BANK OF KIGALI

Financially transforming lives

Our Vision for **Inclusive Finance**

ANNUAL REPORT 2022

BANK OF KIGALI
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AN INTRODUCTION

ABOUT US

Rwanda's leading bank

Overview

Bank of Kigali Plc is an award-winning Rwandan institution with deep roots in the African financial space since its founding in 1966. Over the years, Bank of Kigali 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 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 as well as other financial institutions in the region.

The Bank'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. Bank of Kigali Plc is a subsidiary of BK Group Plc that is listed on both Rwanda Stock Exchange (RSE) and Nairobi Securities Exchange (NSE). The Bank also opened a representative office in Kenya in 2013.

1	**1,214.1** FRw Bn
Market Position (Rank)	Loan Portfolio
302 FRw Bn	**1,364.9**
Total Deposits	Number of credit cards issued

Retail Banking

Bank of Kigali Plc provides essential everyday banking services that have been 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.

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 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.

SME Banking

SME Banking is an integral part of Bank of Kigali's comprehensive offering and forms the bedrock of its approach towards 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 137.3 billion in SME loans that comprised 11.3% of Bank of Kigali Plc's loan portfolio in 2022.

Vision

Bank of Kigali 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.

101	**67**
ATMs	Branches
3,735	**2,731**
Agents	POS

OUR STRATEGY

Bank of Kigali endeavors to become a leader in innovation across the region. With this vision, the Bank aims to be the leading provider of the most innovative financial solutions. By offering new and cutting-edge financial products and services, it intends to stay ahead of the curve and serve its customers better. This vision reflects the Bank's commitment to innovation, which is crucial in today's ever-changing business landscape. Bank of Kigali believes that innovation is key to staying competitive and meeting the evolving needs of customers.

The Bank's mission is to create value for its stakeholders by providing the best financial services to businesses and individual customers. With motivated and professional staff, the Bank intends to provide a personalized and customer-centric experience to all its clients. It recognizes that its stakeholders are key to its success, and it is committed to serving them with the utmost professionalism and dedication. Bank of Kigali's reputation and the trust it has cultivated sets it apart from other financial institutions, as it continues to deliver value to all its stakeholders.

To achieve its vision and mission, the Bank has set strategic objectives that guide its operations:

- Become the universal financial services provider of choice, offering a wide range of financial products and services to its customers.
- Strengthen systems and control risk to enhance service delivery.
- Revolutionize the customer experience by providing a seamless and convenient digital platform for its customers.
- Develop its people to ensure a motivated and professional workforce that is equipped with the skills and knowledge to deliver exceptional financial services.

With these strategic objectives, the Bank is well-positioned to achieve its vision and mission to become the leading financial services provider in the region.

Transforming Through Growth and Innovation

Bank of Kigali has set its sights on transforming into two business models over the next few years. In the short-term, it aims to become a product specialist. To achieve this, the Bank intends to deepen its understanding of customer needs and leverage data to develop tailored financial products and services that meet the unique needs of its customers. The Bank recognizes that customers have different financial needs, and it aims to offer personalized financial solutions that delight its customers.

In the long-term, Bank of Kigali aims to transform into an ecosystem that creates a one-stop-shop for financial and offerings and adjacent services. Through participating in ecosystems within specific customer segments, the Bank can provide a more holistic approach to financial solutions. It recognizes that customers have multiple financial needs, and intends to provide a comprehensive range of financial and non-financial services under one roof.

Strategic Objectives

Bank of Kigali has a clear set of five strategic objectives to guide its operations and stay ahead of the competition in the rapidly evolving financial services industry.

Establish an innovative culture and become an employer of choice

- Enable an organization-wide culture shift to promote internal innovation and attract the best talent.

Maintain an assertive customer-oriented sales force

- Implement a more diversified sales plan in new geographies and product Banks to tap into a wider customer base.
- Address specific customer segments digitally to strengthen client relationships

Base every decision on customer data

- Utilize advanced analytics to retain a larger market share and ensuring customer satisfaction.

Automate processes for internal and external efficiency

- Achieve higher general efficiency, reduced costs, and a more seamless customer journey.
- Establish automated processes before product development to prevent re-architecture initiatives and complexities.

Anticipate user-driven demand for innovative and customized offerings

- Become integral to the developing ecosystem.
- Satisfy customers through a single/integrated approach and remain competitive in an increasingly crowded market.

The Bank has set out to achieve five cultural ambitions that guide the way it operates.

1

Nurture, respect, and support its people, making the Bank a talent factory and the employer of choice in the financial sector. TThe Bank believes that its employees are its greatest asset, and by providing them with a favorable work environment, it can attract and retain the best talent in the industry.

2

Challenge the status quo by continuously learning and experimenting to improve itself, what it offers, and how it operates. The Bank acknowledges that innovation and creativity are essential to remain competitive in the financial industry. By being open to new ideas and adapting to changes in the market, the Bank can stay ahead of the curve.

3

Place customers at the heart of everything it does and strive to provide the best possible service to its clients. At Bank of Kigali, customer experience is a top priority. By prioritizing customer satisfaction, the Bank can establish long-term relationships with its customers and build a loyal customer base.

4

Act as a united team that views success through the lens of the organization and not the individual. The Bank recognizes that teamwork is essential to achieving its goals and aims to foster a culture of collaboration.

5

Remain accountable for its role in creating shared purpose, and aim to be coura-geous when embracing challenging tasks. Bank of Kigali understands that its actions have an impact on society and is committed to conducting its operations in a socially responsible manner.

TIMELINE AND AWARDS

A legacy of excellence across the African banking and financial spaces

1966
BK established through a 50/50 JV between the government of Rwanda and Belgolaise

2007
The Rwandan government buys out Belgolaise's stake in BK

2010
BK receives an A+ credit rating from GCR

2011
BK officially listing on the Rwandan Stock Exchange in an IPO worth USD 62.5 million, A 45% stake in BK is floated in the IPO

2013
BK establishes BK Securities and BK Nominees

2015
BK establishes BK Registrars

2016
BK establishes BK General Insurance and BK TecHouse

2017
BK Group Plc is created, increasing its authorized share capital by FRw 3.5 billion

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

2022
- **Global Finance Award** – Best Bank in Rwanda
- **Euromoney Awards for Excellence** – Best Bank in Rwanda
- **Gender Equality Seal** – Gold Category (pioneered by UNDP)

OUR MARKET

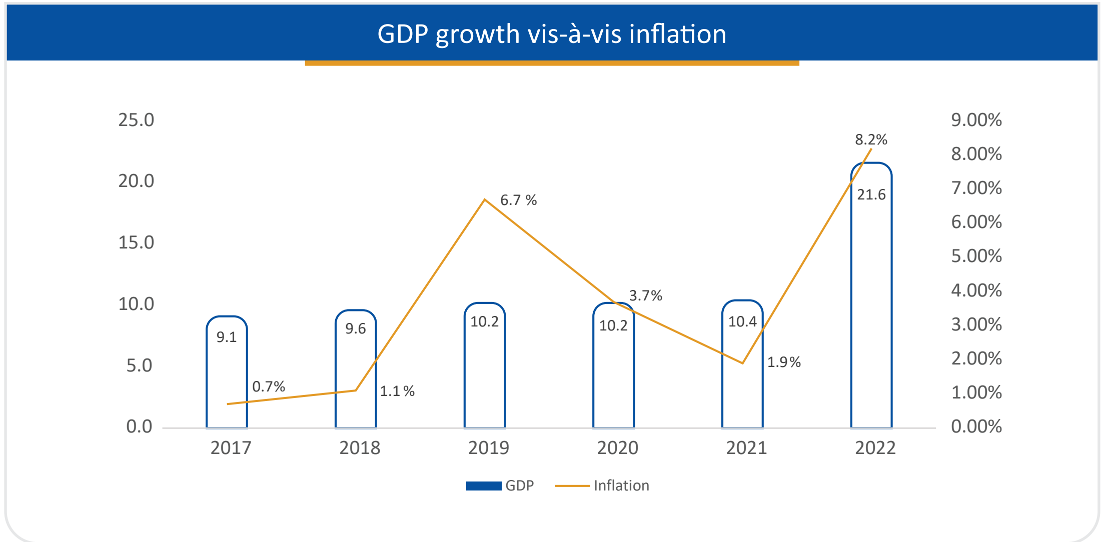
Economic Overview

Rwanda's GDP at current market prices for 2022 rose significantly to FRw 13.7 billion, up from FRw 10.9 billion in 2021. Services continued to be the leading contributor to the GDP, accounting for 47% of the total GDP. Agriculture was the second-highest contributor, accounting for 25%, while the industry sector accounted for 21% of the GDP. Net direct taxes accounted for 7% of total GDP. This robust growth in the GDP emphasizes the country's potential for economic expansion, with the services sector playing a pivotal role in driving the growth, followed by agriculture and industry.

