BK GROUP PLC

INTEGRATED

BANKING

ANNUAL INTEGRATED REPORT

2021

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INTEGRATED BANKING

BK GROUP PLC

BK GROUP PLC

AN INTRODUCTION

We are a premier financial institution with a comprehensive offering across the commercial banking and financial services space.

About Us

Rwanda's leading banking and financial institution

Overview

BK Group Plc is an award-winning Rwandan institution with deep roots in the African financial space since its founding in 1966. Over the years, BK Group Plc has transformed into a premier one-stop shop, with a full range of financial services offered under a single roof. Today, it stands as the largest commercial bank in Rwanda by total assets, and it has strategically positioned itself as the leading commercial financial institution in Rwanda, boasting a diversified portfolio of services that allow it to seamlessly serve a wide breadth of clients, including individuals, SMEs, large corporations, and other financial institutions in the region.

The Group's activities range from retail and corporate banking to asset management and investment banking, as well as offering a comprehensive range of non-life insurance products and innovative enterprise solutions that stimulate growth in the Rwandan digital space.

Business and Retail Banking
Bank of Kigali Plc

BK Group Plc's commercial banking services are offered through Bank of Kigali Plc to corporates, SMEs, individuals, micro and small enterprises, and non-profit organizations. Corporate banking's key products are long-term CAPEX loans that are aimed for investment and expansion, commercial mortgage loans with a typical tenor of up to 15 years, and working capital loans to finance short-term business needs. On the retail front, the Group's key products include consumer, vehicle and mortgage loans, overdrafts, credit cards, and asset-based financing. The Group is continuously pursuing avenues of growth through new services and products with the aim of boosting and consolidating market share as well as harnessing the power of digitalization to both streamline operations and enhance the customer experience.

Insurance
BK General Insurance

In 2016, BK Group Plc launched the BK General Insurance (BKGI) to offer a wide range of non-life insurance products for its clients, including coverage for motor, money, bonds, transport, engineering and technological, and personal and group accidents.

Technology
BK TecHouse

BK Group Plc launched BK TecHouse in 2016 to develop digital ecosystems for varying types of clients, from large and medium enterprises, schools and personal homes, to commercial buildings and construction sites. The company provides comprehensive smart solutions ranging from security for homes and SMEs, as well as smart school solutions that include innovative education management software and cashless payment channels. Additionally, BK TecHouse provides enterprise security products that offer a wide breadth of superior remote access and highly scalable solutions that boast best-in-class protection for users. The company aims to expand its tech-driven offering across more sectors to grow BK Group Plc's consumer base by leveraging connectivity, automation, advanced analytics, and innovative digital solutions.

"Over the years, BK Group Plc has transformed into a premier one-stop shop, with a full range of financial services offered under a single roof.

Advisory and Wealth Management
BK Capital

Initially launched purely as a securities brokerage company in 2015, BK Group Plc expanded BK Capital's service offering to include investment and wealth management, corporate and advisory services, bonds and equities brokerage, and pension fund administration. BK Capital leverages its regional and international network of development finance institutions, funds, and high-net-worth investment companies to raise funding at the local and global level. Additionally, the company builds strategic partnerships with investment and advisory companies to invest alongside BK Capital's partners on select transactions.

BK GROUP PLC

Vision

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

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.

Value-Added Statement

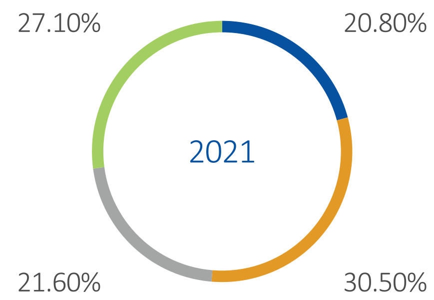
For the Year ended 31 December

	2021		2020	%
Interest, commissions, and other revenues	220,522,440		175,277,710	
Interest paid to depositors and costs of services	(66,521,268)		(54,150,388)	
Net impairment loss on financial assets	(34,068,753)		(37,128,906)	
Value added	**119,932,419**		**83,998,416**	

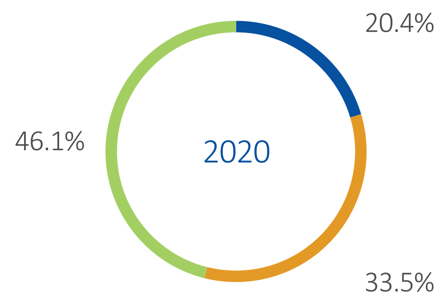
Distribution of Value Added

	2021	%	2020	%
To Employees				
Salaries, wages, and other benefits	24,913,922	20.8%	17,171,922	20.4%
To Government				
Corporation Tax	24,985,698	20.8%	18,632,997	22.2%
VAT	2,419,146	2.0%	2,232,146	2.7%
Withholding Tax	2,725,898	2.3%	1,148,984	1.4%
District Taxes	30,599	0.0%	51,020	0.1%
PAYE Tax	6,419,097	5.4%	6,060,832	7.2%
	36,580,437	**30.5%**	**28,125,979**	**33.5%**
To Shareholders				
Dividends payable to shareholders	25,947,485	21.6%	0	0.0%
To Expansion and Growth				
Retained Income	25,947,485	21.6%	35,001,140	41.7%
Depreciation and amortization	6,543,090	5.5%	3,699,376	4.4%
	32,490,575	**27.1%**	**38,700,516**	**46.1%**
Wealth Distributed	**119,932,419**	**100.0%**	**83,998,416**	**100.0%**

For the Year ended 31 December 2021



To Employees	24,913,922
To Government	36,580,437
To Shareholders	25,947,485
To Expansion and Growth	32,490,575
Total	**119,932,419**



To Employees	17,171,922
To Government	28,125,979
To Shareholders	-
To Expansion and Growth	38,700,516
Total	**83,998,416**

For the Year ended 31 December

FRw bn	2021	2020	2019	2018	2017	2016	2015
Total Assets	1,590.4	1,304.0	1,019.1	877.4	727.2	638.3	561.2
Net Loans	990.3	851.1	678.0	568.1	471.7	385.8	313.9
Client Deposits	974.5	790.8	642.7	532.0	455.2	419.0	384.7
Shareholder's Equity	285.3	259.3	220.8	194.7	122.8	108.5	99.2
Net Income	51.9	38.4	37.3	27.4	23.3	20.8	20.5

Timeline and Awards

A legacy of excellence across the African banking and financial spaces

The bank was established through a 50/50 JV between the government of Rwanda and Belgolaise

1966

The Rwandan government buys out Belgolaise's stake in the bank

2007

The bank receives an A+ credit rating from GCR

2010

A 45% stake in the bank is floated in an IPO, with the bank officially listing on the Rwandan Stock Exchange in an IPO worth USD 62.5 million

2011

2013

The bank establishes BK Securities and BK Nominees

2015

The bank establishes BK Registrars

The bank establishes BK General Insurance and BK TecHouse

2016

The institution is restructured to create BK Group Plc, increasing its authorized share capital by FRw 3.5 billion

2017

2018

BK Nominees and BK Securities are consolidated under BK Capital

BK Group cross lists on the NSE

BK Raises FRw 60 billion via rights issue and rump offer

Awards

2020

- Global Finance Award – Best Investment Bank 2020
- EMEA Finance Award – Best Bank in Rwanda 2020
- Asian Banker Leadership Achievement Award – Best CEO Response to COVID-19 in Rwanda

2021

- Euromoney Awards for Excellence – Best Bank in Rwanda 2021
- Global Finance – Best Bank in Rwanda 2021

Growth Strategy

Cementing the bank's position as the leading financial institution in Rwanda by leveraging a universal banking model and digital transformation across the board

BK Group Plc's strategy is centered on the provision of outstanding service offerings to clients by leveraging a solid technological infrastructure and innovative product offerings. By providing a comprehensive range of tech-enabled products and services under a single roof, the bank is able to deliver an exceptional offering that gives clients access to corporate and retail banking, insurance products, digital enterprise solutions, and capital advisory services through a universal banking model. BK Group Plc's one-stop-shop approach has strategically positioned it to benefit from synergies and cross-selling capabilities inherent in its business model, as well as contribute significantly to the overall strength and growth of the Rwandan economy through its efforts toward financial inclusion and digital intermediation.

BK Group Plc's universal banking strategy is supported and driven through four key pillars that form the bedrock of the company's growth capacities and aspirations to serve one million customers by 2022, a milestone it has achieved this year.

- **Bolstering Financial Inclusion Through Digital Intermediation**
  The Group's financial inclusion strategy stems from BK Group Plc's customer-centric philosophy that focuses on easing the lives of customers and bringing more and more people into the formal economy, particularly those that have long been excluded from traditional banking services. Its digitization initiatives are targeted at reducing risk, increasing efficiency, and providing a convenient banking experience for our users. The ultimate goal is to build a universal payments ecosystem that positions clients in way where they can manage the entirety of their finances from the comfort of their homes and mobile devices.

  To that end, BK Group Plc has kick-started and completed multiple initiatives to boost both the bank's digital capacities as well as those of its subsidiary financial service arms. The bank's subsidiary has implemented a multitude of state-of-the-art IT systems in its efforts to move to an open banking system that offers greater transparency and has the capacity for real-time functionality at all stages of the processing chain. In 2021, Bank of Kigali Plc launched a new and upgraded internet banking platform built entirely in-house. It also launched a new core banking system to support its digitalization efforts.

  BK Group Plc's digitalization agenda is also geared toward decreasing overall transaction costs and unlocking efficiencies throughout the Group by synchronizing digital tools and platforms for branches and agents and create an omni-channel experience. Additionally, through the introduction of automated scoring models for personal loans, salary advances, and SME loans, the bank's subsidiary will reduce the risk of NPLs and losses throughout the robust reconciliation process.

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- **Expand SME Offering**
  Rwanda is home to a rich and diverse array of impactful SMEs that support the well-being of the nation's economy. SMEs are the primary drivers of job creation and economic development, and the Rwandan government worked diligently to cultivate a regulatory environment that supports the establishment and growth of SMEs.

  As such, the Group is committed to capitalizing on the nation's thriving SME space and expand its contribution to the bank's loan book. Bank of Kigali Plc is planning to drive growth by leveraging a tech-based approach and ensuring that the bank's transaction strategy through POS is extended to SMEs. This will allow the bank to expand its digital portfolio and provide SMEs with a platform to access the bank's digital products.

- **Boost Retail Product Offering**
  Rwanda has witnessed accelerated growth in the retail banking sector over the last decade. Financial institutions have rushed to unlock value in Rwanda's underpenetrated retail banking space due to the heavy use of cash, light credit bureau coverage, and limited branch and ATM networks. To that end, BK Group Plc is committed to supporting the cultivation of an optimal environment that stimulates consumer appetite to pursue retail banking channels.

  By leveraging the bank's tech-led approach, Bank of Kigali Plc has expanded its digital offering to provide more convenient and efficient loan and deposit transactions for clients through its 2018 launch of BK Quick, BK Mobile App, and BK Online. The bank launched these three innovative platforms

> By providing a comprehensive range of tech-enabled products and services under a single roof, the bank is able to deliver an exceptional offering that gives clients access to corporate and retail banking, insurance products, digital enterprise solutions, and capital advisory services through a universal banking model.

to capitalize on Rwanda's fast-growing retail banking sector and integrate more individuals into the banking ecosystem.

- **Enhancing Subsidiaries Portfolio**
  The lynchpin of BK Group's all-encompassing universal banking strategy is expanding and strengthening its subsidiary portfolio. The overarching strategy is geared toward building capacities to extract increased synergies from the company's cross-selling capabilities across its business divisions through connectivity, automation, advanced analytics, and innovative digital solutions.

- Bank of Kigali Plc: Bank of Kigali Plc plans to expand its digital and channel capacities to further bridge the gap between the banked and unbanked individuals in Rwanda's population. The goal is to increase individuals' contribution to the bank's loan book and total deposits, since the majority are from transactions linked to large corporations.

- BK General Insurance: The insurance business will continue developing insurance products based on the needs of the individuals and enterprises that the company serves. The company's medium-term strategy involves a partnership with Mauritius-based Swan Group that aims to add life insurance products to BKGI's portfolio, expand the company's client base, and increase retention.

- BK TecHouse: BK TecHouse will expand its innovative digital platforms by developing new digital solutions to further penetrate the agriculture and education sectors in Rwanda. It has also made headway in its universal payment gateway strategy, transforming its UrubutoPay platform to a universal payment gateway servicing all industries.

- BK Capital: The Group aspires to position BK Capital as the leading financial advisory and wealth management firm in Eastern Africa. The company plans on expanding its strategic partnerships with brokers, fund managers, and other financial institutions to best serve the company's clients in the region.

Our Markets

Boasting a leading market position in one of Africa's fastest growing economies

Continuing to lead as one of the most attractive investment destinations in the continent, Rwanda's growing banking sector is backed by the strength of its credit reporting systems, the effectiveness of collateral in facilitating lending, and the soundness of the legislative environment that secures the rights of borrowers and lenders alike when it comes to secured transactions. This makes it ultimately conducive for SMEs to easily access finance to grow their businesses and contribute effectively to the economy.

Rwanda's vision to become a middle-income, knowledge-based economy is strongly hinged on increased investments in information and communication technologies (ICT) and digital economy development. The National Strategy of Transformation identifies ICT as a cross-cutting enabler for development and, today, entrepreneurs can register their new company in just six hours online. More importantly, the World Bank has recently financed the Rwanda Digital Acceleration Project with USD 100 million to expand the government's digital inclusion plans and enhance the public sector's digital services capabilities. In January 2021, internet penetration stood at 31.4% and there were 9.69 million mobile connections, according to Digital 2021 report[1]. Additionally, the 100 most demanded services can be accessed online, of which 50% are fully digitized with others semi-digitized, according to a statement made by Alice Hirigo, Project Director at the Rwandan Ministry of ICT and Innovation[2].

The financial sector is considered a fundamental cornerstone in Rwanda's growth story, and digital finance lies at the heart of it. Boasting a growing banking sector with over USD 4,996.4 billion in assets by end of 2021, the country has an ambitious financial inclusion strategy aimed to shrink the gap between the banked and unbanked across its considerably young, and increasingly urban, population. As of 2020, 36% of adults had access to banking services, 77% used formal financial services, and only 7% were completely excluded, using neither formal nor informal financial products or services to manage their money or savings. About 25% (1.7 million) of banked adults use digital payments, up from 6% or around 400,000 in 2016, and around 3 in 5 (61%) adults use mobile money[3].

COVID-19, among other factors, accelerated digital adoption in East Africa's rising economy. According to the Central Bank report for 2020/21, the number of mobile banking subscribers increased by 11% from 1.8 million in June 2020 to 2 million in June 2021. The value of merchant payments grew by 138% over the same period, mainly supported by the waiver of transaction fees starting March 2020, and the value of retail e-payment to GDP increased by 17.3% to reach 95.5% during the period under review.

Against this backdrop, BK Group continues to capitalize on Rwanda's solid market fundamentals and improved development landscape, which was sparked with the adoption of the country's Vision 2020. The group has been able to deliver exceptional value to stakeholders and capitalize on the nation-wide financial inclusion and digitalization strategy to contribute to the overall strength and well-being of the Rwandan economy.

[1] https://datareportal.com/reports/digital-2021-rwanda
[2] https://allafrica.com/stories/202111050631.html
[3] FinScope Rwanda Survey conducted in 2019/20 "Rwanda Financial Inclusion Report 2020"

> The group has been able to deliver exceptional value to stakeholders and capitalize on the nation-wide financial inclusion and digitalization strategy to contribute to the overall strength and well-being of the Rwandan economy.

2021 Highlights

After a difficult 2020 and the onset of the COVID-19 pandemic, which had a severe impact on businesses and economies worldwide, 2021 saw exceptional macroeconomic improvement. An aggressive vaccine rollout plan, the pickup of external demand, and strong government support have positively contributed to economic recovery, with GDP growth reaching pre-pandemic levels of 9.4%, double the forecasts set at the beginning of the year.

According to the World Bank's 18th Rwanda Economic Update report, released in February 2022, favorable weather contributed to a 6.8% increase in agricultural output in the first nine months of 2021, with traditional exports, like coffee and tea, increasing by 35% in the same period. Industrial output increased by 16.5%, and the easing of mobility restrictions contributed to a 11.1% growth in services.

The recovery of Rwanda's economy also came on the back of several fiscal and monetary policy measures. The National Bank of Rwanda maintained interest rates at 4.5% throughout the year, economic recovery funds were put in place, and external borrowing covered the country's fiscal deficit.

On 31 December 2021, non-performing loans dropped to 4.6% compared to 5.4% in the last three quarters of 2021, according to the Central Bank which came on the back of increased loan value and write offs, and the banking sector one of the key pillars of the economy after agriculture, industry and services

Strong Market Fundamentals in Rwanda

Total Population

13.0 mn

Projected 2020 Pre-Pandemic Real GDP Growth vs Actual -3.40% Contraction in 2020

10%

Population Under the Age of 24

60%

Credit Rating by S&P Global

B+

BK Group Maintains a Longstanding Leading Position in the Rwandan Banking Sector

Total Assets

31.4%

Customer Deposits

31.6%

Net Loans

36.5%

Credit Rating by S&P Global

33.6%

CAGR 2016-2021

	BK Group	Banking Sector
Total Assets	20.0%	16.3%
Net Loans	20.7%	14.1%
Client Deposits	18.4%	15.1%
Shareholder's Equity	21.3%	14.0%

Selected Indicators

	BK Group	Banking Sector
NPLs/Gross Loans	5.3%	4.6%
Return on Average Assets	3.6%	2.5%
Return on Average Equity	19.1%	15.0%

Outlook

Despite global expectations that the end of quantitative easing is at our doorstep, frontier emerging markets are better positioned than most to weather challenges that come with increased inflation and higher forex costs. Fitch maintained Rwanda's outlook at B+ in 2021 despite the challenges ahead, due in large part to the country's solid governance, stable economic performance over the last five years, medium-term growth expectations, and the concessional nature of the country's public debt position. With enhanced regional cooperation in recent years, trade costs will continue to narrow, allowing Rwanda to benefit from enhanced pathways to international markets. At the same time, the government deficit is expected to narrow, albeit at lower rates than expected, and economic growth should see a slight hike in government revenue over the next two years, according to Fitch.

BK Group's breadth of financial service solutions and the synergies inherent in its business model perfectly position the Group to support Rwanda's financial inclusion agenda. With a strategy to expand its geographical presence, invest in technological infrastructure and digital solutions, and widen its retail footprint, the Group has the building blocks in place to support the country's economic development goals. GDP growth is expected to slow down to normal levels over the coming few years. With global restriction measures subsiding and markets settling, Rwanda can focus on unlocking value in the long term.

Chairman's Note

Dear shareholders,

It is with great pleasure that I present to you BK Group Plc's annual integrated report for 2021, marking a year of impressive growth for the Group. Emerging from a year of unprecedented challenges in 2020, we were able to achieve impressive results and move forward with our development plan.

Profit after tax (net income) increased by 35.0% y-o-y to FRw 51.9 billion. We are very proud of the growth in the Group's total assets to FRw 1.6 trillion, up 22.0% y-o-y, supported by strong liquidity from customer deposits growth. The group's ROAA and ROAE improved to 3.6% and 19.1% respectively, from 3.3% and 16% in 2020.

During the year, we worked on expanding our physical and digital reach across Rwanda through our subsidiaries. We are committed to championing financial inclusion and digitization through different initiatives, as well as developing our mobile banking system. Our Bank of Kigali Plc subsidiary successfully registered greater numbers of customers through diversified programs and our increasingly popular IKOFI wallet targeting the agricultural sector. As of the end of FY2021, the IKOFI wallet had registered 263,716 farmers and 1,852 agro-dealers benefiting from our financial support services.

BK General Insurance's commendable performance during the year resulted in a profit of FRw 2.7 billion in 2021 compared to FRw 1.7 billion registered in 2020, representing a 57% growth in profitability y-o-y. Total assets increased by 40% y-o-y from FRw 15.4 billion in 2020 to FRw 21.7 billion in 2021.

BK TecHouse registered over 2.5 million digital consumers across their three digital platforms—Smart Nkunganire System, SMART Kungahara System, and Urubuto Education System. The subsidiary also partnered with government bodies and increased the uptake of UrubutoPay for the payment of school fees, with 654 secondary schools and seven universities now subscribed to the platform. BK TecHouse registered a sales revenue of FRw 1.2 billion in 2021 compared to FRw 583.1 million in the same period last year, representing a 22.7% growth in sales revenue y-o-y.

> In addition to our remarkable growth across the Group during 2021, BK Group Plc has remained committed to Rwanda's social development and the overall well-being of our community.

As Rwanda's economy continues to digitize, BK has continued to grow our credit and debit card business. BK now has more than 95,000 Visa cards and 84,000 Mastercards in circulation. In the coming year, the Group plans on furthering the automation of our processes, integrating Group systems to ensure a single view of customers, and grow the number of digital consumers to at least 20%. This is consistent with our continuing commitment to our digital transformation strategy, which will result in expanded digital access to a large base of customers establishing a complete, centralized database across the Group.

Furthermore, we regularly streamline and improve the functionality of our apps whether to encourage more customers to use our mobile banking service or to increase the reach of IKOFI, paving the way for more people to embrace formal financial inclusion. This year, more features were introduced, streamlining transactions and making the process more seamless.

In addition to our remarkable growth across the Group during 2021, BK Group Plc has remained committed to Rwanda's social development and the overall well-being of our community. BK maintained investments in various education scholarship programs. The Group funded the Urumuri initiative alongside the firm Inkomoko for the fifth year in a row to support our most innovative entrepreneurs. We also partnered with the Umuhuza Organization, a non-governmental organization that aims to foster a culture of peace to officially established three community libraries in Rutunga sector in the Gasabo District. Across Rwanda, BK also supported several impressive initiatives aimed at development and the eradication of poverty, including educational and financial inclusion programs.

As of 31 December 2021, the BK Group Plc Board of Directors is comprised of four members: two independent and two non-independent. The diversity among our board members adds strength and a competitive edge. BK regularly draws upon a diverse group of experienced industry experts and professionals who have helped successfully guide the Group's management and advised on operational performance, strategies, finances, and governance.

In the upcoming period, BK will strive to deliver the highest quality products and develop our process as Rwanda's business environment continues to evolve and adapt to the global atmosphere. We will ensure that our hard-earned distinction as the country's leading provider of universal financial services for all Rwandans remain upheld through constant innovation. As we enter 2022 remaining committed and determined to progress and transformation, I am pleased to express my deep gratitude and appreciation to our Board of Directors, shareholders, employees, and, most importantly, our customers for their exceptional support and guidance.

Sincerely,

Marc Holtzman

BK Group BOD

Marc Holtzman
Independent Member

Marc L. Holtzman is Chairman of BK Group and has been a member of the Board since 2009. Mr. Holtzman also currently serves as Chairman of the Board of CBZ Holdings Ltd, Zimbabwe's largest financial services company; a member of the Board of Directors of TTEC, (NASDAQ: TTEC), the world's leading provider of analytics-driven technology-enabled services; a member of the Board of Directors of Duddell Street Acquisition Corporation (NASDAQ: DSAC), a SPAC focused on telecommunication, media and technology, healthcare, fintech, and consumer sector investment opportunities in Asia. From 2015 to 2017, Mr. Holtzman served as Chairman and later CEO of KazKommerts-Bank, Kazakhstan's largest financial institution. 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). Mr. Holtzman served as the Vice Chairman of Barclays Capital from 2008 to 2013. Between 2003 and 2005, Mr. Holtzman was President of the University of Denver. He also served in the Cabinet of Colorado Governor Bill Owens as Secretary of Technology between 1999 and 2003. Previously, as co-founder and President of MeesPierson EurAmerica (a firm that 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. 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 to 2008. In addition, Mr. Holtzman served as a member of the Board of Trustees of the United States Space Foundation from 2004 to 2010.

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Darren K. Smith
Non-Independent Member

Darren is the co-founder of 337 Frontier Capital, one of the largest institutional investors across Africa, and has been involved in frontier markets for 14 years. Prior to founding 337 Frontier Capital, Mr. Smith worked for The Rock Creek Group and helped establish the Kimberlite Frontier Africa Strategy.

Previous to Rock Creek, he spent three years investing in Frontier Africa at Ashmore Equities Investment Management (US) LLC, where he was as a Co-Portfolio Manager for the Africa Emerging Markets Fund.

Prior to joining Ashmore, Mr. Smith spent five years in Dubai researching Middle East and North African stocks for Credit Agricole Chevreux as their Head of Research, Economist, and Strategist.

Mr. Smith began his career as an investment banker with CIBC World Markets in Toronto. He holds a Bachelor's degree in Business Administration from Bishop's University in Canada and is a CFA charter holder.

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Gilbert Nyatanyi
Non-Independent Member

Gilbert Nyatanyi is a non-executive board member of BK Group Plc and the Chief Executive Officer of Agaciro Development Fund-Rwanda Sovereign Wealth Fund, one of our major shareholders.

He possesses more than 25 years' experience in general legal practice and more than 29 years' solid experience in banking and finance law, with particular experience in secured transactions, acquisitions and corporate finance, syndicated loans, refinancing, capital markets, public and private placements of securities.

Mr. Nyatanyi served as a Counsel for Liedekerke Wolters Waelbroeck Kirkpatrick in Belgium, General Manager of Liedekerke Great Lakes, Legal Consultant in Belgium, Burundi and Rwanda, he was also an Executive for Edward Nathan Sonnenbergs in Burundi, Rwanda & South Africa among so many other duties.

He holds a mini MBA for In- House Counsel from Questrom School of Business, Boston University and different degrees from Ghent University, Sint-Paulus Instituut Gent, Sint-Jozefs College Tielt, Broeders Maristen Pitterm.

Sonia Masimbi Kubwimana
Independent Member

Sonia is a Rwandan business executive with a career in Finance, Human Resources and General Management spanning over 25 years. Throughout her career, she has served in Senior Management Finance and Executive Human Resources roles for Bralirwa Plc, the Heineken operating Company in Rwanda.

During her tenure as Human Resources Director of Bralirwa (2009–2017), Sonia successfully led the People and Organizational agenda which was required to support the Company evolvement from an earlier dominant position in the market to a competitive and consumer facing Company. Changes made involved restructuring the Organization across all departments, developing functional, managerial and leadership capabilities within the Organization as well as equipping employees with needed behaviors required to win as a Business. Furthermore, during the same period, despite an increasing scarcity for talents in Rwanda and outside, Bralirwa was able to sustain its position of "Employer of choice" and attract and hire talented professionals at junior, middle and senior levels while also keeping good engagement levels within the Organization. Also as a member of Bralirwa Executive committee, she played an important and valued advisory role.

Sonia is currently a business leader in the coffee and tourism sectors in Rwanda, a mentor and a certified professional independent coach providing Executive coaching and facilitation services through Breakfast Club Africa, a Pan-African CEO membership organization which was created with a singular purpose of helping heads of organizations to become better leaders, thus benefiting their organizations and employees. BCA has presence in multiple African countries including Sierra Leone, Ghana, Nigeria, Malawi, Kenya, Rwanda, South Africa, and a vision for further expansion to the entire African continent

Furthermore, Sonia belongs to various professional membership organizations including the International Women Coffee Alliance (Rwanda Chapter), the Rwanda Tourism and Travel Association (RTTA), the Rwanda Hospitality Association (RHA), the African Women Entrepreneurship Program (AWEP) and the Rotary International (RI). She also serves on the General Assembly of SOS Children's Villages Rwanda and is a former board member of the Rwanda National Labor Council.

Sonia holds a Bachelor's degree in Economics and Administration from the University of Burundi and Executive Education from INSEAD, IMD, London Business School and Harvard Business School.

BK GROUP PLC

2021 IN REVIEW

Digitalization has been a major theme for the year, with our efforts positively and effectively modernizing and improving the experience for our customers.

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CEO Note

I am incredibly proud of my colleagues and the work that the BK Group team has done to provide extraordinary results in the history of the bank.

2021 has been a remarkable success story for us across the Group. After a challenging year in 2020, I am incredibly proud of my colleagues and the work that the BK Group team has done to achieve extraordinary results in the history of the bank. Digitalization has been a major theme for the year. Our digitalization efforts have positively and effectively modernized and improved the experience of our customers. In 2021, we reached an all-time share price high and increased transactions on the NSE of over 24 million shares.

We are advancing in such a way that will allow the deployment of the most up-to-date and productive technology. This rapid development, especially digitally, is what we are currently experiencing. We have a digital factory that looks to take the best practices from around the world and shape them to fit the needs and preferences of our customers in Rwanda.

If we learned anything from the pandemic and the crisis it created, it is that business continuity and resilience is not just a policy—banks, like all other businesses, need to up their preparedness in terms of technology, people, processes, and financial resources. We were lucky to be in a country where the government responded quickly and effectively to the pandemic, successfully alleviating its effects on us as both people and a business. However, we learned that companies with better financial cushions and resilience will not only survive the crisis but will also be the first to innovate and grow after the crisis. Also, more than ever, we have realized that digital is not the future, it is the present!

A Digital Approach

In 2021, Bank of Kigali rolled out its new and state-of-the-art core banking system, completely upgraded to support the bank's digital transformation strategy. The new system, provided by the first-ranked company globally for banking systems and IT solutions, enables the bank to benefit from technological changes, particularly in the areas of resilience, security, scalability, and operating cost reduction. It also has embedded controls to protect data and monitor all processes, allowing for optimized financial crime mitigation control that protects the bank against fraud and financial crimes. We are now able to store all our client data in a single place, which provides a 360-degree view of our customers, allowing our team to cross, up-sell, and effectively manage their clients.

Our innovative program, Smart Nkunganire System, continued to provide key stakeholders in the agricultural ecosystem with a platform where they can easily manage the inputs subsidy value chain. The platform has over 1.5 million registered farmers, 20% of whom have subscribed to IKOFI—a wallet that enables digital transactions, helping farmers establish a financial track record with Bank of Kigali Plc.

In 2021, we deployed our new, in-house built Internet Banking platform with a superior user interface to provide a better customer experience and new features that empower our corporate customers and encourage them to do more of their banking online. The new features include self-onboarding, foreign currency transactions, and bulk payments processing. The platform provides enhanced security features, such as the token-based one-time password (TOTP), and our corporate customers can execute flexible and complex mandates. Customers can also continue to process a variety of transactions, such as bill/utility payments, funds and wallet transfers, bank statements, and much more. The bank also introduced new automated ATMs during the year, which have features that ensure quick, quality service delivery and enhanced security, and the new ATMs are the first of their kind to be deployed in Africa.

Delivering Growth on All Fronts

Our growth is very strong and was evident in the activity of the Group, even in the first quarter of the year and continued throughout. Total interest income rose by 21.4% y-o-y to FRw 176.6 billion, while our net loan book grew by 16.4% to FRw 990.3 billion y-o-y. Total interest expenses increased by 23.3% y-o-y to FRw 40.3 billion, in line with the growth in customer deposits to FRw 974.5 billion. Overall, the net interest margin increased to 10.9% from 10.7% in 2020. Non-interest income totaled to FRw

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37.9 billion, an increase of 41.4% y-o-y driven by the increase in trade volume and economic activities. Total operating income rose by 24.8% to FRw 174.2 billion, while total operating expenses rose by 39.2% to FRw 63.2 billion. Loan loss provision rose to FRw 37.7 billion.

Bank of Kigali Plc served 424,011 Retail customers and over 36,700 corporate clients by the end of 2021. The bank expanded the Agency Banking Network to 3,504 agents and processed over 5.9 million transactions worth FRw 675.0 million. The bank has 68 branches, 96 ATMs, and 2,723 POS terminals that accept most international cards, including VISA and MasterCard. Retail clients' balances and deposits reached FRw 264.3 billion, and corporate banking clients' balances and deposits were FRw 710.2 billion. BK's IKOFI wallet has registered over 1,850 agro-dealers/ agents and over 263,700 registered farmers by the end of the year.

BK General Insurance's incredible performance during the year resulted in a profit of FRw 2.7 billion in 2021 compared to FRw 1.7 billion registered in 2020, representing a 57% growth in profitability y-o-y. Total assets increased by 40% y-o-y from FRw 15.4 billion in 2020 to FRw 21.7 billion in 2021. BK TecHouse registered over 2.5 million digital consumers across their three digital platforms: Smart Nkunganire System, SMART Kungahara System, and Urubuto Education System. The subsidiary also partnered with government bodies and increased the uptake of UrubutoPay for the payment of school fees, with 654 secondary schools and seven universities now subscribed to the platform. BK TecHouse registered a sales revenue of FRw 1.2 billion in 2021 compared to FRw 583.1 million in the same period last year, representing a 22.7% growth in sales revenue y-o-y. At our capital markets and wealth advisory subsidiary, BK Capital, we recorded a profit after tax of FRw 84.3 million in 2021, a growth of 8.2% y-o-y driven by a 27.3% growth in operating income. Assets under management grew by 94.3% y-o-y to FRw 21.4 billion, largely driven by the Aguka Unit Trust Fund, which increased by FRw 9.1 billion due to its strong product proposition and marketing.

