and liabilities carried on the statement of financial position.

Sensitivity analysis interest rate risk

Except for some borrowings that are tagged to LIBOR, all financial instruments entered into by the Group are at fixed rates and therefore not prone to interest rate fluctuations. The impact of fluctuations in the LIBOR (London Interbank Rate) is not expected to have a significant effect on the results of the Group.

Currency	Increase/decrease in LIBOR rate	Effect on profit before tax	
		31 December 2019	31 December 2018
		FRw'000	FRw'000
USD	+/-0.23%	(62,189)	(17,733)
EUR	+/-0.27%	321	1,012

FINANCIAL RISK MANAGEMENT (continued)

5.3 Market Risk (continued)

(ii) Interest rate risk (continued)

The following is an analysis of the Group's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position:

Balance as at 31 December 2019	Weighted interest rate		+/- 100bp
<u>Effect on Interest income</u>		FRw'000	FRw'000
Balances with the National Bank of Rwanda	-	-	-
Balances and placements with other banks	1.3%	77,286,457	772,865
Treasury bills and bonds	7.2%	124,797,114	1,247,971
Loans and advances - Net	16.2%	678,005,885	6,780,059
TOTAL ASSETS/INCREASE		880,089,456	8,800,895
<u>Effect on Interest expense</u>			
Balances and placements due to banks	5.9%	41,580,634	415,806
Customer deposits	7.0%	251,579,085	2,515,791
Long-Term Finance	6.4%	45,977,418	459,774
TOTAL LIABILITIES/INCREASE		339,137,137	3,391,371
EFFECT ON PROFIT			5,409,523

Balance as at 31 December 2018	Weighted interest rate		+/- 100bp
<u>Effect on Interest income</u>		FRw'000	FRw'000
Balances with the National Bank of Rwanda	4.3%	20,303,937	203,039
Balances and placements with other banks	1.0%	105,210,355	1,052,104
Treasury bills and bonds	9.9%	73,594,798	735,948
Loans and advances - Net	15.3%	568,104,724	5,681,047
TOTAL ASSETS/INCREASE		767,213,814	7,672,138
<u>Effect on Interest expense</u>			
Balances and placements due to banks	6.7%	39,514,948	395,149
Customer deposits	6.5%	139,871,293	1,398,713
Long-Term Finance	6.8%	50,883,806	508,838
TOTAL LIABILITIES/INCREASE		230,270,047	2,302,700
EFFECT ON PROFIT			5,369,438

FINANCIAL RISK MANAGEMENT (continued)

5.3 Market Risk (continued)

(ii) Interest rate risk (continued)

The table below summarizes the interest rate risk of the Group as at 31 December 2019:

ASSETS	Weighted interest rate	On demand FRw'000	Less than 3 months FRw'000	3-12 months FRw'000	1 to 5 year FRw'000	5 years FRw'000	Total FRw'0000
Balances with the National Bank of Rwanda	-	-	-	-	-	-	-
Balances and placements with other banks	1.3%	75,440,590	1,845,867	-	-	-	77,286,457
Treasury bills and bonds	7.2%	-	33,382,034	64,213,173	20,013,783	7,188,123	124,797,113
Loans and advances – net	16.2%	-	103,685,961	24,508,491	231,132,957	318,678,476	678,005,885
Total Assets		75,440,590	138,913,862	88,721,665	251,146,739	325,866,599	880,089,455
LIABILITIES							
Balance and placements due to other banks	5.9%	15,595,166	9,941,848	16,043,620	-	-	41,580,634
Customer deposits	8.3%	74,629,474	57,436,976	114,474,346	1,038,289	4,000,000	251,579,085
Long-term finance	6.4%	-	3,256,665	14,870,469	27,850,284	-	45,977,418
Total liabilities		90,224,640	70,635,489	145,388,435	28,888,573	4,000,000	339,137,137
Total interest sensitivity gap		(14,784,050)	68,278,373	(56,666,771)	222,258,167	321,866,599	540,952,318

The table below summarizes the interest rate risk of the Group as at 31 December 2018:

ASSETS	Weighted interest rate	On demand FRw'000	Less than 3 months FRw'000	3-12 months FRw'000	1 to 5 year FRw'000	5 years FRw'000	Total FRw'0000
Balances with the National Bank of Rwanda	4.3%	-	20,303,937	-	-	-	20,303,937
Balances and placements with other banks	1.0%	82,794,576	22,337,975	77,804	-	105,210,355	77,286,457
Treasury bills and bonds	9.9%	-	53,974,970	18,119,828	0	1,500,000	73,594,798
Loans and advances – net	15.3%	-	88,444,447	28,335,493	172,913,370	278,411,413	568,104,724
Total Assets		82,794,576	185,061,329	46,533,125	197,857,925	279,911,413	767,213,813
LIABILITIES							
Balance and placements due to other banks	6.7%	-	15,072,627	24,442,322	-	-	39,514,949
Customer deposits	7.1%	23,728,398	26,021,711	86,238,931	2,882,253	1,000,000	139,871,293
Long-term finance	6.8%	-	3,152,409	14,771,266	32,960,131	-	50,883,806
Total liabilities		23,728,398	44,246,747	125,452,519	35,842,384	1,000,000	230,270,048
Total interest sensitivity gap		59,066,178	140,814,582	(78,919,394)	137,070,986	282,311,807	536,943,765

FINANCIAL RISK MANAGEMENT (continued)

5.4 Capital management

The primary objective of the Group's capital management is to ensure that the Group, Bank and Insurance subsidiaries comply with capital requirements and maintain healthy capital ratios in order to support its business and to maximise shareholders' value.

The Group maintains an actively managed capital base to cover risks inherent in the businesses. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the National Bank of Rwanda. The National Bank of Rwanda sets and monitors capital requirements for the banking and insurance industries.

In implementing current capital requirements, the National Bank of Rwanda requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets for its banking business, and maintaining adequate capital and solvency for the insurance business.

The Group's bank subsidiary regulatory capital is analysed into two tiers:

- Core Capital (Tier 1) capital, which includes ordinary share capital, share premium, retained earnings, after deductions for investments in financial institutions, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes; and
- Supplementary Capital (Tier 2) includes the regulatory reserve.

Various limits are applied to elements of the capital base.

The Group policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group's Insurance subsidiary capital

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

- to comply with the capital requirements as set out in the Insurance Regulations;
- to comply with regulatory solvency requirements as set out in the Insurance Regulations;
- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

The Insurance Law (Law No. 05/2009 of 29/07/2009 on licensing and other requirements for carrying insurance business in Rwanda) requires separation of the life and non-life insurance businesses into separate companies and each of the companies to hold a minimum level of paid up capital of FRw 1 billion.

General insurance businesses are required to maintain a solvency margin (admitted assets less admitted liabilities) equivalent to the higher of FRw 500 million or 20% of the net premium income during the preceding financial year.

The capital and regulatory solvency thresholds were effective from July 2011 and the company was therefore required to comply with them for the period ended 31 December 2019. During the year the Company held the minimum capital required to meet the solvency margins

The Company's paid up Capital at the end of 2019 is presented on the next page. The table below summarises the solvency margin of the Company at 31 December 2019 and 2018:

	31 December 2019 FRw '000	31 December 2018 FRw '000
(i) Admitted assets	10,443,432	6,097,796
(ii) Admitted liabilities	8,002,204	5,012,513
Solvency margin	2,441,228	1,105,675
Required margin	1,027,558	624,268
Excess	1,413,670	461,016
Solvency Coverage Ratio	237.6%	173.8%

FINANCIAL RISK MANAGEMENT (continued)

5.4 Capital management (continued)

The Group's capital position at 31 December 2019 was as follows:

Core Capital (Tier 1):	31 December 2019 FRw '000	31 December 2018 FRw '000
Ordinary share capital	9,045,474	8,967,592
Investment of non-controlling interests	1,073,468	945,575
Retained earnings and reserves	121,118,304	96,995,779
Share premium	76,573,491	74,795,986
Regulatory adjustments	(6,771,052)	(3,675,053)
Total	201,039,685	178,029,879
Domestic Important Bank	(1,608,317)	
Supplementary Capital (Tier 2): 25% of revaluation reserve	3,250,037	3,250,037
Total qualifying capital	202,681,405	181,279,916
Total Credit RWA	562,400,426	483,466,377
Total Market RWA	31,905,701	11,487,090
Total Operational RWA	69,055,378	59,026,782
Total Risk weighted assets	663,361,505	553,980,249
Regulatory reserve	15%	15%
Capital ratios:		
Total qualifying capital expressed as percentage of total risk-weighted assets	30.6%	32.7%
Total tier 1 capital expressed as a percentage of total risk-weighted assets	30.3%	32.1%

The table below summarises the regulatory capital requirements and capital maintained by BK General Insurance:

Capital management	Capital		Solvency	
	2019 FRw'000	2018 FRw'000	2019 FRw'000	2018 FRw'000
Regulatory requirement	1,000,000	1,000,000	1,027,558	624,268
Maintained by company	2,857,143	2,000,000	2,441,228	1,105,675

6. INSURANCE RISK MANAGEMENT

The Group's activities expose it to a variety of risks, including its portfolio of risks covered and perils insured. The Group's overall risk management programme focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, reinsurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and reinsurers. The Group has policies in place to ensure that insurance is sold to customers with an appropriate claim and credit history. The risk exposure is mitigated by diversification across a large portfolio of insurance contracts in different product classes which are fire, marine, motor, accident, bonds and aviation. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Group purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the company to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the company's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line.