The overall growth in the service sector was 12%, contributing 5.7 percentage points to overall growth. Within services, activities performed as follows: wholesale and retail trade activities increased by 14%, hotels and restaurants increased by 87%, transport activities increased by 22%, financial services increased by 10%, and information and communication increased by 20%. Public administration services increased by 10%, education services increased by 17%, while human health activities increased by 8%.

Agricultural activities saw a growth of 2% and contributed 0.4 percentage points to the overall GDP growth. While the production of food crops decreased by 1%, the production of export crops increased 4%, indicating the country's focus on export-oriented agricultural practices. This increase in export crop production is a promising sign, as it can boost the country's export earnings and reduce its dependence on imports. However, the decrease in food crop production could pose a challenge to the country's food security, and it is essential to address the factors contributing to the decline in food crop production to ensure sustainable agriculture practices.

The industry sector recorded a growth rate of 5%, contributing significantly to the overall GDP growth by 0.9 percentage points. The growth in the industry sector was primarily driven by the expansion in manufacturing activities, which increased by 11%, and mining and quarrying activities, which grew by 15%. However, this growth was offset by a decline of 6% in construction activities. The growth in manufacturing activities can be attributed to a surge of 21% in textiles, clothing, and leather goods, 13% in food processing, 9% in the manufacturing of beverages and tobacco products, 14% in the production of chemicals, rubber, and plastic products, 7% in the production of metal products, machinery, and equipment.



Inflation

Rwanda's urban consumer price index (CPI) increased by 21.6% y-o-y as of year-end 2022 and was stable on a monthly basis from November 2022 to December 2022. The annual average inflation rate between December 2022 and December 2021 was 13.9%.

Inflation in the economy showed an upward trend, with both y-o-y and q-o-q headline inflation increasing. This rise in inflation was observed in the core, fresh food, and energy CPI components. Core inflation (y-o-y) increased to 14.9% in Q42022 from 12.9% in the previous quarter, while fresh food inflation accelerated to 48.2% from 29.7% in Q32022. Energy inflation also witnessed an increase, rising to 21.3% in Q42022 from 18.9% in the previous quarter. The average annual inflation for 2022 stood at 13.9%, indicating that the economy experienced high levels of inflationary pressure during the year. The rise in inflationary pressures may have been due to various factors, such as supply chain disruptions, rising energy costs, and a surge in demand, among others.

The increase in core inflation was largely driven by upticks in core food inflation, core alcoholic beverages and tobacco inflation, and core housing inflation. Core food inflation increased from 27.0% to 32.2%, reflecting the rise in international food prices due to high demand for cereals and flours, adverse weather in some key food producers, and increased input costs. Similarly, core alcoholic beverages and tobacco inflation rose due to the increases in the costs of production. The increase in core housing inflation, from 5.7% to 6.2%, is attributed to the rise in the cost of services for the maintenance and repair of dwellings. The recent upward trend in core inflation is consistent with high imports and domestic costs of production. The increase in imported costs continued to come from high inflation in trading partner countries, high shipment costs, and the depreciation of the local currency, while elevated domestic costs reflected the strong economic growth in 2022.

Digitization

Initiatives

Rwanda's commitment to promoting Information and Communication Technologies (ICT) and digital solutions has been evident in the country's recent efforts to advance its digital infrastructure. In 2022, Rwanda collaborated with the World Economic Forum to establish a Centre for the Fourth Industrial Revolution (C4IR), which aims to promote emerging technologies like AI, machine learning, blockchain, and the internet of things. This initiative positions Rwanda as a leading hub for digital innovation in Africa. .

During 2022, Rwanda hosted the Commonwealth Heads of Government Meeting (CHOGM) 2022, which brought over six thousand delegates to Kigali. Under the theme of 'Delivering a Common Future: Connecting, Innovating, and Transforming', Commonwealth leaders travelled to Rwanda to reaffirm their common values and agree actions and policies to improve the lives of all their citizens. Additionally, the country hosted the ITU World Telecommunication Development Conference, which saw the participation of two thousand delegates from 153 countries. The conference included the Generation Connect Global Youth Summit, aimed at engaging the next generation of digital leaders. These developments highlight Rwanda's growing digital ecosystem and its commitment to leveraging technology to drive economic growth and achieve national outcomes.

Highlights

Rwanda is experiencing significant digital growth, with the number of internet users increasing by 3.7% y-o-y, bringing the total to 3.5 million users, which is 26.3% of the population. This growth in internet usage has been accompanied by a 4.1% y-o-y growth in cellular mobile connections with 415 thousand additional users. This rapid expansion of digital infrastructure is helping to increase access to information, communication, and financial services across the country.

In recent years, there has been an increase in the adoption of digital financial services among the population. As of now, 31.1% of the population have a mobile money account. Additionally, 38.9% of the population made or received digital payments in the past year. The use of digital banking services has also increased, with 28.8% of the population having used digital banking in the past year. While there are gender disparities, with more males than females using these services, overall, there has been a notable rise in the use of digital financial services among the population. These statistics demonstrate the increasing adoption of digital financial services in Rwanda, indicating a shift towards a more digital economy that is more accessible to a greater number of people.

Strong Market Fundamentals in Rwanda:

13.2 mn
Population

c.60%
Approximately 60% of population under the age of

B+
Credit Rating by S&P Global

Bank of Kigali Maintained its Leading Market Position in the Rwandan Banking Sector

30.9%
Total Assets

36.3%
Net Loans

29.9%
Customer Deposits

31.7%
Shareholder's Equity

CAGR 2017-2022

	BK Group	Banking Sector
Total Assets	16.6%	18.3%
Net Loans	14.6%	15.2%
Client Deposits	10.3%	16.6%
Shareholder's Equity	11.8%	18.5%

Selected Indicators - 2022

	BK Group	Banking Sector
NPLs/Gross Loans	2.6%	2.6%
Return on Average Assets	3.5%	3.6%
Return on Average Equity	19.8%	23.4%

Outlook

Looking ahead the financial sector is expected to remain stable in the medium-term, despite some potential impact from inflationary pressures. Nonetheless, regulated financial institutions have the necessary capital and liquidity to continue providing financial services and to withstand external shocks. Overall, the financial sector in Rwanda is well-positioned to continue contributing to the country's economic growth and development, supported by innovation and the adoption of new technologies.

2022

IN REVIEW

Bank of Kigali successfully delivered sustained growth over the course of the year.

CHAIRMAN'S NOTE

Dear esteemed shareholders,

It is with great pleasure and gratitude that I address you as the Chairman of Bank of Kigali, reflecting on the resilience and achievements of our esteemed institution and sharing our vision for the future.

I am pleased to report that Bank of Kigali has experienced a strong 13.7% increase in our loan portfolio from December 2021 to December 2022. This growth stands as a testament to our ability to attract new customers and effectively manage credit risk, underlining the trust placed in us by businesses and individuals alike.