Outlook

As management, we are very optimistic about the future. The investments we have been putting toward our digital transformation journey are bearing fruit as the usage of our digital platforms has increased by over 30% y-o-y. We are excited for what this next year has to offer and look forward to capitalizing on the excellent business climate that we are currently experiencing in Rwanda.

The cornerstone of our success will continue to be our people, who lie at the heart of our exceptional service offering and have been the pillars of our success during this past year. We have embarked on a journey to redefine our mission and values, our strategic orientation, and the culture that we want to uphold to further transform BK Group into an adaptative, digitally-led organization, delivering sustainable profitable growth with the best employee and customer experience in Rwanda.

I would like to take this opportunity to thank our valued customers and business partners for supporting us throughout such an unprecedented year, and whom without, we would not have been able to achieve such positive results in 2021. Finally, I would like to thank our Chairman, Marc Holtzman, as well as the entire Board of Directors for their guidance, direction, and support over the past year. Their commitment to excellence and their well-established capacities have allowed them to lead our organization toward success and cement our position as a market leader in Rwanda.

Sincerely

DIANE KARUSISI

> We are proud of the investment we have been putting toward our digital transformation journey and are happy to report that our new core banking system is fully operational and the usage of our digital platforms has significantly increased.

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COVID-19 Response

We continued to execute a quick response strategy throughout the year to navigate any and all of the challenging developments of the pandemic

Rwanda's Comprehensive National COVID-19 Prevention and Mitigation Strategy

Rwanda's initial response to the outbreak has been recognized as one of the most aggressive and technologically sophisticated strategies implemented by a country in Africa to contain the coronavirus across its borders. Rwanda was one of the first countries to detect an outbreak amongst its African peers, with the first case being recorded in March 2020. Additionally, Rwanda was the first nation in the continent to close its borders and enforce a country-wide lockdown to prevent the spread of the virus in order to protect and safeguard the well-being of its people. Protection measures included sending out thousands of field workers to visit various cities, towns, and villages to conduct contact tracing and submit their findings to governmental health authorities in order to better monitor the COVID-19 situation.

Early response and rigorous containment measures following the first COVID-19 case in March 2020 are some of the contributing factors to Rwanda's success. According to the Rwandan Public Health Bulletin, early identification of cases, prompt isolation, testing, and contact tracing continue to play major roles in allowing the country to better manage the global pandemic. Cases are mainly identified through surveillance systems at points of entries (now mostly at land borders), at community and health facility levels, as well as through contact tracing and active case searches focusing on high-risk populations.

Rwanda implemented a mass vaccination campaign with a target of having 30% of the adult population vaccinated by 2021 and 60% by 2022. This goal was remarkably exceeded, with over 60% of the adult population receiving their second vaccine by the end of 2021. The government continues to update the public with strict guidelines that are updated every two weeks and by informing citizens of any new elements of the pandemic, the precautions to be taken, and the guidelines to be followed.

Focusing on Safety, Business Continuity, and Sustainability

As the pandemic progressed throughout the year and new, unexpected variants continued to arise, BK Group continued to put in place policies to adapt to the evolving environment. The Group's first and foremost priority was to safeguard the well-being of its people across its operations.

In order to manage business safely without disrupting operations, the company developed a remote working policy for departments. We split our teams in two to allow for business continuity planning (BCP) in the case that any member contracts the virus. All staff working from home received the appropriate tools, such as laptops and internet modems, to ensure they can continue serving the bank's clients and provide a best-in-class service offer while remaining in alignment with the country's guidelines.

For those who work at the office, mandatory masking was enforced. Continuously raising awareness by keeping staff up to date with the latest measures in fighting the pandemic and circulating reminders to follow procedure have also been a key part of our strategy. We continue to enforce constant COVID-19 testing of employees to keep track of their status and engage their families to comply with preventative measures. Employees suspected of having contracted the virus go into immediate isolation and quarantine for the amount of time recommended by health authorities. The Group worked with the Rwanda Biomedical Center (RBC) to carry out follow-ups on the daily health status of the staff and administer tests.

Digitization—an ongoing journey for BK Group since before the outbreak of the pandemic—was propelled into high gear due to the outbreak of the pandemic in 2020 and has continued to play a critical role in our BCP. Many developments were made to our digital platforms in order to facilitate clients' experiences without the need for them to visit branches. We are staying updated with the latest digital tools to meet clients' needs, and we will continue to do so in the upcoming year.

By ensuring the well-being of the Group's employees and adhering to the health and safety guidelines implemented by the government, as well as following the recommendations outlined by the World Health Organization (WHO), the bank was able to continue delivering exceptional service to its customers in 2021, all while navigating an externally challenging environment.

> By ensuring the well-being of the Group's employees and adhering to the health and safety guidelines implemented by the government, the bank was able to continue delivering exceptional services to the bank's customers, whilst navigating an externally challenging environment in 2021.

Financial Highlights

BK Group Plc delivered a robust performance and recorded an increase of 24.8% y-o-y in total operating income, as well as a total interest income rise of 21.4%

Total interest income rose by 21.4% y-o-y to FRw 176.6 billion, while our net loan book grew by 16.4% to FRw 990.3 billion y-o-y. Total interest expenses increased by 23.3% y-o-y to FRw 40.3 billion, in line with the growth in customer deposits to FRw 974.5 billion. Overall, the net interest margin increased to 10.9% from 10.7% in 2020. Non-interest income totaled FRw 37.9 billion, an increase of 41.4% y-o-y driven by the increase in trade volume and economic activities. Total operating income rose by 24.8% to FRw 174.2 billion, while total operating expenses rose by 39.2% to FRw 63.2 billion. Loan loss provision rose to FRw 37.7 billion.

Asset quality continues to improve with NPLs ratio and cost of risk at 5.3% and 3.4% compared to 6.7% and 4.5%, respectively, in 2020. The percentage of COVID-19-related loans on moratorium reduced to 1.7% of the gross loans from 43% restructured facilities. Cost-to-income ratio stood at 36.3% compared to 32.5% in 2020 due to increased opex for project consultancies and network connectivity. Profit after tax (net income) increased by 35.0% y-o-y to FRw 51.9 billion.

As at 31 December 2021, BK Group Plc has been adequately capitalized with total-capital-to-risk-weighted-assets at 21.1%. The group's total assets stood at FRw 1.6 trillion, up 22.0% y-o-y, supported by strong liquidity from customer deposits growth. Net loans/total assets ratio stood at 62.3%, down from 65.3% in the same period last year. The dividend payable balance was at FRw 26.9 billion, as per the approved payout ratio of 50%. Shareholders' equity increased to FRw 285.3 billion, up 10.0% y-o-y. Liquid assets divided by total deposits increased to 44.5% as at 31 December 2021, from 41.8% in December 2020. The group's key profitability ratios, ROAA and ROAE, improved to 3.6% and 19.1% from 3.3% and 16%, respectively, in 2020.

Client Balances and Deposits

974.5 FRw bn

(▲ 23.2% y-o-y)

Total Operating Income

174.2 FRw bn

(▲ 24.8% y-o-y)

Net Profit After Tax

51.9 FRw bn

(▲ 35.0% y-o-y)

Shareholder's Equity

285.3 FRw bn

(▲ 10.0% y-o-y)

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Total Assets

1.6 FRw tr

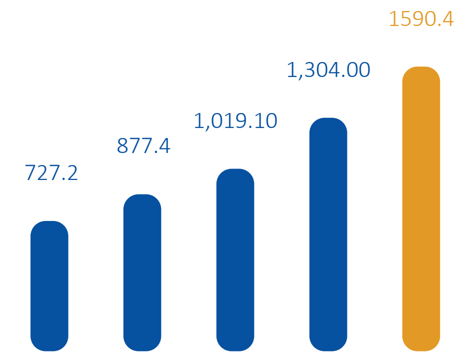
(▲ 22.0% y-o-y)

Net Loans

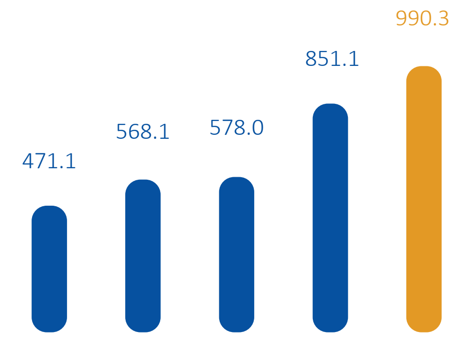
990.3 FRw bn

(▲ 16.4% y-o-y)

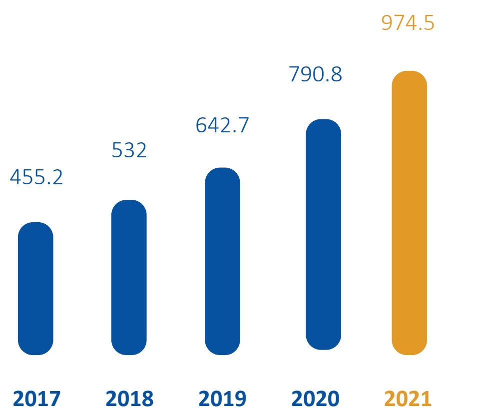
Total Assets (FRw bn)



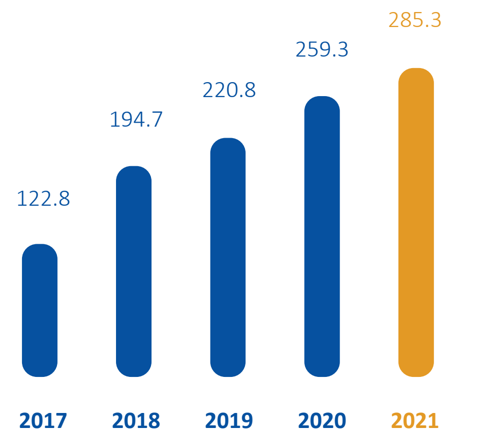
Net Loans and Advances (FRw bn)



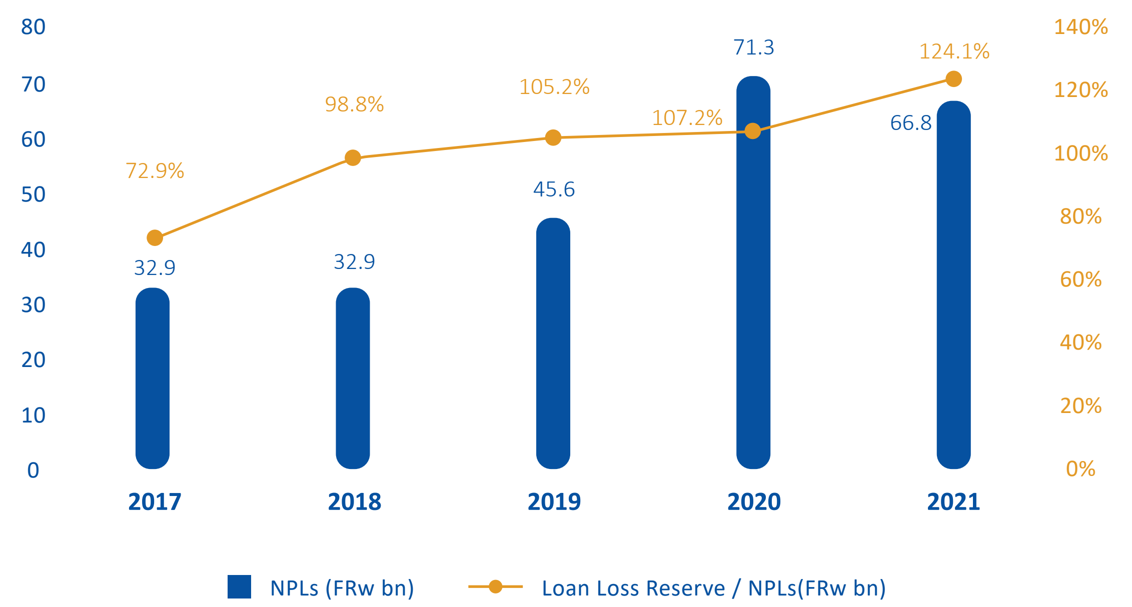
Client Balances and Deposits (FRw bn)



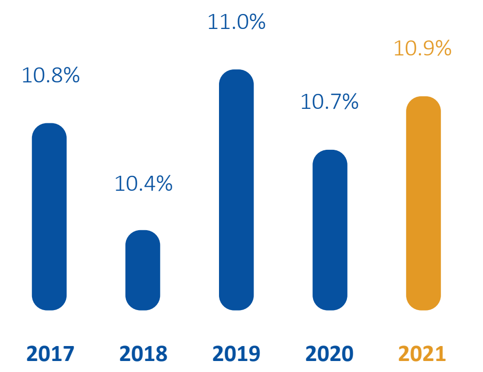
Shareholder's Equity (FRw bn)



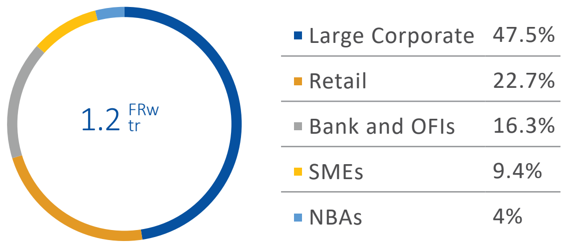
Coverage Ratio



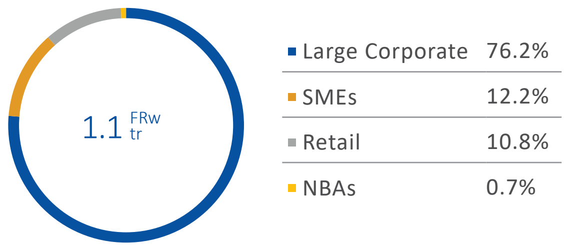
Net Interest Margin



Total Deposits



Gross Loans and Advances



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Financial Highlights from Key Lines of Business

BK Group Plc's strong performance throughout 2021 was driven by its team of stellar professionals who were able to help navigate a challenging external environment and deliver growth across the bank's lines of business.

Bank of Kigali Plc

Net Loan Book

990.3 FRw bn

(▲ 16.4% y-o-y)

Total Deposits

974.5 FRw bn

(▲ 23.2% y-o-y)

Interest Income

176.6 FRw bn

(▲ 21.4% y-o-y)

BK General Insurance

Gross Premium

12.4 FRw bn

(▲ 34.8% y-o-y)

Net Profit

2.7 FRw bn

(▲ 57.0% y-o-y)

Total Assets

21.7 FRw bn

(▲ 40.1 y-o-y)

Solvency Margin

174%

Claims Ratio

39%

Liquidity Ratio

158%

ROAE

32%

ROAA

15%

BK TecHouse

Revenues

1.2 FRw bn

(▲ 22.7% y-o-y)

Net Operating Income

1.3 FRw bn

(▲ 117% y-o-y)

BK Capital

Profits

152 FRw mn

(▲ 32.0% y-o-y)

Assets Under Management

21.4 FRw bn

(▲ 94.3% y-o-y)

BK GROUP PLC

VALUE-DRIVEN BANKING

Rwanda's growing sustainability landscape has encouraged the Group to improve on its value creation framework in line with its goal to create shared value for stakeholders through its financial services offerings.

Value-Driven Banking

Rwanda's growing sustainability landscape has encouraged the Group to improve on its value creation framework in line with its goal to create shared value for stakeholders through its financial services offerings and align with local and global sustainability benchmarks that bolster its performance. Toward achieving this; the African Union Agenda 2063; the UNGC's 10 principles on human rights, labor, environment, and anti-corruption; and the United Nations' sustainable development goals (SDGs), our commitment remains unwavering. It has also become imperative that a unified global narrative guides us toward achieving sustainable development so that we are able to maximize contribution to global positive impact while advancing our nation economically, socially, and environmentally. In lieu of creating a sustainability committee, the Group's management has overtaken the responsibility to consolidate relevant objectives, oversee the creation of the appropriate frameworks, and strategically guide the Group's growing sustainable development efforts.

Being Rwanda's biggest commercial bank and a leading institution across all relevant key metrics and best practices, we also recognize our duty to lead by example and create models that members of the Rwandan community can follow to improve returns across the country's established and growing sectors. All subsidiaries that fall under the Bank of Kigali's umbrella play a fundamental role in our social responsibility and financial inclusion plans, as we continue to leverage synergies and cross-selling capabilities across our portfolio to improve reach within current and underserved community segments.

Value creation through the Group's efforts also extends to our environmental impact, and setting an example for private operations across the country to keep ahead of their emissions, strive to decrease them, and implement green solutions that heighten environmental consciousness. Various initiatives that range from direct operational upgrades to green community initiatives are all part of the Group's environmental action.

Stakeholder Mapping

We identify as a bank for the people, which is why we promote accessibility through our extensive network and tailor our products, services, programs, and initiatives in a manner that best meets the needs of our diversified base of clients and beneficiaries. Furthermore, we capitalize on our longstanding experiences and know-how with the Bank of Kigali's varied stakeholders to find ideal means of serving each group and improve the value presented to them through our operations. Not only does this cover our direct consumers and pool of talents, but it also extends to beneficiaries, business partners, governmental entities, and any group of people that are tied directly or indirectly to the Group's financial and non-financial operations.

Through regular interactions with stakeholders, we identify avenues for improvement, growth, and development, as well as further solidify our positioning as a people-centric institution. Our highly-trained teams are in regular communication with different groups and are tasked with gathering insight on stakeholders' interests and expectations in the Group's offerings, acknowledging and monitoring their concerns, collaborating with varied partners to minimize their exposure to risks and mitigate any harmful events should they occur. Year after year, we have continued to build trust with our stakeholders through clear, transparent, and direct communication, and we have succeeded in inspiring confidence among them by constantly seeking optimum returns for each group—a goal we vow to indefinitely uphold.

Through regular interactions with stakeholders, we identify avenues for improvement, growth, and development, as well as further solidify our positioning as a people-centric institution.

Our Stakeholders

Customers	Viewpoint	Relevant topics	Communication Channels	Frequency
Total Assets	The largest source of our deposits and a main source of revenue growth	Sustainable banking practices and lending activities, superior customer experience, world-class governance, risk management	Regular digital and written communication	As needed
Employees	The largest source of our deposits and a main source of revenue growth	Empowered and well-compensated workforce, material contributors to respective communities, efficient groups and integral facilitators of value creation solutions	Regular digital and written communication	As needed
Investors	Initial providers of financial capital and reviewers of the Group's financial performance and evolving strategy	Transparent and timely financial and operational disclosures, robust governance frameworks and applications	Investor calls	Quarterly
			Investor conferences	Minimum 5/year
			Regular digital and written communication	As needed
			Investor relations section on the Group's website	Regularly updated as needed
Regulators and Policy Makers	Determined by our listing on the Rwanda Stock Exchange (RSE) and the Nairobi Securities Exchange (NSE)	Transparent and timely financial and operational disclosures and other mandates as required by each authority, public policy implementation	Financial Earnings	Quarterly

Capitals

Financial Capital

Bank of Kigali's financial capital sustains its business operations and offers the Group the space to improve its service offerings, widen its reach, and invest in sustainable value creation, all while identifying areas for cost-efficiencies and bolstering shareholder returns.

Our Stakeholders

Inputs	Outcomes	Stakeholders implicated
The Group's solid financial capital is continually invested back into its activities as a means of driving value for both shareholders and customers.	• FRw 51.9 billion in consolidated net income • FRw 174.2 billion standalone revenues • FRw 1.6 trillion total assets • FRw 974.5 billion total deposits • FRw 285.3 billion Shareholders' Equity • ROAE – 19.1% • ROAA – 3.6% • NPLs – 5.3% • Cost/income ratio – 36.3%	Shareholders Customers

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Intellectual Capital

Our solid reputation as one of the country's most value-driven financial establishments helps us leverage a diverse array of assets that facilitate the realization of a growth strategy propelled by innovative, modern-day solutions. As such, we look to further the Group and its subsidiaries' operations through intellectual upgrades that range from smart, viable growth strategies to digital integration, advanced technical know-how, capacity building and team support, and ever-evolving policies and procedures.

Inputs	Outcomes	Stakeholders implicated
The Group aspires to become a digital financial institution, and so its growth strategies in that regard are closely tied to its ongoing process automations, a group-wide system integration process that gives the Group an overall viewpoint on customers.	The Group has successfully launched its e-commerce services, with its mobile banking app now gaining popularity and with the IKOFI wallet—a universal digital financing solution—now available for farmers, a key Rwandan demographic and a largely underserved segment of the community, to encourage their use of e-money and allowing them the opportunity to join the formal banking sector while widening the Group's digital footprint. Further to this, the Group's plan for strategic digitization includes 26 initiatives that will be delivered over the next three years under the themes of connectivity, automation, advanced analytics, and innovation.	Customers

Human Capital

As the Group grows, it aims to become the universal financial services provider of choice for Rwandans. Doing so requires the dedication of a well-trained, unwavering workforce, and we are committed to empowering such pool of talents through the complete provision of labor rights and opportunities to expand on their technical and professional knowledge and capabilities.

Inputs	Outcomes	Stakeholders implicated
The Group employs 1,189 individuals who fuel its client-centric business approach and are in tune with the needs of Rwandans, making them ideal contributors to the provision of suitable services for their communities. On our part, we work to cultivate an innovative and diverse culture that is just as centered around people as our external strategies and prioritize employee satisfaction, fair compensation and benefits, and capacity building for the creation of a strong, flexible, and expertly trained workforce. Our leading position in the market as an employer of choice thus remains solid as we continue to build our numbers for the realization of our expansion goals.	BK Group also strives to drive equal opportunity within its workforce, with 50% of its workforce comprised of women of varying age groups and 35% of them in management and governance positions. The Group has also worked to contribute to youth job creation, with nearly half the workforce being employees who are 35 years old and younger. The bank's employee retention rate was at around 80%. The total turnover rate was at 8.25%, with 4.9% being male and 3.5% female. By age group, the turnover rate for employees under 30 was at 1.9%, for 30–50 at 6%, and for at 50+ at 0.43%. In terms of parental leave, 66 employees took maternity leave and 49 took paternity leave. With regards to our learning and development practices, the Group offers career progression support and bridges any competencies gaps to make employees eligible for higher roles, and it conducts classroom trainings, professional courses, seminars, and workshops within and outside the country.	Customers

Manufactured Capital

Channels, equipment, and systems through which the Group offers its products and services are benchmarked against international best practices for efficiency, security, and ease of use. As our operational footprint expands, we aim to increase the availability of our channels across the country to facilitate client interactions, improve the efficacy of our information technology infrastructure to support volume increases, and provide seamless services through both physical and digital facilities.

Inputs	Outcomes	Stakeholders implicated
BK Group has been diligent in executing a four-sided retail strategy that aims to expand self-service products, grow the Group's distribution network, expand retail product offering, and develop new lines of business. This strategy includes an expansion in the bank's channels and capacities, as well as deeper reach into segments that have had no prior involvement in the financial system.	As of 2021, the Group was home to: • 68 branches (same as 2019) • 96 ATMs • 2,723 points of sale • 3,504 operational agents • Over 100,000 Visa cards and 85,000 Master cards currently in circulation • The financial solution IKOFI wallet (over 263,700 farmers registered so far)	Customers

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Social and Relationship Capital

As demonstrated throughout the section, we place particular emphasis on our accountable, transparent, and supportive communication with our stakeholder and aim to pursue opportunities that would benefit the Group but would also result in positive impact and shared value for all. Part and parcel of these efforts are geared toward empowering multiple segments of the Rwandan community through social responsibility programs. These fall under an array of topics that include supporting education, improving access to healthcare, and eradicating poverty.

Inputs	Outcomes	Stakeholders implicated
Through our education support programs, we support employees in improving their skills and advancing their careers through cooperation with local and international partners and promote basic and vocational education among community members.	Scholarship project with Imbuto foundation: • 123 students received support – 2020/2021 academic year • 34 schools reached • 52 students graduated secondary schools **BHC Chevening Scholarship program:** • 1 student every 3 years Bank of Kigali partnered with Enviroserve Rwanda Green Park (ERGP), a leading recycling company in Rwanda, to develop a circular economy approach and sustainable collection system of e-waste. Urumuri 5th Edition A group of ten budding entrepreneurs have aced for interest-free loans in an intensified business pitch under the 5th Bank of Kigali (BK) Urumuri Initiative.	Employees Community members
We contribute to initiatives that aim to increase Rwandan citizens' financial security and increase the country's banked population.	• The Group sponsored the drilling of a borehole in order to bring permanent solution to water scarcity in Gahanda village, Nyanza district. • We also partnered with Living Water International – Rwanda, an INGO whose focus is providing communities with accessibility to improved WASH services—water access, sanitation, and hygiene.	

Natural Capital

Our commitment to decrease our emissions and optimally utilize our resources remains unwavering, as we continue to operate in line with SDG 13 (Climate Action) and steer our operations toward a digitized future. We also contribute to nationwide initiatives that promote environmental sustainability and the preservation of ecosystems against the effects of climate change.

Inputs	Outcomes	Stakeholders implicated
We have invested in energy conservation efforts, smart resource utilization, and effective waste disposal across our operations to decrease our environmental impact and greenhouse gas emissions.	• Switched to LED lighting across several areas of operation • Reduced paper usage due to increased digitization • Set up systems to lower our electricity use across our head office and branches • Disposed of all e-waste in line with local regulations	Governmental and non-governmental entities
We support and empower green initiatives across the country and provide funding to official programs that promote agroforestry, biodiversity, and improving farmers' livelihoods.	We pledged donations to the Agroforestry and Fruit Tree Planting project, implemented by Enterprise Multiservices (EMS) in the Rulindo district • Identified and suited AF sites of at least 250ha • Increased collaboration, cooperation, and ownership of the project implementation activities • Increased awareness on AF practice and benefits: 10 groups of farmers together with their local leaders sensitized on relevance of agroforestry • Enhanced capacity of community in tree seedling production in nursery and in tree planting • Production of 50,000 upper-storey trees, 50,000 AF shrubs, 5,000 fruit trees and 5,000 isombe trees • Increased number of agroforestry trees planted per hectare per targeted household • Good survival rate of planted AF trees (>80%) • 30 goats distributed to best performer farmers in maintaining planted trees • The sponsorship amount is FRw 25 million	

SUBSIDIARY PERFORMANCE

BK Group Plc's subsidiaries all witnessed remarkable growth throughout 2021, expanding both their reaches and customer bases.

Bank of Kigali Plc

Retail Banking

Bank of Kigali Plc provides essential everyday banking services that are tailored to meet the needs of the bank's clients across Rwanda and beyond. From basic consumer and vehicle loans to overdrafts and credit cards, as well as mortgage loans and asset-based financing, Bank of Kigali Plc provides an exceptional service offering that has allowed it to boast the largest retail client base in the Rwandan banking space. By leveraging its wide-spread network of branches, ATMs, and POS throughout the nation, as well as its innovative mobile banking platforms and channels, Bank of Kigali Plc has been able to cement its position as the leading provider of retail banking services and a key driving force in Rwanda's ever-growing bankable population.

Market Position (Rank)

1st

Loan Portfolio

105.5 FRw bn

Total Deposits

264.3 FRw bn

Retail Clients

361,595

ATMs

96

Branches

68

Agents

3,504

POS

2,723

> The bank is constantly innovating and establishing new products and services to attract new clientele and support Rwanda's financial inclusion strategy.

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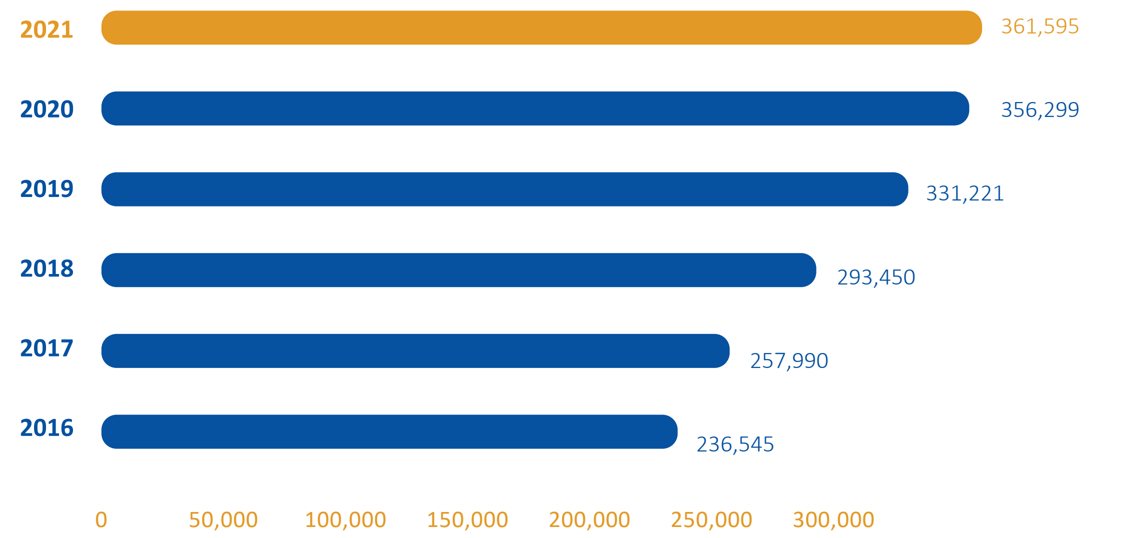
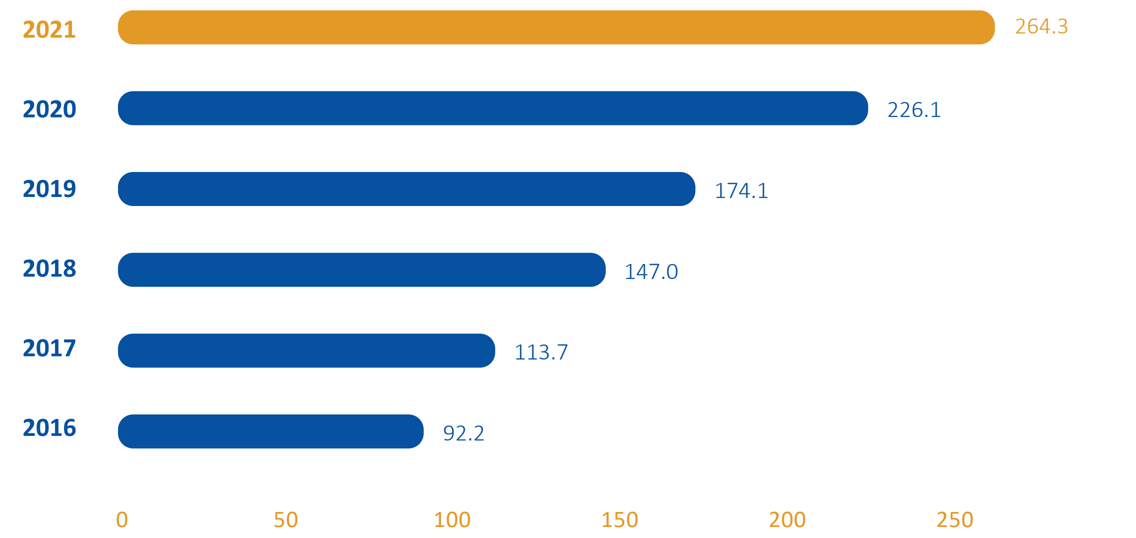
2021 Highlights

Bank of Kigali Plc's retail division is driven by a customer-centric philosophy that has supported its operations and stimulated demand for the bank's products and services. The bank is constantly innovating and establishing new products and services to attract new clientele and support Rwanda's financial inclusion strategy. During 2021, the retail division successfully added 5,296 clients to its base to reach 361,595.