The Group manages the insurance risk in the manner briefly outlined below:

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of insurance, risk is random and therefore unpredictable. Risks must be evitable. Inevitable makes it certain hence not insurable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and payments exceed the carrying amount of the insurance liabilities. This could occur if the frequency or severity of claims is greater than estimated. Insurance events are random and the actual number and number of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location, the nature of industry covered and likelihood of a catastrophe.

Insurance Risk

The Group issues contracts that transfer insurance risk. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Claims are payable on claims occurrence basis.

The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and a larger element of the claims provision relates to incurred but not reported claims (IBNR).

For certain contracts, the Group has limited the number of claims that can be paid in any policy year or introduced

a maximum amount payable for claims in any policy year. The Group also has the right to re-price the risk at renewal. It also has the ability to impose deductibles and reject fraudulent claims.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Group reinsurance placement policy assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information.

6. INSURANCE RISK MANAGEMENT (Continued)

a) Technical provision

Gross claims reported, claims handling expenses liability and the liability for claims incurred but not reported (IBNR) are net of expected recoveries from salvages.

The Group uses the most reliable technique to estimate the ultimate cost of claims including IBNR provision. Management has determined that the estimate is adequate for purposes of covering the risk and will ensure the Group will remain profitable in the future. As such management does not review claims development (i.e. actual claims compared with previous estimates) to manage its insurance risk.

b) Reinsurance risk

In common with other insurance companies, in order to minimize financial exposure arising from large insurance claims, the Group, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under excess of loss reinsurance contracts. To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristic of the reinsurers. Reinsurance contracts do not relieve the Group from its obligations to cedants and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

7. SEGMENT REPORTING

The Group's main business comprises of the following reportable segments:

Retail banking – incorporating banking services such as customer current accounts, savings and fixed deposits to individuals. Retail lending are mainly consumer loans and mortgages-based lending. Mortgages – incorporating the provision of mortgage finance.

Corporate banking – incorporating banking services such as current accounts, fixed deposits, overdrafts, loans and other credit facilities both in local and foreign currencies.

Treasury - Funding and centralised risk management activities through borrowings, issues of debt securities and investing in liquid assets such as short-term placements and corporate and government debt securities.

Central cost - The segment relates to costs not specifically attributed to the key revenue generating segments or subsidiaries.

Non-Bank subsidiaries: incorporating results of BK General Insurance, BK Capital and BK TecHouse.
The table below shows analysis of the breakdown for segmental assets, liabilities, income and expenses.

7. SEGMENT REPORTING (continued)

Statement of Profit or Loss and Other Comprehensive Income

	Corporate Banking FRw'000	Retail Banking FRw'000	Central Treasury FRw'000	Unallocated Costs FRw'000	Non-Bank Subsidiaries FRw'000	Total FRw'000
For the period ended 31 December 2019						
Interest income	91,103,542	16,105,509	8,616,039		692,071	116,517,161
Interest expense	(15,846,534)	(2,402,278)	(3,315,890)		(179,013)	(21,743,715)
Net interest income	75,257,008	13,703,231	5,300,149	-	513,058	94,773,446
Net non-interest income	7,464,547	6,203,816	1,345,599	-	(387,873)	14,626,089
Foreign exchange income	-	-	8,783,166	-	-	8,783,166
Net premium income	-	-	-	-	5,156,123	5,156,123
Net impairment on loans and advances	(12,703,729)	(5,179,854)	-	-	(2,502)	(17,886,085)
Insurance claims	-	-	-	-	(2,368,177)	(2,368,177)
Total operating expenses	(5,690,702)	(7,220,461)	(764,879)	(36,800,407)	(515,506)	(50,991,955)
Profit before income tax	64,327,124	7,506,732	14,664,035	(36,800,407)	2,395,123	52,092,607
Income tax expense	(19,298,137)	(2,252,020)	(4,399,210)	11,463,694	(298,598)	(14,784,271)
Profit after income tax	45,028,987	5,254,712	10,264,825	(25,336,713)	2,096,525	37,308,336

	Corporate Banking FRw'000	Retail Banking FRw'000	Central Treasury FRw'000	Unallocated Costs FRw'000	Non-Bank Subsidiaries FRw'000	Total FRw'000
For the period ended 31 December 2018						
Interest income	70,504,504	13,218,416	9,978,667	-	296,218	93,997,805
Interest expense	(3,185,064)	(5,537,528)	(9,534,288)	-	57,774	(18,199,106)
Net interest income	67,319,440	7,680,888	444,379	-	353,992	75,798,699
Net non-interest income	5,577,679	9,503,553	1,693,183	-	141,138	16,915,554
Foreign exchange income	-	-	9,188,503	-	-	9,188,503
Net premium income	-	-	-	-	3,932,651	3,932,651
Net impairment on loans and advances	(5,688,583)	(5,720,999)	-	-	-	(11,409,582)
Insurance claims	-	-	-	-	(1,785,522)	(1,785,522)
Total operating expenses	(5,584,316)	(7,085,477)	(750,580)	(35,126,415)	(1,491,889)	(50,038,678)
Profit before income tax	61,624,220	4,377,965	10,575,485	(35,126,415)	1,150,370	42,601,625
Income tax expense	(18,487,266)	(1,313,389)	(3,172,646)	8,258,675	(520,383)	(15,235,009)
Profit after income tax	43,136,954	3,064,575	7,402,840	(26,867,741)	629,987	27,366,616

7. SEGMENT REPORTING (continued)

Statement of Financial Position

As at 31 December 2019	Corporate banking FRw'000	Retail banking FRw'000	Central treasury FRw'000	BK subsidiaries FRw'000	Total FRw'000
Gross loans& advances to customers	623,608,850	102,387,361	-	-	725,996,211
Cash in hand	-	-	14,400,534	-	14,400,534
Balances with central bank	-	-	68,351,345	-	68,351,345
Due from banks	-	-	73,314,429	3,972,028	77,286,457
At amortised cost investments	-	-	121,635,014	3,162,100	124,797,114
Deposits and balances from customers	342,717,194	174,129,207	125,852,398	-	642,698,799
Due to Banks	-	-	54,160,261	-	54,160,261
Number of customers	24,018	331,221	340	-	355,579
Current accounts	31,229	348,265	803	-	380,297

As at 31 December 2018	Corporate banking FRw'000	Retail banking FRw'000	Central treasury FRw'000	BK subsidiaries FRw'000	Total FRw'000
Gross loans& advances to customers	518,195,983	82,371,358	-	-	600,567,341
Cash in hand	-	-	20,071,592	-	20,071,592
Balances with central bank	-	-	64,914,684	-	64,914,684
Due from banks	-	-	101,234,144	3,976,211	105,210,355
At amortised cost investments	-	-	73,594,798	-	73,594,798
Deposits and balances from customers	296,848,633	138,787,678	97,610,194	-	533,246,505
Due to Banks	-	-	61,312,934	-	61,312,934
Number of customers	24,058	293,450	261	-	317,769
Current accounts	34,908	226,723	571	-	262,202

Property, plant and equipment, intangible assets, other assets and liabilities have not been allocated to the reportable segments as they are deemed to contribute to the overall performance of the Group rather than a particular segment.

The Group does not suffer concentration risk and there is no single customer who contributes more than 15% of the revenue.

The Group's geographical coverage is within all provinces of Rwanda. There were no intersegment transfers during the year.

8. INTEREST INCOME

	31 December 2019 FRw'000	31 December 2018 FRw'000
Interest on overdrawn accounts	6,817,836	5,562,843
Interest on Treasury loans	7,641,488	6,473,934
Interest on equipment loans	62,472,379	49,401,834
Interest on consumer loans	9,471,129	8,902,776
Interest on mortgage loans	18,983,219	13,307,368
Other interest on loans to clients	1,823,000	436,235
Interest on deposits with banks	1,155,095	774,202
Interest received from reverse repos	967,535	853,912
Interest on financial assets held at amortised cost	7,185,480	8,284,701
	116,517,161	93,997,805

9. INTEREST EXPENSE

Interest on customer term deposits	12,749,863	9,113,785
Interest on Current and savings Accounts	3,535,349	2,544,173
Interest on long term credit lines Interest on transactions with other banks	3,087,181	4,160,127
	2,371,323	2,381,021
	21,743,716	18,199,106

10.NET FEES AND COMMISSION INCOME

Fees and commission income		
Commissions on operations of accounts	1,532,382	1,420,581
Commissions on payment facilities	6,466,814	7,310,513
Commissions on loan services	1,233,270	1,443,523
Commissions received from financing commitments	2,317,771	2,454,177
Commissions received from guarantees commitments	1,256,692	1,649,753
Income from transactions with other banks	532,620	490,888
Other fees from services	2,869,302	2,600,477
	16,208,851	17,369,912
Fees and commission expense		
Commissions on credit services	(284,831)	(45,146)
Commissions on payment facilities	(1,141,356)	(510,115)
commissions on other transactions with banks	(311,984)	(291,485)
	(1,738,171)	(846,746)
Net fees and commission	14,470,680	16,523,167

11.FOREIGN EXCHANGE RELATED INCOME

Net forex trading	7,648,950	6,151,355
Forex commissions	995,513	2,877,426
Other forex revenues	138,703	159,722
	8,783,166	9,188,503