Of particular significance is the substantial growth of our SME loans, which have witnessed a notable increase of 48.8% in loan value. As a result, SME loans now account for 12.3% of our gross loan portfolio in 2022, compared to 8.6% in the previous year. This remarkable growth not only underscores our commitment to fostering the growth and development of smaller businesses but also highlights the success of our tailored loan products and dedicated support services for this vital segment of the economy.

Our steadfast commitment to financial inclusivity is evident in our diverse range of loan offerings, specifically tailored to cater to the unique needs of SMEs. We understand that small and medium enterprises play a pivotal role in driving economic growth and job creation, and therefore, we have developed specialized products to support their expansion and development. We established our SME Center in July 2022, which has proven to be pivotal in providing a comprehensive range of tailored financial and advisory services to entrepreneurs seeking to expand and enhance their businesses. By offering expert guidance, access to financing, and specialized solutions, we aim to equip SMEs with the tools they need to thrive and overcome challenges.

> *Our steadfast committment to financial inclusivity is evident in our diverse range of loan offerings, specifically tailored to cater to the unique needs of SMEs.*

In addition, we have launched targeted initiatives to bolster the growth of key sectors such as agriculture and education, recognizing their critical importance to the overall advancement of our economy. By providing financial resources, advisory services, and strategic partnerships, we empower entrepreneurs and businesses in these sectors to thrive and contribute to sustainable development.

Moreover, Bank of Kigali is deeply committed to supporting women-owned businesses, recognizing the immense potential they hold in driving economic empowerment and gender equality. Through dedicated programs and financial assistance, we strive to create an environment that fosters the growth and success of women entrepreneurs, ultimately contributing to a more inclusive and equitable business landscape.

As we forge ahead, Bank of Kigali remains firmly committed to driving financial inclusivity, nurturing the growth of key sectors, and empowering businesses of all sizes. We will continue to leverage our expertise, resources, and partnerships to create an enabling environment where businesses can thrive, individuals can prosper, and our economy can flourish.

As of 31 December 2022, the Board of Directors is comprised of seven directors – five independent and two non-independent. The diverse composition of our Board provides us with a distinct competitive edge and enhances our overall strength. It plays a crucial role in effectively overseeing the administration of the bank and offering valuable guidance on operational performance, business strategy, financial management, and governance.

Together, with the collective efforts and unwavering support of all our stakeholders, we will continue to strive for excellence and achieve new milestones. Thank you once again for being an integral part of our journey and for your continued trust and confidence.

Sincerely,

ROD REYNOLDS

Chairman

CEO'S NOTE

I am delighted to present to you the remarkable financial and operational achievements of Bank of Kigali for the year 2022. Despite the challenging economic landscape, we have achieved exceptional performance and sustained growth.

Throughout the past year, we have focused on expanding our reach and catering to a wider audience, ensuring that our services are accessible to all. With our mobile banking solutions, we have been able to serve customers in even the most remote locations. Furthermore, our strategic decision to establish new branches in previously underserved areas has strengthened our presence and enhanced our ability to meet the diverse needs of our valued clients. Additionally, our efforts in implementing financial education programs have played a pivotal role in empowering individuals and small businesses, fostering financial literacy, and building resilience.

Our growth has been continuously robust, with consistent positive results achieved throughout the year. This success can be attributed to our unwavering focus on expanding our product offerings, enhancing customer experiences, and embracing innovation and technology. By capitalizing on new opportunities and fortifying our presence in core areas, we have strengthened our position in the market.

As of the end of 2022, Bank of Kigali Plc served 457,763 retail customers and over 22,558 corporate clients. We have expanded our network to include 67 branches, 101 ATMs, and 2,731 POS terminals, accepting major international cards such as VISA and MasterCard. Notably, our retail clients' total deposits reached FRw 1,364.1 billion, and our corporate banking's total loan portfolio reached FRw 1,214.9 billion.

"By capitalizing on new opportunities and fortifying our presence in core areas, we have strengthened our position in the market.

In line with our firm commitment to offering an exceptional customer experience, we have made significant investments in cutting-edge technology. These investments have allowed us to gain deeper insights into our customers' financial behaviors and preferences, enabling us to tailor our offerings accordingly. By actively soliciting and incorporating customer feedback, we have been able to identify areas of improvement and develop innovative solutions that better meet their evolving needs.

Bank of Kigali has set ambitious goals for 2023. We aspire to increase the proportion of our SME portfolio to 13%, retail to 10%, and corporate portfolio to 77%. Achieving these targets will entail enhancing the wallet share for existing customers, acquiring new ones, and maintaining swift response times to customer queries.

Looking ahead, we are incredibly optimistic about the future of Bank of Kigali. The investments we have made to enhance our customers' experiences and digitalize our services are already yielding fruitful results, and we plan to build upon this momentum in the years to come. Our focus will center on improving and expanding our digital capabilities, particularly in the areas of mobile and online banking, to provide our customers with enhanced convenience.

Sincerely,

DIANE KARUSISI

CEO

OPERATIONAL **HIGHLIGHTS**

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

RETAIL BANKING

Bank of Kigali caters to the diverse needs of its clients in Rwanda and other areas with a range of essential banking services that are personalized. These services include consumer and vehicle loans, credit cards, overdrafts, mortgage loans, and asset-based financing, among others. As a testament to its outstanding service offerings, Bank of Kigali has garnered the largest retail customer base among banks in the country.

Bank of Kigali has established itself as a top provider of retail banking services and a crucial catalyst for the expanding bankable population in Rwanda. It has achieved this by utilizing its extensive network of branches, ATMs, and POS across the country, as well as innovative mobile banking platforms and channels.

306.6 FRw Bn	Total Retail Deposits
457,763	Retail Clients
51,436	Number of credit cards issued
101	ATMs
67	Branches
3,735	Population
2,731	POS

Expanding Our Portfolio

This year, the Bank launched a new offering called the Home Equity product, which provides an array of flexible financing options with a variety of repayment plans to retail customers. This product offers customers an innovative solution to meet their personal financial needs and obligations, including purchasing land or a home, renovating a house, starting a new business, or paying for school fees, among others. Home Equity has rapidly gained popularity since its launch and has been the best-performing product in the previous six months. An easily tailored product, its loan tenor of up to 20 years has attracted many customers, in addition to the versatility of the use of funds. Through posting proprietary real estate as collateral, customers can receive financing of up to 70% of the fair market value of the property. The source of repayment can come from the customer's salary or rental income, which can be discounted at 70% if it is additional income, and at 50% if it is the only source of repayment. Overall, the launch of the Home Equity product has been a successful move for the Bank in meeting the diverse financial needs of its customer base.

The Diaspora division of the bank offers a range of banking services to Rwandans living abroad. The Diaspora Banking Offering is designed to help Rwandans who are living outside of their home country with savings, investments, and remittances. With this service, clients can open personalized interest-yield accounts denominated in USD or FRw. Additionally, the Diaspora division offers investment services such as assistance with investing in the stock market and purchasing treasury bonds through BK Capital, a subsidiary of BK Group. Diaspora clients also have access to discounted mortgage loans in both USD and FRw. Overall, the Diaspora Banking Offering is designed to provide Rwandans living abroad with tailored banking solutions that meet their unique financial needs.

In 2022, the Diaspora Banking Business attracted approximately 4,000 diaspora customers, which included 1,200 new accounts. These customers contributed solid growth to both deposit and loan portfolios, increasing by the value of FRw 6 billion to the retail banking deposit portfolio and FRw 5 billion to the loan portfolio respectively.

As part of the Bank's strategy to boost investments from the diaspora communities and bolster its customer base, Bank of Kigali launched the Diaspora Banking Promo in February 2022, which ran through June 2022. The campaign aimed to strengthen business relationships with diaspora communities and encourage them to invest in Rwanda. By the end of the four-month period, the Bank had successfully opened 302 new accounts, exceeding its target. The promo also helped to boost deposits, which grew by FRw 8.1 billion in the same period.