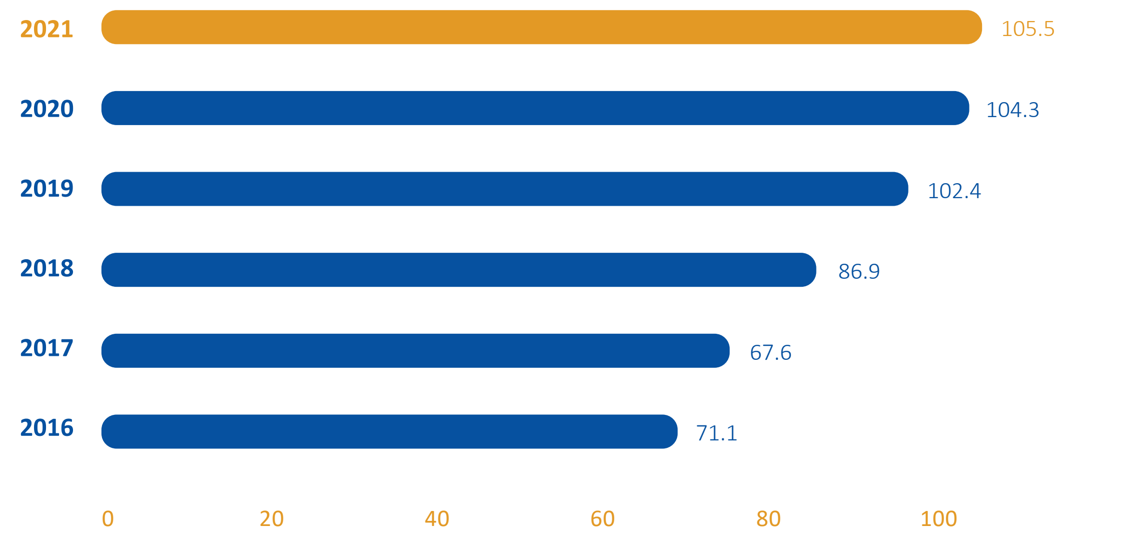
Retail Clients



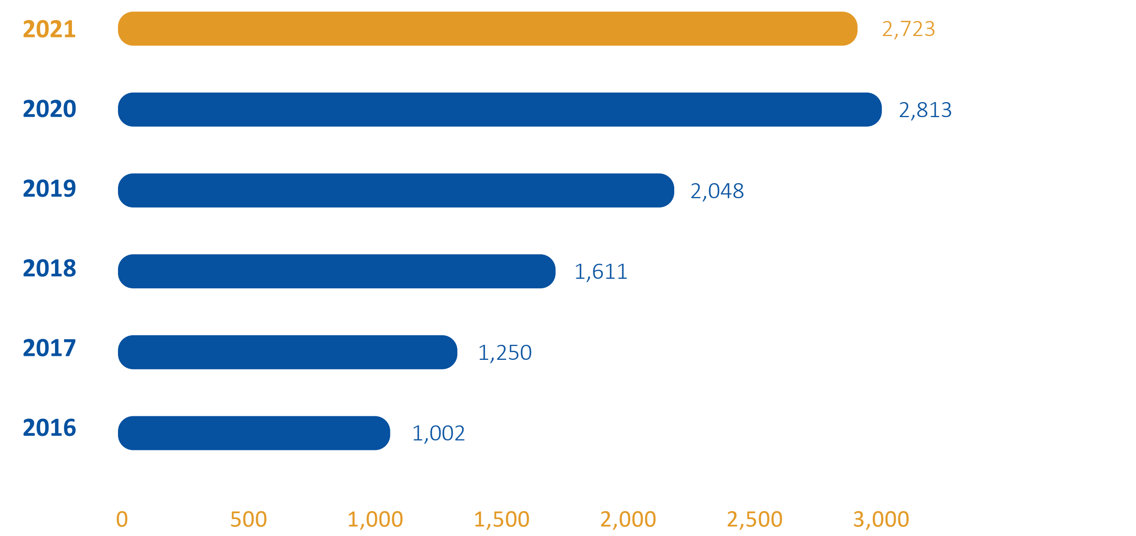
Retail Deposits



Retail Loan Portfolio (FRw bn)



POS



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Diversifying and Expanding Our Offering

During 2021, the bank launched the Affordable House Scheme with available funding for housing loans through its partnership with the Development Bank of Rwanda. Bank of Kigali Plc is committed to ensuring that all Rwandans can enjoy modern, decent houses in order to help the country reach its urbanization target of 35% by 2024. The Affordable House Scheme is provided at an interest rate of 11% per annum and is repayable for up to 20 years.

The bank also revamped its Diaspora Banking Offering in an effort to facilitate remittances and investments for Rwandans living abroad. The decision to expand this offering came in light of the difficulties posed for people in diaspora in the past couple of years when it comes to providing for their families at home. Through the Diaspora Banking Offering, the bank provides personalized banking solutions to Rwandans living abroad who want to save, invest, or send money back home. Diaspora clients are now able to fix dollars on the account and get a remuneration for it. They are also able to invest in the stock market and buy treasury bonds with assistance from BK Capital, a subsidiary of BK Group, along with access to mortgage loans in USD and FRw at discounted rates.

In a promotion aimed at promoting a cashless economy, Bank of Kigali awarded two clients with a motorbike as part of the Mu Munyenga na Mastercard campaign. Additionally, other customers were given weekly prizes of laptops, shopping vouchers, and cashbacks. The campaign with Mastercard is aimed at promoting more cashless payments through incentives. Those who make a single transaction worth FRw 25, 000 and above using their cards to shop online or pay through a POS were eligible to win different prizes.

Digital Banking

Bank of Kigali Plc offers an array of digital banking services that strategically positions its clients to execute everyday transactions through convenient and easy to use platforms. In 2021, the bank rolled out its new core banking system, completely upgraded to support the bank's digital transformation strategy. The new system, installed by the first-ranked company globally for banking systems and IT solutions, puts the bank at the forefront of digitization when it comes to the latest banking software. The upgrade enables clients to make transactions 24/7 in real time. It also has embedded controls to protect data and monitor all processes, allowing for optimized financial crime mitigation control that protects the bank against fraud and financial crimes. The new system also allows us to store all our client data in a single place, which facilitates customer experience by creating a centralized data base.

The bank also provides an innovative platform titled "IKOFI", which was launched in 2019 and aims to act as a universal wallet that offers digital financial solutions to all Rwandans. The product had an initial focus on Rwandan farmers, agro-dealers, and agri-businesses. The goal is to provide these key stakeholders in the agricultural ecosystem with a platform where they can easily be registered using their national identification cards or business certificates, begin transacting using e-money and establishing a financial track record with Bank of Kigali Plc.

IKOFI, was launched in 2019 to act as an integral component of Rwanda's financial inclusion strategy by paving the way to the formal banking sector for Rwandan farmers. The bank expanded the product in 2021 to encompass coffee farmers, allowing them to build a saving profile that enables them to access timely agriculture micro loans to purchase agricultural requirements, such as fertilizers, seeds, and other needs. The product also aids farmers in sending and receiving money with no transaction fees to anyone anywhere in the country through their phones. It also allows them to conveniently pay for other online services, including Irembo, RRA, WASAC, and others. The bank also launched a three-month campaign that awards weekly rewards to 10 farmers and monthly rewards to 10 agro-dealers who have used IKOFI wallet more than others during their daily transactions, such as paying for agro-inputs and other bill payments.

> "In 2021, the bank rolled out its new core banking system, completely upgraded to support the bank's digital transformation strategy.

The bank also introduced new, automated ATMs during the year with features that will ensure quick, quality service delivery and enhanced security. The new ATMs were manufactured by renowned ATM producer and vendor, Diebold Nixdorf, and they are the first of their kind to be deployed in Africa. The features of the new ATMs include a fingerprint option, which reduces theft risks, and a tap-and-go option that enables BK clients to tap on the machine to dispense cash, with no need for inserting the card into the card reader. The bank activated near-field communication (NFC) on the new ATMs to help people access the tap-and-go feature.

During 2021, the bank upgraded its Internet Banking platform with an intuitively designed interface that provides a better customer experience and the ability to perform new transactions, such as buying foreign currency and processing bulk payments. Customers can now self-register on the platform through a seamless online process. It provides enhanced security features, such as the time-based one-time password (TOTP) and our corporate customers have the ability to execute flexible and complex mandates. In the near future, customers will be able to make international funds transfers. Additionally, customers can continue to process transactions like bill/utility payments, funds and wallet transfers, bank statements, and much more.

Bank of Kigali Plc's digital platforms and channels acted as essential vehicles for clients across Rwanda to continue executing daily transactions and accessing the bank's services in a seamless and convenient manner while abiding by the national social distancing measures in 2020.

Outlook

The retail division at Bank of Kigali Plc aims to continue expanding its reach by consistently providing tailor-made services that best serve the needs of the Rwandan population and to align with the nation's national financial inclusion strategy. Going into 2022, the bank plans on building sufficient channel capacity to be able to service one million+ clients. This is to be achieved by placing our main focus on implementing and upgrading a comprehensive digital platform. There are 26 digital initiatives that are already in the pipeline for the next three years that will be centered around connectivity, automation, and advanced analytics.

Corporate Banking

Bank of Kigali Plc has established itself as the bank of choice to address the banking needs of large corporates, Small and Medium Enterprises (SMEs), and Non-Profit Organizations (NGOs) in Rwanda. For decades, Bank of Kigali Plc's corporate banking division has been providing exceptional services to a wide array of businesses and boasts a comprehensive corporate portfolio of 27,117 clients across a variety of industries. The division's services include loans that address CAPEX requirements, commercial mortgages, overdrafts, and working capital financing. Through its exceptional service offering, the bank has been able to build a successful loan portfolio, which stood at FRw 956.1 billion in 2021.

Diversified Lending Portfolio

Transport, Warehousing, and Communication	17.9%
Energy and Water	3.5%
Construction	8.2%
Hotels and Restaurants	18.4%
Mortgage, Lease, and Other Services	9.0%
Manufacturing Industries	3.9%
Commerce	14.9%
Education	1.0%
Health and Social Actions	0.6%
Collective, Social, and Personal Services	14.3%
Financial Intermediation	1.9%
Others	6.4%

Bank of Kigali Plc has cemented its position as Rwanda's go-to corporate bank, boasting stellar turnaround times and the highest single obligor limit across the country, enabling the bank to single-handedly finance large-scale projects that would traditionally require a syndication between a minimum of five corporate banks to accomplish. The corporate division's strategy is to continue leveraging the bank's cross-selling capabilities to provide an innovative service offering that is able to meet the growing and ever-changing demands of its clients.

2021 Highlights

Bank of Kigali Plc's corporate banking division delivered on its growth strategies throughout 2021. The division increased its corporate loans to FRw 956.1 billion. On the deposits front, deposits reached FRw 710.2 billion in 2021.

The division worked to promote the adoption and growth of digital cashless payments in Rwanda and the region by providing an e-commerce gateway to enable businesses to sell merchandise and services online. This product is aimed at bolstering business sales after the decline experienced in the past couple of years due to pandemic-related restrictions. This development is part and parcel of Bank of Kigali Plc's strategy of providing digital financial services and solutions that position its customers to unlock value.

Loan Book

956.1 FRw bn

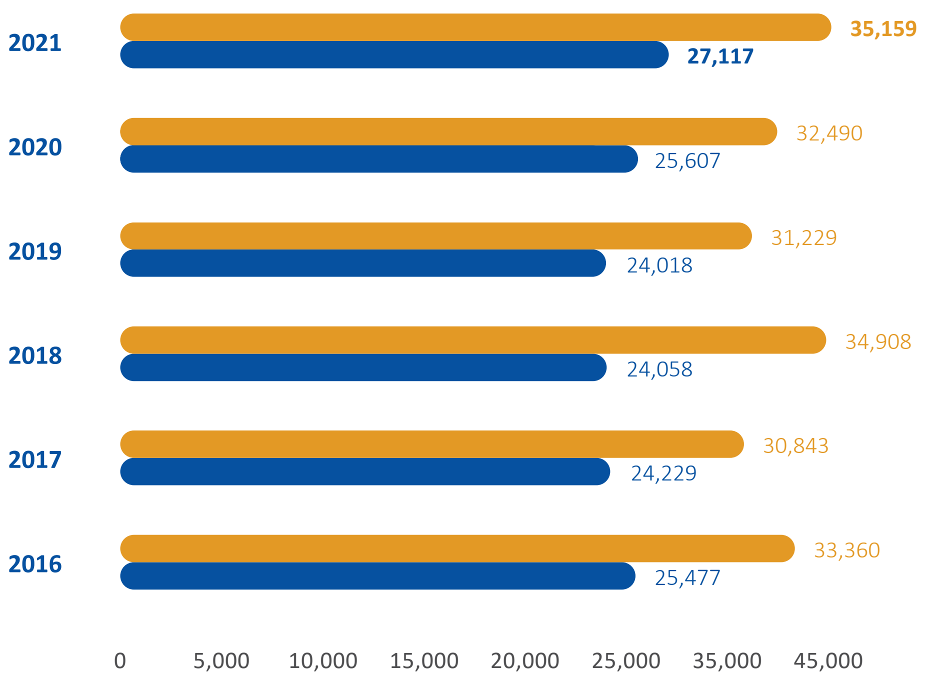
Total Deposits

710.2 FRw bn

Corporate Clients

27,117

Total Corporate Clients - Corporate Current Accounts



Outlook

The corporate banking division is continuously striving to introduce new products and services that position Bank of Kigali Plc to retain its existing pool of clients, attract new businesses, and grow its market share in the banking space. To that end, the division is aiming to leverage the bank's superior lending capacity and stellar team of professionals to continue offering tailored financial solutions in its efforts to grow the bank's client base, increase deposits, and expand the loan book.

SME Banking

SME Banking is an integral part of Bank of Kigali's comprehensive offering, and it forms the bedrock of its approach toward supporting the development and sustainability of the Rwandan economy. Bank of Kigali Plc's well-established presence in the banking and financial services space has allowed it to strategically position itself as the partner of choice for SMEs in Rwanda. By tailoring financing solutions that seamlessly address the dynamic needs of SMEs across the nation, Bank of Kigali Plc has been able to accumulate a comprehensive portfolio of FRw 131.3 billion in SME loans, which comprised 12.3% of Bank of Kigali Plc's loan portfolio in 2020.

SME Loan Portfolio

131.3 FRw bn

Contribution to Loan Portfolio

12.3%

SME Loan Portfolio (FRw bn)

2021	2020	2019	2018	2017
131.3	128.6	127.1	119.9	130.0

In order for Bank of Kigali Plc to ensure that it meets the ever-changing needs of SMEs, it has developed specific loan programs across four primary segments:

- **Segment 1 – Large SME**
  Offering financing above FRw 1 billion to businesses generating above FRw 6 billion in annual turnover.
- **Segment 2 – Medium SME**
  Offering financing up to FRw 1 billion to businesses generating between FRw 500 million and FRw 6 billion in annual turnover.
- **Segment 3 – Small**
  Offering financing up to FRw 1 billion to businesses generating between FRw 50 million and FRw 500 million in annual turnover.
- **Segment 4 – Micro**
  Offering financing up to FRw 5 million to businesses generating below FRw 50 million in annual turnover.

2021 Highlights

Bank of Kigali Plc's SME Loan portfolio reached FRw 131.3 billion in 2021 on the back of the bank's comprehensive offering and extensive efforts.

Outlook

Bank of Kigali Plc will remain steadfast in its efforts to support the nation's fast-growing SME sector and will continue developing financing solutions that best address the needs of the bank's SME clients. Bank of Kigali Plc recognizes the vital role SMEs play in Rwanda's economic prosperity and aims to align with the nation's overarching financial inclusion strategy. To that end, Bank of Kigali Plc will focus on expanding its comprehensive financial services offering, aimed at supporting the growth and sustainability of SMEs across Rwanda.

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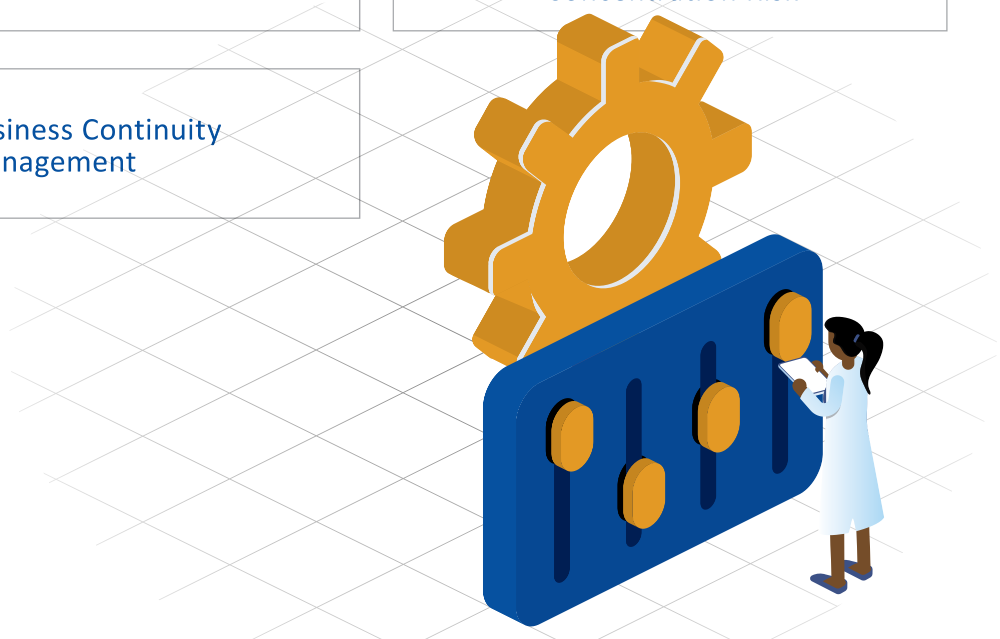
Our Controls

Bank of Kigali Plc's philosophy surrounding risk culture is anchored by an all-encompassing approach, which acknowledges that proper risk management is a company-wide responsibility and not that of a single team or committee. The company is actively engaging with employees at every managerial level across the bank's operations and business divisions to ensure that they are well-versed and comply with the company's risk management policies.

The bank boasts a comprehensive risk and compliance framework that complies with IFRS 9 and acts as the driving force behind the bank's ability to manage and balance financial and non-financial risks. The bank's risk management process is structured in a manner that allows its risk officers and mangers to accurately identify, measure, monitor, and control a variety of risks. Bank of Kigali Plc's risk management program is guided by a multitude of regulatory frameworks that cover a variety of areas, including:

- Risk Management
- Capital Requirements
- Corporate Governance
- Credit Classification and Provisioning
- Liquidity Requirements
- Management of Related Parties and Credit Concentration Risk
- Business Continuity Management



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Bank of Kigali Plc Board of Directors

Rod M. Reynolds
Independent Member

Regis Rugemanshuro
Non-Independent Member

Risper Alaro-Mukoto
Independent Member

Reuben Karemera
Non-Independent Member

Alline Kabbatende
Independent Member

William Juma Arogo
Independent Member

Eugene Ubalijoro
Independent Member

BK Insurance

An innovative insurance provider in Rwanda

BK Insurance was founded in 2015 to provide a comprehensive array of high-quality insurance services and products that meet the ever-changing needs of the company's stakeholders in Rwanda and beyond. The company offers a wide range of non-life insurance products for its clients, including coverage for automotive assets, transport, bonds, engineering and technological assets, personal assets, as well as group accident coverage.

2021 Highlights

BK Insurance achieved robust performance throughout 2021 and recorded a gross premium increase of 34.8% y-o-y to FRw 12.4 billion. The company also recorded an increase in total assets by 39% y-o-y to FRw 21.7 billion. Additionally, investment revenue grew 36% during the year and equity growth experienced a 40% rise.

BK Insurance Complied with All Key Prudential Ratios

Ratio	2021
Solvency Margin	174%
Claims Ratio	39%
Liquidity Ratio	158%
ROAE	32%
ROAA	15%

In the face of the difficulties posed by the COVID-19 pandemic, BK Insurance managed to perform well, surpassing their expected achievements for the year. The company successfully grew its revenues by 36% y-o-y and attained a 42% annual profit growth rate. Additionally, the implementation of the digital processes put in place in 2020 to help curb the effects of the pandemic successfully contributed to the overall efficiency of the company in 2021, especially as a convenient medium for the company's clients. As a result of its performance throughout the year, the company was awarded Best Annual Integrated Reporting in the Non-Banking Sector by ICPAR.

Expansions and Market Penetration

In 2021, BK Insurance continued to penetrate new markets and sectors by expanding its presence in the insurance space. The company effectively extended its sales agency network, boasting over 99 freelancing agents and 10 underwriting agencies that are widespread across Rwanda, providing 24/7 insurance services to the company's clients. In its efforts to diversify its

portfolio and increase its community outreach, BK Insurance began looking into underpenetrated markets. One example of this is the venturing of the company into the agriculture sector by providing crop and livestock insurance services to both individual farmers and cooperatives. BK Insurance also introduced insurance covers to expert emerging cash crops, such as chia seeds.

The company also entered into the aviation space through the offering of its insurance services to helicopters participating in tourism and leisure activities. Additionally, leveraging on the license obtained by banks to trade in bancassurance, BK Insurance widened its network to tap into this new distribution channel and increase its property class to neutralize the dominance of the motor sector in its portfolio. As a result, the Fire class of insurance increased by 97% y-o-y.

Business Continuity and Relationship Building

In its efforts to adopt efficient processes and execute effective business continuity schemes, BK Insurance embarked on digital insurance services and payment systems to ensure its flexibility and adaptability to market demands. The company successfully launched an online self-service portal where customers can apply for insurance offers with instantaneous feedback. BK Insurance strengthened its relationship throughout the year with insurance intermediaries to enhance its retail insurance portfolio. Fifteen different underwriting agencies across the country were contracted by the company, particularly those handling agriculture insurance (crop and livestock). In alignment with its policy of corporate social responsibility (CSR), BK Insurance engaged and established partnerships with sports and recreational associations in Rwanda through sponsoring a number of tournaments, including cycling. These collaborations worked to increase its visibility in the insurance sector and with varied communities of people.

Forward-Looking Strategy

BK Insurance enters into 2022 with the strategy necessary to achieve its goal of becoming the leading provider of innovative and high-quality insurance services in Rwanda. The company plans to focus on identifying further potential target markets to unlock value, advancing its bancassurance services for SME and retail clients, constantly tailoring relevant products that meet the evolving needs of the company's stakeholders, and enhancing BK Insurance's overall customer retention rate through a mix of effective marketing and an enhanced product and service offering.

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BK Insurance Board of Directors

Sandra Rwamushaija
Independent Member

Jack N. Kayonga
Independent Member

Patrice Bastide
Non-Independent Member

Shehzad Noordally
Independent Member

Nathalie Mpaka
Non-Independent Member

Yves Gatsimbanyi
Non-Independent Member

Jean Enoch Habiyambere
Independent Member

BK TecHouse

Overview

BK TecHouse, a strategic subsidiary under Bank of Kigali founded in 2016, is one of Rwanda's leading providers of innovative information technology services that empower customers and partners, allowing them to stay competitive in an ever-shifting landscape. BK TecHouse is dedicated to providing innovative software solutions and digital infrastructure services that solve complex business challenges for its clients and partners, with a specific focus on edutech, agritech, and fintech. BK TecHouse's honed focus on these verticals allow it to create bespoke, innovative solutions for the sectors, developing digital solutions to existing problems that foster business opportunities. BK TecHouse also provides broadband fiber optics for connectivity to homes and businesses and 4G services to stream music and videos on mobile devices. In terms of products, it provides smart solutions for homes and businesses that offer things like smart security features, cashless payments, and more.

2021 Highlights

BK TecHouse delivered exceptional service quality and product offerings to clients, employing state-of-the-art solutions inherent in its business model to do business digitally and adhere to health and safety protocols mandated by regulators as a result of the COVID-19 pandemic throughout the year. The company continued to empower customers through new creative software solutions and partnerships with key players in the different markets it operates in.

The company's premier offering in the edutech space is Urubuto, a school management system that serves schools, administrators, students, and parents, giving them access to academic performance, student behavior, attendance, and tuition fee management services through UrubutoPay. UrubutoPay was able to significantly increase the number of schools subscribed to their service, with a total of 444 onboarded schools. UrubutoPay completed a new integration and pilot (50 schools) with MINECOFIN School Data Management System (SDMS). This partnership will allow mass onboarding and digital payment enforcement for around 3,000 schools starting the 2022–2023 academic year. The system conducted 232,586 transactions with secondary schools in 2021, up from 111,621 in 2020, with total transactions worth FRw 17.3 billion, up from FRw 6.9 billion in 2020. The company also acquired a Payment Service Provider license from the Central Bank, allowing it to revamp and expand UrubutoPay to become a Universal Payment Gateway product serving different industries.

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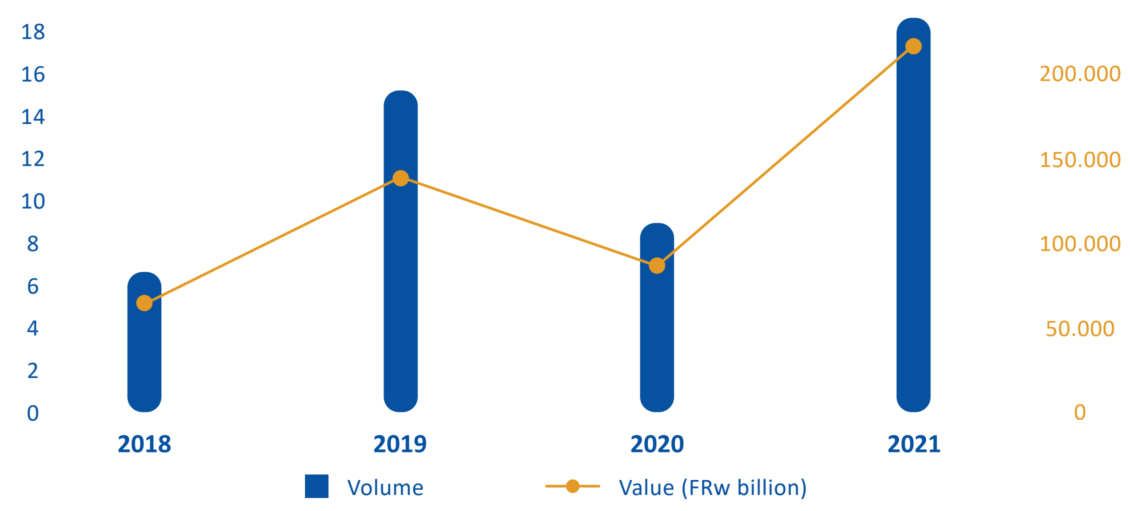
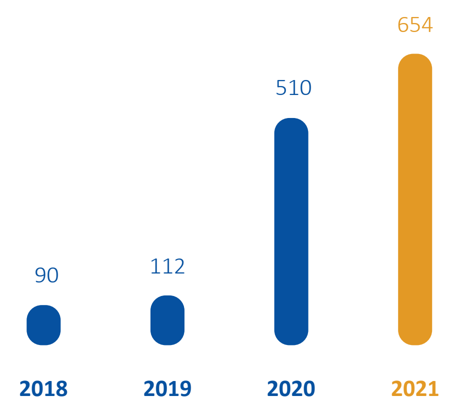
Total UrubutoPay Transactions

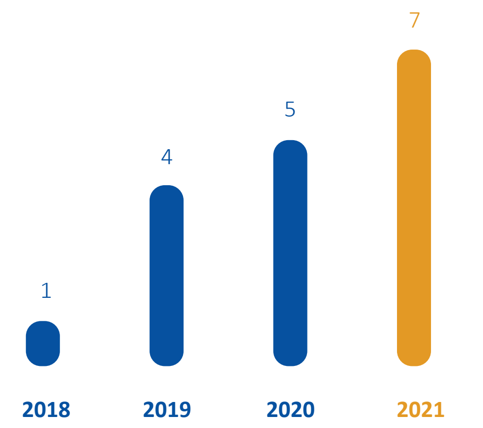


Strong Market Fundamentals in Rwanda

Secondary Schools



Higher Learning Institutions



On the agritech front, BK TecHouse and Rwanda's Agricultural Board worked to further their partnership to digitize Rwanda's agro-inputs subsidy program, entitled "Smart Nkunganire". The platform digitizes the supply chain of the program, including agro-input orders, purchases, subsidy disbursements, related payments between government agencies, smallholder farmers, agro-dealers, and participating partners. To date, the platform has 1.9 million registered farmers, over 1,500 agro-dealers, and 32 agro-input companies. It has more than 74,000 metric tons of agro-inputs ordered by agro-dealers, while transactions in 2021 reached FRw 45 billion. During the year, the platform completed a product growth roadmap that is currently underway, with the addition of financial inclusion, in partnership with the Bill and Melinda Gates Foundation.

Another agri-tech digital platform, The Smart Kungahara System (SKS), focuses on the coffee value chain, allowing for efficient record-keeping and digital payments. SKS has over 40,000 farmers subscribed with 318 coffee washing stations and 121 million coffee trees on record to date. SKS is now enforced by the National Agricultural Export Development (NAEB) as the official platform for input distribution and cherry collection.

In 2021, BK Techouse partnered with the Butare Diocese to complete a Catholic Management Information and Payment System for its almost 500,000 members. The platform is currently in the pilot stage with plans to expand across all Catholic dioceses in the country. Additionally, the company completed a naming rights partnership and technology assessment with Kigali Arena, with implementation currently underway to support payment collections for e-ticketing and arena consumer/merchant solutions.

Smart Nkunganire KPIs

Registered Unique Farmers

1.9 mn

Agro-Dealers

+1,500

Agro-Input Companies

32

Agro-Inputs Ordered by Agro-Dealers via SNS in 2021

+74,000 metric tons

Value of Transactions between Agro-dealers and suppliers in 2021

45 FRw bn

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Smart Kungahara System KPIs

Registered Unique Farmers

+400,000

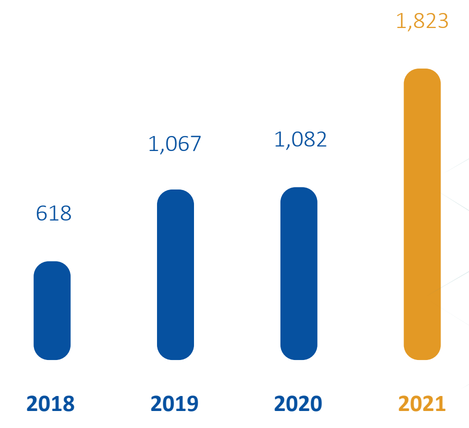
Coffee Washing Stations

318

Coffee Trees

121mn

Revenue Progression (FRw million)



Forward Looking Strategy

BK TecHouse's three-year strategy aims to scale up their existing subscriber base, improve the company's profitability through big data business by leveraging the company's existing digital platforms, and enhance internal governance to improve service quality and streamline cost management. Specifically, the company plans to design a business model that utilizes big data to monetize its digital offering through data access, software services, and data analytics to increase sales revenue by 25% to FRw 1.5 billion, with 40% of the total sales coming from digital platforms.

2022 will witness the company cementing its role in the sectors where it operates and grow its market presence and standing. Throughout the year, BK TecHouse will look to increase the number of users on its digital platforms, with an aim to scale up to 2.5 million total users by the end of the year. The company will also continue to improve the quality of its transactions and comply with QMS and ISMS standards in order to receive an ISO certification.

BK TecHouse Board of Directors

Sangwa Rwabuhihi
Independent Member

Nathalie Munyampenda
Non-Independent Member

Dr. Diane Karusisi
Non-Independent Member

Nathalie Mpaka
Non-Independent Member

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> The company continued to empower customers through new creative software solutions and partnerships with key players in the different markets it operates in.

BK Capital

Providing exceptional capital markets and wealth advisory services

BK Capital was founded in 2015 as a securities brokerage company that provides access to local, regional, and international markets for the company's diverse clientele. In 2019, BK Capital expanded its service offering and transformed into a fully-fledged investment and wealth advisory firm that offers a wide range of capital markets services. By leveraging the team's unmatched industry expertise, BK Capital aims to provide investors with bespoke solutions and insights that strategically position them to maximize the value unlocked from the opportunities at hand.

Investment and Wealth Management

BK Capital's Investment and Wealth Management division offers access to a wide spectrum of investment products, with global investment capabilities across a range of asset classes. The division also extends their services to clients seeking transactional, advisory, or discretionary services. BK Capital boasts competitive pricing and a transparent fee structure, utilizing an approach that offers a robust risk management mechanism that results in effective execution and settlement for the company's clients. Moreover, the company manages portfolios for affluent individuals; develops public and private investment schemes, including pensions and trust funds; and ensures compliance on regulatory requirements and reporting standards.

Corporate Finance Advisory

BK Capital's Corporate Finance and Advisory Services division is primarily responsible for providing tailored structured products and alternative financing solutions pertaining to a multitude of transactions in the capital markets space. The division's scope of work encompasses a wide breadth of areas, from capital budgeting and financial restructuring to valuations and deal advisory services in the M&A, equity capital market, and debt capital market spaces.

Securities Brokerage and Market Research

BK Capital is a licensed market intermediary and depository participant that offers securities brokerage and market research services through its comprehensive regional and global network of partnerships. From underwriting to registry and transfer agent services to advisory on tradition position, the company provides clients with a full range of service offerings. Its brokerage activities are supplemented by BK Capital's research team, which offer in-depth market research reports that provide local and regional macroeconomic insights, as well as analysis on publicly listed companies through equity reports. The company is the number one licensed fund manager in Rwanda, with approximately 18% of the market share on RSE trading on both bonds and equities.

2021 Highlights

BK Capital's performance witnessed significant growth in 2022. Revenue growth drove strong performance in Corporate Finance and Advisory Services and Fund Management, which contribute 36% and 32%, respectively. BK Capital's AUM surged 94.3% y-o-y to reach FRw 21.4 billion, primarily on the back of the Aguka Unit Trust Fund, which increased by FRw 9.1

> BK Capital posted a profit before tax of FRw 152 million in FY2021, coming in 32% higher than the previous year, driven by a 29% growth in operating income.

billion due to its solid product proposition and marketing. BK Capital posted a profit before tax of FRw 152 million in FY2021, coming in 32% higher than the previous year, driven by a 29% growth in operating income.