12. INSURANCE PREMIUMS RECEIVED

31 December 2019	Motor	Fire	Guarantee	Engineering	Liability	Accident & health	Transport	Miscellaneous	Total
Gross written premium	5,972,699	563,843	5,956	224,241	230,534	175,392	80,399	16,915	7,269,979
Unearned premium reserve b/f	2,165,872	248,292.00	43,170	26,514.00	33,469		21,256	6,590	2,545,163
Unearned premium reserve c/f	(2,505,446)	(129,543)	(84,169)	(77,594)	(48,730)	(45,392)	(16,845)	(1,953)	(2,909,672)
Gross earned premiums	5,633,125	682,592	(35,043)	173,161	215,273	130,000	84,810	21,552	6,905,470
Premiums ceded to treaties & facultative reinsures	(906,192)	(235,349)	(48,153)	(71,814)	(50,612)	(13,315)	(13,018)	(11,125)	(1,349,578)
Premiums ceded to co-insurance	(383,782)	-	-	(4,361)	(3,868)		(7,321)		(399,332)
Reinsurance portfolio premium reserves b/f	(275,749)	(40,438)	(17,546)	(22,765)	(11,902)	(9,063)	-	(97)	(377,560)
Reinsurance portfolio premium reserve c/f	389,190	66,734	40,252	69,512	15,594	28,602	-	762	610,646
Premium ceded to reinsurance	(1,176,533)	(209,053)	(25,447)	(29,428)	(50,788)	6,224	(20,339)	(10,461)	(1,515,824)
Net insurance earned premium	4,456,592	473,539	(60,490)	143,733	164,485	136,224	64,471	11,091	5,389,645
Intercompany eliminations	(131,070)	(92,344)					(10,108)		(233,522)
Net group premium revenue	4,405,597	293,165	(60,490)	148,482	164,484	148,838	44,956	11,091	5,156,123
Gross earned after intercompany elimination	5,502,055	590,248	35,043	173,161	215,273	130,000	74,702	21,552	6,671,948

31 December 2018	Motor	Fire	Guarantee	Engineering	Liability	Accident & health	Transport	Miscellaneous	Total
Gross written premium	5,312,187	607,770	105,671	64,902	81,924	-	52,031	16,132	6,240,617
Unearned premium reserve b/f	933,042	229,675	109,328	63,174	33,717	8,509	5,872	1,868	1,385,185
Unearned premium reserve c/f	(2,187,514)	(250,274)	(43,514)	(26,726)	(33,736)	-	(21,426)	(6,643)	(2,569,833)
Gross earned premiums	4,057,715	587,171	171,485	101,350	81,905	8,509	36,477	11,357	5,055,969
Premiums ceded to treaties & facultative reinsures	(370,033)	(196,604)	(44,554)	(68,217)	(38,777)	-	(5,103)	(4,684)	(727,972)
Premiums ceded to co-insurance	(305,475)	(59,270)	-	-	-	-	(10,108)	-	(374,853)
Reinsurance portfolio premium reserves b/f	(154,926)	(38,136)	(18,153)	(10,490)	(5,598)	(2,951)	(975)	(310)	(231,539)
Reinsurance portfolio premium reserve c/f	300,620	40,438	17,546	22,765	11,902	18,126	-	97	411,494
Premium ceded to reinsurance	(529,814)	(253,572)	(45,161)	(55,942)	(32,473)	15,175	(16,186)	(4,897)	(922,870)
Net insurance earned premium	3,527,901	333,599	126,324	45,408	49,432	23,684	20,291	6,460	4,133,099
Intercompany eliminations	(131,070)	(59,270)	-	-	-	-	(10,108)	-	(200,448)
Net group premium revenue	3,396,831	274,329	126,324	45,408	49,432	23,684	10,183	6,460	3,932,651
Gross earned after intercompany elimination	3,926,645	527,901	171,485	101,350	81,905	8,509	26,294	11,357	4,855,521

13. OTHER OPERATING INCOME

	31 December 2019 FRw'000	31 December 2018 FRw'000
Rental income	184,856	81,895
Dividends received from investments	-	40,335
Gain on asset disposal	65,423	70,346
Other non-banking income	49,307	57,680
Elimination of intercompany rental income	-	(54,203)
	299,586	196,053
BK General Insurance Ltd. other operating		
Brokers' commissions	(611,538)	(185,875)
Investment income	317,270	176,261
	(294,268)	(9,614)
BK TechHouse Ltd. income		
Gross sales	1,067,318	618,465
Cost of sales	(579,224)	(314,888)
Elimination of intercompany sales	(685,389)	(251,002)
	(197,295)	52,574
BK Capital income		
Brokerage commissions	18,931	255,138
Advisory service	328,455	81,388
Elimination of intercompany sales	-	(183,152)
	347,386	153,374
Other operating income	155,409	392,387

14. CREDIT IMPAIRMENT LOSSES

	31 December 2019 FRw'000	31 December 2018 FRw'000
Loan loss provision under IFRS_9 (Note 23)	21,647,556	13,990,992
Expected credit loss on off balance sheet items	38,719	2,306
Expected credit loss on investment securities	(166,252)	728,368
Bad debts recovered during the year	(3,633,938)	(3,312,084)
	17,886,085	11,409,582

15. INSURANCE BENEFITS AND CLAIMS PAID

31 December 2019	Motor	Fire	Guarantee	Engineering	Liability	Accident & Health	Transport	Miscellaneous	Total
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Gross claims paid & benefits	2,373,421	14,262	10,168	276,399	8,703	-	14,404	36,968	2,734,325
Direct technical expense	-	-	-	-	-	-	-	-	-
Outstanding claims reserve b/f	(1,003,768)	(114,842)	(19,967)	(12,264)	(15,480)	-	(9,832)	(3,048)	(1,179,201)
Outstanding claims reserve c/f	1,476,153	199,800	-	3,678	2,000	-	2,128	-	1,683,759
Incurred but not report (IBNR) b/f	(103,444)	(31,188)	(1,348)	(36,432)	(967)	(4,373)	(696)	(1,886)	(180,334)
Incurred but not report (IBNR) c/f	221,246	72,935	4,117	1,343	9,309	1,525	10,399	1,321	322,195
Net claims payable	2,963,608	140,967	(7,030)	232,724	3,565	(2,848)	16,403	33,355	3,380,744
Claims recoveries from treaties & facultative reinsurance	(742,250)	-	-	-	-	-	-	-	(742,250)
Reinsurance portfolio claims reserve b/f	255,026	6,766	-	233,881	-	437	-	-	496,110
Reinsurance portfolio claims reserve c/f	(504,189)	(177,433)	-	-	-	-	-	-	(681,622)
Amount recoverable from reinsurers	(991,413)	(170,667)	-	233,881	-	437	-	-	(927,762)
Net claims and policyholder benefits payable	1,972,195	(29,699)	(7,030)	466,605	3,565	(2,411)	16,403	33,355	2,452,983
Inter-group eliminations	(84,806)	-	-	-	-	-	-	-	(84,806)
Net group claims	1,887,389	(29,699)	(7,030)	466,605	3,565	(2,411)	16,403	33,355	2,368,177

15. INSURANCE BENEFITS AND CLAIMS PAID (CONTINUED)

31 December 2018	Motor	Fire	Guarantee	Engineering	Liability	Accident & Health	Transport	Miscellaneous	Total
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Gross claims paid & benefits	1,839,867	21,736	2,234	3,403	8,887	21,487	916	17,680	1,916,210
Direct technical expense	-	-	-	-	-	-	-	-	-
Outstanding claims reserve b/f	(558,505)	(11,264)	-	(242,846)	(1,315)	-	(5,585)	(2,400)	(821,915)
Outstanding claims reserve c/f	1,084,880	12,817	1,317	2,007	5,240	12,670	540	10,425	1,129,896
Incurred but not report (IBNR) b/f	(83,776)	(1,689)	-	(36,427)	(197)	-	-	(360)	(122,449)
Incurred but not report (IBNR) c/f	162,732	1,922	198	301	786	1,900	81	1,564	169,484
Net claims payable	2,445,198	23,522	3,749	(273,562)	13,401	36,057	(4,048)	26,909	2,271,226
Claims recoveries from treaties & facultative reinsurance	(254,601)	(2,858)	(1,117)	-	-	(15,316)	-	-	(273,892)
Reinsurance portfolio claims reserve b/f	(68,778)	-	-	-	-	-	-	-	(68,778)
Reinsurance portfolio claims reserve c/f	255,026	6,766	-	233,881	-	437	-	-	496,110
Amount recoverable from reinsurers	(265,467)	(205,114)	(1,117)	873	-	(14,879)	-	-	(485,704)
Net claims and policyholder benefits payable	2,179,731	(181,592)	2,632	(272,690)	13,401	21,178	(4,048)	26,909	1,785,522

16. OPERATING EXPENSES

(i) Employee benefits expense

	31 December 2019 FRW' 000	31 December 2018 FRW'000
Salaries and wages	21,500,341	20,027,762
Medical expenses	1,139,825	948,397
Pension scheme contributions	1,242,202	1,140,165
Other benefits	757,661	702,355
	24,640,029	22,818,679

(ii) Depreciation and amortisation

Depreciation of property and equipment (Note 27)	4,638,917	3,860,518
Amortisation of intangible assets (Note 28)	1,692,648	1,006,137
	6,331,565	4,866,655

(iii) Administration and general expenses

Directors' remuneration	655,610	398,167
Audit fees	71,316	94,858
Rent, repairs and maintenance	1,645,279	1,825,933
Utilities	721,958	690,021
Postage, photocopying and printing	669,559	680,845
Travel and accommodation expenses	921,874	810,514
Security and cash in transit costs	1,889,076	1,828,950
Marketing and publicity	1,384,321	799,398
Statutory fees	986,346	727,852
Legal and consultancy fees	2,164,236	3,235,119
Unclaimed VAT on expenditure	1,812,780	1,395,372
Telephone and internet costs	3,121,128	1,735,015
Charitable donation	361,091	276,899
Account maintenance costs	63,529	14,033
Tax related provision	(1,264,037)	1,638,985
Credit and debit card costs	3,500,676	2,916,783
Other general expenses	540,341	760,951
	19,245,083	19,829,695

Provision for card and doubtful receivables

492,925	2,523,649
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Provisions for cards and doubtful receivables related to long outstanding transitory account receivables that are being followed up. The exposures are fully provided for.