In March 2022, Bank of Kigali Plc established a Mortgage Center with the objective of enhancing its customer experience and reducing the time it takes to process mortgage applications. The Center also offers specialized advisory services to customers seeking housing solutions. Since its launch, the Mortgage Center has facilitated partnerships between the Bank and real estate developers. At present, there are ten Memoranda of Understanding in place to expedite access to residential real estate for customers in need of mortgages or housing solutions. Additionally, Bank of Kigali Plc has collaborated closely with BRD to design affordable housing products that are customized to assist low-income households in realizing their aspirations of home ownership.

Building our Brand

Bank of Kigali took steps to strengthen its brand recognition and expand its market reach in the second quarter of the year by entering into a naming rights partnership with QA Venue Solutions. As part of the partnership, the Kigali Arena was renamed the 'BK Arena' for the next six years, and the 'BK Arena prepaid card' was introduced as a flagship product to facilitate payments within and outside the arena. This campaign served to raise awareness and increase uptake of BK Arena prepaid card sales. The campaign successfully enhanced the Bank's brand equity at the local, regional, and international levels, strategically targeting the youth demographic, providing banking solutions to the unbanked, and encouraging the adoption and usage of BK Payment tools. In turn, the move helped the Bank solidify its position as a leading financial institution in Rwanda and expand its global presence.

Bank of Kigali also partnered with MTN Rwanda for a Device Financing Program aimed at enabling customers to purchase smartphones and tablets on credit from various MTN distribution centers, including franchise shops and other retail distribution points, at affordable prices as low as FRw 200 per day. In an effort to continuously serve the community, the program aimed to increase smartphone penetration in the country and provide banking services to the informal sector, while expanding the Bank's loan book in the retail segment. The initiative enabled Bank of Kigali to reach out to the unbanked and underbanked segments of the population and create new opportunities for customers to access digital financial services, simultaneously boosting the Bank's growth and expansion plans.

As a customer-centric brand that meets the needs and expectations of its clients, the Bank continues to take strides in prioritizing customer loyalty and retention as a main driver of business growth. To improve customer satisfaction and foster long-term relationships, the Bank implemented a customer outreach and engagement program throughout the year. Members of the senior leadership team visited various parts of the country to thank customers for their business, gather feedback, and address pain points in the brand's service delivery. As a result, the Bank also witnessed an improvement in its Net Promoter Score (NPS), strengthened brand presence, enhanced customer relationships, and encouraged adoption and usage of BK's product portfolio.

Bank of Kigali partnered with various universities and higher learning institutions, including AUCA, INES Ruhengeri, East African University Rwanda, and Protestant University in Huye, among others, to recognize their best performing students during graduation ceremonies throughout the year. This initiative was part of Bank of Kigali's strategy to establish long-term relationships with the younger generation and solidify its position as a leading financial institution in Rwanda. The goal of these projects is to actively contribute to the development of the education sector in Rwanda, promote a culture of financial awareness among the youth, increase adoption and usage of BK products and services, and strengthen brand positioning.

Ensuring Positive Customer Experiences

Bank of Kigali is committed to providing customer-centric services through both traditional and digital channels. With at least one BK branch in all strategic locations across Rwanda, and an expansive ATM network of 102 ATMs across the country, the Bank offers convenient access to its services. The Bank has also embarked on an extensive digital transformation journey, with a new business unit dedicated to this effort. The approach primarily targets migrating customers to online/digital banking, measuring customer satisfaction, and automating processes.

Migrating customers to online/digital banking has been implemented through various initiatives. These include the use of a chatbot and the IKAZE platform, which provides real-time feedback from customers. The IKAZE platform is installed in all branches, and weekly results are shared with Management. Soon, this platform will be launched on mobile, enabling customers to share their satisfaction without visiting the office.

To measure customer satisfaction, the Bank has installed service rating and feedback systems in all branches, and an independent company conducts an ongoing Customer Satisfaction Survey. Management also receives weekly updates on resolved and pending CRM cases, helping them understand the issues that affect their customers the most. The Bank's Net Promoter Score (NPS) is currently at 40%, and its Customer Satisfaction (CSAT) rate is 76%.

> **The bank has built a successful loan portfolio, amounting to FRw 993.3 billion in 2022, thanks to its exceptional service offerings.**

Bank of Kigali has taken various steps to automate processes, including the upgrade of its customer relationship management tools. A new unit called "Business Processes" has been formed to review and re-engineer key processes for better efficiency and a positive customer experience. The Bank has reduced the time it takes to open a bank account, execute loans, and other services, with account opening time being reduced from one hour to 30 minutes. The Bank has also implemented a call center initiative, which includes cross-selling of the IKAZE product package, developing FAQs and communication templates, enforcing quality assurance standards, and developing guidelines for agents to enforce etiquette.

In 2022, the Bank upgraded its CRM in line with the second phase of planning, implementing EDMS which includes e-filing and mailroom automation, and educating customers on using digital channels frequently instead of visiting the bank. Bank of Kigali also implemented the Consumer Protection Law (FSCP Law), standardized all bank forms, and set up a Quality Assurance Unit to ensure interdepartmental service level agreements and escalation matrixes. These measures ensure that the Bank can continually assess and improve customer satisfaction levels.

Outlook

The Bank has a CEM Strategic Plan in place, and for the year ahead, there are several key goals to achieve. The first is to reduce the turnaround time (TAT) for all branch services to 15 minutes. Secondly, comprehensive training will be provided to improve the quality standards in the call center and branches. Thirdly, efforts will be made to improve the digital experience and increase usage of channels such as self-onboarding to boost transaction volume. Fourthly, key processes will be automated to enhance efficiency. Finally, the Bank is prioritizing the implementation of the Consumer Protection Regulation. By working towards these goals, Bank of Kigali aims to upgrade its customer service and brand positioning to effectively grow its portfolio based on clients' needs through innovative offerings.

Corporate Banking

Bank of Kigali Plc has positioned itself as the preferred financial institution catering to the diverse banking requirements of large corporations, Small and Medium Enterprises (SMEs), and Non-Profit Organizations (NGOs) in Rwanda. The Corporate Banking division has been delivering exceptional services to businesses for decades and boasts a comprehensive corporate portfolio of 22,558 clients across multiple industries. The division provides a range of services, including loans for CAPEX needs, commercial mortgages, overdrafts, and working capital financing. The Bank has built a successful loan portfolio, amounting to FRw 993.3 billion in 2022, thanks to its exceptional service offerings.

Gross Loan Portfolio Breakdown

Gross Loans	Dec 22 FRw mn	Dec 21 FRw mn
Corporate	911,274,882	819,387,628
SMEs	137,272,914	131,345,475
Non-Business Activities	15,384,918	5,958,896
Retail Banking	150,204,369	116,418,192
Total	**1,214,137,083**	**1,073,110,191**

Bank of Kigali's loan portfolio grew by 14.6% from December 2021 to December 2022, indicating the Bank's success in attracting new customers and managing credit risk. In 2021, SME loans accounted for 8.6% of the loan portfolio, but by 2022, their loan value had increased by 48.8%, accounting for 11.3% of the gross loan portfolio. This growth demonstrates the Bank's commitment to supporting the growth and development of smaller businesses.

Total Deposit Portfolio Breakdown

Total Deposits	Dec 22 FRw mn	Dec 21 FRw mn
Large Corporate	551,785	530,087
SMEs	348,497	324,466
Retail Banking	184,039	125,957
Banks & Interco'	280,588	204,570
Total	1,364,909	1,185,081

The Bank experienced a 12.3% increase in its deposit portfolio from December 2021 to December 2022, which, combined with the growth of its loan portfolio during the same period, demonstrates the Bank's ability to attract new customers, retain existing ones, and maintain a balance between its lending and borrowing activities. This growth in both portfolios indicates that the Bank is effectively managing its liquidity and funding its loan portfolio through its deposit base.