The Corporate Finance division continued to benefit from its expertise and network, the growth of capital markets, and synergies within BK Group. BK Capital executed the only two public listings in the country in 2021, which were the MTN Rwandcell Plc listing by introduction and Energeticotel's corporate bond issuance. BK Capital acted as lead transaction advisor on both mandates. Its performance throughout the year led to the recognition of BK Capital as the "Best Corporate Finance Advisory Company in Rwanda" by CFI Magazine.

In terms of the Investment and Wealth Management department, BK Capital finalized improvements to the fund administration system by offering its pension scheme to members, allowing for the delivery of self-service functions. The team also formalized partnerships with MCB Capital and a global custody platform to enable BK Capital to provide international investment options to clients.

Within the Brokerage business, BK Capital saw an increase in both bond and equity trading. Bonds recorded a turnover of FRw 11.3 billion in 2021 compared to FRw 8.2 billion in 2020. The equities market also expanded both in volume and value from 2.1 million shares to 6.4 million shares and from FRw 279 million to FRw 2.2 billion, respectively.

Outlook

BK Capital's strategy going into 2022 will be to continue positioning the company as the leading financial advisor and fund manager in Rwanda and a major player in capital markets in Eastern Africa, with aspirations to achieve an AUM of USD 50 million by 2023. We expect to continue to build and demonstrate our capabilities, create added value solution for our clients, and generate a track record of outperformance throughout the year. The business will also continue to institutionalize the best international practices and build an institutional knowledge base to help us grow in the face of unprecedented global developments.

BK Capital Board of Directors

Moses Kiiza
Independent Member

Umulinga Karangwa
Independent Member

Flora Nsinga
Non-Independent Member

Benjamin Mutimura
Non-Independent Member

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CREATING SHARED VALUE

BK Group Plc looks to maximize value for each one of our shareholders in all of our undertakings—be it our employees, clients, or communities.

Our People

In recognizing human capital as key to maintaining sustainable operations and integrated value creation, Bank of Kigali works to create a diverse, inclusive workforce that puts our people first. We recognize that it is through the unwavering commitment of the 1,171 men and women who work for us every day—be they at head offices or branches, subsidiary operations, or otherwise—that we as a group can continue to hold the leading position we do in the field. We work to continuously perfect our people management through a fastidious approach to employee satisfaction, talent acquisition, development, and processes that align with the UNGC's tenants of human rights, as well as Rwanda's overall push toward human capital development. Accordingly, we continuously work to train our people and enhance their skills.

An Employer of Choice

BK Group holds a leading position in the market as an employer of choice. With a focus on attracting and retaining high-caliber individuals, the Group offers top-class health and welfare benefits, in addition to regular trainings and programs. BK Group's competitive salaries and benefits, mentorship and coaching facilities, and career growth opportunities cement its attractiveness as an employer.

Given employee engagement and satisfaction are essential to achieving the bank's strategy and ensuring employee retention, periodic surveys are conducted. Any recommendations and issues that arise in such surveys are promptly addressed and resolved. These surveys have enabled the bank to maintain a high level of employee satisfaction, with the bank's employee retention rate at around 80%. The total turnover rate was at 8.52%, with 4.9% being male and 3.5% female. By age group, the turnover rate was at 1.9% for employees under 30, at 6% for 30–50 year old employees, and at 0.43% for employees who are 50 and older. In terms of parental leave, 66 employees took maternity leave and 49 took paternity leave.

In alignment with the UNGC's principles, BK Group also strives to drive equal opportunity within its workforce, with 50% of its workforce comprised of women of varying age groups and 35% in management and governance positions. Additionally, in light of Rwanda's efforts to integrate the UN SDGs into its development agenda, focusing on youth as a key driver of growth and requiring accelerated job creation, BK Group has worked to contribute to youth job creation, with nearly half the workforce being employees who are 35 years old and younger.

Employee Age Group and Gender Breakdown

AGE RANGE	NUMBER OF STAFF	GENDER	
		FEMALE	MALE
Under 25	36	21	15
25–30	171	54	117
31–35	369	168	201
36–40	384	184	200
41–45	131	59	72
46–50	52	29	23
Over 50	46	21	25
Total	1189	536	653

New Hires Age Group and Gender Breakdown

AGE RANGE	NUMBER OF STAFF	GENDER	
		FEMALE	MALE
Under 30	70	23	47
30–50	88	30	58

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Career Development Initiatives

BK Group offers employees a variety of opportunities to grow within the Group's subsidiaries through the provision of internal opportunities. The bank has an efficient and effective performance management framework in place, which guides employees through possible career progression paths.

Trainings are provided to employees in order to enhance their capabilities, bridge any gaps in competencies, provide them with a competitive end, and make them eligible for higher-level roles within the Group. The Group also conducts classroom trainings, in addition to providing professional courses, seminars, and workshops both within the country and abroad. This year, all employees received training to prepare them for the launch of the new core banking systems. Processes and procedures were shared through an e-learning platform, and certification programs were provided.

With the implementation of the new core banking system, more emphasis was placed on the T24 training on modules used by each user in the Bank. ERP training was also supplied to all employees for self-service activities, as well as GIEOM, which allowed IT simulations and process flow design for streamlining. The Group also sponsored ISO-related certification (CISA, ACCA, CPA, etc.) to upgrade talent management standards.

To enable existing employees to further advance their careers within the Group, a three-month Management Trainee Program is conducted twice a year. The program aims to better equip future managers and provide them with an overview of the bank's strategy. The program enhances their leadership capabilities to prepare them for business continuity.

Occupational Health and Safety

The occupational health and safety management system at BK Group was implemented to comply with both international standards (BCMS 22301:2019) and regulatory requirements, including labor regulations issued by the Ministry of Public Service and Labor and BNR regulations.

The Bank of Kigali has hired a Health and Safety Officer and a Clinic Officer as part of the occupational health and safety management system. The HR department appointed health and safety champions from each department to ensure the occupational health and safety of all BK employees. Specific trainings on health and safety have been provided to these champions to teach them to provide first aid support to any staff who might experience health issues, including testing and exercising on first aid support. Emergency evacuations were conducted in the first quarter of the year as part of the business continuity management system project.

The system aims at ensuring that workplaces meet the health, safety, and welfare needs of all members of staff, including those with disabilities and those who are not employees but have access and use the premises and can therefore be affected by its activities and undertakings. Hazard scenarios have been defined in disruptive incident scenarios, including earthquakes, fire outbreaks, and floods, as well as work-related incident scenarios. The persons who carry them out are regularly trained on the best practices. Consistent assessment is part of the procedure for the business continuity monitoring, measurement, analysis, and evaluation. For instance, health and safety tests are planned and executed on a regular basis to ensure resilience.

> We recognize that it is through the unwavering commitment of the 1,171 men and women who work for us every day that we as a group can continue to hold the leading position we do in the field.

The occupational health and safety management encourages workers to report all relevant incidents to the HR department, in accordance with available reporting lines and channels. The bank has put in place a health and safety recovery plan document that thoroughly outlines how workers can remove themselves from work situations that they believe could cause them injury or ill health, and they are regularly trained on such measures. Additionally, there is an incident response plan that describes processes used to investigate work-related incidents, including the processes to identify hazards and assess risks relating to the incidents, and regular training on the matter is provided.

The Group mitigates occupational health and safety risks by putting in place a dedicated framework (policies, procedures, resources, etc.) to proactively prevent any potential occupational health and safety risks and to ensure timely management whenever needed. It is the responsibility of the HR department, BCMS unit, Physical Security Unit, as well as all heads of departments to cater for all related health and safety concerns. Furthermore, the crisis management committee is also mandated to discuss and take actions on critical incidents, depending on the nature of the hazard.

Forward-Looking Strategy

As the Group continues to expand its footprint, both in terms of geography and scope, it becomes critical for the HR department to keep pace with these changes, refine its policies, and hone its programs to ensure that we continue to remain an employer of choice. As such, in the year to come, the department plans to reassess policies and frameworks in accordance with the new core banking system to ensure they appropriately support the Group's ever-evolving needs and drive value for employees. Specifically, the department plans to continue conducting regular employee surveys and keeping an open line of communication with all employees. The HR department's talent management unit will continue to focus on talent acquisition, learning, and development, continuing to offer key training and development programs that ensure staff is kept up to date with trends that will allow them to best serve our clients.

Our Clients

Customer-Centricity

Providing our clients with the best possible service is at the heart of everything we do at BK Group. We adopt effective processes that ensure that seamless, simple, and digital solutions are available for each segment of our customer base across the Group. We do not take our clients' trust lightly, which is why we place the greatest focus on safeguarding their best interest in every step in their journey with us through ethical, responsible, and inclusive practices.

Consumer Protection

BK Group is committed to our responsibility to protect our client's privacy and guarantee that integrity is at the forefront of every customer interaction. The Group's policy on consumer protection as a financial institution prioritizes the treatment of consumers in an ethical, honest, and non-discriminatory manner. The Group exercises due care, skill, and diligence with regard to the process of providing any consumer a financial service or offering.

BK Group has implemented a number of international security frameworks for consumer protection, including ISO 27001 ISMS and 22301 BCMS, which enforce the application of security controls and security solutions, including cybersecurity regulatory requirements. Additionally, the Group is employing Payment Card Industry Data Security Standard (PCI DSS) to ensure the protection of cardholder data. The Bank has additionally begun to execute the recently enacted personal data privacy law, Law No. 058/2021.

The Bank also protects against any anticipated threats and hazards to the security and integrity of customer information. The Bank, therefore, promises to protect against any unauthorized access to or use of customer information that might result in harm or inconvenience to any customer. The responsibility to protect the security, confidentiality, and privacy of our customers' information is a cornerstone of the Group's foundation.

Responsible Lending

BK Group has several processes in place that guarantee that our lending practices are responsible and adhere to global standards. In order to ensure this, the Group has an internal Credit Policy and Procedures Manual and Social and Environmental Management System (SEMS) that it adheres to. It also ensures compliance with laws, such as the law relating to financial service consumer protection, Law No. 017/2021. In addition, employees involved in credit assessment undergo training on responsible lending. When lending to corporations, the Group requires that the borrowing corporation provides an Environmental and Social Impact Assessment (EIA) report and certificate approved by the Rwanda Environment Management Agency (REMA). This applies to the projects that may have an impact on the environment, such as the construction of factories, power plants, etc.

In order to assess the social and environmental risks when lending to corporate clients, BK Group advocates and believes in working with partners such as the Rwanda Environment Management Authority (REMA) and Rwanda Development Board (RDB) in ensuring the preservation of the environment and the mitigation of social risks. The Group is currently in the process of developing tools for environmental and social

> BK Group is committed to our responsibility to protect our clients' privacy and guarantee that integrity is at the forefront of every customer interaction.

risk categorization and environmental impact assessments (EIA), monitoring, and evaluation. Meanwhile, it relies on the EIA reports approved by the partners whose scope includes the environment and social risks. While the Group is currently focusing on lending to businesses in renewable energy, there have been limited loans to non-renewables. For such lending, the associated risks are assessed at loan origination and further supervision missions to monitor key environmental indicators.

The Group assesses social risks when conducting the due diligence on credit proposals; during the appraisal, the borrower is required to have undertaken a social and environmental impact assessment. The Group also assesses the borrower's resource capacity (including human and financial resources) to mitigate adverse social impacts. BK Group has additionally participated in a green lending initiative in cooperation with the Development Bank of Rwanda (BRD). The Group also promotes sustainable investment to clients, which takes social, environmental, and corporate governance into consideration.

Financial Inclusion

We seek to assist the government of Rwanda in increasing the proportion of the country's banked population to 100% by 2024. In order to accomplish this, we have stepped into our role as a proponent of social development through a varied range of initiatives that help elevate the standards of people's lives in every aspect. The Group has worked to onboard the underbanked population into the formal banking system, nurture healthy savings and investment habits, and finance underserved businesses.

Under an agreement with Investing for Employment (IFE), a subsidiary of the German Development Bank, Bank of Kigali received 5.2 million Euros (about FRw 5.8 billion), funds that the institution said will be disbursed as grant support to Rwandan SMEs. The lender has approved and disbursed more than FRw 1.74 billion to SMEs in the form of interest relief and working capital as part of an effort to support the preservation of employment and jobs. At least 53 Bank of Kigali (BK) customers have received financial relief following the shock caused by the COVID-19 pandemic.

In an effort to support women in rural Rwanda, Bank of Kigali and Ndineza organization entered into a six-month partnership to train vulnerable rural women located in the Kamonyi and Muhanga districts in entrepreneurship skills, including savings, applying for small interest loans, bookkeeping, among others. Bank of Kigali dedicated financial support worth over FRw 46 million for the capacity building and financial inclusion of 200 trainees in the districts of Kamonyi and Muhanga.

Social Development

Overview

The BK Group Plc is Rwanda's leading commercial bank, and, as such, it is committed to the progress of the sustainability journey of the country. In the 2019 Rwanda Voluntary Review, Rwanda declared its commitment to uphold the tenants of the United Nations Global Compact (UNGC), with a concentrated focus on human capital development, economic growth, and climate change. Furthermore, Rwanda aligned its National Strategy for Transformation, Vision 2050, and other similar strategies with the UN's Sustainable Development Goals (SDGs) and the African Union Agenda 2063.

We believe that, as an organization, we are equipped with the capabilities and skills to help address some of Rwanda's most pressing societal issues. It is part and parcel of our strategy to contribute to our best ability to the welfare and development of our society. We are constantly adapting our corporate social responsibility (CSR) strategy to encompass every department in our Group, ensuring that we can deliver on our commitments.

We pride ourselves in our role in Rwanda's sustainability journey. Our CSR approach allows us to contribute to the progress of the country while driving the Group's performance and stability. We specifically seek to aid the country in achieving the four SDGs that we believe are central to its development, which are No Poverty (SDG 1), Good Health and Well-being (SDG 3), Quality Education (SDG 4), and Climate Action (SDG 13). As such, our strategy places focus on the most relevant and impactful projects. The projects we look to support are concerned with a variety of social issues, from eradicating poverty and malnutrition to championing environmental conservation, promoting gender equality and setting up homes for women and orphans, among other rural development projects.

To this end, the Group works diligently to ensure that social development projects and their respective activities receive the necessary funding. We achieve this through different channels that include donations, sponsorships, and partnerships with key sustainable development partners.

Education

People are the most fundamental cornerstone of the bank's success. We believe that it is our duty to support and hone the skills of potential candidates to increase their employment opportuni-

ties. To achieve this, we cooperate with local and international partners on a number of projects that promote education and enhance vocational skills, especially among youth and women.

Community Libraries in Gasabo

The Bank of Kigali partnered with the Umuhuza Organization, a non-governmental organization that aims to foster a culture of peace to officially established three community libraries in Rutunga sector in the Gasabo District. This event coincided with the annual celebration of National Literacy month in 2021.

Chevening Scholarship Program

The Bank of Kigali has renewed a three-year agreement with Foreign, Commonwealth and Development Office (FCDO), a department of the Government of the United Kingdom that pursues UK's interest in the world, to support students pursuing studies under the Chevening Scholarship Program. The program offers awards to outstanding scholars with leadership potential from around the world to study for a one-year master's degree at any accredited university in the UK. Under the terms of the agreement, Bank of Kigali committed to pay for three students in three years at £36,000 each. The amount will cover accommodation, tuition, transport, allowances, among other expenses.

University of Kigali Graduates

Bank of Kigali rewarded a total of FRw 3,000,000 to the three best performers from the University of Kigali. The first three students who graduated from the School of Business walked home with FRw 1,000,000 each, awarded by the Bank of Kigali. The reward money went straight into the winners' saving accounts in order to promote a savings culture among youth and encourage them to begin early.

BK Urumuri 5th Edition

Every year, Bank of Kigali and Inkomoko, a firm that works with micro, small, and medium enterprises, team up to support between five and eight entrepreneurs with up to FRw 25 million in interest-free loans coupled with business coaching through the BK Urumuri Initiative. In 2021, a group of ten entrepreneurs competed for interest-free loans in an intensified business pitch under the fifth BK Urumuri Initiative. In a span of two weeks, five winners were chosen to be equipped with business skills under Inkomoko's rigorous six-month accelerator program, as well as given access to finance. Since its inception, the BK Urumuri Initiative has fostered the growth of 125 entrepreneurs, with FRw 60,000,000 provided in interest-free loans.

Development

We seek to assist the government in increasing the proportion of the country's banked population to 100% by 2024. To achieve this, we have stepped into our role as a proponent of social development through a varied range of initiatives that help elevate the standards of people's lives in every aspect.

Connect Rwanda Challenge

In its drive to support the Connect Rwanda campaign, Bank of Kigali donated 1,070 smartphones to households in Gicumbi District. The Connect Rwanda campaign was launched in 2019 with the aim of providing smartphones to Rwandans who cannot afford them, especially in rural areas. Following the launch of the campaign, BK Group PLC pledged FRw 200 million that assures the purchase of 2,000 smartphones, including 1,500 smartphones given on behalf of the Group, and 500 smartphones from the bank's staff.

Partnership with Agahozo Shalom Youth Village

Bank of Kigali has entered a five-year partnership with Agahozo Shalom Youth Village (ASYV) to support the institution in delivering quality education to students. The partnership entails a donation of FRw 300 million each year from BK to Agahozo Shalom Youth Village to support its mission of transforming the lives of orphaned and vulnerable Rwandan youth through healing, education, and care.

Partnership with Ndineza Organization

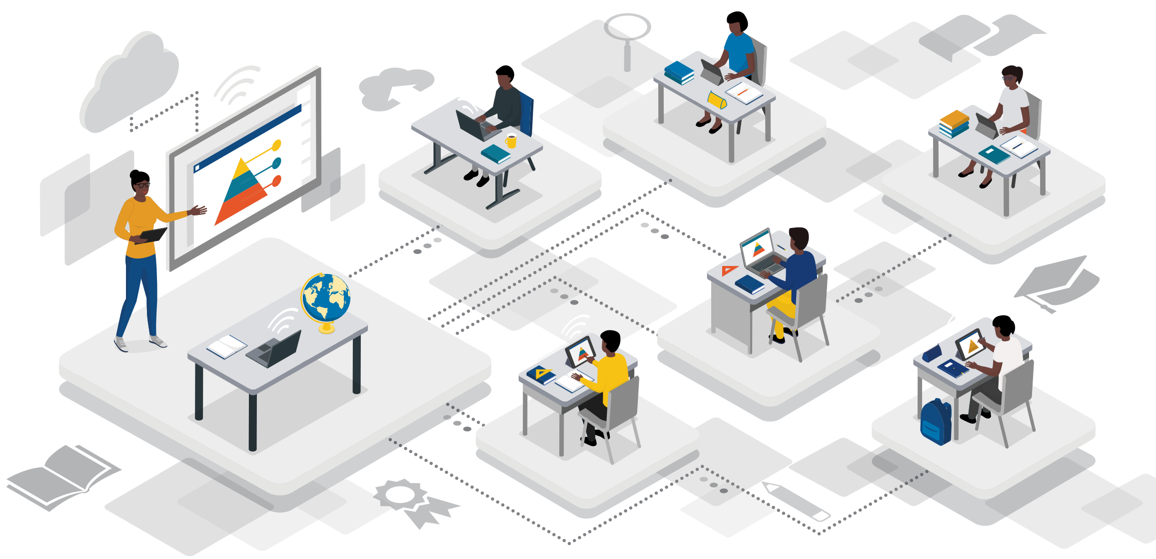
The COVID-19 pandemic has profoundly impacted rural women in Rwanda, with some of their agricultural activities completely collapsing and others damaged in the previous lockdowns. To support them, Bank of Kigali and Ndineza organization have entered a six-month partnership to train vulnerable rural women located in the Kamonyi and Muhanga districts in entrepreneurship skills, including savings, applying for small interest loans, bookkeeping, among others. Bank of Kigali dedicated financial support worth over FRw 46 million for the capacity building and financial inclusion of 200 trainees in the districts of Kamonyi and Muhanga.

Employment Grant

Under an agreement with Investing for Employment (IFE), a subsidiary of the German Development Bank, Bank of Kigali received 5.2 million Euros (about FRw 5.8 billion), funds that the institution said will be disbursed as grant support to Rwandan SMEs. The primary objective of this fund is to support qualified businesses with regard to maintaining employment following the shock brought about by the COVID-19 pandemic. At least 53 Bank of Kigali (BK) customers have received financial relief following the pandemic shock. The lender has approved and disbursed more than FRw 1.74 billion to SMEs in the form of interest relief and working capital as part of an effort to support the preservation of employment and jobs. Data from the Bank of Kigali indicates that a total of 2,072 employees have so far benefited from the grant.

Forward Looking Strategy

We have a strategy in place up to the year 2023 that is an extension of our efforts and activities in the education, health, poverty, and environmental spheres. It is our goal to continue on our mission to better the livelihoods of the Rwandan people by promoting sustainable development in alignment with the UN's SDGs and the shared aims of the government. We look forward to adopting additional initiatives and partnering with more stakeholders to deliver on this promise.



Our Environment

Bank of Kigali recognizes and accepts its responsibility to mitigate the impact its business has on the environment, and we are committed to the role we play in the nation's overarching strategy to preserve its environmental assets. We are keenly aware of the impact our operations have on the environment, both directly through the operation of our head offices, subsidiary operations, and branch network, and indirectly through our loan and financing operations. In line with our commitment to SDG 13: Climate Action, we continuously strive to measure and mitigate these impacts, looking to decrease our carbon footprint as a bank and setting up frameworks that will soon allow us to increase the boundary by which we measure our environmental impacts across the value chain. The Group ensures compliance with the national laws in force, in particular Law N°48/2018, which determines modalities for protecting, conserving, and promoting the environment.

Part of our environmental conservation efforts include moving toward a cashless banking approach through enhancing and expanding the provision of digital service channels, which greatly reduce our carbon footprint due to the lowered usage of paper for client services and resources, such as electricity and water consumption and waste emissions at brick-and-mortar branches. A large part of our internal processes also no longer uses paper, being replaced with digital and electronic means in terms of digital signatures and other facilitations.

At the same time, we have set up systems to lower our electricity use both at head offices and branches by integrating greener equipment and installing LED lighting in several parts of our operations. Additionally, we dispose of all e-waste in line with regulations set out by the Rwanda Utilities Regulatory Authority to ensure all waste is handled in an efficient and safe manner. In order to prevent waste generation in the Groups' own activities and upstream and downstream in its value chain, it has undertaken initiatives to decrease waste. We recycle construction materials—including aluminum partitions, glass, and MDF boards—from previously demolished buildings, which has not only managed waste but also significantly cut off on expenses.

We also work with local partners to launch activities that promote environmental sustainability, agroforestry, conservation of natural resources, and more. Bank of Kigali partnered with Enviroserve Rwanda Green Park (ERGP), a leading recycling company in Rwanda, to develop a circular economy approach and sustainable collection system of e-waste. We establish the proper collection, repair, and refurbishment of end-of-life electronic and electrical equipment into e-waste. We also partnered with Living Water International – Rwanda, an INGO whose focus is providing communities with accessibility to improved WASH services-water access, sanitation, and hygiene. The Group also sponsored the drilling of a borehole in order to bring a permanent solution to water scarcity in Gahanda village, Nyanza district.

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GOVERNANCE

The Group is fully committed to complying with the highest standards associated with banking and financial regulatory frameworks and policies.

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Anti-Corruption

Bank of Kigali Plc is fully committed to preventing corruption by maintaining ethical behavior among its staff, its customers, suppliers, contractors, other providers of our sourced activities, representatives, and agents.

Corruption has both financial and reputational cost, not only on the bank but the entire country. In this respect, the bank has a zero-tolerance policy toward actual or attempted bribery. In fighting corruption and in execution of the anti-corruption policy and in accordance with Law No. 54/2018 of 13/08/2018 on fighting against corruption, the Board of Directors of Bank of Kigali Plc approved the Anti-Corruption and Anti-Bribery Policy in November 2018 to guide the bank in this endeavor.

The policy is applicable to all bank employees, including senior managers, directors, and third-party service providers (suppliers, agents, and sponsors). The policy prohibits accepting, offering, paying, granting, or authorizing bribes. The policy clearly states that the bank's operations, including lending and staff engagement with stakeholders, should be conducted with utmost honesty and integrity and without use of corrupt practices. The policy prohibits offering or receiving bribes on behalf of Bank of Kigali to gain business advantage either in lending or deposit taking.

The policy sets out processes and mechanisms to fight corruption in Bank of Kigali, including the following:

Gifts and entertainment that a Bank of Kigali staff can offer or receive in a one-off event are limited to FRw 50,000 and to an annual cumulative value of FRw 200,000. The policy requires any other gift received outside the limit set to be reported to the Bank.

Risks

Incidences of corruption and other unethical behavior are taken into account in any assessment. Corruption cases are investigated as part of fraud investigations, which are conducted whenever a suspicious or detected act of fraud occurs.

Training

The anti-corruption initiatives, including the policy, have been approved by the Board of Directors of Bank of Kigali Plc. The policy is cascaded to the executive management, heads of departments, and 100% of the entire staff. All business partners, including suppliers and agents, have also been informed of our anti-corruption policy, and seven executive Committee members have been trained on anti-corruption.

There have been five incidents of corrupt practices in 2021, and all staff involved have had their contracts terminated. In regard to public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases, six cases involving three employees have been acquitted by the courts, while three have been given custody sentences but have appealed against the verdict.

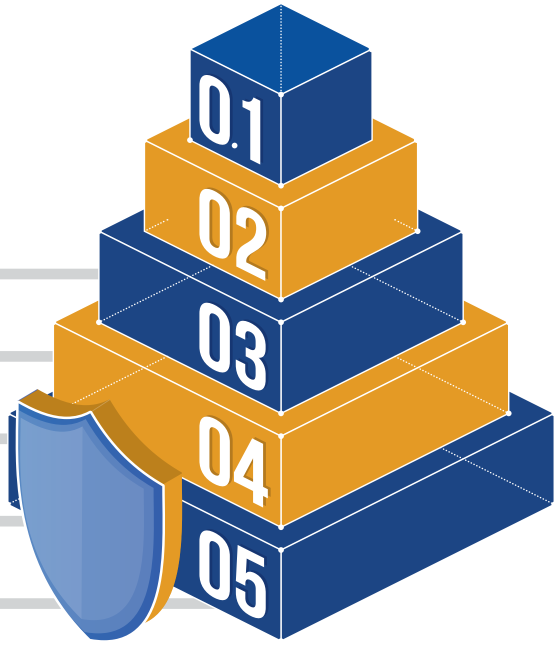
Risk Management

The Group's philosophy surrounding risk culture is anchored by an all-encompassing approach, which acknowledges that proper risk management is company-wide responsibility and not that of a single team or committee. The Group is actively engaging with employees at every managerial level across its operations and business divisions to ensure that they are well-versed and comply with the company's risk management policies.

The Group boasts a comprehensive risk and compliance framework that complies with IFRS 9 and acts as the driving force behind its ability to manage and balance financial and non-financial risks. Its risk management process is structured in a manner that allows its risk officers and mangers to accurately identify, measure, monitor, and control a variety of risks. The Group's risk management program is guided by a multitude of regulatory frameworks that cover a variety of areas, including:

- Risk Management
- Capital Requirements
- Corporate Governance
- Credit Classification and Provisioning
- Liquidity Requirements
- Management of Related Parties and Credit Concentration Risk
- Business Continuity Management

Our Five Lines of Defense



Level 1 – **Board Risk Committee**

Level 2 – **Chief Executive Officer**

Level 3 – **Chief Risk Officer**

Level 4 – **Risk, Internal Control, and Security Managers**

Level 5 – **Risk and Internal Control Officers**

The Group's operations are regulated by Rwanda's central bank, the National Bank of Rwanda (BNR). In its efforts to comply with and ensure proper alignment with the BNR's regulatory requirements, the Board of Directors established the Board Risk Committee (BRC). The BRC is responsible for overseeing the formulation of risk management policies and adherence to risk appetites in coordination with the Group's five lines of defense. Additionally, the BRC ensures that risk management policies are regularly updated to be in line with the Group's strategy, the BNR's regulatory requirements, and international best practices.

Risk Outline and Policies

Risks	Procedures and Measurements	Outcomes in 2021
Credit Risk	The bank has set in place policies and procedures, including credit approval matrices and a credit review system that utilizes standardized measures and ratios to monitor the health of the Group's portfolio.	The Group's policies and procedures have allowed the Group to maintain a healthy loan portfolio.
Market Risk	The bank manages market risk by monitoring currency risk and interest rate risk. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intraday positions, which are monitored daily. Moreover, hedging strategies are used to ensure that positions are maintained within the established limits.	Despite the impacts of COVID-19 on regional and global markets, the Group has continued to mitigate the adverse impacts from market fluctuations on its portfolio in 2020 and 2021.

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Risk Outline and Policies

Risks	Procedures and Measurements	Outcomes in 2021
Operational Risk	The bank has set in place an operational risk management program that manages behavioral risk, cyber risk, credit risk, and compliance risk. The bank utilizes the basic indicator approach to measure and maintain operational risks across the Group's divisions.	The bank implemented regular monitoring and reporting of its operational risk profile and continued to train its employees to prepare for any and all potential risks that may arise.
Concentration Risk	The bank uses a number of controls and measures to minimize undue concentration of exposure in the Group's two client segments. These include portfolio and counterparty limits, as well as approval and review controls.	The bank was able to successfully minimize concentration risk by maintaining a diverse loan portfolio.
Capital and Solvency Risk	The bank maintains an actively managed capital base to cover risks inherent in the businesses through its Asset-Liability Committee (ALCO). 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 bank was able to maintain a strong capital base and has maintained investor, creditor, and market confidence and successfully continued to sustain the future development of the business.
Funding Risk	The bank utilizes a multitude of ratios as essential indicators for the risks associated with project cashflows.	The bank has maintained an adequate level of liquidity and has been able to appropriately meet the business's funding demands.
Liquidity Risk	The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. 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 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.

Compliance

The Group is fully committed to complying with the highest standards associated with banking and financial regulatory frameworks and policies. It is constantly aiming to set the bar for sound and ethical businesses practices to ensure the best interest of the Group's stakeholders and align with international best practices. To that end, under the Internal Capital Adequacy Assessment Process (ICAAP) requirements set forth by the BNR, it has a standardized set of internal procedures and processes to ensure that it possesses adequate capital resources in the long term to cover all of its material risks.

Internal Capital Adequacy Assessment Process

The Board Risk Committee (BRC) is responsible for the development and maintenance of the ICAAP framework of the Group. Once the ICAAP report is prepared, it is presented by the Risk Management Department to the Management Risk Committee and its BRC, who then review the report and make recommendations for final approval by the Board. The ICAAP report is an essential component of the Group's ability to identify and measure significant risks to the Group's operations.

Tax Compliance

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.

The Bank complies with tax law to ensure automation is implemented in core banking to collect taxes automatically where applicable, and proper tax set-up is executed in ERP to ensure taxes are correctly captured during the payment process. Monthly tax returns are prepared by a tax accountant and reviewed by direct supervisors within the Finance department (Finance Manager, Head of Finance, and CFO), and the payment is completed within the specified timelines stipulated by tax law. The tax accountant fulfills tax health checks quarterly, and we engage external tax experts to review tax returns. Internal and external auditors review tax returns twice a year. We also engage tax authority directly in case guidance is needed or in case of the arising of any disputes regarding tax. The Group also uses Rwanda Banker's Association (RBA), BNR, MINECOFIN, and other tax practitioners, including professional audit firms, for collecting and considering the views and concerns of stakeholders, including external stakeholders.

Corporate Governance Framework

BK Group Plc places the principles of good governance practices at the core of its values and efforts to create and sustain shareholder value for each and every one of its stakeholders. As the country's leading private sector bank, it works continuously to ensure it upholds the highest ethical and legal standards and maintain transparency. In light of its commitment to safeguarding and improving shareholders' value through transparent best practices in line with local regulatory standards and international best practices, the bank's governance framework facilitates checks and balances and ensures the application of appropriate controls. The framework centers on authority, accountability, stewardship, leadership, direction, and control, and it ensures that the board and senior management's responsibilities and functions are clearly defined.