17. INCOME TAX EXPENSE

The income tax charge on the Group's profit differs from the theoretical amount that would arise using the basic tax rates as follows:

	Effective Rate	31 December 2019 FRw'000	Effective Rate	31 December 2018 FRw'000
Income tax charge				
Current income tax		20,810,891		16,114,358
Deferred income tax (credit)		(4,589,885)		(3,028,203)
Provisions for prior years re-assessment		(1,436,736)		2,148,854
	28.4%	14,784,270	35.8%	15,235,009
Accounting profit before income tax		52,092,606		42,601,625
Tax calculated at tax rate of 30%	30.0%	15,790,286	30.0%	12,780,488
IFRS 9 - Loan Loss Provision IFRS	7.0%	3,630,548	3.3%	1,385,740
IFRS9 - Government securities	(0.1%)	(50,671)	0.5%	218,510
Provision for doubtful receivables	(0.6%)	(331,925)	3.0%	1,257,772
Depreciation and Amortisation	2.0%	1,062,840	0.4%	187,544
IFRS 16 Lease adjustments Staff	0.9%	461,665	0.0%	-
complementary pension Staff	0.3%	146,374	0.3%	133,858
bonus provision	0.2%	108,361	(0.6%)	(258,751)
Staff loans interest expense on discount	0.3%	152,232	0.2%	90,439
Other non-deductible expenses	0.0%	3,685	0.7%	318,759
Tax effects on non-taxable items:	9.9%	5,183,109	7.8%	3,333,871
Current income tax	39.9%	20,810,891	37.8%	16,114,358

18. CURRENT INCOME TAX

	31 December 2019 FRw'000	31 December 2018 FRw'000
At 1 January	4,095,815	6,900,698
Tax paid during the year	(17,479,070)	(20,109,110)
Tax charge for the year	20,810,891	16,666,002
Prior year understatement	13,920	638,225
At 31 December	7,441,556	4,095,815

The Group's statutory income tax charge was 30% (2018: 30%).

19. EARNINGS PER SHARE

	31 December 2019	31 December 2018
Profit for the period attributable to equity shareholders – FRw'000	37,308,336	27,366,616
Weighted average number of shares	900,653,304	693,456,486

Earnings per share:

Basic and diluted earnings per share – FRw	41.4	39.5
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Basic earnings per share is calculated on the profit attributable to ordinary shareholders of FRw 37.3 billion (2018: FRw 27.4 billion) and on the weighted average number of ordinary shares outstanding during the year of 900,653,304 (2018: 693,456,486 shares).

20. ANALYSIS OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flow comprise the following statement of financial position accounts:

(a) Cash in hand

	31 December 2019 FRW' 000	31 December 2018 FRW' 000
Cash in foreign currency	4,928,922	9,735,010
Cash in local currency	9,471,612	10,336,582
	14,400,534	20,071,592

(b) Balances with National Bank of Rwanda

Restricted balances (Cash Reserve Ratio)	34,842,953	29,663,614
Unrestricted balances	33,508,392	35,251,070
	68,351,345	64,914,684

The Cash Reserve Ratio is non-interest earning and is based on the value of deposits as adjusted per the National Bank of Rwanda requirements. At 31 December 2019, the Cash Reserve Ratio requirement was 5% (2018 - 5%) of all deposits amounting to FRw 696.8 billion (2018: FRw 593.2 billion). Mandatory cash reserve ratio is not available for use in the Group's day-to-day operations.

The unrestricted balances include Cash balances from Nostro accounts available to be used in daily bank operations.

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position accounts

(c) Cash and Cash Equivalent

	31 December 2019 FRW' 000	31 December 2018 FRW' 000
Cash in hand (note 20a)	14,400,534	20,071,592
Unrestricted balances (Note (20b))	33,508,392	35,251,070
Due from banks	77,286,457	105,210,355
Due to banks	(54,160,261)	(61,312,934)
Unrealized exchange gains	(1,028,412)	(1,528,396)
	70,006,710	97,691,687

21. DUE FROM BANKS

	31 December 2019 FRW' 000	31 December 2018 FRW' 000
Placements with local banks	5,841,475	5,487,291
Placements with foreign banks	71,521,997	99,800,019
Expected credit loss (note 5.1.2)	(77,015)	(76,954)
	77,286,457	105,210,355

The credit ratings of the financial institutions where the Group's placements are held are shown below. Where individual bank ratings were not available, the parent bank's rating or country ratings have been adopted, in order of preference.

Credit Ratings	31 December 2019 FRW' 000	31 December 2018 FRW' 000
A	40,312,770	54,432,235
A-	635,702	-
A+	24,203,073	154,360
AA	13,862	-
B	496,208	30,785,600
B+	11,695,727	19,915,114
BB-	6,130	-
Expected credit loss (note 5.1.2)	(77,015)	(76,954)
	77,286,457	105,210,355

The weighted average effective interest rate on placements and balances with other banks at 31 December 2019 was 0.5% (2018: 0.5%)

22. INVESTMENT SECURITIES

	31 December 2019 FRW' 000	31 December 2018 FRW' 000
a) Investment securities	Amortised cost	Amortised cost
Treasury bills	93,028,721	48,192,372
Treasury bonds	14,451,272	7,298,944
Other government security	17,879,237	18,831,850
Expected credit losses	(562,116)	(728,368)
Total	124,797,114	73,594,798
Maturing between 3-12 months	98,157,324	47,878,611
Maturing between 1-5 years	20,013,783	24,944,555
Maturing between >5 years	7,188,123	1,500,000
Expected credit losses	(562,116)	(728,368)
	124,797,114	73,594,798

Treasury bills and bonds are debt securities issued by the Government of the Republic of Rwanda. The bills are categorised as amounts carried at amortised cost. Other government security is a five-year investment bond, with coupon rate of 12.4% per annum payable quarterly on outstanding amount with a maturity date of 30 June 2020.

22. INVESTMENT SECURITIES (continued)

b) The change in the carrying amount of government and other securities held for trading is as shown below:

31 December 2019				
Group	Treasury bills	Treasury bonds	Other government security	Total
	FRW' 000	FRW' 000	FRW' 000	FRW' 000
1-Jan-19	47,464,003	7,298,944	18,831,850	73,594,797
Additions	223,486,194	9,200,857	462,955	233,150,006
Maturities	(178,056,270)	(1,996,360)	(1,332,943)	(181,385,573)
Expected credit loss	(427,322)	(52,169)	(82,625)	(562,116)
31 December 2019	92,466,605	14,451,272	17,879,237	124,797,114

31 December 2018				
Group	Treasury bills	Treasury bonds	Other government security	Total
	FRW' 000	FRW' 000	FRW' 000	FRW' 000
1-Jan-18	67,415,534	7,226,784	19,606,605	94,248,923
Additions	190,433,068	4,200,620	-	194,633,688
Maturities	(209,914,848)	(4,056,222)	(588,375)	(214,559,445)
Expected credit loss	(469,751)	(72,238)	(186,379)	(728,368)
31 December 2018	47,464,003	7,298,944	18,831,851	73,594,798

	31 December 2019 FRw'000	31 December 2018 FRw'000
Movement in the expected credit loss on - investment securities		
At 1 January	728,368	-
Charge for the year	(166,252)	728,368
At 31 December	562,116	728,368

The weighted average effective interest rate on government securities held to collect at 31 December 2019 was 7.2% (2018: 9.9%). The equity investment in unquoted entities is recorded fair value through other comprehensive income.

	31 December 2019 FRw'000	31 December 2018 FRw'000
Movement in the expected credit loss on - investment securities		
At 1 January	728,368	-
Charge for the year	(166,252)	728,368
At 31 December	562,116	728,368

22. INVESTMENT SECURITIES (continued)

c) Equity investments

	31 December 2019 FRw'000	31 December 2018 FRw'000
Development Bank of Rwanda (BRD)	96,975	96,975
Magerwa	5,000	5,000
Investment in Swift	2,970	2,970
Rswitch (SIMTEL)	116,480	116,480
Fair value provisions	(221,425)	(221,425)

The Equity Investment in unquoted entities is recorded at fair value through other comprehensive income.

23. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2019 FRw'000	31 December 2018 FRw'000
(a) Corporate loans and advances		
Corporate	490,728,461	460,924,666
Small and medium enterprises	127,118,705	51,908,675
Non-profit entities	5,761,684	5,362,642
Total corporate loans	623,608,850	518,195,983

	31 December 2019 FRw'000	31 December 2018 FRw'000
Retail loans and advances		
Gross retail loans	105,756,171	84,655,101
Discount on staff loans	(3,368,811)	(2,283,743)
Total retail loan book	102,387,360	82,371,358
Total gross loans	725,996,210	600,567,341

Credit impairment provision – corporate	(34,090,264)	(24,488,279)
Credit impairment provision – retail	(13,900,061)	(7,974,338)
Total expected credit losses/credit impairment provision	(47,990,325)	(32,462,617)
Net loans and advances to customers	678,005,885	568,104,724

	31 December 2019 FRw'000	31 December 2018 FRw'000
(b) Guarantees and commitments		
Corporate	54,739,876	74,604,993
Small and medium enterprises	23,185,271	12,095,064
Non-profit entities	60,988	111,854
Total guarantees and commitments	77,986,135	74,604,993
Expected credit loss (23(c))	(110,753)	(2,306)
	77,875,382	74,602,686

23. LOANS AND ADVANCES TO CUSTOMERS

(c) Movement in the loss allowance balance - loans and advances

At 1 January	32,462,617	24,007,333
On adoption of IFRS 9	-	3,404,196
Increase in loss allowance in the year	21,647,557	13,990,992
Loans written off during the year	(6,119,849)	(8,939,904)
As at 31 December	47,990,325	32,462,617

The increase in the loan loss allowance between 1 January 2019 and 31 December 2019 is due to facilities falling within Stage 2 during the period.