Outlook

Corporate Banking will continue to prudently manage its loan portfolio and leverage its superior lending capacity and experienced team of talented professionals to diversify its financial solutions and introduce new products. The Corporate Banking division targets attracting new clients and growing its market share by expanding its loan book, especially in trade finance, increasing its deposits, and growing its range of services in transactional banking, institutional banking, and financial institutions in the upcoming years.

SME Banking

The SME Center launched by the Bank of Kigali in July 2022 has been instrumental in providing a range of tailored financial and advisory services to entrepreneurs seeking to expand their businesses. As part of its efforts to cater to the evolving needs of SME customers, the Bank's product development team has approved seven SME loan products and three SME liability products and is currently working on developing more solutions for their customers. These offerings will not only facilitate better access to finance but also help entrepreneurs manage their funds more effectively and efficiently.

Segment	Number of Customers
Large SME	268
Medium SME	4,696
Small SME	2,563
Micro SME	25,012

To further enhance its support of SMEs, the Bank of Kigali has scheduled a training program and calendar for SME staff in 2023. This initiative aims to equip staff with a deeper understanding of the financial requirements of SMEs, enabling them to better serve the needs of these customers. The Bank also leverages government facilities to attract new SME customers and provide loans at favorable rates. It has previously administered the Renewable Energy Fund and is currently participating in disbursing the Economic Recovery Fund (Hatana 2) and Export Growth Fund. These efforts highlight the Bank of Kigali's commitment to promoting the growth of SMEs in Rwanda and supporting the country's broader economic development goals.

The Bank of Kigali has devised a plan to offer non-financial services to SMEs, which encompasses initiatives such as financial literacy and taxation. Additionally, the Bank will introduce Business Clubs and Supply Chain linkages as part of its non-financial services. The Bank has expanded its SME staff from 11 to 34 to leverage its branch network and assist SMEs in their specific areas. Presently, the Bank has six Relationship Officers in upcountry branches, six in Kigali branches, and six at the Head Office. Furthermore, it has 16 staff at the SME Center. The department also hosted an event for SME customers in the Eastern Province, which was attended by the Bank's Executive Management.

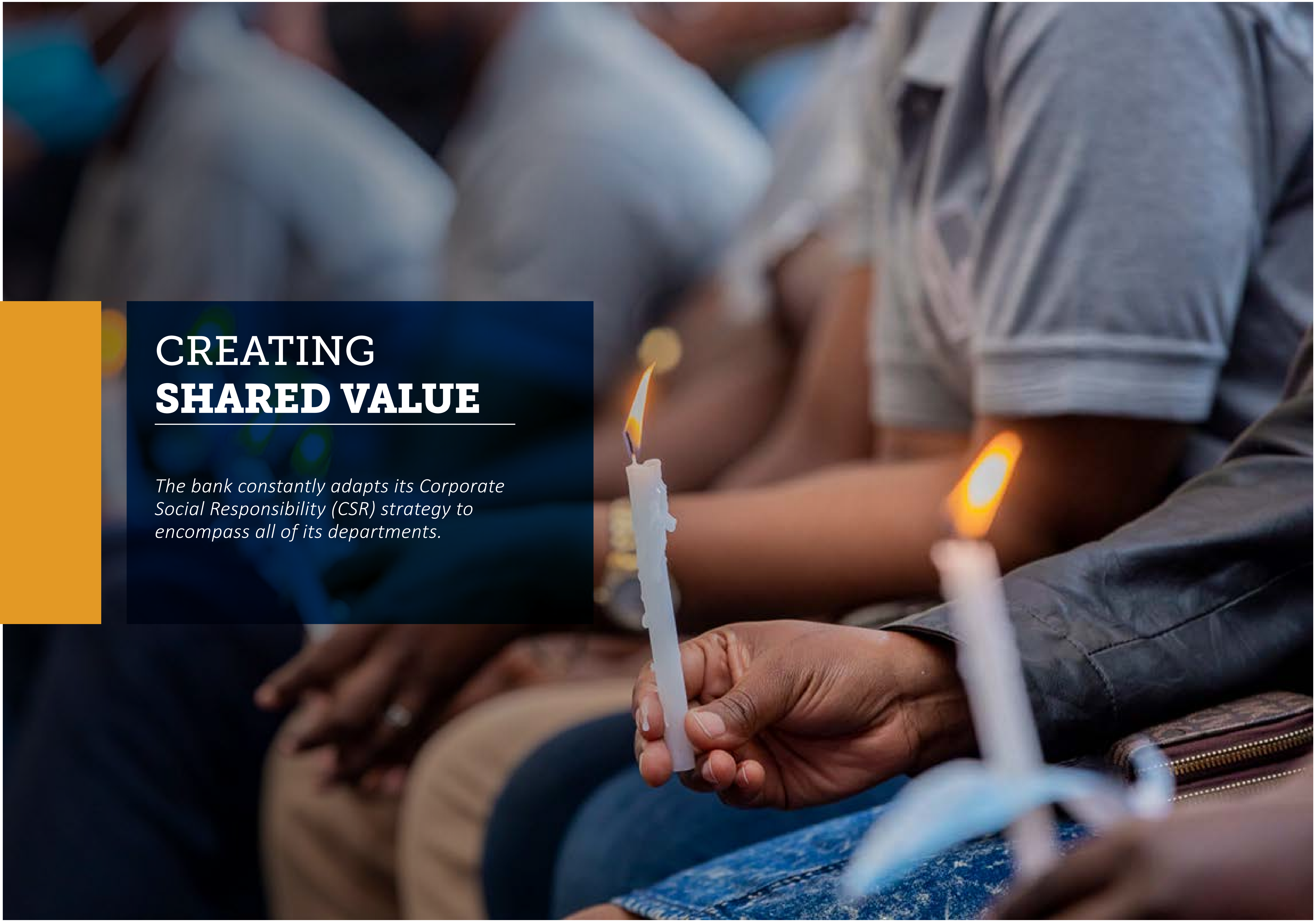
The Bank aims to drive the growth of its SME portfolio. This increase will be facilitated by the value chain of large corporate and public institutions. To achieve this goal, the Bank will focus on increasing the wallet share for existing clients and onboarding new customers who are not currently enrolled with the Bank of Kigali. The department will also prioritize providing quick turnaround times for customer queries. The target for the end of 2023 is to have 13% of the portfolio dedicated to SMEs, 10% to retail, and 77% to corporate customers. The bank anticipates achieving the target mis within the next three years.

Women in Business

Bank of Kigali is focused on promoting gender equality in the business community through its recent initiative targeting Women in Business. With the support of the "EIB East Africa COVID-19 Rapid Response Facility" grant, which provides EUR 40 million to the Bank, the department will allocate 30% of the grant to female-led companies and firms that advocate for gender equality. This initiative will enhance access to finance for women entrepreneurs and contribute to their economic empowerment. The Technical Assistance Facility provided by the grant, known as the "Africa Women Rising Initiative" (AWRI), will provide capacity-building support and financial access to women-led micro- to medium-sized enterprises in Rwanda. This program seeks to realize the potential and positive impact of women entrepreneurs, ultimately contributing to the overall economic growth and development of the country.

Outlook

The Bank of Kigali's SME department has made significant strides towards growth and success. With increased staff strength, the department is poised to generate more deals and attract new customers, ultimately leading to greater customer satisfaction. Moreover, the department is committed to developing specialized products tailored to meet the specific needs and requirements of its customers. As part of its growth strategy, a heightened focus is placed on the value chain of corporate and public institutions, which will serve as a key growth driver. The Bank's efforts to continually improve and innovate its SME offerings indicate that it is well-positioned to remain a leader in the SME banking sector and contribute to the economic development of Rwanda.



CREATING **SHARED VALUE**

The bank constantly adapts its Corporate Social Responsibility (CSR) strategy to encompass all of its departments.