BK Group Plc Board

As of 31 December 2021, BK Group Plc's Board is comprised of four directors:

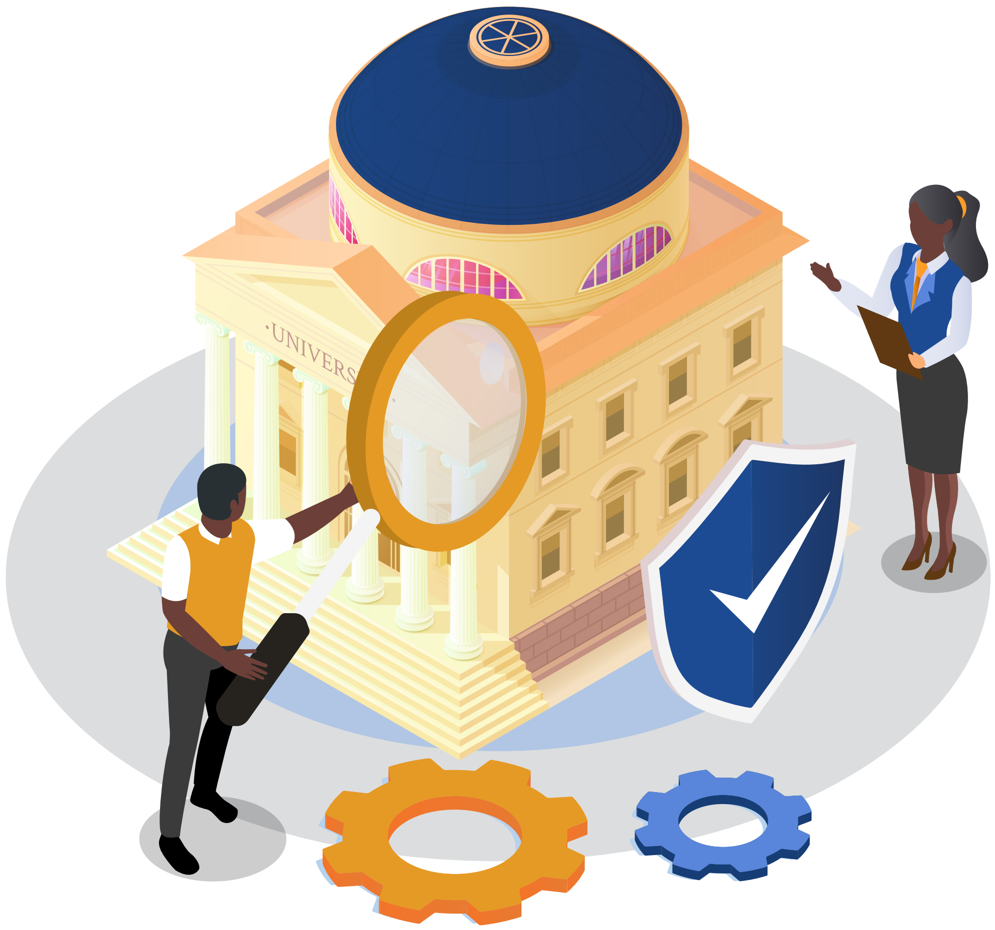
N◦	Names of the Director	Directorship type	Date of appointment
1	Marc Holtzman	Independent	6 February 2019
2	Gilbert Nyatanyi	Non-Independent	28 September 2021
3	Sonia Masimbi Kubwimana	Independent	15 November 2021
4	Darren Smith	Non-Independent	29 December 2021

BK Group Plc Remuneration Policy

The Reward, Recognition, and Retention Framework has been developed by the Group with the aim of providing a plan that supports a performance driven culture and increases employee productivity. The framework encompasses a transparent and consistent group-wide policy framework that enhances its ability to attract, retain, and motivate quality staff to achieve organizational goals.

Based also on global best practices regarding corporate governance of companies and for transparency purposes, the Group's annual remuneration report should form part of, or be annexed to, the company's annual report. It should be the main means through which the company reports to shareholders on all forms of remuneration and other payments and benefits, for directors and key management personnel, from itself and its subsidiaries.

Following Corporate Governance best practice on bonus process establishment, BK Group Plc bonuses are established after a detailed review of individuals' performance against targets set at the beginning of the year.



The bonus pool is set after reviewing the overall performance of the Group against the year's targets.

Finally, the Nomination and Remuneration Committee reviews and approves the Bank Executives compensation and bonuses.

The policies fall in line with the requirement of Law N° 007/2021 du 05/02/2021 Governing Companies in Rwanda, especially its article 164 on disclosure of remuneration and other benefits for directors and other employees under its paragraph five, which states that: "The company competent organ shall disclose to the shareholders the total compensation, including bonuses and incentive schemes, paid to each director, managing director, executive director, and any other officer or manager who has responsibility for management and operation of current activities of the company. Such disclosure must be made at least once annually and shall in any event be included in the notice inviting shareholders to each annual general meeting of shareholders."

Based on this, **BK Group Plc** provides full disclosure of each individual Group Board Member's remuneration and similar information is provided for the BK Group Plc Subsidiaries Chief Executive Officers/Managing Directors.

BK Group Plc Board

BK Group Plc Board Total Annual Remuneration in FRw'000

No	Name	2021	2020
1	Marc Holtzman (Chairman)	355,538	317,463
2	Lilian Kyatengwa*	2,810	22,775
3	Sonia Masimbi Kubwimana	5,000	-
4	Gilbert Nyatanyi	5,000	-
5	Darren Smith	5,494	-

*Lilian Kyatengwa was relieved of her duties as a member of the BK Group Board during the 2021 AGM, held on 16 June 2021.

BK Group Plc Subsidiaries CEO/MD Total Annual Remuneration in FRw'000

No	CEO/MD's Name	Subsidiary	2021	2020
1	Diane Karusisi	Bank of Kigali Plc	406,887	316,468
2	Alex Bahizi	BK General Insurance Ltd	173,254	133,272
3	Carine Umutoni	BK Capital Ltd	148,235	122,662
4	Jean Claude Munyangabo	BK TecHouse Ltd	132,743	66,475

Bank of Kigali Plc Board

Bank of Kigali Plc is governed by a Board of Directors elected by the bank's shareholders. The board is accountable to the shareholders for the overall group performance and is collectively responsible for the Group's long-term success. The board determines the Group's strategic objectives and policies to deliver long-term value, providing overall strategic direction within a framework of rewards, incentives, and controls. It ensures that management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives. The Board ensures that the Group effectively manages risks and monitors financial performance and reporting.

The board is currently structured with two non-independent directors and five independent directors, including the chairman. The board determines its size and composition, subject to the Group's Articles of Association, Board Charter, and applicable laws.

As of 31 December 2021, Bank of Kigali Plc Board is comprised of seven directors:

N◦	Director	Directorship type	Date of appointment
1	Rod Reynolds (Chairman)	Independent	6 February 2019
2	Regis Rugemanshuro (Vice Chairman)	Non-Independent	29 September 2020
3	Alline Akintore Kabbatende	Independent	11 September 2018
4	Risper Alaro Mukoto	Independent	11 February 2019
5	Reuben Karemera	Non-Independent	March 2014
6	William Juma Arogo	Independent	12 March 2020
7	Ubalijoro Eugene	Independent	25 November 2020

Board Operations and Control

The board's executive and non-executive directors act in accordance with the bank's Memorandum and Articles of Association to promote the success of the bank for the benefit of all stakeholders. The board is governed by and is in full compliance with the Rwanda Companies Act, Company's Memorandum and Articles of Association, Board Charter, and BNR Regulation on Corporate Governance for Banks, as well as any other relevant laws or regulations as enacted by the government or the regulator. In accordance with the Board Charter, directors are appointed by the bank's shareholders through the execution of a shareholders' resolution. The selection process of board directors adheres to a number of criteria, including, but not limited to, financial literacy, leadership qualities, technical skill, and diversity. As part of the bank's continued commitment to promoting diversity among its ranks, academic qualifications, technical expertise, relevant industry knowledge, experience, nationality, age, and gender are also taken into consideration. Executive and non-executive directors share the same responsibilities in relation to the bank.

The board is tasked with creating and delivering sustainable stakeholder value through determining the Group's strategic objectives and policies in order to deliver long-term value. The board also ensures that management strikes an appropriate balance between promoting long-term growth and delivering short-term objectives. As the decision-making body, the board's mandate includes the approval of quarterly, half-yearly, and yearly financial statements; significant changes in accounting policy and practice; the review of the Chief Executive Director's performance; the appointment or removal of directors and the company secretary; change in capital structure and major acquisitions, mergers, disposals, or capital expenditure; and the approval of dividends and the annual budget.

The board meets at least once per quarter, and all directors are expected to attend each meeting. Each member is required to attend at least 75% of the board meetings in any financial year. Members who fail to attend meetings as required are to resign. In 2021, the board held four meetings.

Board Committees

The board may establish committees and appoint their members as deemed necessary, with committees primarily serving to assist the board in the execution of its mandates. Any committee shall, in the exercise of its powers, conform to the regulations laid down by the board. Committee members are expected to attend each committee meeting.

The responsibility of the determination of committees' terms of reference lies with the board. The committees must render reports to the board at quarterly meetings. In accordance with these guidelines, the board currently has five committees under its purview, each with its own individual charters that govern its processes. Each committee meets regularly under well-defined and materially delegated terms of reference set by the board.

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Board and Committee Participation

Director	Directorship Type	Main Board	Audit Committee	Risk Committee	Credit Committee	Nomination and Remuneration Committee	IT Committee
Rod Michael Reynolds	Independent	Chairman	N/A	N/A	N/A	N/A	N/A
Regis Rugemanshuro	Non-Executive	Member		✓	✓		✓
Reuben Karemera	Non-Executive	Member	✓		✓	✓	
Alline Kabbatende	Independent	Member		✓			✓
Risper Alaro Mukoto	Independent	Member	✓			✓	
William Juma Arogo	Independent	Member		✓	✓		
Eugene Ubalijoro	Independent	Member	✓			✓	✓

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is tasked with setting and reviewing the oversight of strategic, people-related matters, including employee retention, equality, and diversity, as well as other significant employee relations matters.

Credit Committee

The Credit Committee is responsible for the approval of the bank's credit facilities. It reviews all credits granted by the Group and approves specific loans above the Management Credit Committee's authority limit, as may be defined from time to time by the board. The committee is also responsible for ensuring that the bank's internal control procedures in the area of risk assets remain high to safeguard the quality of the bank's risk assets. Given the volume of transactions that require Credit Committee approvals, instances may arise in which credits will need to be approved by members expeditiously between Credit Committee meetings. Such urgent credits are circulated among the members for consideration and approval, in accordance with a defined procedure that ensures that all members of the Committee receive full information on such credits.

Audit Committee

The Audit Committee must ensure the bank's compliance with all the relevant policies and procedures laid out by regulators and the Board of Directors. It is tasked with the approval of the internal auditors' annual audit plan, review and approval of the audit scope and plan of the external auditors, and review of the audit report on internal weaknesses observed by both the internal and external auditors. It must ascertain whether the bank's accounting and reporting policies comply with legal requirements and agreed ethical practices.

The committee also reviews the bank's annual and interim financial statements, including the effectiveness of the bank's disclosure controls, internal control, and areas of judgment involved in the compilation of the bank's results. It is responsible for the review of the integrity of the bank's financial reporting and must oversee the independence and objectivity of the external auditors. The committee shall have access to external auditors to seek explanations and additional information.

The Chairman of the Board does not have membership in the Audit Committee but may be invited to attend meetings as deemed necessary by the committee.

Board Risk Committee

The Board Risk Committee is responsible for the implementation of a sound risk management program to enable the effective identification, measurement, control, and monitoring of all risks affecting the bank, as well as an effective human resources and compensation structure, policies, and programs.

The committee must review and assess the integrity of the risk control systems and ensure the effective management of risk policies and strategies. It is tasked with setting out the nature, role, responsibility, and authority of the risk management function with the bank and outlining the scope of risk management work, including the Assets Liability Committee (ALCO) that is operational at the bank's management level. The committee discusses the risk strategies on an aggregated basis and by type of risk, and it presents recommendations to the board accordingly. Additionally, it reviews the bank's risk profiles at least annually and ensures management's implementation of processes to promote the bank's adherence to the approved risk policies.

The Risk Committee's mandate includes advising the board on the bank's overall current and future risk appetite, overseeing senior management's implementation of the Risk Appetite Statement, and reporting on the state of the bank's risk culture. The committee provides independent and objective oversight and review of the information presented by management on corporate accountability and specifically associated risk, taking account of risk concerns raised by management in the Audit Committee, and Asset and Liability Committee meetings on financial, business, and strategic risks.

Board IT Committee

The Board IT Committee is to oversee the IT Steering Committee and the implementation of the requirements set out in the relevant cyber security laws and regulations. Accordingly, it must investigate activities within this scope, seek information from any employee, and seek external experts whenever deemed necessary.

The committee must work in partnership with other board committees and senior management to provide input on, review, and amend the aligned corporate and IT strategies.

Company Secretary Mandate

As per the bank's Board Charter, the Company Secretary provides a point of reference and support for all directors and will consult regularly with directors to ensure that they receive required information. The board may obtain information from external sources, such as consultants and other advisers, if there is a need for outside expertise, via the Company Secretary or directly. The secretary advises members of the Board of Directors on their responsibilities and powers.

The Company Secretary is also responsible for assisting the Board and management in the implementation of this code, coordinating the orientation and training of new directors and the continuous education of all directors. This is in addition to assisting the Chairman and Chief Executive Director in formulating an annual Board Plan, along with the administration of other strategic issues at the Board level, organizing Board meetings, and ensuring that the minutes of the board meetings clearly and properly capture the board's discussions and decisions.

External Auditor

The audit or review by the external auditor provides a further level of protection of the integrity of the Group's 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 presenting a balanced and fair view of the financial position of the bank, the external auditor, Ernst and Young, 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 and is invited to meetings with the Audit Committee. The external auditor reports independently and directly to the board every quarter for interim results and at the end of year board meetings.

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BK TecHouse

Board Attendance

Director's Name	Category	Meetings Attended
Sangwa Rwabuhihi	Independent	4/4
Nathalie Munyampenda	Independent	4/4
Diane Karusisi	Non-independent	4/4
Nathalie Mpaka	Non-independent	4/4

Remuneration

	2021 (FRw)	2020 (FRw)
Sangwa Rwabuhihi	2,857,000	2,857,143
Nathalie Munyampenda	1,286,000	1,714,286
Diane Karusisi	1,143,000	571,429
Nathalie Mpaka	1,143,000	571,429
Total	**6,429,000**	**5,714,286**

BK General Insurance

Board Attendance

	Category	Meetings Attended
Sandra Rwamushaija	Independent Member	4/4
Jack N. Kayonga	Independent Member	4/4
Nathalie Mpaka	Non-Independent Member	4/4
Yves Gatsimbanyi	Non-Independent Member	4/4
Jean Enock Habiyambere	Independent Member	2/2
Shehzad Noordally	Independent Member	4/4
Patrice Bastide M.G.M	Non-Independent Member	3/4
Ephrem Turahirwa	Director (Retired)	1/1

Remuneration

	2021 (FRw)	2020 (FRw)
Sandra Rwamushaija	6,429,000	4,000,000
Nathalie Mpaka	7,429,000	4,800,000
Jack N. Kayonga	9,143,000	5,900,000
Yves Gatsimbanyi	7,429,000	4,400,000
Shehzad Noordally	8,000,000	4,700,000
Patrice Bastide M.G.M	6,847,000	2,850,000
Jean Enoch Habiyambere	8,000,000	3,100,000
Total	**53,276,000**	**30,700,000**

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BK Capital

Board Attendance

	Category	Meetings Attended
Moses Kiiza	Independent	4/4
Umulinga Karangwa	Independent	4/4
Flora Nsinga	Non-independent	4/4
Benjamin Mutimura	Non-independent	3/4

Remuneration

	2021 (FRw)	2020 (FRw)
Moses Kiiza	2,857,000	2,857,148
Umulinga Karangwa	1,714,000	1,714,284
Flora Nsinga	1,714,000	1,714,284
Benjamin Mutijima	1,714,000	1,285,713
Total	**8,000,000**	**7,571,429**

FINANCIAL STATEMENTS

BK GROUP PLC AND ITS SUBSIDIARIES
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

DIRECTORS

Non-Executive and Independent Directors

Marc Holtzman (Chairman)	
Sonia Kubwimana-	Appointed on June 16, 2021
Hortense Mudenge-	Appointed on June 16, 2021
Regis Rugemanshuro-	Resigned on June 16, 2021
Lilian Kyatengwa-	Resigned on June 16, 2021
Reuben Karemera-	Resigned on June 16 ,2021
Alline Akintore Kabbatende-	Resigned on June 16 ,2021

Non-Executive and Non-Independent Directors

Gilbert Nyatanyi	Appointed on June 16 ,2021
Darren Smith	Appointed on June 16, 2021

Chief Executive Officer

Dr. Diane Karusisi (CEO)

Secretary

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

Auditor

Ernst & Young Rwanda Limited
Certified Public Accountants
M-Peace Plaza Executive Wing 6TH Floor
KN 4 Avenue 72st
PO Box 3638
Kigali - Rwanda

Registered office & principal place of business

BK GROUP PLC AND ITS SUBSIDIARIES Building
KN4 Ave No 12, Plot No 790
P.O Box 175
Kigali-Rwanda

Advocates

Emmanuel Rukangira
P.O Box 3270
Kigali-Rwanda

Athanase Rutabingwa
P.O Box 6886
Kigali-Rwanda

BK GROUP PLC AND ITS SUBSIDIARIES
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors have the pleasure of submitting their report together with the audited consolidated financial statements for the year ended 31 December 2021 which disclose the state of affairs of BK Group Plc.

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 128.

3 Dividends

Following the Central Bank guidance on dividend distribution, Directors recommend dividend payment for the year 2021 FRw 25,947,485,223 (2020 was nil) for ordinary shareholders.

4 Reserves

The reserves of BK GROUP PLC AND ITS SUBSIDIARIES are set out in note 36.

5 Directors

The Directors who served during the year and up to the date of this report are set out on page 120.

6 Auditors

The Group's auditor, Ernst & Young Rwanda Limited was appointed in the current year as auditor in line with regulation issued by the Central bank and has expressed willingness to continue office.

7 Approval of the financial statements

The consolidated financial statements which appears on pages 128 to 131 were authorised for issue by the Directors on 31 March 2022. The directors have the power to amend and reissue the financial statements.

By order of the board

Emmanuel Nkusi
Company Secretary

Date: 31 March 2022

BK GROUP PLC AND ITS SUBSIDIARIES
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021, 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. 007/202021 of 05/02/2021 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 safeguarding 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. 007/2021of 05/02/2021 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 2021.

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.007/2021of 05/02/2021 Governing Companies.

The consolidated financial statements which appear on pages 128 to 131 were approved by the Board of Directors on 31 March 2022 and signed on its behalf by:

Director

Director

Chief Executive Officer

BK GROUP PLC AND ITS SUBSIDIARIES
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

The Board of Directors

The Board is made up of four Non-Executive and Independent Directors, one Non-Executive and Non-Independent Director. The Board is provided with full, appropriate and timely information to enable them to maintain full and effective control over the strategic, financial, operational and compliance issues of the Group. The day to day running of the business of the Group is delegated to the Chief Executive Officer but the Board is responsible for establishing and maintaining the Group's system of internal controls so that the objective of profitable and sustainable growth and shareholders' values are realised. The Board also makes recommendations to the shareholders on Board succession planning and annual financial statements.

Board Meetings

The Board of Directors meet quarterly or as required in order to monitor the implementation of the Group's planned strategy, review it in conjunction with its financial performance and approves issues of strategic nature. Specific reviews are also undertaken on operational issues and future planning. At the end of each financial year, the Board reviews itself, Board Committees, Senior Management and the Chief Executive Officer against targets agreed at the beginning of the year. The Board held four meetings during the year.

Board attendance

The following table gives the record of attendance of the directors of the board and for the Financial Year 2021.

Structure	Category	BK Group
Marc Holtzman	Independent	4/4
Lilian Kyatengwa	Independent	1/4
Reuben Karemera	Independent	2/4
Gilbert Nyatanyi	Non- Independent	2/4
Sonia Masimbi Kubwimana	Independent	2/4
Regis Rugemanshuro	Non- Independent	2/4
Darren Smith	Non- Independent	1/4

Management committees

The Board has delegated the management of the business to the Chief Executive Officer of each subsidiary together with their respective Management Committees. The following management committees are in place at the subsidiary level to ensure that the Group carries out its obligation efficiently and effectively.

Bank of Kigali Plc	BK General Insurance Ltd	Other subsidiaries
Management Committee	Management Committee	Management Committee
Assets and Liability Committee	Assets, Liabilities and Investments Committee	Audit Committee
Credit Committee	Risk and Compliance Committee	
Debt Recovery Committee	Remuneration and Compensation Committee	
Human Resource Committee		
Product Development Committee		
Information & Communication Technology Committee		
Procurement Committee		
Branch Expansion Committee		

Report of the independent auditor to the shareholders of BK Group Plc

Report on the audit of the financial statements

Opinion

We have audited the consolidated financial statements of BK GROUP PLC AND ITS SUBSIDIARIES and its subsidiaries ('the group') set out on pages 128 to 131, which comprise of the consolidated statements of financial position as at 31 December 2021, and the consolidated statements of profit or loss and other comprehensive income , the consolidated changes in equity and the consolidated statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the group as at 31 December 2021, and its consolidated financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 are independent of the group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of BK GROUP PLC AND ITS SUBSIDIARIES. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of BK GROUP PLC AND ITS SUBSIDIARIES. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Report on the audit of the financial statements (continued)

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the Consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter **IFRS 9. Expected Credit Losses**	**How the matter was addressed in our audit**
IFRS 9 requires the Bank to recognise expected credit losses ("ECL") on financial instruments which involves significant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Bank's implementation of IFRS 9 are: • Economic scenarios – IFRS 9 requires the Bank to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. Significant management judgment is applied to determining the economic scenarios used and the probability weightings applied. • Significant increase in credit risk ("SICR") – for the logistic model the criteria selected to identify a significant increase in credit risk is a key area of judgement within the Bank's ECL calculation as these criteria determine whether a 12 month or lifetime provision is recorded. • Model estimations – inherently judgemental modelling is used to estimate ECL which involves determining probabilities of default ("PD"), loss given default ("LGD"), and exposures at default ("EAD"). The PD models used are akey drivers of the Bank's ECL results and are therefore the most significant judgemental aspect of the Bank's ECL modelling approach. • Qualitative adjustments – adjustments to the model driven ECL results are raised by management to address known impairment model limitations or emerging trends. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts. The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers to be a key audit matter due to the high degree of estimation uncertainty and significant management judgement involved in determination of ECL.	Our audit procedures in this area included, among others: • Performing end to end process walkthroughs to identify the key systems, applications and controls used in the ECL processes. • Assessed the appropriateness of the Bank's methodology for determining the economic scenarios used. • Assessed managements' forecast and forecast narrative against available market data and our independent judgement • On a sample basis, testing the key inputs and assumptions impacting ECL calculations to assess the reasonableness of economic forecasts, weights, and PD assumptions applied including key aspects of the Bank's SICR determinations and assessing model predictions against actual results; and • Evaluating on a sample basis the post model adjustments, considering the size and complexity of management overlays, in order to assess the reasonableness of the adjustments by challenging key assumptions, inspecting the calculation methodology and tracing a sample back to source data. • Assessing whether the disclosures appropriately disclose and address the uncertainty which exists when determining the expected credit losses and the key judgements and assumptions made was sufficiently clear. • Challenged management and macroeconomic adjustments or justification of lack thereof. • Re-performed credit loss provisioning computation to test for accuracy • Reviewed security dockets to confirm existence and valuation of collaterals • Obtained and tested the data supporting assumptions relating to haircuts, CCF and time to realization for completeness, accuracy, and reasonableness • Obtained evidence that deteriorated loans are discussed and risk rating approved in the appropriate committees • Engaged our FAAS and quantitative specialist teams to evaluate the reasonableness of macroeconomic scenarios used in the adjustments of PDs

Report on the audit of the financial statements (continued)

Other information

The directors are responsible for the other information. The other information includes the Directors' Report as required by the Law No. 007/2021 of 05/02/2021 governing companies. The other information does not include the financial statements and our auditor's report thereon.

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

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

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

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, de
- sign 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 Company's internal control.

Report on the audit of the financial statements (continued)

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

We communicate with those charged with governance 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.

Report on other legal and regulatory requirements

As required by the Law No. 007/2021 of 05/02/2021 governing Companies,

We confirm that:

i) We have no relationship, interests and debts in the Group.
ii) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
iii) In our opinion, proper books of account have been kept by the Group, so far as appears from our examination of those books.
iv) We have communicated to you through the management letter, internal control weaknesses identified in the course of our audit including our recommendations with regard to those matters.

Stephen K Sang
For Ernst & Young Rwanda Limited

9 June 2022

Consolidated statement of profit or loss and other comprehensive income

	Note	31 December 2021 FRw'000	31 December 2020 FRw'000
Interest revenue calculated using the effective interest method	7	176,572,535	145,491,017
Interest expense calculated using the effective interest method	8	(40,301,177)	(32,697,702)
Net interest income		**136,271,358**	**112,793,315**
Net fees and commission income	9	19,859,425	12,796,749
Foreign exchange related income	10	11,779,561	9,924,689
Gross insurance premiums	11	10,140,525	8,460,697
Other operating income	12	2,170,394	251,793
Operating income before impairment losses and claims		**180,221,263**	**144,227,243**
Credit impairment losses loans and investments	13	(34,068,752)	(37,128,906)
Premium ceded to reinsurance	11	(2,694,984)	(1,647,235)
Insurance benefits and claims paid	14	(3,359,441)	(2,982,619)
Net operating income		**140,098,086**	**102,468,483**
Employee benefits expense	15(i)	(31,333,019)	(23,232,754)
Depreciation and amortisation	15(ii)	(6,543,090)	(3,699,376)
Administration and general expenses	15(iii)	(25,153,532)	(18,241,423)
Total operating expenses		**(63,029,641)**	**(45,173,553)**
Operating profit		**77,068,445**	**57,294,930**
Finance costs	15(iv)	(187,777)	(228,644)
Profit before income tax		**76,880,668**	**57,066,286**
Income tax expense	16	(24,985,698)	(18,632,997)
Profit for the year		**51,894,970**	**38,433,289**
Comprehensive income			
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss			
-Revaluation surplus		-	99,845
Total comprehensive income for the year		**51,894,970**	**38,533,134**
Attributable to:			
Equity holders of the parent		**51,077,753**	**38,011,181**
Non-controlling interests		**817,217**	**521,953**
Basic and diluted earnings per share in FRw	18	**57.4**	**42.6**

The notes set out on pages 132 to 222 form an integral part of these financial statements.

Consolidated statement of financial position

Assets	Note	31 December 2021 FRw'000	31 December 2020 FRw'000
Cash in hand	19 (a)	21,723,165	21,152,662
Balances with the National Bank of Rwanda	19 (b)	231,758,146	101,621,779
Due from banks	20	77,839,613	107,102,581
Investment securities at amortized cost	21 (a)	164,115,134	142,021,914
Investment in corporate bond	21 (b)	12,703,795	12,166,178
Investment in specialized fund	21 (c)	7,814,784	1,216,854
Loans and advances to customers	22(a)	990,267,321	851,099,810
Insurance receivables	23	6,517,668	2,742,765
Other assets	24	25,810,132	17,605,631
Deferred income tax	25	9,546,653	6,102,616
Right of use assets	26	1,659,359	2,489,038
Assets classified as held for sale	27	734,678	734,678
Property and equipment	28(i)	29,608,750	29,483,594
Intangible assets	28(ii)	10,273,785	8,464,386
Total assets		**1,590,372,983**	**1,304,004,486**
Liabilities			
Due to banks	29	190,223,687	130,557,930
Deposits and balances from customers	30	974,494,626	790,811,261
Current income tax	17	10,013,864	3,276,474
Dividends payable	31	26,928,781	13,286,327
Insurance liabilities	32	9,445,233	6,713,188
Other liabilities	33	35,470,426	32,404,493
Lease liabilities	34	2,069,256	2,669,914
Long-term finance	35	56,026,996	64,940,879
Total liabilities		**1,304,672,869**	**1,044,660,466**
Capital and reserves			
Share capital	36 (i)	9,045,474	9,045,474
Share premium	36 (ii)	76,573,491	76,573,491
Revaluation reserves	36(iii)	13,099,994	13,099,994
Statutory reserves	36(v)	2,321,973	2,279,052
Retained earnings	36(iv)	181,990,759	156,494,803
Equity attributable to the owners of the parent		**283,031,691**	**257,492,814**
Non-controlling interests		2,668,423	1,851,206
Total equity		**285,700,114**	**259,344,020**
Total liabilities and equity		**1,590,372,983**	**1,304,004,486**

The notes set out on pages 132 to 222 form an integral part of these financial statements.

Consolidated statement of changes in equity

BK Group Plc	Note	Issued capital FRw'000	Share premium FRw'000	Revaluation FRw'000	Statutory reserves FRw'000	Retained earnings FRw'000	Non-controlling interests FRw'000	Total FRw'000
As at 1 January 2021		9,045,474	76,573,491	13,099,994	2,279,052	156,494,803	1,851,206	259,344,020
Comprehensive Income								
Profit for the year						51,077,753	817,217	51,894,970
Transfer to statutory reserve					42,921	(42,921)		-
Statutory credit risk reserves								
Transaction with owners:								
Dividend re-investment plan						(25,538,876)		(25,538,876)
Accrued dividends 2021								
As at 31 December 2021		**9,045,474**	**76,573,491**	**13,099,994**	**2,321,973**	**181,990,759**	**2,668,423**	**285,700,114**

BK Group Plc	Note	Issued capital FRw'000	Share premium FRw'000	Revaluation FRw'000	Statutory reserves FRw'000	Retained earnings FRw'000	Non-controlling interests FRw'000	Total FRw'000
As at 1 January 2020		9,045,474	76,573,491	13,000,149	-	120,862,519	1,329,253	220,810,886
Comprehensive income:								
Profit for the year		-	-	-	-	37,911,336	521,953	38,433,289
Revaluation surplus		-	-	99,845	-	-	-	99,845
Statutory credit risk reserves		-	-	-	2,279,052	(2,279,052)	-	-
Transaction with owners:								
Dividend re-investment plan	37(ii)	-	-	-	-	-	-	-
Dividends paid/declared	32	-	-	-	-	-	-	-
As at 31 December 2020		**9,045,474**	**76,573,491**	**13,099,994**	**2,279,052**	**156,494,803**	**1,851,206**	**259,344,020**

The notes set out on pages 132 to 222 form an integral part of these financial statements.

Consolidated statement of cashflows

Cash flows from operating activities	Note	31 December 2021 FRw'000	31 December 2020 FRw'000
Profit before income tax		**76,880,668**	**57,066,286**
Adjusted for:			
Depreciation of property and equipment	28(i)	3,708,361	1,490,354
Amortization of intangible assets	28(ii)	1,969,547	1,376,957
Depreciation on right of use assets	26	829,679	832,064
(Gain)/ loss on disposal of fixed assets		-	(270,093)
Interest incurred and revaluation loss on long-term financing	35	4,150,577	6,241,428
Finance cost on lease	26	187,777	228,644
Dividend income		-	(125,000)
Change in expected credit losses and other credit impairment charges	13	34,068,753	37,128,906
Cash flows from operating activities		**121,795,362**	**103,969,546**
Changes in working capital			
Increase in loans and advances	22 (a)	(173,236,264)	(210,222,831)
Increase/decrease in insurance receivables	23	(3,774,903)	181,230
Increase in other assets	24	(8,204,503)	(7,662,203)
Increase/(decrease) in cash reserve requirement	19(b)	238,050	(11,225,507)
Increase in deposits and balances from customers	30	183,683,365	148,112,462
Increase in due to banks	29	9,189,843	67,904,959
Decrease in assets held for sale	27	-	899,832
Increase in insurance liabilities	32	2,732,045	1,634,107
Increase in other liabilities	33	3,065,936	6,214,714
Other provisions and payables		-	141,463
Income tax paid	17	(21,700,464)	(23,692,124)
Net cash generated from operating activities		**113,788,467**	**76,255,648**
Investing activities			
Purchase of property and equipment	28(i)	(3,833,517)	(4,583,971)
Purchase of intangible assets	28(ii)	(3,778,946)	(3,070,291)
Proceeds from sale of fixed assets		-	270,093
Investment in securities	21(a)	(22,093,218)	(17,224,800)
Investment in corporate bond	21(b)	(537,617)	(12,166,178)
Investment in specialised fund	21(c)	(6,597,930)	(1,216,854)
Dividends received		-	125,000
Net cash flows used in investing activities		**(36,841,228)**	**(37,867,001)**
Financing activities			
Dividends paid	31	(12,305,031)	(4,785)
Drawdown of long-term finance	35	2,150,000	35,832,800
Repayment of long-term finance	35	(15,214,460)	(23,110,767)
Payment of principle portion on lease liabilities	26	(788,435)	(985,426)
Net cash flows (used in)/ generated from financing activities		**(26,157,926)**	**11,731,822**
Net increase in cash and cash equivalents		50,789,313	50,120,469
Net foreign exchange difference		2,730,389	(4,779,502)
Cash and cash equivalents at 1 January		130,312,678	84,971,711
Cash and cash equivalents at 31 December	19(c)	**183,832,380**	**130,312,678**
Additional information on operational cash flows from interest and dividend			
Interest paid	35	**(5,066,184)**	**(5,176,509**
Interest received		**176,572,535**	**145,491,017**
Dividend received		**17,605,905**	**125,000**

The notes set out on pages 132 to 222 form an integral part of these financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2021

1. Corporate information

BK Group Plc is a non-operating holding company registered with Rwanda Development Board (RDB) under Law No. 007/2021 of 05/02/2021 Governing Companies.