(d) Maturity analysis of gross loans and advances to Customers

Maturing within 1 month	35,853,763	32,883,027
Maturing after 1 month, but before 3 months	67,832,198	55,561,420
Maturing after 3 months, but within 1 year	24,508,491	28,335,493
Maturing after 1 year, but within 5 years	231,132,957	172,913,370
Maturing after 5 years	725,996,210	600,567,341

(e) Sectoral analysis of Gross Loans and advances to

Private sector and individuals	571,232,739	486,072,605
Government and parastatals	154,763,471	114,494,736
	725,996,210	600,567,341

The weighted average effective interest rate on gross loans and advances as at 31 December 2019 was 16.2% (31 December 2018: 15.3%). As at 31 December, the ageing analysis of past due but not impaired loans and advances is as follows:

	31 December 2019 FRw'000	31 December 2018 FRw'000
Less than 60 days	23,822,772	83,024,930
Between 61 – 90 days	31,189,869	25,557,288
	55,012,641	108,582,218

24. INSURANCE RECEIVABLES

	31 December 2019 FRw'000	31 December 2018 FRw'000
Insurance related receivables	1,115,010	1,795,090
Reinsurance share in claims	1,808,985	1,082,699
Total	2,923,995	2,877,789

25. OTHER ASSETS

	31 December 2019 FRw'000	31 December 2018 FRw'000
Clearing accounts	313,807	1,050,020
Other receivables	8,692,595	5,855,956
Prepayments	3,951,455	3,055,957
Expected credit loss	(3,049,410)	(2,094,324)
	9,908,447	7,867,609

Other assets

Non-Financial other assets	3,951,455	3,055,957
Financial other assets	5,956,992	4,811,652
	9,908,447	7,867,609

Clearing accounts are temporary and transitory accounts pending compensation clearing house including cheques in transit to other banks. Other receivables are current and non-interest bearing and are generally between 30 to 90 days' terms.

26. RIGHT OF USE ASSETS

	31 December 2019 FRw'000	31 December 2018 FRw'000
As at 1 January 2019	4,136,669	-
Depreciation expense	(827,294)	-
	3,309,375	-

Right of use assets relate to leases for the branch network and ATM space. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 3.

27.(i). PROPERTY AND EQUIPMENT

	Land and Buildings FRw'000	Computer and IT Equipment FRw'000	Motor vehicles FRw'000	Furniture and Fittings FRw'000	Work in Progress FRw'000	Total FRw'000
31 December 2019						
COST/VALUATION						
At 1 January 2019	27,337,181	8,296,399	1,665,142	15,844,771	262,413	53,405,906
Additions	-	1,315,987	80,833	210,408	529,307	2,136,535
Reclassification	-	-	(12,493)	-	-	(12,493)
Disposal	(163,308)	-	-	-	-	(163,308)
At 31 December 2019	27,173,873	9,612,386	1,733,482	16,055,180	791,720	55,366,640

DEPRECIATION						
At 1 January 2019	3,275,376	7,559,994	1,108,161	13,235,799	-	25,179,330
Charge for the year	1,324,654	984,210	262,652	1,240,107	-	3,811,623
Disposal	(14,289)	-	-	-	-	(14,289)
At 31 December 2019	4,585,741	8,544,204	1,370,813	14,475,906	-	28,976,663
CARRYING AMOUNT	22,588,132	1,068,182	362,669	1,579,274	791,720	26,389,977

	Land and Buildings FRw'000	Computer and IT Equipment FRw'000	Motor vehicles FRw'000	Furniture and Fittings FRw'000	Work in Progress FRw'000	Total FRw'000
31 December 2018						
COST/VALUATION						
At 1 January 2018	27,802,152	7,685,877	1,515,792	15,292,620	2,551,997	54,848,438
Additions	828,017	610,522	151,493	550,008	1,518,537	3,658,577
Disposal	(1,292,988)	-	(2,143)	2,143	(3,808,121)	(5,101,109)
At 31 December 2018	27,337,181	8,296,399	1,665,142	15,844,771	262,413	53,405,906

DEPRECIATION						
At 1 January 2018	1,946,000	6,670,430	845,254	11,845,769	-	21,307,453
Charge for the year	1,329,376	889,563	263,121	1,378,457	-	3,860,517
Disposal	-	-	(213)	11,573	-	11,360
At 31 December 2018	3,275,376	7,559,993	1,108,162	13,235,799	-	25,179,330
CARRYING AMOUNT	24,061,805	736,406	556,980	2,608,972	262,413	28,226,576

27.(i). PROPERTY AND EQUIPMENT (Continued)

Work in progress is composed of mainly of computers purchased towards the year end that have not been allocated to branches. These assets are transferred to the appropriate category once commissioned, and depreciation commences.

Buildings were revalued by the directors in 2016 based on the estimated market value. The revaluation was carried out by Architectural & Urban Solutions ARCHUS.

Fair value measurement	Date of valuation	Total FRw'000	Significant unobservable inputs (Level 3) FRw'000
Buildings	2016	9,257,265	9,257,265

Revaluation was based on open market value. In arriving at the valuation figures the following principles have been assumed and applied.

- A willing buyer and willing seller both of whom are fully informed about the property and not acting out of compulsion.
- That to the date of valuation, a reasonable period of time would be allowed to properly market the property taking into account the nature of the property, the state of the market and allowing sufficient time for the agreement price, terms and completion of the sale.
- That the state of the market, levels of values and other circumstances were on any earlier assumed date of exchange of contracts, the same as on the date of valuation
- That no account would be taken of any bid by a purchaser with special interest.

The following tables provide the fair value measurement hierarchy of the revalued buildings

Fair value measurements at 31 December using				
	Carrying amount	Quoted prices in active market	Significant observable inputs	Significant unobservable inputs
	FRw'000	FRw'000	FRw'000	FRw'000
31 December 2019	8,356,542	-	-	8,356,542
31 December 2018	8,356,542	-	-	8,356,542

The fair value of the property has been determined on a market value basis in accordance with the methods and standards of cost estimation and analysis as set by the Institute of Rwanda Property Valuers (IRPV) and the International Valuation Standards Council. The valuations were performed by Uwezeyimana Straton, an accredited independent valuer with a recognized and relevant professional qualification with recent experience in the category of the investment property being valued.

The valuation was based on the mean of the cost based approach and income approach in which the estimates are as follows:

Property		
	31 December 2019	31 December 2018
The parity USD/FRw is estimated to 7% in 2019 and 2018.	7%	7%
The estimated occupancy time	Fifteen years term	Fifteen years term
Discount rate	10%	10%

The relationship of the of the unobservable inputs to the the fair value is as follows:

If the parity USD/FRw used was higher/lower by 500 basis points, the fair value of land and buildings would be higher/lower by FRw 418 million.

If the estimated occupancy time was higher/lower by 5 years, the fair value of land and buildings would be higher/lower by FRw 2,786 million.

If the estimated discount rate was higher/lower by 500 basis points, the fair value of land and buildings would be lower/higher by FRw 794 million.

27.(ii).ASSETS CLASSIFIED AS HELD FOR SALE

These accounts relate to non- current assets held for sale in accordance with IFRS 5 that were transferred from Property, plant and equipment, since the company has the plan to realize the carrying amount principally through a sale transaction instead of continuing use.

28. INTANGIBLE ASSETS

	31 December 2019 FRw'000	31 December 2018 FRw'000
COST		
At 1 January	7,230,978	3,228,143
Additions	5,103,835	939,610
Reclassification of work in progress	(315,186)	3,063,225
At period end	12,019,627	7,230,978
AMORTISATION		
At 1 January	3,555,925	2,549,788
Amortisation	1,692,648	1,006,137
At period end	5,248,573	3,555,925
Net book value	6,771,054	3,675,053

Intangible assets relate to the Group's core banking platform, Delta and computer software in use. Key additions in the current year relate to the implementation of a new core banking application (program Aheza).