OUR PEOPLE

At Bank of Kigali, we recognize that our xxx employees, including senior executives and entry-level staff members, are the cornerstone of our organization. Their hard work, dedication, and expertise have played a crucial role in the significant achievements we have made. We are committed to promoting equal opportunities in the workplace, and currently, xx% of our workforce consists of women from diverse age groups, with xx% holding management and governance positions at the Bank.

As a Bank, we hold ourselves to a high standard by hiring the best individuals for our team. We recognize the importance of compensation in attracting top talent, which is reflected in our competitive compensation philosophy. We also prioritize employee development by providing training and equipping them with the necessary skills and competencies to be highly efficient in their roles. In line with our new strategy, our main focus in 2022 was hiring for our Retail and SME departments, ensuring that we have the right people in place to drive our success in these areas. We believe that investing in our employees is essential to our organization's growth and success, and we remain committed to attracting, developing, and retaining the best talent available.

The Bank prioritizes open communication and transparency with employees. As part of this commitment, we conducted an engagement survey to gather feedback from our team members, which in turn was submitted to management for consideration. The resulting recommendations have strengthened our ability to maintain a consistently high level of employee satisfaction. The Bank is dedicated to fostering a positive work environment that promotes growth, development, and job satisfaction for all team members.

To achieve our goal of hiring and developing top talent, Bank of Kigali collaborates with universities to recruit top-performing fresh graduates through the BK Academy Training Initiative, which is an Entry Level Training Program designed to equip the recruits with the necessary skills and competencies for various roles within the bank. Upon completion of the training, participants are awarded a certification and offered employment opportunities at the Bank. The Bank's talent development program recently implemented a competency-based approach to enhance the skills of employees, identify top performers, and determine potential successors. This strategy helps to strengthen the Bank's business continuity plan and ensure a more robust talent pipeline for the future.

Employee Age Group and Gender Breakdown

Number Of Staff Per Age And Gender For The Bank

AGE BAND	NUMBER OF STAFF	GENDER	
		FEMALE	MALE
Under 25	29	18	11
25-30	172	67	105
31-35	291	125	166
36-40	413	196	217
41-45	139	66	73
46-50	56	28	28
Above 50	45	21	24
TOTAL	**1,145**	**521**	**624**

Occupational Health and Safety

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

Bank of Kigali has hired a Health and Safety Officer and a Clinic Officer as part of the occupational health and safety management system. To guarantee the occupational health and safety of all employees, the HR department has assigned health and safety champions from each department. These champions have undergone specialized training to equip them with the necessary knowledge and skills to provide first aid support to any employee who may experience health-related issues, including testing and exercises on administering first aid. Emergency evacuations were also conducted in the first quarter of the year as part of the business continuity management system project.

The objective of the system is to ensure that the workplace adequately addresses the health, safety, and welfare requirements of all personnel, including individuals with disabilities and non-employees who have access to and utilize the premises and may be affected by the organization's operations and activities. To ensure the organization's resilience, the individuals responsible for carrying out these procedures receive regular training on best practices. The business continuity monitoring, measurement, analysis, and evaluation process involves consistent assessment, which includes planning and conducting health and safety tests at regular intervals.

The occupational health and safety management encourages workers to report all incidents related to occupational health and safety management to the HR department, in accordance with available reporting lines and channels. The Bank has put in place regularly held trainings, as well as a health and safety recovery plan document that serves as a guide for employees to ensure that their work environment remains injury-free and healthy. Moreover, an incident response plan is in place that outlines the procedures used to investigate work-related incidents, including the identification of potential hazards and the assessment of associated risks. The Bank addresses occupational health and safety risks by establishing a dedicated framework consisting of policies, procedures, and resources to proactively prevent any potential risks and to ensure prompt management in case they arise. It is the joint responsibility of the Human Resources department, BCMS unit, Physical Security Unit, as well as all heads of departments to cater to all related health and safety assurances. Furthermore, the crisis management committee is also mandated to discuss and take actions on critical incidents depending on the nature of the hazard.

OUR CLIENTS

Customer-centricity

Bank of Kigali prides itself on providing the best possible service for our clients. We are continuously improving our customer services to ensure that seamless and digital solutions are available for each segment of our customer bases. We have introduced the automation of customer service on the CRM and IKAZE platforms, which has empowered our customers to use various digital channels to access services and give feedback. The Bank installed the IKAZE platform in all our branches for customers to rate the services in real-time. The platform is used to instantly rate the service provided using net promoter score (NPS), and allows customers to give written feedback through the platform. The incorporation of automation has made it easy for customers to send complaints and compliments, while assisting with internal tracking and accountability.

In 2022, the Bank underwent made several strides in its digital transformation journey to achieve higher customer satisfaction. This led to the launching of many digital solutions and enhancements, mainly the launch of the BK digital application. The BK app has a new self-onboarding feature that simplifies the process of opening a BK account, allowing the process to be completed in minutes. The Bank set a target to onboard 80% of its customers onto its digital lending platform in the next two years, up from the current 40% who are using the service. The new BK mobile app currently has 4,108 active users, which is expected to increase significantly based on the rise in customer uptake, which is now at 85%. The Bank held a 'Digital Day' to launch the app, creating awareness around its new digital solutions and promoting mass customer migration to digital channels. The Bank additionally digitalized its investment banking services during the year¬¬.

Digital Clients in 2022

Clients	App	New BK App	Internet Banking	Mobiserve
Total onboarded	59,584	7,828	43,311	290,645
Active	18,443	4,108	7,943	33,706

The Bank put in place three new policies that will guarantee that all employees are providing stellar services to all our clients. The Complaint Handling Policy recognizes that customer complaints are a part of the business and while providing prompt and efficient service is essential, the right of the customer to complain is respectfully recognized. The customer care and service delivery policy assure that the Bank is committed to always delivering excellent customer service, and the customer engagement policy is to ensure transparency and fairness in all business practices and processes.

Consumer Protection

The Bank is committed to our responsibility of protecting our clients' privacy and guarantees that integrity is at the forefront of every customer interaction in line with the Financial Service Consumer Protection Law (FSCP) regulations. Regarding the process of providing financial services and offerings to consumers, the Bank exercises due care, skill, and diligence. Our policy on consumer protection as a financial institution prioritizes fair and responsible treatment of consumers in an ethical, honest, and non-discriminatory manner.

The Bank has implemented various 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. The bank has established and maintained a cyber security strategy and developed a cyber security program to protect the confidentiality, integrity and availability of the Bank's information systems and assets. Additionally, the Bank is employing Payment Card Industry Data Security Standard (PCI DSS) to ensure the protection of cardholder data. The Bank has also begun to execute the personal data privacy law, Law No 058/2021. To align with FSCP regulations, the Bank incorporates capacity building implementation and plans for directors, senior management, and representatives, consumer satisfaction survey results, gender disaggregated data and analysis.

The Bank additionally developed FCM, which is a financial crime mitigation solution, with key risk control modules, such as Suspicious Activity Prevention and Know Your Customer. Bank of Kigali is Rwanda's first bank compliant with financial crime mitigation controls, transaction screening, KYC and anti-money laundering protocols.

Bank of Kigali established various frameworks to ensure protection of information assets against cyber threats. The cyber security strategy and program initiatives include:

- Implementation and certification of the bank against ISO 27001 Information Security Management Systems (ISMS) framework and Payment Card Industry Data Security Standard (PCI DSS).
- Enhancement of system's resilience to cyber-attack by conducting regular internal and/or external Vulnerability Assessment and Penetration Testing for all applications and IT infrastructure.
- Information security risks identified, analysis, evaluation, and treatment to an acceptable risk level of the bank (risk appetite).
- Implementing information security governance by recruiting competent staff, and continuous capacity building and cyber capability enhancement.
- Implementation of cyber security legal, regulatory, and law requirements such as Law No 058/2021 of 13/10/2021, relating to the protection of personal data and privacy and regulation No 50 /2022 of 02/06/2022 on cyber security in regulated institutions.
- Maintenance of bank's Cyber/Information Security Awareness Program. Among numerous awareness activities conducted using various communication channels, an activity named "Cyber Security Awareness Month" was initiated and it is vital to the bank to improve cyber security threat detection and reporting culture among employees and ensure the continuity of cyber security awareness.
- Implementation of established cyberattack recovery plan.