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

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

BK GROUP PLC
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 19 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.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except for fair value through other comprehensive income investments at amortised cost and loan note at fair value through profit or loss which have been measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2. Summary of significant accounting policies (Continued)

a) Basis of preparation (Continued)

2.1. New and amended standards and interpretations

New standards issued that were effective at the reporting date

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

Effective for annual periods beginning on or after 1 January 2021

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR).

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

IBOR reform Phase 2 provides temporary reliefs that allow the Group's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Group to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. For the retrospective assessment of hedge effectiveness, the Group may elect on a hedge-by-hedge basis to reset the cumulative fair value change to zero.

The Group may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is separately identifiable, e.g., it is an established benchmark that is widely used in the market to price loans and derivatives.

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

Commentary
The Group has not provided disclosures in respect of new and amended standards and interpretations that are effective from 1 January 2021, as none of those issued had an impact on the Group's financial statements, other than IBOR reform Phase 2 which was early adopted in 2020.

COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases.

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

2. Summary of significant accounting policies (Continued)

New and amended standards and interpretations (Continued)

New Standards issued that were effective at the reporting date (Continued)

COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16 (Continued)

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.

However, the Group has not received COVID-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

The amendments are not expected to have a material impact on the Group.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

2. Summary of significant accounting policies (Continued)

New and amended standards and interpretations (Continued)

New Standards issued that were effective at the reporting date (Continued)

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (Continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments are not expected to have a material impact on the Group.

AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.
The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

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

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board.

2. Summary of significant accounting policies (Continued)
Changes in accounting policy and disclosures (Continued)
New and amended standards and interpretations (Continued)
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
Effective for annual periods beginning on or after 1 January 2023

IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

Replacement of the term 'significant' with 'material' In the absence of a definition of the term 'significant' in IFRS, the Board decided to replace it with 'material' in the context of disclosing accounting policy information. 'Material' is a defined term in IFRS and is widely understood by the users of financial statements, according to the Board.

In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them.

IFRS 17 Insurance Contracts
Effective for annual periods beginning on or after 1 January 2023

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts.

In June 2020, the IASB issued amendments to IFRS 17. These amendments included changing the effective date to 2023. In September 2017, the Board established a Transition Resource Group (TRG) for IFRS 17 to analyse implementation-related questions. The TRG met four times and while no further meetings have been scheduled, the TRG submission process remains open for stakeholders to send in questions they believe meet the TRG submission criteria.

IFRS 17 applies to all types of insurance contracts (i.e., life, non- life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts,

covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

2. Summary of significant accounting policies (continued)
Changes in accounting policy and disclosures (Continued)
New and amended standards and interpretations (Continued)
IFRS 17 Insurance Contracts (Continued)
The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss based on insurance contract services provided over the coverage period.
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining coverage period
- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period.
- Amounts that are paid to a policyholder in all circumstances, regardless of whether an insured event occurs (non-distinct investment components) are not presented in the income statement but are recognised directly on the balance sheet.
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- A loss-recovery component of the asset for the remaining coverage of a group of reinsurance contracts held is determined and recorded in profit or loss when an entity recognises a recovery of a loss on initial recognition of a onerous group of underlying issued contracts as well as for subsequent measurement of the recovery of those losses
- Entities should present separately in the statement of financial position, the carrying amounts of portfolios of insurance contracts issued that are assets and those that are liabilities, with the same requirement applying to portfolios of reinsurance contracts held Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

Impact
IFRS 17, will result in profound changes to the accounting in IFRS financial statements for BK General Insurance Company. This will have a significant impact on data, systems and processes used to produce information for financial reporting purposes. The new model is likely to have a significant impact on the profit and total equity, resulting in increased volatility compared to today's models. Key performance indicators will also likely be affected

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

2. Summary of significant accounting policies (Continued)

Changes in accounting policy and disclosures (Continued)

New and amended standards and interpretations (Continued)

IFRS 17 Insurance Contracts (Continued)

Right to defer settlement

The Board decided that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date.

Existence at the end of the reporting period

The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date.

Management expectations

IAS 1.75A has been added to clarify that the 'classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period'. That is management's intention to settle in the short run does not impact the classification. This applies even if settlement has occurred when the financial statements are authorised for issuance.

Transition

Earlier application of the amendments to IAS 1 is permitted as long as this fact is disclosed.

Impact

The amendments may impact the accounting policy disclosures of entities. Determining whether accounting policies are material or not requires use of judgement. Therefore, entities are encouraged to revisit their accounting policy information disclosures to ensure consistency with the amended standard.

Entities should carefully consider whether 'standardised information, or information that only duplicates or summarises the requirements of the IFRSs' is material information and, if not, whether it should be removed from the accounting policy disclosures to enhance the usefulness of the financial statements

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.

2. Summary of significant accounting policies (Continued)

Changes in accounting policy and disclosures (Continued)

New and amended standards and interpretations (Continued)

IFRS 17 Insurance Contracts (Continued)

c) Use of estimates and judgments (Continued)

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 3.

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 interest

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 Risk Officer, the Chief Commercial Officer, the Chief Financial Officer, the Chief Human Resources and Administration Officer, and the Chief Information Technology Officer.

2. Summary of significant accounting policies (Continued)
Changes in accounting policy and disclosures (Continued)
New and amended standards and interpretations (Continued)
IFRS 17 Insurance Contracts (Continued)
e) Segment reporting (Continued)
The Group's segment reporting is based on the following operating segments: Retail banking, corporate banking, treasury functions, non-bank subsidiaries and central costs.

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.

(iii) Fees and commission
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.

(iv) 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.

(iv) 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.

(v) 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.

2. Summary of significant accounting policies (Continued)
Changes in accounting policy and disclosures (Continued)
New and amended standards and interpretations (Continued)
IFRS 17 Insurance Contracts (Continued)
f) Revenue recognition (Continued)
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.

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%
• Motor vehicles	25%
• Furniture and fittings	25%
• Office equipment	25%
• Computers	33%
• IT equipment including servers	20%

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

2. Summary of significant accounting policies (Continued)
Changes in accounting policy and disclosures (Continued)
New and amended standards and interpretations (Continued)
IFRS 17 Insurance Contracts (Continued)
g) Property and equipment (Continued)
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 revalued 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.

2. Summary of significant accounting policies (Continued)
Changes in accounting policy and disclosures (Continued)
New and amended standards and interpretations (Continued)
IFRS 17 Insurance Contracts (Continued)
i) Financial assets and liabilities (Continued)
Measurement methods (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.

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.

2. Summary of significant accounting policies (Continued)
Changes in accounting policy and disclosures (Continued)
New and amended standards and interpretations (Continued)
IFRS 17 Insurance Contracts (Continued)
i) Financial assets and liabilities (Continued)

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.

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.

2. Summary of significant accounting policies (Continued)
New and amended standards and interpretations (Continued)
IFRS 17 Insurance Contracts (Continued)
i) Financial assets and liabilities (Continued)

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

2. Summary of significant accounting policies (Continued)
New and amended standards and interpretations (Continued)
IFRS 17 Insurance Contracts (Continued)
i) Financial assets and liabilities (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.

2. Summary of significant accounting policies (Continued)
New and amended standards and interpretations (Continued)
IFRS 17 Insurance Contracts (Continued)
i) Financial assets and liabilities (Continued)

(iv) Derecognition other than on a modification (Continued)

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.

(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.

2. Summary of significant accounting policies (Continued)

New and amended standards and interpretations (Continued)

IFRS 17 Insurance Contracts (Continued)

i) Financial assets and liabilities (continued)

Financial guarantee contracts and loan commitments (continued)

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.

(i) 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.

(j) 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.

j) 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.

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.

2. Summary of significant accounting policies (Continued)

New and amended standards and interpretations (Continued)

IFRS 17 Insurance Contracts (Continued)

j) Income tax expense (continued)

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.

k) 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.

l) 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.

2. Summary of significant accounting policies (Continued)
New and amended standards and interpretations (Continued)
IFRS 17 Insurance Contracts (Continued)
l) Intangible assets (Continued)
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	5 years

There are no intangible assets with indefinite useful lives.

m) 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.

n) 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.

o) 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.

p) 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 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.

q) 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.

2. Summary of significant accounting policies (Continued)
New and amended standards and interpretations (Continued)
IFRS 17 Insurance Contracts (Continued)
q) Benefits, claims and expenses recognition (Continued)
Reinsurance claims (Continued)
Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

r) 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.
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.

s) 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 4.1.2.

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

2. Summary of significant accounting policies (Continued)
New and amended standards and interpretations (Continued)
IFRS 17 Insurance Contracts (Continued)
t) 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.

u) 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.

v) Share-based payments
Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss. This requires a reassessment of the estimates used at the end of each reporting period. For the measurement of the fair value of equity-settled transactions with employees at the grant date.

3. 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.

3. Critical accounting estimates and judgements (Continued)
i) 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 2021, potential future cash outflows of FRw 2.9 billion (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 1.7 billion.

ii) 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 4.1.2, 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 4.1.2

4. 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 4.1.2.

4.1. 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.

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 4.1.2 for more details.

4.1.1. Credit risk management

Other than the change in credit risk rating for significant corporate exposures, there were no other material changes to the policies and practices for the management of credit risk in 2021. 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 grades its significant corporate exposures based on the internal rating below . For SME and retail exposures 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:

4. Financial risk management (continued)

4.1. Credit risk (continued)

4.1.1. Credit risk management (continued)

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.

Internal credit rating

Rating Grid	Rating	Description	Rating score
1	AAA	Exceptional Credit	[90-100]
2	AA	Superior credit	[80-90]
3	A	Minimal Risk	[70-80]
4	BBB	Above Average Risk	[60-70]
5	BB	Average Risk	[55-60]
6	B	Acceptable Risk	[50-55]
7	CCC	Watch list	[40-50]
8	CC	Substandard Risk	[30-40]
9	C	Doubtful Risk	[20-30]
10	D	Loss	[0-20]

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.

4. Financial risk management (Continued)
4.1. Credit risk (Continued)
4.1.1. Credit risk management (Continued)

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%.

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.

4.1.2. 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 4.1.2.1 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 4.1.3 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 4.1.4 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 4.1.5 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).

4. Financial risk management (Continued)
4.1. Credit risk (Continued)
4.1.2. Expected credit loss measurement (Continued)

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

Change in credit quality since initial recognition		
Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

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

4.1.2.1. Significant increase in credit risk (SICR)

The Group in determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition considered reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Bank's historical experience, expert credit assessment and forward-looking information.

The Group identifies a significant increase in credit risk where

- Exposures have a regulatory risk rating of "WATCH"
- An exposure is greater than 30 days this is in line with the IFRS 9 30 DPD rebuttable presumption;
- an exposure has been restructured in the past due to credit risk related factors or which was NPL and is now regular (subject to the regulatory cooling off period); or
- by comparing an exposure:
  - » credit risk quality at the date of reporting; with
  - » the credit risk quality on initial recognition of the exposure.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

The Company has not followed an overall blanket approach to the ECL impact of COVID-19 (where COVID-19 is seen as a significant increase in credit risk (SICR) trigger that will result in the entire portfolio of advances moving into their respective next staging bucket). With the Bank undertaking loan restructures on 45% of the loan book (see the section "Restructuring" below), the Bank incorporated qualitative factors to assess significant increase in credit risk on these loans as below:

- All loans whose business activity, in our assessment, was significantly lower than the pre-COVID period as at 31 December 2021, was considered to have a significant increase in credit risk and downgraded to Stage 2.
- Loans in high risk industry segments (see the section "Restructuring" below) were assessed for significant increase in credit risk.

4. Financial risk management (Continued)
4.1. Credit risk (Continued)
4.1.2. Expected credit loss measurement (Continued)
4.1.2.1. Significant increase in credit risk (SICR) (Continued)

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

Generally, restructuring is a qualitative indicator of default and credit impairment and expectations of restructuring are relevant to assessing whether there is a significant increase in credit risk. Following restructuring, a customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs.

However, on the onset of the COVID-19 pandemic, the impact of the containment measures on the economy made it imperative for the Bank to support its customers. The Bank's view is that the economic impacts of the pandemic will be felt for a period of three to five years before there is full recovery. The Bank therefore accommodated its customers to cushion them from the economic downturn by rescheduling their loan facilities for a period of 6 months to 36 months. The length of the period of accommodation depended on the impact of the pandemic on the industry in which the customer operates. The Bank segregated the loan book into low risk, medium risk and high risk based on the industry. For example, Agriculture was rated as low risk, Mining as medium risk and Tourism and Hospitality and Real Estate as High Risk. The Bank then accommodated for different periods depending on the level of risk.

The assessment of SICR incorporates forward-looking information (refer to note 4.1.10 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 2021.

4.1.3. 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

4. Financial risk management (Continued)
4.1. Credit risk (Continued)

4.1.3. Definition of default and credit-impaired assets (Continued)

Qualitative criteria (Continued)

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.

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.

4.1.4. 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 36 months of empirical data and to avoid distortions caused by COVID-19 related payment holidays the data used was as at 28 February 2020.
- 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.

4. Financial risk management (Continued)
4.1. Credit risk (Continued)
4.1.4. Measuring ECL — Explanation of inputs, assumptions and estimation techniques (Continued)

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 12month 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 4.1.2.4 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.

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 12month 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.

4. Financial risk management (Continued)
4.1. Credit risk (Continued)
4.1.4. Measuring ECL — Explanation of inputs, assumptions and estimation techniques (Continued)

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 4.1.2.4 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.

4.1.5. 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.

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 2021, 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 4.1.7.1). 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).

4. Financial risk management (Continued)
4.1. Credit risk (Continued)
4.1.5. Forward-looking information incorporated in the ECL models (Continued)
Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2021 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

	Base scenario		Upside		Downside	
Macroeconomic factors	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 most significant period-end assumptions used for the ECL estimate 31 December 2020 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

	Base scenario		Upside		Downside	
Macroeconomic factors	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Domestic GDP	3.3%	5.4%	6.6%	6.6%	-0.2%	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 2021			
Scenario probability weighting	66.0%	0%	34%
As at 31 December 2020			
Scenario probability weighting	66.0%	0%	**34%**

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.

4. Financial risk management (Continued)
4.1. Credit risk (Continued)
4.1.6. Sensitivity analysis

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

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

Set out below are the changes to the ECL as at 31 December 2021 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 3 years both for commercial properties and residential properties. If time to realisation increased to 4 years, overall ECL would increase in the range of FRw 1.7 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 2.4 billion and FRw 3 billion.

4.1.2.7. Credit risk exposure
4.1.7.1. 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.

4. Financial risk management (Continued)
4.1. Credit risk (Continued)
4.1.2.7. Credit risk exposure (Continued)
4.1.7.1. Maximum exposure to credit risk — Financial instruments subject to impairment (Continued)
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 0.57% 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

	2021				2020
		ECL staging			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Normal	717,211,919	-	-	717,211,919	658,217,972
Watch	-	187,924,579	-	187,924,579	107,538,084
Default	-	-	53,790,713	53,790,713	57,517,357
Gross carrying amount	717,211,919	187,924,579	53,790,713	958,927,211	823,273,413
Expected credit loss	(8,121,953)	(27,025,132)	(32,580,613)	(67,727,698)	(61,121,545)
ERF Discount	(453,869)	(112,864)	(1,668,480)	(2,235,213)	(4,197,265)
Carrying amount	**708,636,097**	**160,786,583**	**19,541,620**	**888,964,300**	**757,954,603**

Retail

	2021				2020
		ECL staging			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Normal	96,806,707	-	-	96,806,707	84,254,378
Watch	-	5,486,861	-	5,486,861	4,864,581
Default	-	-	14,124,625	14,124,625	15,143,229
Gross carrying amount	96,806,707	5,486,861	14,124,625	116,418,193	104,262,188
Expected credit loss	(3,223,971)	(873,141)	(11,018,060)	(15,115,172)	(15,314,246)
ERF Discount	-	-	-	-	(24,850)
Carrying amount	**93,582,735**	**4,613,720**	**3,106,565**	**101,303,021**	88,923,092

4. Financial risk management (Continued)
4.1. Credit risk (Continued)
4.1.2.7. Credit risk exposure (Continued)
4.1.7.1. Maximum exposure to credit risk — Financial instruments subject to impairment (Continued)
ECL determination for government securities, due from other banks (Continued)

Government securities

	2021				2020
		ECL staging			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Normal	177,689,779	-	-	177,689,779	142,836,080
Gross carrying amount	177,689,779	-	-	177,689,779	142,836,080
Expected credit loss	(870,851)	-	-	(870,851)	(814,166)
Carrying amount	**176,818,928**	**-**	**-**	**176,818,928**	**142,021,914**

Guarantees and commitments

	2021				2020
		ECL staging			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Normal	176,298,845	-	-	176,298,845	122,724,748
Watch	-	246,823	-	246,823	7,683,936
Default	-	-	428,398	428,398	413,758
Gross carrying amount	176,298,845	246,823	428,398	176,974,066	130,822,442
Loss allowance	(495,913)	(6,006)	(38,834)	(540,754)	(2,711,259)
Carrying amount	**175,802,932**	**240,817**	**389,564**	**176,433,311**	**128,111,183**

Nostros

	2021				2020
		ECL staging			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
A	3,050,505	-	-	3,050,505	45,683,840
A-	10,422,464	-	-	10,422,464	674,592
A+	27,454,518	-	-	27,454,518	27,463,961
AA	-	-	-	-	28,828
B	-	-	-	-	15,464,109
B+	32,917,453	-	-	32,917,453	13,664,167
BB-	4,040,555	-	-	4,040,555	14,297
Expected credit loss	(45,882)	-	-	(45,882)	(39,632)
Carrying amount	**77,839,613**	**-**	**-**	**77,839,613**	**102,954,162**

4. Financial risk management (Continued)
4.1. Credit risk (Continued)
4.1.2.7. Credit risk exposure (Continued)
4.1.7.1. Maximum exposure to credit risk — Financial instruments subject to impairment (Continued)
ECL determination for government securities, due from other banks (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

	2021				2020
		ECL staging			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Gross amount	231,758,146	-	-	231,758,146	101,621,779
Expected credit loss	-	-	-	-	-
Carrying amount	**231,758,146**	**-**	**-**	**231,758,146**	**101,621,779**

Weighted average effective interest rate on government securities Held to collect at 31 December 2021 was 12.4 %, (220:9.9%). The equity Investment in unquoted entities is recorded at Fair value through other comprehensive income.

Receivables arising out of direct insurance arrangements

	2021	2020
	Frw'000	Frw'000
Premium debtors	4,297,861	958,736
Expected credit loss	(87,170)	(21,629)
	4,210,691	**937,107**

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

At start of year	(47,513)	(1,596)
Charge for the year	(39,657)	(20,033)
Bad debt written off recovery	-	-
At end of year	**(87,170)**	**(21,629)**

4. Financial risk management (Continued)
4.1. Credit risk (Continued)
4.1.2.7. Credit risk exposure (Continued)
4.1.7.1. Maximum exposure to credit risk — Financial instruments subject to impairment (Continued)

Other assets

	2021				2020
		ECL staging			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Gross amount	27,442,877	-	-	27,442,877	14,212,443
Expected credit loss	(1,632,744)	-	-	(1,632,744)	(1,632,744)
Carrying amount	**25,810,133**	**-**	**-**	**25,810,133**	**12,579,699**

Information on how the Expected Credit Loss (ECL) is measured and how the three stages above are determined is included in note 4.1.2 '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.

4.1.8. Loss allowance
Below is a transitional table between stages between 1 January 2021 to 31 December 2021:

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	FRw 000	FRw 000	FRw 000	FRw 000
Loss allowance as at 1 January 2021	13,433,727	19,159,983	43,842,081	76,435,791
Movements with P&L impact				
Transfers from stage 1 to stage 2	(1,341,876)	1,341,876	-	-
Transfers from stage 2 to stage 1	(1,756,934)	1,756,934	-	-
Transfers to stage 3	(751,180)	(3,186,500)	3,937,680	-
Transfers from stage 3	2,678,488	2,012,224	(4,690,712)	-
ECL on new exposure raised	1,893,507	920,874	1,745,566	4,559,947
Subsequent changes in ECL	(2,809,807)	5,892,882	20,038,515	23,121,591
Net movement to profit or loss	**(2,087,802)**	**8,738,290**	**21,031,050**	**27,681,538**
Other movements with no P&L impact				
Financial asset derecognised	-	-	(21,274,459)	(21,274,459)
Loss allowance as at 31 December 2021	**11,345,925**	**27,898,273**	**43,598,673**	**82,842,870**

4. Financial risk management (Continued)
4.1. Credit risk (Continued)
4.1.8. Loss allowance (Continued)

Below is a transitional table between stages between 1 January 2020 to 31 December 2020:

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
	FRw 000	FRw 000	FRw 000	FRw 000
Loss allowance as at 1 January 2020	15,657,448	9,091,888	23,240,990	47,990,326
Movements with P&L impact				
Transfers from stage 1 to stage 2	(11,021,042)	11,021,042	-	-
Transfers from stage 2 to stage 1	473,971	(473,971)	-	-
Transfers to stage 3	(8,267,154)	(7,068,056)	15,335,210	-
Transfers from stage 3	1,014,772	108,839	(1,123,611)	-
ECL on new exposure raised	295,683	40,183	6,013,859	6,349,725
Subsequent changes in ECL	15,280,049	6,440,058	10,952,695	32,672,802
Net movement to profit or loss	**(2,223,721)**	**10,068,095**	**31,178,153**	**39,022,527**
Other movements with no P&L impact				
Financial asset derecognised	-	-	(10,577,062)	(10,577,062)
Loss allowance as at 31 December 2020	**13,433,727**	**19,159,983**	**43,842,081**	**76,435,791**

The table below presents the credit quality of financial instruments:

	2021	2020
Credit quality	Frw'000	Frw'000
Balances with National Bank of Rwanda	231,758,146	101,621,779
Counterparty without credit rating		
Government securities		
B+	164,115,134	142,021,914
Loans and advances	274,609,060	281,113,670
Counterparties without credit rating		
Insurance receivables	6,517,668	2,742,765
Counterparties without credit rating		
Other assets		
Counterparties without credit rating	25,810,133	13,383,516
Equity instruments		
Counterparties without credit rating		

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.

4. Financial risk management (Continued)
4.1. Credit risk (Continued)
4.1.8. Loss allowance (Continued)

Collateral and other credit enhancements (Continued)

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.

4. Financial risk management (Continued)
4.1. Credit risk (Continued)
4.1.8. Loss allowance (Continued)
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:

As at 31 December 2021

Corporate	Stage 1	Stage 2	Stage 3	Gross Loans	Impairment allowance	Carrying amount	Fair value of collateral
Overdrafts	16,337,335	194,704	1,510,585	18,042,624	(16,258,917)	1,783,707	157,920,313
Treasury loans	41,671,614	1,082,681	629,091	43,383,387	(1,167,135)	42,216,252	61,345,038
Equipment loans	603,924,704	134,385,818	32,663,439	770,973,961	(41,461,112)	729,512,850	738,397,177
Consumer loans	2,705,011	73,735	130,107	2,908,853	(16,016)	2,892,837	-
Mortgage loans	81,331,619	23,314,068	19,591,633	124,237,321	(11,922,391)	112,314,929	55,570,352
Others	-	-	-	-			
	745,970,283	**159,051,006**	**54,524,855**	**959,546,146**	**(70,825,571)**	**888,720,575**	**1,013,232,880**
Retail							
Overdrafts	1,878,072	87,606	1,489,683	3,455,360	(2,659,042)	796,319	102,106,684
Treasury loans	8,902,912	49,346	98,313	9,050,571	(172,574)	8,877,997	9,815,811
Equipment loans	146,239	339,898	5,460,070	5,946,207	(72,053)	5,874,154	23,996,226
Consumer loans	36,122,538	2,008,246	3,805,465	41,936,249	(622,524)	41,313,725	274,582
Mortgage loans	49,208,121	2,992,955	3,205,741	55,406,817	(8,491,106)	46,915,710	22,779,780
Others	4,054	-	-	4,054	-	4,054	
	96,261,936	**5,478,051**	**14,059,272**	**115,799,258**	**(12,017,299)**	**103,781,959**	**158,973,083**
Total							
Overdrafts	18,215,407	282,309	3,000,268	21,497,985	(18,917,959)	2,580,026	260,026,997
Treasury loans	50,574,526	1,132,027	727,404	52,433,958	(1,339,709)	51,094,249	71,160,849
Equipment loans	604,070,943	134,725,716	38,123,509	776,920,169	(41,533,165)	735,387,004	762,393,403
Consumer loans	38,827,548	2,081,981	3,935,572	44,845,102	(638,540)	44,206,562	274,582
Mortgage loans	130,539,740	26,307,024	22,797,374	179,644,137	(20,413,497)	159,230,640	78,350,132
Others	4,054	-	-	4,054	-	4,054	0
Total	**842,232,218**	**164,529,057**	**68,584,127**	**1,075,345,405**	**(82,842,870)**	**992,502,535**	**1,172,205,963**

4. Financial risk management (Continued)
4.1. Credit risk (Continued)
4.1.8. Loss allowance (Continued)
Collateral and other credit enhancements (Continued)

As at 31 December 2020

Corporate	Stage 1	Stage 2	Stage 3	Gross Loans	Impairment allowance	Carrying amount	Fair value of collateral
Overdrafts	36,560,274	10,675,436	3,709,842	50,945,552	(2,727,189)	48,218,363	73,070,035
Treasury loans	38,042,839	4,256,902	4,357,245	46,656,986	(1,823,442)	44,833,544	85,570,504
Equipment loans	528,712,107	75,363,108	23,997,330	628,072,545	(48,360,123)	579,712,422	809,317,212
Consumer loans	5,486,039	464,507	2,760,416	8,710,962	(706,993)	8,003,969	17,496,119
Mortgage loans	49,416,703	16,778,131	21,897,124	88,091,958	(7,503,795)	80,588,163	85,788,025
Others	10	-	795,399	795,409	(2)	795,407	-
	658,217,972	**107,538,084**	**57,517,356**	**823,273,412**	**(61,121,544)**	**762,151,868**	**1,071,241,895**
Retail							
Overdrafts	642,171	45,938	2,225,279	2,913,388	(240,947)	2,672,441	610,937
Treasury loans	1,234,567	39,437	73,444	1,347,448	(31,578)	1,315,870	3,958,831
Equipment loans	1,220,378	39,272	294,037	1,553,687	(1,411,902)	141,785	15,142,575
Consumer loans	30,076,954	1,730,386	8,792,231	40,599,571	(8,583,765)	32,015,806	40,598,012
Mortgage loans	51,079,835	3,009,548	3,758,238	57,847,621	(5,046,054)	52,801,567	107,210,952
Others	473	-	-	473	-	473	-
Total	**84,254,378**	**4,864,582**	**15,143,229**	**104,262,188**	**(15,314,246)**	**88,947,942**	**167,521,307**
Overdrafts	37,202,445	10,721,374	5,935,121	53,858,940	(2,968,136)	50,890,804	73,680,972
Treasury loans	39,277,406	4,296,339	4,430,689	48,004,434	(1,855,020)	46,149,414	89,529,335
Equipment loans	529,932,485	75,402,380	24,291,367	629,626,232	(49,772,025)	579,854,207	824,459,787
Consumer loans	35,562,993	2,194,893	11,552,647	49,310,533	(9,290,758)	40,019,775	58,094,131
Mortgage loans	100,496,538	19,787,679	25,655,362	145,939,579	(12,549,849)	133,389,730	192,998,978
Others	483	-	795,399	795,882	(2)	795,880	-
Total	**742,472,350**	**112,402,665**	**72,660,585**	**927,535,600**	**(76,435,790)**	**851,099,810**	**1,238,763,202**

4. Financial risk management (Continued)
4.1. Credit risk (Continued)
4.1.8. Loss allowance (Continued)
Collateral and other credit enhancements (Continued)

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 de-recognised 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).

4.1.9 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 2021 was FRw 30,787,977,967 (2020: FRw 10,577,062,082). 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.

4.1.10 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.

4. Financial risk management (Continued)
4.1. Credit risk (Continued)
4.1.10. Modification of financial assets (Continued)
However, on the onset of the COVID-19 pandemic, the impact of the containment measures on the economy made it imperative for the group to support its customers. The group's view is that the economic impacts of the pandemic will be felt for a period of three to five years before there is full recovery. The group therefore accommodated its customers to cushion them from the economic downturn by rescheduling their loan facilities for a period of 6 months to 36 months. The length of the period of accommodation depended on the impact of the pandemic on the industry in which the customer operates. The group segregated the loan book into low risk, medium risk and high risk based on the industry. For example, Agriculture was rated as low risk, Mining as medium risk and Tourism and Hospitality and Real Estate as High Risk. The group then accommodated for different periods depending on the level of risk.

4.1.11. COVID-19
At the onset of the COVID-19 pandemic, has truly been an unprecedented year, and one that has tested our ability as a company to navigate a challenging business environment, and in parallel, continue to deliver on our promise of creating value for all our stakeholders. Throughout these turbulent times, maintaining our holistic and customer-centric approach across our operations played a vital role towards our success over the course of the year. We continued to empower the communities, businesses, and individuals we serve across the nation by leveraging our access to exceptional human capital to mitigate the impacts.

The first and foremost priority was the protection of our people, which saw us launch strict health and safety protocols across our operations to minimize the possibility of infections. We implemented work-from-home policies across our headquarters, branches, and subsidiaries, to align with Rwanda's nationwide social distancing measures. We also armed employees with the appropriate technological tools to ensure that they continue delivering a stellar service offering for the Group's clients from the safety of their homes. On the business continuity front, we were constantly assessing the Group's liquidity position and revising our budget estimates as well as optimizing our cost structure to maintain the Group's financial health as we navigated harsh market conditions. Additionally, we invested in digital technologies throughout our operations that allow the seamless facilitation of our comprehensive service offering across our subsidiaries between employees and clients whilst adhering to social distancing measures.

Impact on the Bank which is the Major Subsidiary

The impact of the containment measures on the economy made it imperative for the Bank to support its customers. The Bank's view is that the economic impacts of the pandemic will be felt for a period of three to five years before there is full recovery. The Bank therefore accommodated its customers to cushion them from the economic downturn by rescheduling their loan facilities for a period of 6 months to 36 months. The length of the period of accommodation depended on the impact of the pandemic on the industry in which the customer operates. The Bank segregated the loan book into low risk, medium risk and high risk based on the industry. For example, Agriculture was rated as low risk, Mining as medium risk and Tourism and Hospitality and Real Estate as High Risk. The Bank then accommodated for different periods depending on the level of risk. The Bank retained the same risk rating but overall, the situation improved in 2021.

The operating environment remained stable amidst the turbulent dynamics of the year. The impact of COVID-19 strained some sectors in the economy. Despite the impact of the pandemic on some key sectors, and disruption of global trade, the economy sustained minimal disruption due to policies in place by the government to mitigate the impact. The economy continues to recover from the adverse impacts of the COVID-19 pandemic.

At glance, 2021 has been a year of recovery from the surge of the impact of the COVID-19 pandemic that created great instability and high volatility in global capital markets. The government embarked some measures to stabilize the economy and mitigate the impact. The relief COVID-19 relief measures instituted by the Central Bank expired on 30th September 2021 as the economic situation returned to normalcy.

4. Financial risk management (Continued)
4.1. Credit risk (Continued)
4.1.11 COVID-19 impact (Continued)
COVID Impact on BK General insurance

As the insurance sector was not initially considered an essential service, insurers' operations, which to a large extent require physical interactions, were affected. 2021 has been a year of recovery from of the impact of the COVID on the Insurance sector as well. The performance was satisfactory, remaining resilient.

4.1.12. 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 2021		31 December 2020	
	FRw'000	%age	FRw'000	%age
Large Corporate	818,045,459	76.2%	685,435,161	74%
SMEs	131,345,474	12.3%	128,593,947	14%
Non-Business Activities	7,920,000	0.7%	9,244,305	1%
Retail Banking	115,799,257	10.8%	104,262,188	11%
Gross loans	**1,073,110,190**	**100.0%**	**927,535,601**	**100%**

4.2. 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.

	31 December 2021	31 December 2020
At close of the year	38.9%	41.5%
Average for the year	40.8%	37.2%
Maximum for the year	47.8%	43.6%
Minimum for the year	37.9%	31.9%
Minimum statutory requirement	20.0%	20.0%

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:

4. Financial risk management (Continued)
4.2. Liquidity risk (Continued)
The table below summarizes the Group's liquidity risk as at 31 December 2021 and 31 December 2020, categorized into relevant maturity rankings based on undiscounted cash flows.