29. DUE TO BANKS

	31 December 2019 FRw'000	31 December 2018 FRw'000
Deposits and balances from other Banks	33,180,141	21,797,986
Term treasury borrowings	20,980,120	39,514,948
	54,160,261	61,312,934

Maturing as follows:		
Payable within 1 month	37,056,761	23,995,986
Payable after 1 month	17,103,500	37,316,948
Total	54,160,261	61,312,934

The weighted average effective interest rate on deposits and balances from other banks as at 31 December 2019 was 5.9% (2018: 4.5%)

30. DEPOSITS AND BALANCES FROM CUSTOMERS

	31 December 2019 FRw'000	31 December 2018 FRw'000
Current accounts	436,550,793	386,136,663
Fixed deposit accounts	176,949,611	119,877,798
Savings accounts	25,750,989	20,450,906
Collateral and other deposits	3,447,406	5,493,978
	642,698,799	531,959,345

31.DEFERRED INCOME TAX

The following table shows deferred tax recognized in the statement of financial position and changes recorded in the income tax expense

	At 1 January 2019	Charge/(credit) to profit or loss	Charged to OCI	At 31 December 2019
	FRw'000	FRw'000	FRw'000	FRw'000
Revaluation of as- sets-property	5,571,446	-	-	5,571,446
Capital allowances	469,634	(668,342)	-	(198,709)
Expected credit loss impairment	(1,385,740)	(2,244,808)	-	(3,630,548)
Other temporary differ- ences	(5,327,369)	(1,676,735)	-	(7,004,104)
	(672,030)	(4,589,885)	-	(5,261,914)

	At 1 January 2018	Charge/(credit) to profit or loss	Charged to OCI	At 31 December 2018
	FRw'000	FRw'000	FRw'000	FRw'000
Revaluation of as- sets-property	5,571,446	-	-	5,571,446
Capital allowances	851,045	(385,783)	4,371	469,634
Expected credit loss impairment	-	(1,385,740)	-	(1,385,740)
Other temporary differ- ences	(4,070,689)	(1,256,680)	-	(5,327,369)
	2,351,802	(3,028,203)	4,371	(672,030)

32.DIVIDENDS PAYABLE

	31 December 2019 FRw'000	31 December 2018 FRw'000
At 1 January	11,078,029	9,378,311
Dividends paid during the year	(10,844,835)	(9,246,928)
Dividend declared	13,057,918	10,946,646
At 31 December	13,291,112	11,078,029

During the Annual General Meeting held on 8 May 2019, the Shareholders approved a dividend pay-out of 35% of the Group's audited IFRS-based net income in respect of the year 2019.

33.INSURANCE LIABILITIES

	31 December 2019 FRw'000	31 December 2018 FRw'000
Unearned Premium reserves	3,142,757	2,549,477
Claims incurred but not reported (IBNR)	252,564	180,334
Claims reported and loss adjustment expenses	1,683,760	1,179,200
	5,079,081	3,909,011

34. OTHER LIABILITIES

	31 December 2019 FRw'000	31 December 2018 FRw'000
Clearing accounts	12,021,765	6,842,010
Deferred revenue	2,238,976	404,956
Other payables	636,119	4,951,853
Accrued expenses	11,292,918	7,258,524
	26,189,778	19,457,343

35. LEASE LIABILITIES

	31 December 2019 FRw'000	31 December 2018 FRw'000
As at 1 January 2019	-	-
Additions of lease rentals	4,136,669	-
Interest expense	282,354	-
Payment of lease rentals	(992,327)	-
	3,426,696	-

36. LONG TERM FINANCE

	1 Jan 2019	Additional drawdown	Interest expense	Revaluation loss	Principal repayments	Interest repayments	31 December 2019
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
EIB Loan (9.5% - 11.4%)	18,356,534	-	1,291,271	-	(5,566,000)	(1,349,494)	12,732,311
AFD Loan (Libor +3.74% pa)	5,597,598	13,918,236	221,753	556,190	(2,303,750)	(616,166)	17,373,861
AFDB Loan(Libor +4.15% pa)	4,126,016	-	234,665	88,500	(1,382,250)	(212,389)	2,854,542
PTA Loan (8% pa)	505,461	-	-	6,483	(511,944)	-	-
OFID Loan (Libor +4.0% pa)	12,979,826	-	743,263	243,280	(5,624,727)	(602,303)	7,739,339
SBM -USD 10M (Libor +4.5%)	8,652,165	-	497,141	110,625	(5,183,438)	(452,128)	3,624,365
BRD-KFW EGF(8% p.a)	666,206	1,000,000	99,088	-	-	(112,294)	1,653,000
Total	50,883,806	14,918,236	3,087,181	1,005,078	(20,572,109)	(3,344,773)	45,977,418

	1 Jan 2018	Additional drawdown	Interest expense	Revaluation loss	Principal repayments	Interest repayments	31 December 2018
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
EIB Loan (9.5% - 11.4%)	24,078,272	-	1,705,346	-	(5,620,356)	(1,806,728)	18,356,534
AFD Loan (Libor +3.74% pa)	7,508,156	-	167,532	238,463	(2,135,963)	(180,590)	5,597,598
AFDB Loan(Libor +4.15% pa)	5,244,710	-	438,952	175,772	(1,285,772)	(447,646)	4,126,016
PTA Loan (8% pa)	2,146,776	-	128,270	48,584	(2,183,584)	(140,046)	-
OFID Loan (Libor +4.0% pa)	1,898,299	-	95,946	21,533	(1,423,756)	(86,561)	505,461
SBM -USD 10M (Libor +4.5%)	17,714,041	-	972,871	552,952	(5,220,342)	(1,039,696)	12,979,826
BRD-KFW EGF(8% p.a)	11,598,921	-	571,022	368,590	(3,214,840)	(671,528)	8,652,165
Total	70,842,175	-	4,160,127	1,405,894	(21,084,613)	(4,439,777)	50,883,806

36. LONG TERM FINANCE (Continued)

The weighted average effective interest rate on Long term finance as at 31 December 2019 was 6.4% (2018: 6.8%). The Group has a 7-year arrangement with European Investment Bank (EIB) for a credit of EUR 5 million and a 5 year arrangement for a credit of EUR 28 million to be on-lent to final beneficiaries for the financing up to 50% of the total cost of eligible projects in local currency. The credit line was fully drawn down as at 31 December 2019.

In 2011, the Group signed two 10-year credit lines with Agence Francaise de Development (AFD) and the African Development Bank (AFDB) for USD 20 million and 12 million respectively. As 31 December 2019, both the AFD & AFDB credit lines were fully drawn down.

In 2013, the Group signed three 5-year term credit lines of USD 10m each with Trade and Development Bank and OPEC Fund for International Development (OFID) respectively. As at year end 2019, the Group had fully drawn down credit lines.

In 2016, the Group signed a 3-year credit line with SBM Bank for USD 15 million. As at 31 December 2019, the credit line was fully drawn down.

In 2017, the Group signed a 3-year credit line with OFID/OPEC for USD 15 million and a 9-year credit line with BRD for FRw 653 million. As at 31 December 2019 both credit lines were fully drawn down.

In 2018, the Group signed a 9-year credit line with BRD for FRw 1.0 Billion aimed at providing funding for loans to export oriented small and medium enterprise at preferential rate. As at 31 December 2019 both credit lines were fully drawn down.

In 2019, the Bank signed two loan agreement with European Investment Bank (EIB) and Agence Francaise de Development (AFD) for a credit of EUR 30 million and USD 20 million respectively. As at 31 December 2019, the Bank had drawdown USD 15.1m from the AFD line for a 7-year term. The EIB facility was fully drawn down on the 2nd of January 2020.

The Group was compliant on all financial covenants on the long-term finance.

37. CAPITAL & RESERVES

(i). Share Capital

	31 December 2019		31 December 2018	
	Shares	FRw'000	Shares	FRw'000
Authorised share capital of FRw 10 each	1,050,460,000	10,504,600	1,050,460,000	10,504,600
Issued and fully paid up				
At 1 January	896,759,200	8,967,592	674,537,000	6,724,428
New issued	7,788,200	77,882	222,222,200	20,942
At 31 December	904,547,400	9,045,474	896,759,200	6,745,370

(ii). Share premium

These reserves arose when the shares of the Group were issued at a price higher than the nominal (par) value. These will be applied towards capital in future.

	31 December 2019 FRw'000	31 December 2018 FRw'000
At 1 January	74,795,986	18,936,176
New issued at premium @ FRw 260 (2019 was FRw 115) each	1,962,626	57,777,773
Right issue expenses	(185,121)	(1,917,963)
At 31 December	76,573,491	74,795,986

37. CAPITAL AND RESERVES (continued)

(iii). Revaluation reserve

Buildings	13,000,149	13,630,625
Elimination of prior year revaluation	-	(630,476)
	13,000,149	13,000,149

Revaluation reserves arose from the periodic revaluation of freehold land and buildings. The carrying amount of these assets is adjusted to the revaluations. Revaluation surpluses are not distributable.