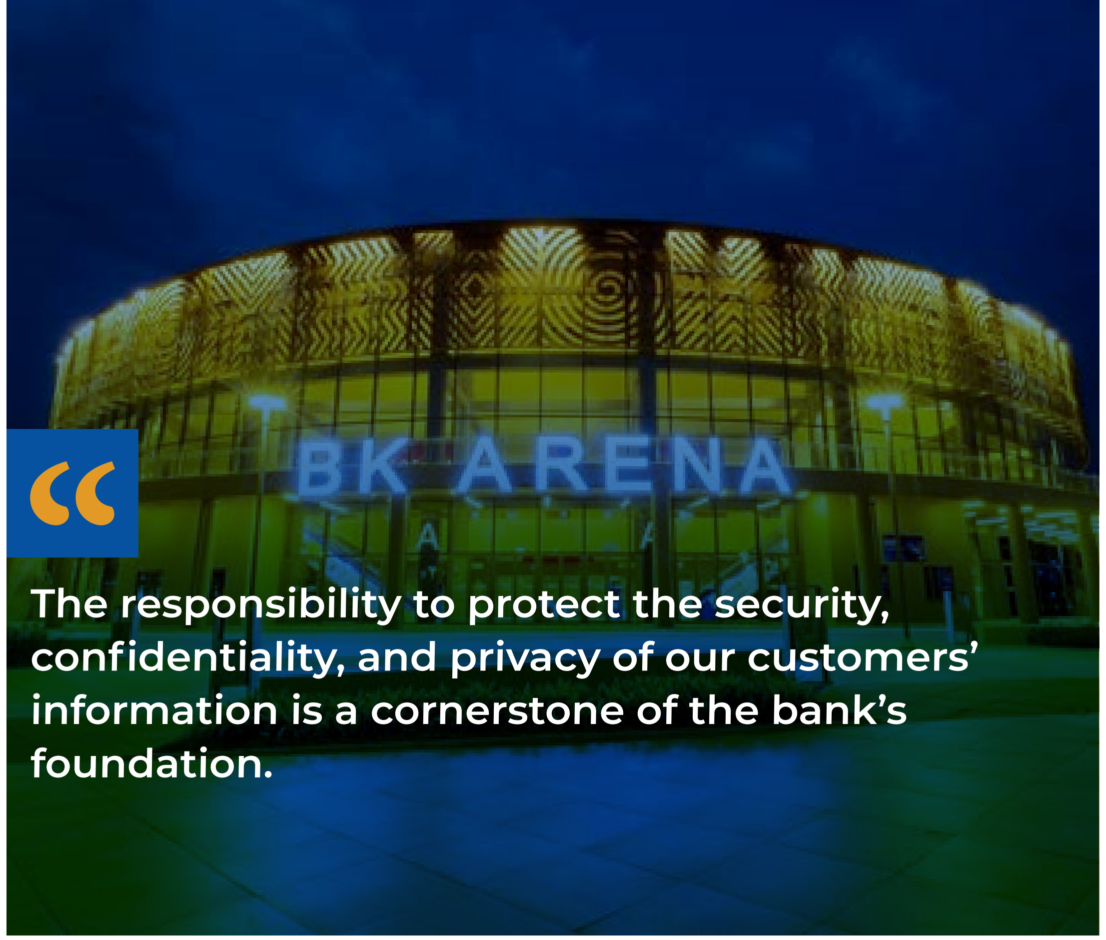
The Bank is establishing a Security Operation Center (SOC) and Incident Response (IR) which will act as a Point of Contact (POC) for all cyber threats and its responses, ultimately reducing the risk of cyber theft. It will play a fundamental role in discovering and responding to sophisticated cyber threats and theft in real time (24/7) protect banks' information assets.

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

Responsible Banking

Bank of Kigali is assisting the government of Rwanda in their quest in increasing the percentage of the country's banked population to 100% by 2024. We continued being a proponent of social development through the wide range of initiatives that enhance the standard of living in all aspects. In 2022, the Bank implemented a strategy to partner with Fintechs, to ease access to financial services for the unbanked and under banked segments of the population. With the launch of the "Macye Macye" service, a partnership with MTN, the target is to increase smart phone penetration in the country which has huge impact on the micro-finance segment to access financial services. This aims to ease the onboarding of the underbanked population into the formal banking system and finance underserved businesses.

Bank of Kigali has an internal Credit Policy and Procedures Manual and Social and Environmental Management System (SEMS), which guarantees



"The responsibility to protect the security, confidentiality, and privacy of our customers' information is a cornerstone of the bank's foundation.

that our lending practices are responsible and adhere to global standards. 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 Bank requires that the borrowing corporation provide an Environmental and Social Impact Assessment (EIA) report and certificate approved by the Rwanda Environment Management Agency (REMA). We have added a condition under "further conditions" in our corporate clients' terms of agreement that reads "Comply in all respects with all laws and regulations to which the client may be subjected and more especially environmental laws." This applies to the projects that may have an impact on the environment, such as the construction of factories, power plants, and more.

To better assess the social and environmental risks when lending to corporate clients, Bank of Kigali advocates and believes in working with partners such as the Rwanda Environment Management Authority (REMA) and Rwanda Development Board (RDB). As well as ensuring the preservation of the environment and the mitigation of social risks. The Bank is in the process of developing tools for environmental and social risk categorization, environmental impact assessments (EIA), monitoring, and evaluation. Meanwhile, it relies on the EIA reports approved by the partners that have environmental and social risks in their scope. While the Bank is currently focusing on lending to businesses in renewable energy, there have been limited loans to non-renewables. For non-renewable lending, the associated risks are assessed at loan origination and further supervision missions to monitor key environmental indicators.

The Bak assesses social risks when conducting the due diligence on the credit proposals, during the appraisal the borrower is required to have undertaken a social and environment impact assessment. In addition, the Bank assesses the borrower's resource capacity (including human and financial resources) to mitigate adverse social impacts. We have also participated in a green lending initiative in cooperation with Development Bank of Rwanda (BRD). Bank of Kigali also promotes sustainable investment to clients.

OUR ENVIRONMENT

Bank of Kigali acknowledges and accepts our responsibility to reduce the impact of our operations across our subsidiaries on the environment. We are committed to the role we play in Rwanda's overarching strategy to preserve its environmental assets. We are strongly aware of the impact our operations have on the environment, be it directly through the operation of our head offices, subsidiary operations, and branch network, as well as indirectly through our loan and financing operations. We are committed to SDG13: Climate Action, we seek to measure and reduce our impact, we are looking to decrease our carbon footprint as a bank and have set up frameworks that allow us to increase the boundary by which we measure our environmental impacts across the value chain. BK guarantees compliance with the national laws in force, particularly Law N°48/2018, which determines modalities for protecting, conserving, and promoting the environment.

A fundamental part of our environmental conservation efforts is moving towards a cashless banking approach through enhancing and expanding the provision of digital service channels, ultimately reducing our carbon footprint due to the lowered usage of paper for client services and resources such as electricity, water consumption, and waste emissions at brick-and-mortar branches. Additionally, a large part of our internal processes is now paperless and have been replaced with digital and electronic means, in terms of digital signatures and other facilitations. The Bank has recently partnered with DirectPay Online Rwanda (DPO) to boost lenders' online merchants. The partnership will allow BK clients to access more efficient e-commerce and payment services through DPO's well-rounded platform. In efforts to increase digital services, five new features have been added on the digital platform. Presently, a BK client can pay practically all their bills online, ranging from water

We are committed to the role we play in Rwanda's overarching strategy to preserve its environmental assets.

bills to school tuition, the BK application will allow customers to do so from their homes. Ultimately helping our efforts in transforming any paperwork into paperless documents.