Assets	Up to 1 month FRw'000	1 - 3 months FRw'000	3 – 12 months FRw'000	1 - 5 years FRw'000	Over 5 years FRw'000	Total FRw'000
Cash in hand	21,811,668	-	-	-	-	21,811,668
Balances with the National Bank of Rwanda	232,702,357	-	-	-	-	232,702,357
Due from banks	78,156,741	-	-	-	-	78,156,741
At amortised cost investments	36,907,660	32,115,405	91,645,123	12,175,058	11,289,710	184,132,956
Investment in corporate bond	-	1,096,669	-	18,734,979	-	19,831,648
Investment in specialised fund	-	-	-	-	16,751,684	16,751,684
Loans and advances to customers	14,533,293	41,040,414	134,489,277	765,841,351	280,028,667	1,235,933,002
Other assets	754,316	14,928,372	1,433,319	5,134,320	-	22,250,327
Total assets	**384,866,035**	**89,180,860**	**227,567,719**	**801,885,708**	**308,070,061**	**1,811,570,383**
Liabilities						
Due to banks	98,973,896	-	49,036,080	57,369,312	-	205,379,288
Other customer deposits	869,274,067	30,951,139	50,935,957	26,369,738	13,297,099	990,828,000
Dividends payable	31,078,980	4,642,738	-	-	-	35,721,718
Other liabilities				39,567,214		39,567,214
Lease liabilities	-	-	-	2,587,080		2,587,080
Long-term finance	-	1,282,737	1,815,523	27,275,075	36,834,059	67,207,394
At 31 December 2021	**999,326,943**	**36,876,614**	**101,787,560**	**153,168,419**	**50,131,158**	**1,341,290,694**
Off balance sheet Items						
Bank Guarantee	25,600,969	20,872,942	43,843,756	32,639,353	1,443,156	124,400,176
Loan Commitments	10,560,900	15,620,800	8,600,700	9,700,889	5,583,711	50,067,000
Liquidity Gap December 2021	**(614,460,908)**	**52,304,246**	**125,780,159**	**648,717,289**	**257,938,903**	**470,279,689**

4. Financial risk management (Continued)
4.2. Liquidity risk (Continued)

Assets	Up to 1 month FRw'000	1 - 3 months FRw'000	3 – 12 months FRw'000	1 - 5 years FRw'000	Over 5 years FRw'000	Total FRw'000
Cash in hand	21,811,668	-	-	-	-	21,811,668
Balances with the National Bank of Rwanda	102,035,799	-	-	-	-	102,035,799
Due from banks	82,992,456	14,848,136	10,267,688	-	-	108,108,279
At amortised cost investments	31,830,050	42,939,365	47,081,196	21,188,143	26,919,396	169,958,151
Investment in corporate bond	-	1,096,669	1,177,932	16,144,532	-	18,419,132
Investment in specialised fund	-	-	-	1,959,756	-	1,959,756
Loans and advances to customers	35,188,944	140,160,407	216,492,821	366,233,277	426,887,321	1,184,962,769
Other assets	9,780,780	399,314	132,308	2,885,206	-	13,197,608
Total assets	**283,639,697**	**199,443,891**	**275,151,945**	**408,410,914**	**453,806,717**	**1,620,453,162**
Liabilities						
Due to banks	48,658,372	2,304,803	72,051,797	21,685,971	-	144,700,943
Other customer deposits	632,559,222	40,428,991	147,332,402	39,299,369	14,304,467	873,924,450
Other Liabilities	26,895,868	5,610,634	694,414	3,378,047	-	36,578,963
Dividends payable				14,282,802		14,282,802
Lease liabilities	67,291	209,492	728,954	3,724,284	-	4,730,021
Long-term finance	801,777	-	12,147,046	64,159,711	1,781	77,110,316
At 31 December 2020	**708,982,530**	**48,553,920**	**232,954,613**	**146,530,184**	**14,306,248**	**1,151,327,495**
Off balancesheet Items						
Bank Guarantee	11,900,500	12,900,500	35,800,650	26,407,313	15,850,105	102,859,068
Loan commitments	9,500,000	8,600,350	16,700,444	7,560,130	1,721,533	44,082,457
Liquidity Gap December 2020	**(425,342,833)**	**150,889,971**	**42,197,332**	**261,880,730**	**439,500,469**	**469,125,667**
b) Derivative financial instruments						
Assets	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Swap receivables	-	-	2,173,850	11,821,997	3,095,724	17,091,571
Liabilities						

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.

4. Financial risk management (Continued)
4.3 Market Risk
4.3.1 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 2021 and 31 December 2020:

	31 December 2021 FRw'000	31 December 2020 FRw'000
Assets in foreign currencies	456,663,051	296,532,085
Liabilities in foreign currencies	(468,728,960)	(308,482,087)
Net foreign currency exposure at the end of the year	**(12,065,909)**	**(11,950,002)**

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 2021 FRw'000	31 December 2020 FRw'000
USD	+5%	(219,977)	796,613
	-5%	219,977	(796,613)
GBP	+5%	(24,235)	164,786
	-5%	24,235	(164,786)
EUR	+5%	(371,888)	2,255
	-5%	371,888	(2,255)

4. Financial risk management (Continued)
4.3 Market Risk (Continued)
4.3.1 Currency risk (Continued)

The various foreign currencies to which the Group is exposed as at 31 December 2021 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	168,907,887	32,330,103	8,961,030	1,115,898	211,314,918
Loans and advances to customers	132,012,111	6,199	(283)	255	132,018,282
Other assets, property and investments	47,763,636	(1,139,128)	(12,606)	-	46,611,902
Swap	66,717,949	-	-	-	66,717,949
At 31 December 2021	**415,401,583**	**31,197,174**	**8,948,141**	**1,116,153**	**456,663,051**
Liabilities					
Deposits from banks	86,618,740	10,473,546	(250,097)	33	96,842,222
Deposits from customers	282,998,314	23,970,249	9,413,005	426,276	316,807,844
Other liabilities	36,043,167	4,191,144	269,940	433,805	40,938,056
Long-term finance	14,140,906	-	-	-	14,140,906
At 31 December 2021	**419,801,127**	**38,634,939**	**9,432,848**	**860,114**	**468,729,028**
Net currency exposure	**(4,399,544)**	**(7,437,765)**	**(484,70)**	**256,106**	**(12,065,977)**

4. Financial risk management (Continued)
4.3 Market Risk (Continued)
4.3.1 Currency risk (Continued)

The various foreign currencies to which the Group was exposed to as at 31 December 2020 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	111,500,666	34,753,654	1,084,434	991,596	148,330,350
Loans and advances to customers	132,146,933	17,890	1,128	261	132,166,212
Other assets, property and investments	2,127,458	109,010	27	68	2,236,563
Swap	13,798,959	-	-	-	13,798,959
At 31 December 2020	**259,574,016**	**34,880,554**	**1,085,589**	**991,925**	**296,532,084**
Liabilities					
Deposits from banks	41,506,861	8,154,471	2,890	-	49,664,223
Deposits from customers	212,943,439	23,430,040	1,037,414	349,735	237,760,627
Other liabilities	1,252,994	318	181	755	1,254,248
Long-term finance	19,802,989	-	-	-	19,802,989
At 31 December 2020	**275,506,283**	**31,584,829**	**1,040,485**	**350,490**	**308,482,087**
Net currency exposure	**(15,932,267)**	**3,295,725**	**45,104**	**641,435**	**(11,950,003)**

4.3.2 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.

4. Financial risk management (Continued)
4.3 Market Risk (Continued)
4.3.2 Interest rate risk (Continued)
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.

		Effect on profit before tax	
		31 December 2021	31 December 2020
USD	+/-0.23%	(10,119)	(36,644)
EUR	+/-0.27%	(20,082)	8,898

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 2021	Weighted interest rate	FRw'000	+/- 100bp FRw'000
Effect on Interest income			
Balances and placements with other banks	1.9%	75,467,884	754,679
Treasury bills and bonds	8.3%	177,802,428	1,778,024
Loans and advances – Net	15.8%	990,267,321	9,902,673
TOTAL ASSETS/INCREASE		**1,243,537,633**	**12,435,376**
Effect on Interest expense			
Balances and placements due to banks	5.6%	117,683,500	1,176,835
Customer deposits	9.4%	307,690,774	3,076,908
Long-Term Finance	6.2%	56,026,996	560,270
Total liabilities/increase		**481,401,270**	**4,814,013**
Effect on profit			**7,621,364**

Balance as at 31 December 2020	Weighted interest rate	FRw'000	+/- 100bp FRw'000
Effect on interest income			
Balances and placements with other banks	1.8%	107,102,581	1,071,026
Treasury bills and bonds	9.9%	142,021,914	1,420,219
Loans and advances – Net	15.7%	851,453,130	8,514,531
Total assets/increase		**1,100,577,625**	**11,005,776**
Effect on Interest expense			
Balances and placements due to banks	6.1%	103,067,294	1,030,673
Customer deposits	7.6%	364,760,128	3,647,601
Long-Term Finance	8.9%	64,940,879	649,409
Total liabilities/increase		**532,768,301**	**5,327,683**
Effect on profit			**5,678,093**

4. Financial risk management (Continued)
4.4. Market Risk
4.3.3 Interest rate risk (Continued)

The table below summarizes the interest rate risk of the Group as at 31 December 2021:

	Weighted interest rate	On demand FRw'000	Less than 3 months FRw'000	3-12 months FRw'000	1 to 5 year FRw'000	Over 5 years FRw'000	Total FRw'000
Assets							
Balances and placements with other banks	1.9%	75,467,884	-	-	-	-	75,467,884
Held to maturity investments	10.5%	-	67,974,900	83,313,748	7,559,753	5,266,732	164,115,134
Investment in corporate bond	9.1%		1,070,847		11,632,948		12,703,795
Investment in specialized fund	7.4%	7,814,784	-	-	-	-	7,814,784
Loans and advances – net	15.8%	-	52,825,948	117,973,050	629,189,599	190,278,724	990,267,321
Total Assets		**83,282,668**	**121,871,695**	**201,286,798**	**648,382,300**	**195,545,456**	**1,250,404,232**
Liabilities							
Balance and placements due to other banks	5,6%	16,108,143	6,500,000	50,125,000	44,950,357	-	117,683,500
Customer deposits	9.4%	184,289,617	45,229,342	48,510,435	20,661,380	9,000,000	307,690,774
Long-term finance	6,2%	-	1,252,534	1,650,475	23,641,603	29,482,384	56,026,996
Total liabilities		**200,397,760**	**52,981,876**	**100,285,910**	**89,253,340**	**38,482,384**	**481,401,270**
Total interest sensitivity gap		**(117,115,092)**	**68,889,819**	**101,000,888**	**559,128,959**	**157,063,072**	**768,967,647**

4. Financial risk management (Continued)
4.4. Market Risk (Continued)
4.3.3 Interest rate risk (Continued)

The table below summarizes the interest rate risk of the Group as at 31 December 2020:

	Weighted interest rate	On demand	Less than 3 months	3-12 months	1 to 5 year	Over 5 years	Total
		FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Assets							
Balances and placements with other banks	1.8%	68,642,080	28,681,751	9,778,750	-	-	107,102,581
Held to maturity investments	9.9%	-	73,506,559	42,801,087	13,156,170	12,558,097	142,021,914
Investment in corporate bond	8.8%	-	1,070,847	1,070,847	10,024,484	-	12,166,178
Investment in specialized fund	4.2%	1,216,854	-	-	-	-	1,216,854
Loans and advances – net	15.7%	-	146,955,578	162,059,908	255,093,211	287,344,433	851,453,130
Total Assets		**69,858,934**	**250,214,735**	**215,710,592**	**278,273,865**	**299,902,530**	**1,113,960,657**
Liabilities							
Balance and placements due to other banks	6.1%	19,792,748	2,140,000	65,164,373	15,970,173	-	103,067,294
Customer deposits	7.6%	145,055,131	51,646,374	130,435,019	28,623,604	9,000,000	364,760,128
Long-term finance	8.9%	-	733,393	10,637,919	53,569,568	-	64,940,879
Total liabilities		**164,847,879**	**54,519,767**	**206,237,311**	**98,163,345**	**9,000,000**	**532,768,302**
Total interest sensitivity gap		**(94,988,945)**	**195,694,968**	**9,473,281**	**180,110,520**	**290,902,530**	**581,192,355**

4. Financial risk management (Continued)
4.5. 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 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.

4. Financial risk management (Continued)
4.5. Capital management (Continued)

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 2021. 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 2021 is presented on the next page. The table below summarises the solvency margin of the Company at 31 December 2021 and 2020:

Financial Assets and Liabilities measurements

	Amortized Cost 2021 FRw'000	Amortized Cost 2020 FRw'000
Assets		
Balances and placements with other banks	21,723,165	21,152,662
Held to maturity investments	231,758,146	101,621,779
Investment in corporate bond	77,839,613	107,102,581
Investment in specialized fund	164,115,134	142,021,914
Loans and advances to customers	990,267,321	851,099,810
Total Assets	1,485,703,379	1,222,998,746
Liabilities		
Balance and placements due to other banks	190,223,687	130,557,930
Customer deposits	974,494,626	790,811,261
Long-term finance	56,026,996	64,940,879
Total liabilities	1,220,745,309	986,310,070

4. Financial risk management (Continued)
4.5. Capital management (Continued)

	31 December 2021 FRw '000	31 December 2020 FRw '000
(i) Admitted assets	15,170,402	12,297,034
(ii) Admitted liabilities	12,223,536	8,540,535
Solvency margin	2,946,866	3,092,983
Required margin	1,501,216	1,150,831
Excess	1,445,650	1,942,152
Solvency Coverage Ratio	**196%**	**268.80%**

The Group's capital position at 31 December 2021 was as follows:

	31 December 2021 FRw'000	31 December 2020 FRw'000
Core Capital (Tier 1):		
Ordinary share capital	9,045,474	9,045,474
Share premium	76,573,491	76,573,491
Investment of non-controlling interests	2,668,423	1,851,206
Retained earnings and reserves	182,169,121	159,505,069
Statutory credit risk reserves	(2,321,973)	(3,761,004)
Regulatory adjustments	(19,789,222)	(14,970,486)
Total	**248,345,314**	**228,243,750**
Domestic Important Bank	(1,986,763)	(1,825,945)
Supplementary Capital (Tier 2): 25% of revaluation reserve	3,274,998	3,274,998
Total qualifying capital	**249,633,549**	**229,692,803**
Total Credit RWA	1,019,086,314	804,051,169
Total Market RWA	44,024,903	47,961,823
Total Operational RWA	120,874,581	83,524,949
Total Risk weighted assets	**1,183,985,798**	**935,537,941**
Regulatory reserve	15.0%	15%
Capital ratios:		
Total qualifying capital expressed as percentage of total risk-weighted assets	21.1%	24.6%
Total tier 1 capital expressed as a percentage of total risk-weighted assets	20.8%	24.2%

4. Financial risk management (Continued)
4.5. Capital management (Continued)

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

Capital management	Capital		Solvency	
	2021	2020	2021	2020
	FRw'000	FRw'000	FRw'000	FRw'000
Regulatory requirement	3,000,000	1,000,000	1,501,216	1,150,831
Maintained by company	3,000,000	2,857,143	2,946,866	3,092,983

4. 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.

5. Insurance risk management(continued)
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.

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.

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.

6. 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.

6. 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 2021						
Interest income	139,425,244	18,424,133	17,424,024	-	1,299,134	176,572,535
Interest expense	(12,387,617)	(4,606,398)	(24,487,306)	-	1,180,144	(40,301,177)
Net interest income	**127,037,627**	**138,177,345**	**(7,063,282)**	**-**	**2,479,278**	**136,271,358**
Net non-interest income	5,001,038	15,119,505	-	-	1,937,310	22,057,853
Foreign exchange income	-	-	11,751,527	-	-	11,751,527
Net premium income	-	-	-	-	10,140,525 10,140,525-	10,140,525
Premium ceded to reinsurance	-	-	-	-	(2,694,984)	(2,694,984)
Net impairment on loans and advances	(29,466,024)	(3,296,948)	(1,300,689)	-	(5,093)	(34,068,754)
Insurance claims					(3,359,441)	(3,359,441)
Total operating expenses	(12,605,928)	(6,302,964)	(630,296)	(40,994,307)	(2,683,921)	(63,217,417)
Profit before income tax	**89,966,713**	**19,337,328**	**2,757,260**	**(40,994,307)**	**5,813,674**	**76,880,668**
Income tax expense	(27,876,217)	(5,801,198)	(827,178)	12,298,292	(2,779,397)	(24,985,698)
Profit after income tax	**62,090,496**	**13,536,129**	**1,930,082**	**(28,696,015)**	**3,034,278**	**51,894,970**
For the period ended 31 December 2020						
Interest income	110,818,938	18,658,633	15,079,333	-	934,113	145,491,017
Interest expense	(9,290,712)	(3,536,171)	(19,876,630)	-	5,811	(32,697,702)
Net interest income	**101,528,226**	**15,122,462**	**(4,797,297)**	**-**	**939,924**	**112,793,315**
Net non-interest income	4,666,617	8,439,880	-	-	(54,851)	13,051,646
Foreign exchange income	-	-	9,921,585	-	-	9,921,585
Net premium income	-	-	-	-	8,460,697	8,460,697
Net impairment on loans and advances	-	-	-	-	(1,647,235)	(1,647,235)
Insurance claims	(32,634,076)	(4,242,554)	(252,751)	-	475	(37,128,906)
Total operating expenses	-	-	-	-	(2,982,619)	(2,982,619)
Profit before income tax	**(9,034,711)**	**(4,517,355)**	**(451,736)**	**(29,253,086)**	**(2,145,309)**	**(45,402,197)**
	64,526,056	**14,802,432**	**4,419,801**	**(29,253,087)**	**2,571,083**	**57,066,286**
Income tax expense	(20,283,871)	(4,440,730)	(1,401,766)	8,775,926	(1,358,381)	(18,632,997)
Profit after income tax	**44,242,185**	**10,361,703**	**3,018,035**	**(20,477,160)**	**1,212,701**	**38,433,289**

6. Segment reporting (continued)

Statement of Financial Position

	Corporate banking FRw'000	Retail banking FRw'000	Central treasury FRw'000	BK subsidiaries FRw'000	Total FRw'000
As at 31 December 2021					
Gross loans& advances to customers	957,310,933	115,799,257	-	-	1,073,110,190
Cash in hand	-	-	-	21,723,165	21,723,165
Balances with central bank	-	-	-	231,758,146	231,758,146
Due from banks	-	-	72,103,281	5,736,332	77,839,613
At amortised cost investments	-	-	156,996,661	7,118,473	164,115,134
Investment in corporate bond	-	-	11,720,295	983,500	12,703,795
Investment in specialised bond	-	-	1,014,944	214,473	1,229,417
Deposits and balances from customers	553,000,000	264,300,000	157,194,626	-	974,494,626
Due to Banks			190,223,687	-	190,223,687
Number of customers	**30,148**	**319,087**	**4,749**		**353,984**
	39,914	**362,872**	**10,083**		**412,869**

	Corporate banking FRw'000	Retail banking FRw'000	Central treasury FRw'000	BK subsidiaries FRw'000	Total FRw'000
As at 31 December 2020					
Gross loans& advances to customers	823,248,563	104,287,038	-	-	927,535,601
Cash in hand	-	-	21,152,662	-	21,152,662
Balances with central bank	-	-	101,621,779	-	101,621,779
Due from banks	-	-	101,719,377	5,383,204	107,102,581
At amortised cost investments	-	-	136,813,890	5,208,024	142,021,914
Investment in corporate bond	-	-	10,888,178	1,278,000	12,166,178
Investment in specialised bond	-	-	1,003,958	212,896	1,216,854
Deposits and balances from customers	448,614,380	226,094,741	116,102,140		790,811,261
Due to Banks	-	-	130,557,930	-	130,557,930
Number of customers	**25,607**	**356,299**	**355**	**-**	**382,261**
Current accounts	**32,490**	**269,782**	**664**	**-**	**302,936**

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.

6. Segment reporting (continued)

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.

7. Interest income

	31 December 2021 FRw'000	31 December 2020 FRw'000
Interest on overdrawn accounts	11,798,639	9,312,866
Interest on Treasury loans	9,070,134	8,024,633
Interest on equipment loans	101,289,896	78,829,366
Interest on consumer loans	8,912,572	11,288,212
Interest on mortgage loans	25,032,964	20,054,001
Other interest on loans to clients	1,745,172	1,968,494
Interest on deposits with banks	1,583,180	1,637,695
Interest received from reverse repos	1,705,171	1,213,163
Interest on financial assets held at amortised cost	15,434,807	13,162,587
	176,572,535	**145,491,017**

8. Interest expens

	31 December 2021 FRw'000	31 December 2020 FRw'000
Interest on Customer Term deposit	21,707,347	17,457,203
Interest on Current Accounts	6,475,509	4,208,862
Interest on Saving Accounts	2,476,526	1,680,384
Interest on Long term Credit Lines	3,719,625	4,925,253
Interest on Transactions with other banks	5,922,170	4,426,000
	40,301,177	**32,697,702**

9. Net fees and commission income

	31 December 2021 FRw'000	31 December 2020 FRw'000
Fees and commission income		
Commissions on operations of accounts	2,767,707	1,795,701
Commissions on payment facilities	6,808,069	5,480,657
Commissions on loan services	3,895,557	947,855
Commissions received from financing commitments	2,227,129	1,355,430
Commissions received from guarantees commitments	539,827	1,604,399
Income from transactions with other banks	207,378	576,522
Other fees from services	5,379,282	3,422,046
	21,824,949	**15,182,610**
Fees and commission expense		
Commissions on credit services	(282,406)	(51,859)
Commissions on payment facilities	(1,451,176)	(1,748,593)
commissions on other transactions with banks	(231,942)	(585,409)
	(1,965,524)	**(2,385,861)**
Net fees and commission	**19,859,425**	**12,796,749**

10. Foreign exchange related income

Net forex trading	8,324,384	6,589,017
Forex commissions	3,354,962	3,181,840
Other forex revenues	**100,215**	153,832
	11,779,561	**9,924,689**

11. insurance premiums received

31-Dec-21	Motor	Fire	Guarantee	Engineering	Liability	Accident & health	Transport	Miscellaneous	Total
Gross written premium	9,068,527	1,158,417	350,816	796,100	132,384	60,670	50,116	517,387	12,134,417
Unearned premium reserve b/f	3,306,629	263,681	93,189	229,807	50,129	18,040	7,814	14,538	3,983,827
Unearned premium reserve c/f	(4,568,574)	(579,983)	(119,799)	(323,481)	(70,094)	(33,246)	(12,210)	(216,225)	(5,923,612)
Gross earned premiums	7,806,582	842,115	324,206	702,426	112,419	45,464	45,720	315,700	10,194,632
Reinsurance portfolio premium reserves b/f	(359,716)	(134,958)	(27,288)	(200,514)	(32,840)	(11,001)	(4,765)	(8,865)	(779,947)
Reinsurance portfolio premium reserve c/f	397,537	201,342	71,999	166,799	26,996	19,703	11,570	155,120	1,051,066
Premium ceded to reinsurance	**37,821**	**66,385**	**44,711**	**(33,715)**	**5,845**	**8,703**	**6,806**	**146,255**	**271,119**
Net insurance earned premium	7,844,403	908,500	368,915	668,710	106,574	54,167	52,528	461,954	10,465,751
Intergroup eliminations	(50,816)	(82,248)	(10)	(116,772)	(3,824)	-	-	(71,557)	(325,226)
Gross earned after intercompany elimination	**7,793,588**	**826,252**	**368,905**	**551,938**	**102,750**	**54,167**	**52,528**	**390,397**	**10,140,525**
Premiums ceded to treaties & facultative reinsures	(706,122)	(435,281)	(290,890)	(493,916)	(58,095)	(44,161)	(44,074)	(174,261)	(2,246,801)
Premiums ceded to co-insurance	(200,000)	(60,529)	-	(10,049)	(2,884)	-	(2,370)	(172,352)	(448,183)
Premium ceded to reinsurance	**(906,122)**	**(495,810)**	**(290,890)**	**(503,965)**	**(60,979)**	**(44,161)**	**(46,444)**	**(346,613)**	**(2,694,984)**

31 December 2020	Motor	Fire	Guarantee	Engineering	Liability	Accident & health	Transport	Miscellaneous	Total
Gross written premium	7,479,098	588,445	227,234	521,215	102,234	97,094	93,990	44,006	9,153,316
Unearned premium reserve b/f	2,743,845	129,543	84,169	77,594	48,730	45,392	16,845	1,953	3,148,071
Unearned premium reserve c/f	(3,261,449)	(256,606)	(99,091)	(227,289)	(44,582)	(42,340)	(40,987)	(19,190)	(3,991,534)
Gross earned premiums	**6,961,494**	**461,382**	**212,312**	**371,520**	**106,382**	**100,146**	**69,848**	**26,769**	**8,309,853**
Reinsurance portfolio premium reserves b/f	(126,626)	(66,734)	(40,252)	(69,512)	(15,594)	(28,602)	-	(762)	(348,082)
Reinsurance portfolio premium reserve c/f	396,907	50,147	41,499	197,083	17,240	27,604	174	1,124	731,778
Premium ceded to reinsurance	**270,281**	**(16,587)**	**1,247**	**127,571**	**1,646**	**(998)**	**174**	**362**	**383,696**
Net insurance earned premium	7,231,775	444,795	213,558	499,091	108,028	99,147	70,023	27,132	8,693,550
Intergroup eliminations	(232,852)								(232,852)
Gross earned after intercompany elimination	**6,998,923**	**444,795**	**213,558**	**499,091**	**108,028**	**99,147**	**70,023**	**27,132**	**8,460,697**
Premiums ceded to treaties & facultative reinsures	(652,790)	(223,097)	(64,534)	(401,322)	(58,910)	-	(52,685)	(22,723)	(1,476,061)
Premiums ceded to co-insurance	(156,897)	(3,735)	-	-	-	(1,350)	(5,090)	(4,102)	(171,174)
Premium ceded to reinsurance	**(809,687)**	**(226,830)**	**(64,534)**	**(401,322)**	**(58,910)**	**(1,350)**	**(57,775)**	**(26,825)**	**(1,647,235)**

12. Other operating income

	31 December 2021 FRw'000	31 December 2020 FRw'000
Bank of Kigali plc		
Rental income	95,241	23,572
Gain on asset disposal	-	270,093
Other non-banking income	153,416	23,920
	248,657	**317,585**
The Holding Company		
Income from lease	2,693,579	2,800,816
Dividend income	17,605,905	125,000
Sale of fixed asset	-	30,189
Elimination of intercompany sales	(20,834,650)	(2,800,816)
	(535,166)	**155,189**
BK General Insurance ltd,		
Brokers' commissions	649,199	(512,051)
Investment income	-	76,016
Intercompany rental income	-	(54,858)
	649,199	**(490,893)**
BK TecHouse Ltd,		
Gross sales	1,792,948	1,079,528
Cost of sales	(557,930)	(495,356)
Elimination of intercompany sales	-	(726,963)
	1,235,018	**(142,791)**
BK Capital		
Brokerage commissions	571,399	8,188
Advisory service	1,287	419,515
Elimination of intercompany sales	-	(15,000)
	572,686	**412,703**
Other operating income	**2,170,394**	**251,793**

13. Credit impairment losses

	31 December 2021 FRw'000	31 December 2020 FRw'000
Expected credit loss on loans and advances	36,415,840	39,022,528
Expected credit loss on off balance sheet items	289,307	80,170
Expected credit loss on investment securities	1,011,381	224,846
Bad debts recovered during the year	(3,647,776)	(2,198,638)
	34,068,752	**37,128,906**

14. Insurance benefits and claims paid

31 December 2021	Motor	Fire	Guarantee	Engineering	Liability	Accident & health	Transport	Miscellaneous	Total
Gross claims paid & benefits	3,936,568	265,502	363	70,168	36,082	492	393	7,200	4,316,768
Outstanding claims reserve b/f	(1,881,862)	(201,702)	-	(129,417)	-	(31,984)	-	-	(2,244,965)
Outstanding claims reserve c/f	2,384,386	644	6,291	98,049	10,277	35,541	-	50,195	2,585,383
Incurred but not report (IBNR) b/f	(244,278)	(26,376)	(6,040)	(5,879)	(9,597)	(7,060)	(382)	-	(299,612)
Incurred but rot report (IBNR) c/f	278,874	41,657	17,265	18,159	6,636	3,727	3,098	2,206	371,622
Net claims payable	**4,473,688**	**79,725**	**17,879**	**51,080**	**43,398**	**716**	**3,109**	**59,601**	**4,729,196**
Claims recoveries from treaties & facultative reinsurance	(1,401,229)	-	-	-	-	-	-	-	(1,401,229)
Reinsurance portfolio claims reserve b/f	491,130	176,500	-	74,961	-	-	-	-	742,591
Reinsurance portfolio claims reserve c/f	(594,195)	(240)	(1,289)	(65,680)	(1,858)	(2,679)	-	(45,176)	(711,117)
Amount recoverable from reinsurers	**(1,504,294)**	**176,260**	**(1,289)**	**9,281**	**(1,858)**	**(2,679)**	**0**	**(45,176)**	**(1,369,755)**
Net group claims	**2,969,394**	**255,985**	**16,590**	**60,361**	**41,540**	**(1,963)**	**3,109**	**14,425**	**3,359,441**

31 December 2020	Motor	Fire	Guarantee	Engineering	Liability	Accident & health	Transport	Miscellaneous	Total
Gross claims paid & benefits	3,177,682	36,814	3,484	5,499	16,058	-	11,132	418	3,251,087
Outstanding claims reserve b/f	(1,476,153)	(199,800)	-	(3,678)	(2,000)	-	(2,128)	-	(1,683,760)
Outstanding claims reserve c/f	2,071,890	38,050	-	82,183	4,787	-	38,104	-	2,235,014
Incurred but not report (IBNR) b/f	(221,246)	(72,935)	(4,117)	(1,343)	(9,309)	(1,525)	(10,399)	(1,321)	(322,195)
Incurred but rot report (IBNR) c/f	406,264	7,461	-	16,115	939	-	7,471	-	438,250
Net claims payable	**3,958,437**	**(190,410)**	**(633)**	**98,776**	**10,475**	**(1,525)**	**44,180**	**(903)**	**3,918,397**
Claims recoveries from treaties & facultative reinsurance	(723,148)	-	-	-	-	-	-	-	(723,148)
Reinsurance portfolio claims reserve b/f	504,189	177,432	-	-	-	-	-	-	681,622
Reinsurance portfolio claims reserve c/f	(566,960)	(252,330)	-	(74,961)					(894,251)
Amount recoverable from reinsurers	**(785,919)**	**(74,898)**	**0**	**(74,961)**	**-**	**-**	**-**	**-**	**(935,778)**
Net group claims	**3,172,518**	**(265,308)**	**(633)**	**23,815**	**10,475**	**(1,525)**	**44,180**	**(903)**	**2,982,619**

15. Operating expenses

	31 December 2021 FRw'000	31 December 2020 FRw'000
(i) Employee benefits expense		
Salaries and wages	27,792,088	20,299,559
Medical expenses	1,238,091	904,880
Pension scheme contributions	1,419,696	1,279,560
Other benefits	883,144	748,755
	31,333,019	**23,232,754**
(i) Depreciation and amortisation		
Depreciation of property and equipment (Note 28)	3,743,864	1,490,354
Depreciation on right to use assets	829,679	832,065
Amortisation of intangible assets (Note 28)	1,969,547	1,376,957
	6,543,090	**3,699,376**
(i) Administration and general expenses		
Directors' remuneration	333,224	413,224
Audit fees	129,948	110,272
Rent, repairs and maintenance	1,499,277	383,777
Utilities	743,626	739,667
Postage, photocopying and printing	353,566	458,450
Travel and accommodation expenses	443,930	481,143
Security and cash in transit costs	1,545,301	1,991,276
Marketing and publicity	972,461	1,136,319
Statutory fees	1,203,305	1,221,707
Legal and consultancy fees	2,249,030	906,504
Unclaimed VAT on expenditure	2,419,146	1,918,927
Telephone and internet costs	5,556,099	2,443,526
Charitable donation	822,057	795,511
Account maintenance costs	82,357	93,410
Tax related provision	-	613,789
Credit and debit card costs	4,468,453	3,583,548
Other general expenses	2,331,752	950,373
	25,153,532	**18,241,423**

iv) The Group has presented interest expense of FRw 187.7 million on the lease liability separately from the depreciation charge FRw 829.6 million for the right of-use asset. Interest expense on the lease liability is a component of finance costs, which are presented separately in the Statement of Comprehensive Income.