(iv). Retained earnings

	31 December 2019 FRw'000	31 December 2018 FRw'000
Opening balance	96,995,779	84,068,437
Profit attributable to parent	36,924,658	27,278,184
Change on initial application of IFRS 9	-	(3,404,196)
Declared dividend 2018/2019	(13,057,918)	(10,946,646)
	120,862,519	96,995,779

38. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets analysed according to when they are expected to be recovered or settled as at 31 December 2019:

At 31 December 2019	Less than 12 months FRw'000	Over 12 months FRw'000	Total FRw'000
ASSETS			
Cash in hand	14,400,534	-	14,400,534
Balances with the National Bank of Rwanda	68,351,345	-	68,351,345
Balances held with other financial institutions	77,286,457	-	77,286,457
Investment securities at amortized costs	97,595,208	27,201,906	124,797,114
Loans and advances to customers	128,194,452	549,811,433	678,005,885
Insurance receivable	2,923,995	-	2,923,995
Deferred income tax asset	-	5,261,914	5,261,914
Other assets	11,004,289	573,648	11,577,937
Right to use assets	-	3,309,375	3,309,375
Intangible assets	-	6,771,054	6,771,054
Property and equipment	-	26,389,977	26,389,977
Total assets	399,756,280	619,319,307	1,019,075,587

The table below shows an analysis of liabilities analysed according to when they are expected to be recovered or settled as at 31 December 2019:

38. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Continued)

At 31 December 2019	Less than 12 months	Over 12 months	Total
Liabilities	FRw'000	FRw'000	FRw'000
Due to banks	54,160,261	-	54,160,261
Customer deposits	637,660,510	5,038,289	642,698,799
Current income tax	7,441,556	-	7,441,556
Dividends payable	13,291,112	-	13,291,112
Insurance Liabilities	5,079,081	-	5,079,081
Lease liability	3,426,696	-	3,426,696
Other liabilities	26,030,583	159,195	26,189,778
Long-term Finance	16,394,563	29,582,855	45,977,418
Shareholders' funds	-	220,810,886	220,810,886
Total Equity and Liabilities	763,484,362	255,591,225	1,019,075,587

The table below shows an analysis of assets analysed according to when they are expected to be recovered or settled as at 31 December 2018:

At 31 December 2018	Less than 12 months	Over 12 months	Total
ASSETS	FRw'000	FRw'000	FRw'000
Cash in hand	20,071,592	-	20,071,592
Balances with the National Bank of Rwanda	64,914,684	-	64,914,684
Balances held with other financial institutions	105,210,355	-	105,210,355
Investment securities at amortized costs	47,150,243	26,444,555	73,594,798
Loans and advances to customers	116,779,941	451,324,783	568,104,724
Insurance receivable	2,877,789	-	2,877,789
Deferred income tax asset	-	672,030	672,030
Recoverable taxes	-	551,644	551,644
Other assets	5,631,328	3,870,791	9,502,119
Intangible assets	-	3,675,053	3,675,053
Property and equipment	-	28,226,576	28,226,576
Total assets	362,635,932	514,765,432	877,401,364

The table below shows an analysis of liabilities analysed according to when they are expected to be recovered or settled as at 31 December 2018:

At 31 December 2018	Less than 12 months	Over 12 months	Total
Liabilities	FRw'000	FRw'000	FRw'000
Due to banks	54,160,261	-	54,160,261
Customer deposits	637,660,510	5,038,289	642,698,799
Current income tax	7,441,557	-	7,441,556
Dividends payable	13,291,112	-	13,291,112
Insurance Liabilities	5,079,081	-	5,079,081
Lease liability	3,426,696	-	3,426,696
Other liabilities	26,030,583	159,195	26,189,778
Long-term Finance	16,394,562	29,582,855	45,977,418
Shareholders' funds	-	220,810,886	220,810,886
Total Equity and Liabilities	631,121,867	246,279,497	877,401,364

39. FAIR VALUE

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities carried at amortised cost as at 31 December 2019:

Fair value measurement using				
	Carrying amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets	FRw'000	FRw'000	FRw'000	FRw'000
Balances with the National Bank of Rwanda	68,351,345	68,351,345		-
Due from banks	77,286,457	77,286,457		-
Investment securities	124,797,114	-	124,797,114	-
Loans and advances to customers	678,005,885	-	678,005,885	-
Insurance receivables	2,923,995	-	2,923,995	-
Other assets	11,577,937	-	11,577,937	-
	962,942,733	145,637,802	817,304,931	-

Fair value measurement using				
	Carrying amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities	FRw'000	FRw'000	FRw'000	FRw'000
Due to banks	54,160,261	54,160,261	-	-
Deposits and balances from customers	642,698,799	642,698,799	-	-
Dividends payable	13,291,112	-	13,291,112	-
Insurance liabilities	5,079,081	-	5,079,081	-
Other liabilities	26,189,777	-	26,189,777	-
Long-term finance	45,977,418	-	45,977,418	-
	787,396,448	696,859,060	90,537,388	-

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities carried at amortised cost as at 31 December 2018:

Fair value measurement using				
	Carrying amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets	FRw'000	FRw'000	FRw'000	FRw'000
Balances with the National Bank of Rwanda	64,914,684	64,914,684	-	-
Due from banks	105,210,355	105,210,355	-	-
Investment securities	73,594,798	-	73,594,798	-
Loans and advances to customers	568,104,724	-	568,104,724	-
Insurance receivables	2,877,789	-	2,877,789	-
Other assets	9,502,119	-	9,502,119	-
	824,204,469	170,125,039	654,079,430	-

FAIR VALUE (Continued)

	Carrying amount	Fair value measurement using		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities	FRw'000	FRw'000	FRw'000	FRw'000
Due to banks	61,312,934	61,312,934	-	-
Deposits and balances from customers	531,959,345	531,959,345	-	-
Dividends payable	11,078,029	-	11,078,030	-
Insurance liabilities	3,909,011	-	3,909,011	-
Other liabilities	19,457,343	-	19,457,341	-
Long-term finance	50,883,806	-	50,883,806	-
	678,600,468	593,272,279	85,328,188	-

40. CONTINGENT LIABILITIES AND COMMITMENTS

Legal claims

Litigation is a common occurrence in the financial services industry due to the nature of the business undertaken. The Group has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing.

At period end, the Group is party to various legal proceedings for a total amount of FRw 490.6 Million (2018: FRw1.0Billion). Having assessed the legal advice received, the directors are of the opinion that these legal proceedings will not give rise to significant liabilities; however, the amount has been fully provided for in these financial statements.

Commitments

As at 31 December 2019, the Group had contractual commitments of FRw 1.4 Billion (2018: nil) relating to transformation program to migrate to new core banking.

41. RELATED PARTIES DISCLOSURES

Government of Rwanda being the majority shareholder through Rwanda Social Security Board and Agaciro Development Fund. Based on the exemption under accounting standards only, limited transactions and balances with government and government related parties have been disclosed

	31 December 2019 FRw'000	31 December 2018 FRw'000
i) Compensation of key management personnel of the Group		
Short term employee benefits	1,186,932	1,316,404
Post-employment pension (defined contribution)	31,237	36,542
Terminal benefit	69,171	57,317
	1,287,340	1,410,263
	31 December 2019 FRw'000	31 December 2018 FRw'000
Directors Remuneration	540,601	348,853
Other Board related expenses	115,008	49,314
Total	655,610	398,167

41. RELATED PARTIES DISCLOSURES (Continued)

31-Dec-19	Directors fees and allowances	Loans	ESOP Shares
	FRw'000	FRw'000	Number
Mr Marc Holtzman	212,389	-	810,000
Mr Richard Tusabe	41,240	48,174	100,000
Ms Alline Kabbatende	16,714	-	70,000
Mr Julien Kavaruganda	42,455	3,582	100,000
Ms Lilian Kyatengwa	37,335	-	111,000
Mr Reuben Karemera	47,656	140,597	250,000
Ms Risper Alaro	51,588	-	-
Mr Reynolds Rod Michael	52,166	-	-
Subsidiaries Directors	39,059	110,688	44,100
	540,601	303,042	1,485,100

31-Dec-18	Directors fees and allowances	Loans	ESOP Shares
	FRw'000	FRw'000	Number
Mr Marc Holtzman	204,055	-	810,000
Mr Richard Tusabe	5,011	54,649	100,000
Mr Jonathan Gatera	20,379	-	-
Ms Alline Kabbatende	8,821	-	70,000
Mr Julien Kavaruganda	25,396	10,485	100,000
Ms Lilian Kyatengwa	6,259	-	111,000
Ms Liliane Igihozo	19,592	-	-
Mr Reuben Karemera	30,359	147,572	250,000
Subsidiaries Directors	28,981	131,876	44,100
	348,853	344,582	1,485,100

Non-executive directors do not receive pension entitlements from the Group. In 2019, Directors for the Group served for the Bank subsidiary's Board and committee meetings.

Transaction with key management personnel of the Group

The Group enters into transactions, arrangements and agreements involving directors, senior management and their related party concerns in the ordinary course of business at commercial interest and commission rates.

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year.

	2019 (FRw'000)			2018 (FRw'000)		
	Maximum balance during	Balance as at 31 December	Income/Expense	Maximum balance during	Balance as at 31 December	Income/Expense
Residential mortgages	628,661	537,796	51,404	679,870	643,209	71,721
Credit cards and other loans	71,614	71,614	3,172	75,735	39,174	1,690
Deposits	242,214	242,214	7,444	269,847	208,334	4,452

The amounts above relate to key management personnel.

41. RELATED PARTIES DISCLOSURES (Continued)

Transaction with other related parties

In addition to transactions with key management, the Group enters into transactions with entities with significant influence over the Group. The following table shows the outstanding deposits and investment in securities balance and the corresponding interest during the period.

Investment in securities

	31-Dec-19		31-Dec-18	
	Balance as at FRw '000	Interest from FRw '000	Balance as at FRw '000	Interest from FRw '000
Government T-bills and bonds	124,797,114	7,112,637	73,594,798	8,284,700

Deposits from major shareholders

	31-Dec-19		31-Dec-18	
	Balance as at FRw '000	Interest to FRw '000	Balance as at FRw '000	Interest to FRw '000
Rwanda Social Security Board	71,810,873	6,662,852	72,403,317	6,091,907
Agaciro Development Board	9,613,500	718,495	2,405,594	49,890
Total Balances	81,424,373	7,381,347	74,808,912	6,141,797

There have been no guarantees provided or received for any related party receivables or payables.

42. SUBSIDIARIES

Bank of Kigali Plc

The Bank was incorporated at the end of 2017 following reorganisation of the former bank into a holding company. It is a wholly owned subsidiary of the Group. Its principal place of office is in the BK Group PLC head office. It offers corporate and retail banking services.

BK General Insurance Company Limited

The Group opened a wholly owned subsidiary, BK General Insurance Company Limited on the 16 September 2015. Its principal place of office is in the BK Group PLC head office. The company offers Non-Life Insurance Services. The value of the investment at cost less impairment is FRw 5,000,000,000. During the year, Swan Group bought a 30% stake in BK General Insurance Ltd with BK Group owning 70%.

BK Capital Limited

The Group opened a wholly owned subsidiary, BK Securities Ltd on the 10 December 2013. In 2018, this was relaunched into BK Capital Ltd. Its principal place of office is in the BK Group PLC head office. The main activity of the Company is to hold assets for Custody clients, as well offering of brokerage and advisory services. The issued and paid up capital is FRw 200,000,000.

BK TechHouse Limited

The Group opened a wholly owned subsidiary, BK TechHouse Ltd on the 10 August 2015. Its principal place of office is in the BK Group PLC head office. The company offers Internet and digital Services to customers.

Non-controlling interests (NCI)

Set out below is summarised financial information for BK General Insurance Company Limited that are material to the group. The amounts disclosed are before inter-company eliminations.

Summarised Statement of financial position

	31 December 2019 FRw'000	31 December 2018 FRw'000
Total assets	12,252,509	8,738,537
Total liabilities	6,946,267	4,741,545
Net assets	5,306,242	3,996,992

42. SUBSIDIARIES (Continued)

Summarised statement of profit or loss and other comprehensive income

	31 December 2019 FRw'000	31 December 2018 FRw'000
Net premium income	5,389,835	4,268,517
Profit for the year	1,318,077	867,793
Other comprehensive income	-	-
Total comprehensive income	1,318,077	867,793

Summarised Statement of cash flows

	31 December 2019 FRw'000	31 December 2018 FRw'000
Cashflows from operating activities	4,237,655	1,131,930
Cashflows utilised in investing activities	(3,051,124)	(2,325,012)
Cashflows from financing activities	-	857,143
Net (decrease)/increase in cash and cash equivalents	(1,186,531)	(335,939)

43. SHARE BASED PAYMENTS

Employee Option Plan

In 2018, the Group issued shares equal to 7,200,000 under the Employee Share Ownership Plan "ESOP" that was subscribed for by Directors and Employees. Under the ESOP scheme, directors and employees have the option to acquire additional number of shares after the vesting period (3 years) and before end of November 2022.

The Board in October 2018 approved the establishment of the BK Group Employee Option Plan. The Employee Option Plan is designed to provide long-term incentives for directors and eligible employees to deliver long-term shareholder returns. Under the plan, participants are granted options, which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Each beneficiary shall be entitled to purchase from the Company, from the listing date of the new shares up to the third anniversary (the "Vesting Date") and thereafter, entitled to buy options under the scheme not later than the fifth anniversary from the listing date, for the cash consideration equal to the Offer Price and payable in full. On the fifth anniversary, as part of the Group's executive management retention scheme, the executive management team shall be entitled to bonus shares equivalent to 50% of their individual holding under the scheme, if the Group's share price shall have doubled by the final year of the scheme.

The beneficiaries shall continue to serve as Directors or be employed by the Company, as the case may be, until the vesting date. The Board shall have the final discretion in the allotment, operations and vesting of the ESOP shares.

All eligible Employee are entitled to purchase the ESOP shares from the ESOP for 100% of the purchase price and have the option to either pay the full amount upfront by cash or otherwise through deductions as set up and managed by the HR department.

Options are granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. The exercise price of options is based on the weighted average price at which the company's shares are traded on the Rwanda Stock Exchange and Cross-listed in the Nairobi Securities during the week up to and including the date of the grant.

The fair value of options granted under the BK Group Plc Employee Option Plan is recognised as an employee benefits expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted based on the performance of the shares.

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

When the options are exercised, the entity transfers the appropriate amount of shares to the employee. The proceeds received, net of any directly attributable transaction costs, are credited directly to equity.

43. SHARE BASED PAYMENTS (Continued)

	31 December 2019		31 December 2018	
	Av exercise price per share option (FRw)	Number of options	Av exercise price per share option (FRw)	Number of options
As at 1 Jan	270	7,200,000	-	-
Granted during the year	-	-	270	7,200,000
Exercised during the year	-	-	-	-
Forfeited during the year	-	-	-	-
As at 31 December	270	7,200,000	270	7,200,000
Vested and exercisable as at 31 Dec	-	-	-	-

No options expired during the period covered by the above tables.

Share options outstanding at the end of the year have the following expiry date and exercise prices.

Grant date	Expiry date	Share options
November 2018	October 2023	7,200,000

The assessed fair value at grant date of options granted during the year ended 31 December 2019 was nil per option (2018 – Frw 270 per option) The fair value at grant date is the offer price at the listing date.

44. Post period end events

Subsequent to 31 December 2019, there has been a global pandemic due to the spread of Covid 19 that has seen the Government of Rwanda in the month of March 2020 take strict containment measures including closing of international commercial flights and restriction of non-essential local movements. The Group is primarily in the banking industry which has been classified as an essential service and continues to operate during this period albeit with reduced level of activity for both loan origination and deposit mobilization. The directors are currently analyzing the broader macro-economic impact the pandemic could have on the Group including adverse consequences such as request from customers to reschedule their debt repayments and potential increase in the level of delinquencies. Our impairment models will be calibrated going forward to capture changes in probabilities of defaults and forward-looking information in the estimation of expected credit losses. Directors are conscious that the full impact of the pandemic is still unclear at this point and will continue to monitor the events and take actions to limit the effect to the Group.



- **NOTICE OF ANNUAL GENERAL MEETING**
- **BK GROUP PROXY FORM**
- **DIVIDEND REINVESTMENT FORM**

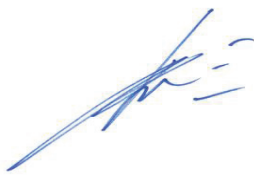
AMENDED NOTICE OF ANNUAL GENERAL MEETING

Following the Regulator guidance, an amended notice is hereby given that the Annual General Meeting (AGM) of BK Group Plc. will be held on Wednesday 20th May 2020 at 10:00 a.m. by video and audio conference call with a link to be shared, to transact the following business:

ORDINARY BUSINESS:

- 1- To determine whether quorum is present;
- 2- To receive, consider and if thought fit, adopt the Annual Report and Audited Financial Statements of BK Group Plc. for the year ended 31st December 2019 together with the Chairman's, Directors' and Auditors' reports thereon;
- 3- To declare a first and final dividend for the year ended 31 December 2019, of FRw 14.4 payable to shareholders on the register of members of the Company as of close of business on 12th June 2020.
- 4- To approve the dividend re-investment (DRIP) of FRw 255; at 2% discounted share price of 15th May 2020.
- 5- To approve Directors for BK Group Plc;
- 6- To approve Directors remuneration which remain unchanged as stated in page 133 of the Annual Report.
- 7- Any other business of which notice will have been duly received.

By Order of the Board,



Emmanuel Nkusi B.
Company Secretary

BK GROUP PLC PROXY FORM

I/We _____ CSD A/C No _____

of (address) _____ being a member(s) of BK GROUP Plc,
hereby appoint:

of (address) _____ or, failing him, the duly appointed Chairman of the meeting to be my/our proxy, to vote on my/our behalf at the Annual General Meeting ("AGM") of the Company to be held on Wednesday May 20th, 2020 at 10 a.m., or at any adjournment thereof.

As witness to my/our hands this _____ day of _____ 2020

Signature(s) _____

NOTES:

1. In case of corporate shareholders and individual shareholders who would like to be represented at the AGM, please tear this page carefully and complete as appropriate.
2. This proxy form is to be delivered to the Company Secretary at BK Group Plc Head Office KN 4 Avenue n 12 Plot No 790, Kigali, Rwanda not later than 5.00 p.m. on _____, 2020.
3. A proxy form must be in writing and in the case of an individual shall be signed by the shareholder or by his attorney, and in the case of a corporation the proxy must be either under its common seal or signed by its attorney or by an officer of the corporation.

PLEASE ADMIT _____ _____ to the Annual General Meeting of BK Group Plc which will be held at the Marriott Hotel, Kigali, Rwanda on Wednesday May 20th, 2020 at 10.00 a.m. This admission card must be produced by the shareholder or his proxy in order to obtain entrance to the Annual General Meeting. Emmanuel Nkusi Company Secretary	sNumber of ordinary shares held: Name of Shareholder: Address of Shareholder: CDS Account Number:
--	---

DIVIDEND REINVESTMENT FORM

BK Group Plc
P.O. Box 175
Kigali, Rwanda

Client Name:
Client ID/Passport No:
CSD Number
Broker:

Dear Esteemed Investor,

RE: DIVIDEND REINVESTMENT FORM

Your Investment has generated a dividend of FRw 14.40 per share. You can decide to receive cash payments deposited to your account or reinvest them to provide the opportunity to help build the value of your investments by filling this form.

I / We hereby request that Dividends due to me/us from BK Group Plc be treated as follows:

☐

Full dividend Reinvestment

Please mark this box if you wish to reinvest all dividends that become payable on this account

VIA BROKER FOR REINVESTMENT

Bank Name: _____

Bank Branch: _____

Account Name: _____

Account Number: _____

I/we hereby agree to indemnify BK Registrars against all claims, demands, moneys, losses, damages, costs or expenses which may be brought against, or to be paid, incurred or sustained by BK Registrars by reason or in consequence of BK Registrars honoring my/our above instructions.

Sincerely,

CLIENT NAME AND SIGNATURE

NOTES

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NOTES

This image shows a single sheet of white paper with horizontal blue ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



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