16. 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 2021 FRw'000	Effective Rate	31 December 2020 FRw'000
Income tax charge				
Current income tax		28,439,205		19,383,369
Deferred income tax credit		(3,444,037)		(883,493)
Provisions for prior years re-assessment		(9,470)		133,121
	32.5%	**24,985,698**	**32.70%**	**18,632,997**
Accounting profit before income tax		76,880,668		57,066,286
Tax calculated at tax rate of 30%	30.00%	23,064,200	30.00%	17,119,886
IFRS 9 - Loan Loss Provision	4.80%	3,660,898	4.10%	2,353,301
IFRS 9 - Government securities	0.10%	68,121	0.10%	67,454
Provision for doubtful receivables	0.00%	-	0.10%	62,051
Depreciation and amortisation	1.00%	(731,939)	-0.40%	(233,166)
IFRS 16 Lease adjustments	1.10%	813,285	-0.40%	(246,329)
Staff complementary pension	0.00%	1,140	0.30%	154,941
Staff bonus provision	1.60%	1,253,929	-0.60%	(365,516)
Staff loans interest expense on discount	0.00%	-	0.00%	-
Other non-deductible expenses	0.40%	309,570	0.80%	470,747
Tax effects on non-taxable items:	**7.00%**	**5,375,004**	**4.00%**	**2,263,483**
Deferred income tax (credit)	-4.50%	(3,444,037)	-1.50%	(883,493)
Provisions for prior years re-assessment	0.00%	(9,470)	0.20%	133,121
Income tax expense	**32.50%**	**24,985,698**	**32.70%**	**18,632,997**

17. Current income tax

	31 December 2021 FRw'000	31 December 2020 FRw'000
At 1 January	3,276,474	7,441,556
Tax paid during the year	(21,700,464)	(23,692,124)
Tax charge for the year	28,439,205	19,383,369
Prior year understatement	(1,351)	143,673
At 31 December	**10,013,864**	**3,276,474**

The Group's statutory income tax charge was 32.5% (2020: 30%).

18. Earnings per share

	31 December 2021	31 December 2020
Profit for the year attributable to equity shareholders – FRw'000	51,894,970	38,533,134
Weighted average number of shares	904,547,404	904,547,404
Earnings per share:		
Basic and diluted earnings per share – FRw	**57.4**	**42.6**

Basic earnings per share is calculated on the profit attributable to ordinary shareholders of FRw 51.8 billion (2020: FRw 38.5 billion) and on the weighted average number of ordinary shares outstanding during the year of 904,547,404 (2020 904,547,404 shares).

19. 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:

	31 December 2021 FRw'000	31 December 2020 FRw'000
(a) Cash in hand		
Cash in foreign currency	6,516,055	12,813,632
Cash in local currency	15,207,110	8,339,030
	21,723,165	**21,152,662**
(b) Balances with National Bank of Rwanda		
Restricted balances (Cash Reserve Ratio)	46,588,733	46,068,460
Unrestricted balances	185,169,413	55,553,319
	231,758,146	**101,621,779**

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 2021, the Cash Reserve Ratio requirement was 4% (2020 - 4%) of all deposits amounting to FRw 1.2 trillion (2020: FRw 921.4 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:.

	31 December 2021 FRw'000	31 December 2020 FRw'000
Cash and Cash Equivalent		
Cash in hand (Note 19 a)	21,723,165	21,152,662
Unrestricted balances (Note (19b)	185,169,413	55,553,319
Due from banks (Note 20)	77,839,613	107,102,581
Due to banks (Note 29)	(97,822,287)	(47,687,971)
Unrealized exchange gains	(3,077,524)	(5,807,913)
	183,832,380	**130,312,678**

20 Due from banks

	31 December 2021 FRw'000	31 December 202020 FRw'000
Placements with local banks	14,768,894	14,090,600
Placements with foreign banks	63,116,601	93,051,613
Expected credit losses (note 4.1.7.1)	(45,882)	(39,632)
	77,839,613	**107,102,581**

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 2021 FRw'000	31 December 2020 FRw'000
A	3,050,505	45,683,840
A-	10,422,464	674,592
A+	27,454,518	27,463,961
AA	-	28,828
B	-	15,464,109
B+	32,917,453	17,812,587
BB-	4,040,555	14,296
Expected credit loss (note 4,1,7,1)	(45,882)	(39,632)
	77,839,613	**107,102,581**

The weighted average effective interest rate on placements and balances with other banks at 31 December 2021 was 0.5% (2020: 0.5%).

21. Investment securities

a) Investment securities	31 December 2020 FRw'000 Amortised cost	31 December 2019 FRw'000 Amortised cost
Treasury bills	130,277,917	101,617,065
Treasury bonds	29,162,936	30,890,855
Other government security	5,552,704	10,328,160
Expected credit losses	(878,423)	(814,166)
Total	**164,115,134**	**142,021,914**
Maturing between 3-12 months	116,389,821	117,121,813
Maturing between 1-5 years	12,651,384	13,156,170
Maturing between >5 years	35,952,352	12,558,097
Expected credit losses	(878,423)	(814,166)
	164,115,134	**142,021,914**

21. Investment securities (continued)

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

	31 December 2021			
	Treasury bills	Treasury bonds	Other government securities	Total
	FRw'000	FRw'000	FRw'000	FRw'000
1 January 2021	101,037,848	30,714,777	10,269,289	142,021,914
Additions	23,269,347	11,242,013	1,591,535	36,102,895
Maturities		(294,500)		(294,500)
Expected credit loss	(707,498)	(163,353)	(140,530)	(1,011,381)
31 December 2021	**123,599,697**	**41,498,937**	**11,720,294**	**176,818,928**

	31 December 2020			
	Treasury bills	Treasury bonds	Other government securities	Total
	FRw'000	FRw'000	FRw'000	FRw'000
1 January 2020	92,466,605	14,451,272	17,879,237	124,797,114
Additions	318,541,223	21,535,043	-	340,076,266
Maturities	(309,390,764)	(5,095,460)	(7,551,076)	(322,037,300)
Expected credit loss	(579,216)	(176,078)	(58,872)	(814,166)
31 December 2020	**101,037,848**	**30,714,777**	**10,269,289**	**142,021,914**

	31 December 2021	31 December 2020
	FRw'000	FRw'000
Movement in the expected credit loss on – investment securities		
At 1 January	784,310	562,116
Charge for the year	227,071	252,050
At 31 December	**1,011,381**	**814,166**

The weighted average effective interest rate on government securities held to collect at 31 December 2021 was 12.4% (2020: 9.9%), The equity investment in unquoted entities is recorded fair value through other comprehensive income,

21. Investment securities (continued)

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 2022.

	31 December 2021	31 December 2020
	FRw'000	FRw'000
b) Investment in Corporate bond		
Maturing between 1-3 years	8,006,658	7,467,981
Maturing between 1-5 years	4,697,137	4,698,197
	12,703,795	**12,166,178**
c) Investment in specialized Fund (Aguka fund)		
Initial investment	1,200,000	1,200,000
Accrued interest	6,614,784	16,854
	7,814,784	**1,216,854**
d) Investments in equity instruments		
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
Impairment	(221,425)	(221,425)
	-	-

Investments in equity instruments relate to unquoted entities, they are recorded at fair value through other comprehensive income.

22. Loans and advances to customers

	31 December 2021 FRw'000	31 December 2020 FRw'000
(a) Corporate loans and advances		
Corporate	820,280,672	689,632,424
Small and medium enterprises	131,345,473	128,593,947
Non-profit entities	7,920,000	9,244,305
Total corporate loans	**959,546,145**	**827,470,676**
Discount on economic refinancing loans	(2,235,213)	(4,197,265)
Adjusted Corporate Loans	**957,310,932**	**823,273,411**
Retail loans and advances		
Gross retail loans	120,074,651	108,327,513
Discount on staff loans	(4,275,393)	(4,040,474)
Discount on economic refinancing loans	-	(24,850)
Total retail loan book	**115,799,258**	**104,262,189**
Total gross loans	**1,073,110,190**	**927,535,601**
Loss allowance/credit impairment provision – corporate	(70,825,571)	(61,121,544)
Loss allowance/credit impairment provision – retail	(12,017,298)	(15,314,246)
Total expected credit losses/credit impairment provision	**(82,842,869)**	**(76,435,790)**
Net Loans and advances to customers	**990,267,321**	**851,099,810**

	31 December 2021 FRw'000	31 December 2020 FRw'000
(b) Guarantees and commitments		
Corporate	162,412,270	103,295,434
Small and medium enterprises	13,564,730	27,581,655
Non-profit entities	997,065	182,282
Total guarantees and commitments	**176,974,065**	**131,059,371**
Loss allowance	(540,754)	(432,187)
	176,433,311	**130,627,184**
(c) Movement in the loss allowance balance - loans and advances		
At 1 January	76,435,790	47,990,325
Increase in loss allowance in the year	37,195,058	39,022,527
Loans written off during the year	(30,787,978)	(10,577,062)
As at 31 December	**82,842,869**	**76,435,790**

22. Loans and advances to customers(continued)

	31 December 2021 FRw'000	31 December 2020 FRw'000
Maturing within 1 month	13,108,117	30,061,119
Maturing after 1 month, but before 3 months	39,717,830	116,894,459
Maturing after 3 months, but within 1 year	117,973,050	162,059,908
Maturing after 1 year, but within 5 years	629,189,599	255,093,210
Maturing after 5 years	273,121,594	363,426,905
	1,073,110,190	**927,535,601**

	31 December 2021 FRw'000	31 December 2020 FRw'000
(d) Sectoral analysis of Gross Loans and advances to customers		
PRIVATE SECTOR AND INDIVIDUALS	798,501,130	646,421,931
GOVERNMENT AND PARASTATALS	274,609,060	281,113,670
	1,073,110,190	**927,535,601**

The weighted average effective interest rate on gross loans and advances as at 31 December 2021 was 15.8% (2020: 15.7%). As at 31 December, the ageing analysis of past due but not impaired loans and advances is as follows:

	31 December 2021 FRw'000	31 December 2020 FRw'000
Less than 60 days	1,608,499	96,060,094
Between 61 – 90 days	66,980,574	28,597,952
	68,589,073	**124,658,046**

23. Insurance receivables

	31 December 2021 FRw'000	31 December 2020 FRw'000
Insurance related receivables	4,575,808	910,055
Reinsurance share in claims	1,941,860	1,832,710
Total	**6,517,668**	**2,742,765**

24. Other assets

	31 December 2021	31 December 2020
	FRw'000	FRw'000
Clearing accounts	7,826,970	5,851,831
Prepayments	5,458,018	4,903,191
Economic recovery loan valuation	3,512,395	4,222,114
Migration Written off accounts	7,750,103	0
Other receivables*	2,895,390	4,261,239
Expected credit loss	(1,632,744)	(1,632,744)
	25,810,132	**17,605,631**

*Other receivable balances include stationaries and accrued ledger fees

	31 December 2021	31 December 2020
	FRw'000	FRw'000
Other assets		
Non-Financial other assets	5,458,019	4,903,190
Financial other assets	20,352,113	12,702,441
	25,810,132	**17,605,631**

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.

25. Deffered income tax

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

	At 31 December 2021	Charge/ (credit) to profit or loss	Charged to OCI	At 31 December 2020
	FRw'000	FRw'000	FRw'000	FRw'000
Revaluation of assets-property	5,614,237	-	-	5,614,237
Capital allowances	2,573,138	2,789,476	-	(216,338)
Expected credit loss impairment	(9,644,747)	(3,660,898)	-	(5,983,849)
Other temporary differences	(8,089,326)	(2,572,615)	-	(5,516,666)
	(9,546,653)	**(3,444,037)**	**-**	**(6,102,616)**

	At 1 January 2020	Charge/ (credit) to profit or loss	Charged to OCI	At 31 December 2020
	FRw'000	FRw'000	FRw'000	FRw'000
Revaluation of assets-property	5,571,446	-	42,791	5,614,237
Capital allowances	(198,708)	(17,630)	-	(216,338)
Expected credit loss impairment	(3,630,548)	(2,353,301)	-	(5,983,849)
Other temporary differences	(7,004,104)	1,487,438		(5,516,666)
	(5,261,914)	**(883,493)**	**42,791**	**(6,102,616)**

26. Right of use assets

	31 December 2021	31 December 2020
	FRw'000	FRw'000
As at 1 January 2021	2,489,038	3,309,375
Additions	-	11,727
Depreciation expense	(829,679)	(832,064)
	1,659,359	**2,489,038**

Right of use assets relate to leases for the branch network and ATM space.

27. 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.

Asset held for sale	31 December 2021	31 December 2020
Musanze old Branch	466,145	466,145
Kiyovu Residential House	98,533	98,533
Nyagatare Cyamazima House	70,000	70,000
Nyagatare Residential House	100,000	100,000
	734,678	**734,678**

28 (I). Property and equipment

31 December 2021	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
Cost/valuation						
At 1 January 2021	20,375,503	6,232,219	2,123,220	2,462,331	0	31,193,273
Additions	-	2,493,030	252,966	434,166	653,355	3,833,517
Reclassification	-	-	(97,054)	-	-	(97,054)
At 31 December 2021	**20,375,503**	**8,725,249**	**2,314,636**	**2,896,497**	**653,355**	**34,965,240**
Depreciation						
At 1 January 2021	(15)	115,715	1,734,524	(140,544)	-	1,709,680
Charge for the year	577,625	1,840,807	248,135	1,077,297	-	3,743,864
Reclassification	-	-	(97,054)	-	-	(97,054)
Elimination of depreciation	-	-		-		-
At 31 December 2021	**577,610**	**1,956,522**	**1,885,605**	**936,753**	**-**	**5,356,490**
Carrying amount	**19,797,893**	**6,768,727**	**429,031**	**1,959,744**	**653,355**	**29,608,750**

28 (I). Property and equipment (continued)

31 December 2019	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 2020						
Cost/valuation						
At 1 January 2020	27,173,873	9,612,386	1,733,482	16,055,180	791,720	55,366,641
Additions	-	2,625,691	304,493	603,002	-	3,533,186
Reclassification	(535,034)	-	85,245	449,789	-	-
Write off	-	-	-	-	(478,520)	(478,520)
Elimination of depreciation	(5,248,808)	(8,417,586)	-	(14,973,307)	-	(28,639,701)
Revaluation	(1,014,529)	2,411,728	-	14,469	-	1,411,668
At 31 December 2020	**20,375,502**	**6,232,219**	**2,123,220**	**2,149,133**	**313,200**	**31,193,274**
Depreciation						
At 1 January 2020	4,585,741	8,544,204	1,370,813	14,475,905	-	28,976,663
Charge for the year	663,052	(10,903)	481,347	356,858	-	1,490,354
Reclassification	-	-	(117,636)	-	-	(117,636)
Elimination of depreciation	(5,248,808)	(8,417,586)	-	(14,973,307)	-	(28,639,701)
At 31 December 2020	**(15)**	**115,715**	**1,734,524**	**(140,544)**	**-**	**1,709,680**
Carrying amount	**20,375,517**	**6,116,504**	**388,696**	**2,289,677**	**313,200**	**29,483,594**

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.

28 (I). Property and equipment (continued)

Land and Buildings were revalued by the directors in 2020 based on the estimated market value, The revaluation was carried out by Architectural & Urban Solutions ARCHUS.

Fair value measurement	Date of valuation	Total	Significant unobservable inputs (Level 3)
		FRw'000	FRw'000
Buildings	2020	20,375,503	20,375,503

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 land and buildings

		Fair value measurements at 31 December using		
	Carrying amount	Quoted prices in active market	Significant observable inputs	Significant unobservable inputs
		Level 1	Level 2	Level 3
	FRw'000	FRw'000	FRw'000	FRw'000
31 December 2021	20,375,503	-	-	20,375,503
				-
31 December 2020	20,375,503	-	-	20,375,503

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 2021	31 December 2020
The parity USD/FRw is estimated to 6.1% in 2020 and 2019.	7%	6,1%
The estimated occupancy time	Fourteen	Fifteen years term
Discount rate	10%	10%

28 (I). Property and equipment (continued)

The relationship of the unobservable inputs to 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 20,000,000 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 139,000,000 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 39,000,000 million.

28 (I). Intangible assets

	31 December 2021	31 December 2020
	FRw'000	FRw'000
Cost		
At 1 January	11,604,383	11,604,383
Additions	3,778,946	3,778,946
Reclassification of work in progress	-	-
Accelerated amortization of intangibles	-	-
Elimination of fully depreciated intangibles	-	-
At period end	**15,383,329**	**15,383,329**
Amortisation		
At 1 January	3,139,997	5,248,573
Amortisation	1,969,547	1,376,958
Elimination of fully depreciated intangibles	-	(3,485,535)
At period end	**5,109,544**	**3,139,997**
Net book value	**10,273,785**	**8,464,386**

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 2021 FRw'000	31 December 2020 FRw'000
Deposits and balances from other Banks	190,223,687	53,395,309
Term treasury borrowings	-	83,398,110
Day 1 fair value adjustment		(6,235,489)
	190,223,687	**130,557,930**
Maturing as follows:		
Payable within 3 months	100,454,521	47,687,971
Payable after 3 months	89,769,166	82,869,959
Total	**190,223,687**	**130,557,930**

The weighted average effective interest rate on deposits and balances from other banks as at 31 December 2021 was 7.5% (2020: 6.1%)

30. Deposits and balances from customers

	31 December 2021 FRw'000	31 December 2020 FRw'000
Current accounts	659,331,625	540,257,543
Fixed deposit accounts	268,183,685	210,689,711
Savings accounts	39,507,088	34,184,918
Collateral and other deposits	7,472,228	5,679,089
	974,494,626	**790,811,261**

31. Dividends payable

	31 December 2021 FRw'000	31 December 2020 FRw'000
At 1 January	13,286,327	13,291,112
Dividends paid during the year	(12,305,031)	(4,785)
Dividend declared	25,947,485	-
At 31 December	**26,928,781**	**13,286,327**
Dividend per share	**57.8**	**42.6**

During the Annual General Meeting held on 16 June 2021, the Shareholders approved a dividend pay-out of 50% of the Group's audited IFRS-based net income in respect of the year 2021.

32. Insurance liabilities

	31 December 2021 FRw'000	31 December 2020 FRw'000
Unearned Premium reserves	5,072,782	3,991,533
Claims incurred but not reported (IBNR)	551,299	335,430
Claims reported and loss adjustment expenses	3,821,152	2,386,225
	9,445,233	**6,713,188**

Insurance contract liabilities (continued)

Claims development schedule

Gross claims

Accident year	2017 FRw'000	2018 FRw'000	2019 FRw'000	2020 FRw'000	2021 FRw'000
At end of claim year	1,626,282	1,726,170	3,081,307	3,650,382	4,388,358
One year later	13,918	50,698	104,103	165,652	-
Two years later	5,500	-	270	-	-
Three years later	2,000	-	-	-	-
Gross claims incurred	1,647,700	1,776,868	3,185,680	3,816,034	4,388,358
Gross IBNR	-	-	-	40,420	510,879
Ultimate gross claims projected	1,647,700	1,776,868	3,185,680	3,856,455	4,899,237

Net claims

Accident year	2017 FRw'000	2018 FRw'000	2019 FRw'000	2020 FRw'000	2021 FRw'000
At end of claim year	1,150,779	1,221,461	2,180,374	2,583,060	3,105,262
One year later	9,849	35,875	73,665	117,218	-
Two years later	3,892	-	191	-	-
Three years later	1,415	-	-	-	-
Gross claims incurred	1,165,935	1,257,336	2,254,230	2,700,278	3,105,262
Gross IBNR	-	-	-	28,602	361,505
Ultimate gross claims projected	1,165,935	1,257,336	2,254,230	2,728,880	3,466,767

33. Other liabilities

	31 December 2021 FRw'000	31 December 2020 FRw'000
Clearing accounts	10,196,584	9,308,939
Deferred revenue	4,466,994	2,757,703
Economic recovery grant valuation	5,105,020	6,235,489
Contingent liabilities	540,753	
Other payables	5,725,389	5,072,262
Accrued expenses	9,435,686	9,030,100
	35,470,426	**32,404,493**

34. Lease liabilities

	31 December 2021 FRw'000	31 December 2020 FRw'000
As at 1 January	2,669,914	3,426,696
Interest expense	187,777	228,644
Payment of lease rentals	(788,435)	(985,426)
	2,069,256	**2,669,914**

35. Long term finance

	1 Jan 2021 FRw'000	Additional drawdown FRw'000	Accrued interest FRw'000	Interest expense FRw'000	Revaluation loss FRw'000	Principal repayments FRw'000	Interest repayments FRw'000	31 December 2021 FRw'000
EIB Loan (8.01% - 11.4%)	38,484,890	-	-	3,075,982	-	(5,356,010)	(4,413,986)	31,790,877
AFD Loan (Libor +3.74% pa)	16,185,899	-	-	593,289	448,397	(1,157,482)	(636,984)	15,433,119
AFDB Loan (Libor +4.15% p.a)	1,495,127		5,486	10,866	7,660	(1,479,958)	(33,694)	-
OFID Loan (Libor +4.0% p.a)	2,121,132	-	-	15,214	-	(2,136,346)	-	-
SBM -USD 10M (Libor+4.5%)	831	-	-	(831)				-
BRD-KFW EGF (8% p.a)	6,653,000	2,150,000	-		-			8,803,000
Total	**64,940,879**	**2,150,000**	**5,486**	**3,694,521**	**456,057**	**(10,129,796)**	**(5,084,664)**	**(56,026,996)**

	1 Jan 2020 FRw'000	Additional drawdown FRw'000	Accrued interest FRw'000	Interest expense FRw'000	Revaluation loss FRw'000	Principal repayments FRw'000	Interest repayments FRw'000	31 December 2020 FRw'000
EIB Loan (9.5% - 11.4%)	12,732,311	30,832,800	403,429	3,955,742	-	(5,356,010)	(3,679,952)	38,484,891
AFD Loan (Libor +3.74% pa)	17,373,861	-	193,838	518,514	1,062,888	(2,444,688)	(324,676)	16,185,899
AFDB Loan (Libor +4.15% pa)	2,854,542	-	28,314	89,015	84,563	(1,382,250)	(150,743)	1,495,127
OFID Loan (Libor +4.0% p.a)	7,739,339	-	25,644	256,278	120,806	(5,079,855)	(915,435)	2,121,133
SBM -USD 10M (Libor +4.5%)	3,624,365	-	-	(14,237)	47,917	(3,671,453)	14,237	829
BRD-KFW EGF (8% p.a)	1,653,000	5,000,000	-	119,940	-	-	(119,940)	6,653,000
Total	**45,977,418**	**35,832,800**	**651,225**	**4,925,252**	**1,316,174**	**(17,934,256)**	**(5,176,509)**	**64,940,879**

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 drawndown USD 15,1M from the AFD line for a 7-year term, The EIB facility was fully drawn down EUR 30 million on the 2nd of January 2020. Remediation work on the USD LIBOR exposures will commence in advance of the discontinuation date of 30 June 2023. As at 31 December 2021, the USD LIBOR exposures which had not been transitioned was valued at US$ 15.2 million dollars. The Group was compliant on all financial covenants on the long-term finance.

36. Capital & reserves

(i) Share Capital

	31 December 2021		31 December 2020	
	Shares	Shares	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	904,547,404	904,547,404	896,759,200	8,967,592
New issued	-	-	7,788,200	77,882
At 31 December	**904,547,404**	**904,547,404**	**904,547,400**	**9,045,474**

(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 2020	31 December 2019
	FRw'000	FRw'000
At 1 January	76,573,491	76,573,491
At 31 December	**76,573,491**	**76,573,491**

(iii) Revaluation reserve

	31 December 2021	31 December 2020
	FRw'000	FRw'000
Buildings	13,099,994	13,000,149
Revaluation surplus	-	99,845
	13,099,994	**13,099,994**

Revaluation reserves represents 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 2021	31 December 2020
	FRw'000	FRw'000
Opening balance	156,494,803	120,862,519
Profit attributable to parent	51,077,753	37,911,336
Statutory loan loss reserve	(42,921)	(2,279,052)
Declared dividend 2021	(25,538,876)	-
	181,990,759	**156,494,803**

The statutory credit risk reserve represents excess of regulatory expected credit losses over IFRS excess of regulatory expected credit losses over IFRS determined credit losses.

36. Capital & reserves (continued)

(v) Statutory reserve

	30 June 2021	31 December 2020
	FRw'000	FRw'000
Statutory loan loss reserve	2,321,973	2,279,052
At 31 December	**2,321,973**	**2,279,052**

37. Maturity analysis of assets and liabilities

The table below shows an analysis of liabilities analysed according to when they are expected to be recovered or settled as at 31 December 2021:

At 31 December 2021	Less than 12 months	Over 12 months	Total
Liabilities	FRw'000	FRw'000	FRw'000
Due to banks	145,270,845	44,952,841	190,223,687
Customer deposits	944,833,246	29,661,380	974,494,626
Dividends payable	-	26,928,781	26,928,781
Insurance liabilities	9,445,233	-	9,445,233
Other liabilities	35,470,426	-	35,470,426
Lease liabilities	-	2,069,256	2,069,256
Long-term Finance	2,903,010	53,123,987	56,026,996
Tax liability	10,013,864	-	10,013,864
Total Liabilities	**1,147,936,624**	**156,736,245**	**1,304,672,869**

The table below shows an analysis of assets analysed according to when they are expected to be recovered or settled as at 31 December 2020:

At 31 December 2020	Less than 12 months	Over 12 months	Total
Assets	FRw'000	FRw'000	FRw'000
Cash in hand	21,152,662	-	21,152,662
Balances with the National Bank of Rwanda	101,621,779	-	101,621,779
Balances held with other financial institutions	107,102,581	-	107,102,581
Investment securities at amortized costs	116,307,646	25,714,268	142,021,914
Investment in corporate bond	2,141,694	10,024,484	12,166,178
Investment in specialized fund		1,216,854	1,216,854
Loans and advances to customers	309,015,486	542,084,324	851,099,810
Insurance receivable	2,742,765	-	2,742,765
Deferred income tax asset	-	6,102,616	6,102,616
Assets held for sale	734,678	-	734,678
Other assets	15,159,521	2,446,110	17,605,631
Right of use assets	829,679	1,659,359	2,489,038
Intangible assets	-	8,464,386	8,464,386
Property and equipment	-	29,483,594	29,483,594
Total assets	**676,808,491**	**627,195,995**	**1,304,004,486**

37. Maturity analysis of assets and liabilities (continued)

The table below shows an analysis of liabilities analysed according to when they are expected to be recovered or settled as at 31 December 2020:

At 31 December 2020	Less than 12 months	Over 12 months	Total
Liabilities	FRw'000	FRw'000	FRw'000
Due to banks	114,587,757	15,970,173	130,557,930
Customer deposits	753,187,656	37,623,605	790,811,261
Current income tax	3,276,474	-	3,276,474
Dividends payable	-	13,286,327	13,286,327
Insurance Liabilities	6,713,188	-	6,713,188
Other liabilities	30,945,314	1,459,179	32,404,493
Lease liability	896,734	1,773,180	2,669,914
Long-term Finance	11,370,480	53,570,399	64,940,879
Total Liabilities	**920,977,603**	**123,682,863**	**1,044,660,466**

38. 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 2021:

	Fair value measurement using		
	Carrying amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)
Assets	FRw'000	FRw'000	FRw'000
Balances with the National Bank of Rwanda	231,758,146	231,758,146	-
Due from banks	77,839,613	-	77,839,613
Held to maturity investments	164,115,134	-	164,115,134
Investment in corporate bond	12,703,795	-	12,703,795
Investment in specialized fund	1,054,926	-	1,054,926
Loans and advances to customers	990,267,321	-	990,267,321
Other assets	25,758,453	-	25,758,453
Total assets	**1,503,497,388**	**231,758,146**	**1,271,739,242**
Due to banks	190,223,687	190,223,687	-
Deposits and balances from customers	974,494,626	-	974,494,626
Other liabilities	35,470,426	-	35,013,920
Long-term finance	56,026,996	-	56,026,996
Total liabilities	**1,256,215,735**	**190,223,687**	**1,065,535,542**

38. Fair value (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities carried at amortised cost as at 31 December 2020

	Fair value measurement using		
	Carrying amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)
Assets	FRw'000	FRw'000	FRw'000
Balances with the National Bank of Rwanda	101,621,779	101,621,779	-
Due from banks	107,102,581	-	107,102,581
Investment securities	142,021,914	-	142,021,914
Investment in corporate bond	12,166,178	-	12,166,178
Investment in specialized fund	1,216,854	-	1,216,854
Loans and advances to customers	851,099,810	-	851,099,810
Insurance receivables	2,742,765	-	2,742,765
Other assets	14,118,194	-	14,118,194
	1,232,090,075	**101,621,779**	**1,130,468,296**
Liabilities			
Due to banks	130,557,930	130,557,930	-
Deposits and balances from customers	790,811,261	-	790,811,261
Dividends payable	13,286,327	-	13,286,327
Insurance liabilities	6,713,188	-	6,713,188
Other liabilities	26,269,572	-	26,269,572
Long-term finance	64,940,879	-	64,940,879
	1,032,579,157	**130,557,930**	**902,021,227**

Valuation Techniques.

The financial instruments include Government Securities, Due from Banks, Loans and Advances and other assets, Due to Banks, Deposits, other liabilities and Long-term finance.

These instruments are held at amortised cost. When active market prices are not available, the Group uses discounted cash flow models with observable market inputs of similar instruments to estimate future index levels and extrapolating yields outside the range of active market trading, in which instances the Group classifies those securities as Level 2.

39. 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 6.4 Billion (2020: FRw 4.2 billion), 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 2021, the Group had contractual commitments of FRw 3.9 Billion (2020: 4,6 Billion) relating to transformation program to migrate to new core banking.

40. 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, limited transactions and balances with government and government related parties have not been disclosed.

i) Remuneration of key management personnel of the Group

	31 December 2021 FRw'000	31 December 2020 FRw'000
Remuneration of key management personnel of the Group	861,119	638,877

ii) Directors Remuneration

	Directors fees and allowances FRw'000	Loans FRw'000	ESOP Shares
31 December 2021			
Mr, Marc Holtzman (Chairman)	333,224	-	810,000
	333,224	**-**	**810,000**
31 December 2020			
Mr, Marc Holtzman (Chairman)	317,463	-	810,000
Ms, Liliane Kyatengwa	22,775	-	111,000
Ms, Alline Akintore Kabbatende	15,969	-	70,000
Mr, Reuben Karemera	44,581	142,088	250,000
Mr, Regis Rugemanshuro	12,436	234,178	148,100
	413,224	**376,266**	**1,389,100**

Non-executive directors do not receive pension entitlements from the Group. In 2020, Directors for the Group served for the Bank subsidiary's Board and committee meetings.

40. Related parties disclosures (continued)

ii) Transaction with key management personnel of Bank of Kigali Plc

Bank of Kigali Plc 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.

	2021 (FRw'000)			2020 (FRw'000)		
	Maximum balance during	Balance as at 31 December	Income/ Expense	Maximum balance during	Balance as at 31 December	Income/ Expense
Residential mortgages	421,236	421,236	165,343	1,382,558	1,332,287	157,993
Credit cards and other loans	26,099	26,099	2,304	191,925	107,806	3,380
Deposits	123,587	123,587	5,460	415,264	415,264	13,346

The amounts above relate to key management personnel

iii)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.

	31-Dec-21		31-Dec-20	
Investment in securities	Balance as at FRw '000	Interest from FRw '000	Balance as at FRw '000	Interest from FRw '000
Government T-bills and bonds	164,115,134	15,434,807	142,021,914	13,162,587

	31-Dec-21		31-Dec-20	
Deposits from major shareholders	Balance as at FRw '000	Interest paid to FRw '000	Balance as at FRw '000	Interest paid to FRw '000
Rwanda Social Security Board	159,960,172	4,527,874	112,804,108	7,950,382
Agaciro Development Board	13,194,929	718,103	12,233,948	929,993
Total Balances	**173,155,101**	**5,245,977**	**125,038,056**	**8,880,375**

There have been no guarantees provided or received for any related party receivables or payable.

41. 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, 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 has been incorporated 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 Tec-House Limited

The Group opened a wholly owned subsidiary, BK Tec-House 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 2021	31 December 2020
	FRw'000	FRw'000
Total assets	21,656,861	15,454,114
Total liabilities	(11,748,321)	(8,408,029)
Net assets	**9,908,540**	**7,046,085**

Summarised statement of profit or loss and other comprehensive income

	31 December 2021	31 December 2020
	FRw'000	FRw'000
Net premium income	9,908,540	7,046,314
Profit for the year	2,724,058	1,739,843
Other comprehensive income	-	-
Total comprehensive income	**2,724,058**	**1,739,843**

Summarised statement of cash flows

	31 December 2020	31 December 2019
	FRw'000	FRw'000
Cashflows from operating activities	641,008	1,857,068
Cashflows utilised in investing activities	152,441	(2,480,893)
Cashflows from financing activities	100,011	(62,325)
Net (decrease)/increase in cash and cash equivalents	**893,460**	**(668,150)**

42. 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 shares 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 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.

42. Share based payments (continued)

When the options are exercised, the entity transfers the appropriate number of shares to the employee. The proceeds received, net of any directly attributable transaction costs, are credited directly to equity.

	31 December 2021		31 December 2020	
	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	5,804,900	-	-
Granted during the year	-	-	270	7,200,000
Exercised during the year	-	-	-	-
Forfeited during the year	270	(165,600)	-	(1,395,100)
As at 31 December	270	5,639,300	270	5,804,900
Vested and exercisable as at 31 Dec	-	-	-	-

No options expired during the year ended 31 December 2021.

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	**5,639,300**

The assessed fair value at grant date of options granted during the year ended 31 December 2021 was nil per option (2020 – was Nil).

The fair value at grant date is the offer price at the listing date.

43. Post period end events

Except as disclosed in the notes to the financial statements, there are no events after the reporting date that require disclosure in or adjustments to the financial statements as at the date of this report.