Moreover, we've set up systems to lower our electricity uses for both the head offices and branches by installing greener equipment and LED lighting in various parts of our operations. Moreover, we dispose of all e-waste in line with the regulations set out by the Rwanda Utilities Regulatory Authority to ensure all waste is handled in the most sustainable manner possible. In efforts to prevent waste generation in BK's activities and in its value chain, we have undertaken initiatives to decrease our waste footprint. 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.

BK works with local environmental partners to launch activities and initiatives that promote environmental sustainability, agroforestry, conservation of natural resources, and more. Our most recent green initiative is partnering with Green Solutions and Supply Ltd Rwanda to donate energy-saving stoves. During the year, we distributed the energy-saving cook stoves and water tanks to the Kabarore sector of the Gatsibo district. Additionally, the Bank and MTN Rwanda partnered up to boost the Connect Rwanda initiative, we signed a handset financing tripartite agreement that aims to provide smartphones to customers through a device-financing program.

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 ensure that the proper collection, repair, and refurbishment of end-of-life electronical and electrical equipment are turned 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. Bank of Kigali also sponsored the drilling of a borehole to produce a permanent solution to water scarcity in the Gahanda village in the Nyanza district.

The Bank also partnered with a company called Safi Universal Link's E-Mobility Solutions Hub to provide Electric Motorcycles to 20 women and trained them on how to ride them, in a project called **"Women Empowerment** in Entrepreneurship". This did not only contribute to the eco-friendly mobility and sustainable environment but also helps to create a sustainable means of livelihood and increase the financial abilities of women to meet their social and economic needs.

SOCIAL DEVELOPMENT

Bank of Kigali is committed to the progress of the sustainability journey in Rwanda. 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. Moreover, Rwanda aligned its National Strategy for Transformation, Vision 2050, and various similar strategies with the UN's Sustainable Development Goals (SDGs) and the African Union Agenda 2063.

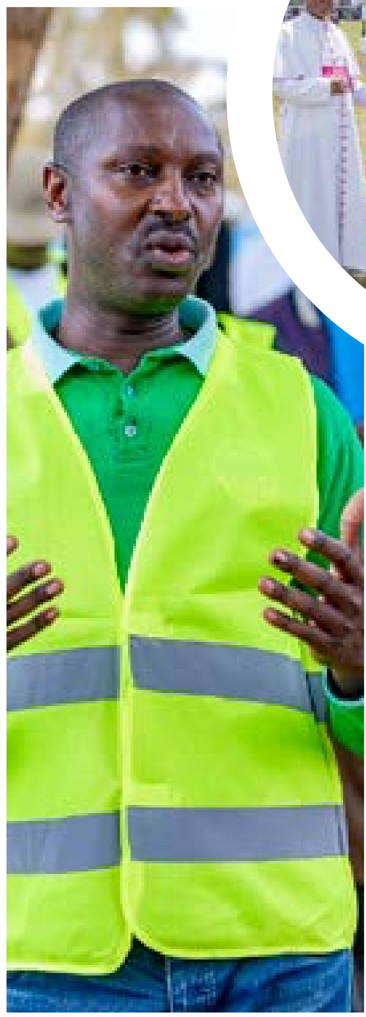
It is the Bank's belief that as an organization, it is equipped with the capabilities and skills to help address some of Rwanda's most critical societal issues. Contributing to the welfare and development of its society is an essential component of its strategy. The Bank is constantly adapting our Corporate Social Responsibility (CSR) strategy to encompass every department, guaranteeing that it is delivering on our commitments.

The Bank prides itself on the role we play in Rwanda's sustainability journey. Our CSR approach permits us to contribute to the country's progress while driving the Bank's performance and stability. We aim to aid Rwanda in achieving the four SDGs that we believe are most critical to its development. The four SDGs are: No Poverty (SDG 1), Good Health and Wellbeing (SDG 3), Quality Education (SDG 4), and Climate Action (SDG 13). Accordingly, our strategy focuses on the most relevant and impactful projects. The projects we support are concerned with various social issues – from suppressing poverty and malnutrition to promoting environmental conservation, promoting gender equality and setting up homes for women and orphans, among other rural development projects.

Bank of Kigali works diligently to ensure that social development projects and their respective activities receive the necessary funding. We fulfil this through different financing channels, including donations, sponsorships, and partnerships with key sustainable development partners.








Education

The Bank's success fundamentally relies on people. Hence, the Bank believes that it is its duty to support and enhance the skills of potential candidates to increase their employment opportunities. In order to accomplish this, we have created partnerships in various projects that promote education and enhance vocational skills, especially among youth and women.

BK Rewards top students at Adventist University of Central Africa (AUCA)

Bank of Kigali has awarded the two most outstanding students of the Adventist University of Central Africa (AUCA)'s 28th batch of graduates, with an award of FRw 1 million each as part of its commitment to helping both students and institutions succeed.

Partnership with Agahozo Shalom Youth Village

In 2021, Bank of Kigali entered a five-year partnership with Agahozo Shalom Youth Village (ASYV) to support the institution in delivering quality education to the 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.

In October 2022, employees of Bank of Kigali and Agahozo Shalom Youth Village hiked Mount Karisimbi, Rwanda's highest peak at 4507 meters, to raise funds that will be used to support vulnerable children in getting quality education. The Karisimbi hike was part of a FRw 62 million fundraising campaign, which will be used to sponsor the education of over 500 vulnerable children at Agahozo Shalom Youth Village.

BK and Eclat Communications Partnership

BK partnered with Eclat Communications and aided in the launch of the "Shaped" Book by author Barbara Umuhoza. The book is a written testimony about the author's life and captures the different stages of her life. Most notably, it is a testimony to the life of a Rwandan. BK is committed to supporting writers, primarily through the "Our Stories Matter Initiative" project. The project is a collaboration with writers that supports authors in writing books about their lives as Rwandans.

Chevening Scholarship Program

In 2021, Bank of Kigali renewed a three-year agreement with the 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 one student in three years at £36,000 each. The amount will cover accommodation, tuition, transport, and allowances, among other expenses.

For the academic year 2022/2023, BK offered a sponsorship to a young Rwandan social entrepreneur studying mechanical engineering. She is a founder of Water Access Rwanda, an innovative social enterprise offering tailor-made solutions in the field of collection, distribution, and purification of water. BK believes that this opportunity will allow her to acquire knowledge that will enable her to make an impact on the country's progress.

BK Partners with iDebate Rwanda

BK partnered with iDebate Rwanda in the "#BK-SCHOLARS PROGRAM" which aims to uplift public/government aided schools to have access to all iDebate programs freely. The goal is to uplift respective students by teaching them the art of civil discourse and increasing their speaking and thinking skills. This program involved 25 schools, 500 student scholars, and 25 teacher scholars.

BK Urumuri 6th Edition

Every year, Bank of Kigali and Inkomoko, a firm that works with micro, small, and medium enterprises, partners 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 2022, a group of 25 entrepreneurs benefited from the Acceletor program and competed for interest-free loans in an intensified business pitch under the sixth BK Urumuri Initiative. This year's was edition focused on "Digital innovative enterprises" that will drive economic growth and contribute to solving Rwanda's most pressing needs through digital innovative solutions.

Bank of Kigali and Inkomoko decided to open this opportunity to all sectors, considering the need for digital solutions through different business categories. In a span of two weeks, six winners were chosen to be equipped with business skills under Inkomoko's rigorous six-month accelerator program, as well as given access to finance through interest-free loans. Since its inception, the BK Urumuri Initiative has fostered the growth of 125 entrepreneurs, with FRw 60 million provided in interest-free loans.

Development

The Bank strives to help the government increase the proportion of the country's banked population to 100% by 2024. To achieve this, we have assumed our role as a proponent of social development through a wide range of initiatives that elevate the standards of people's lives in all aspects.

Donation of Health Insurance Cards to Kimisagara Residents

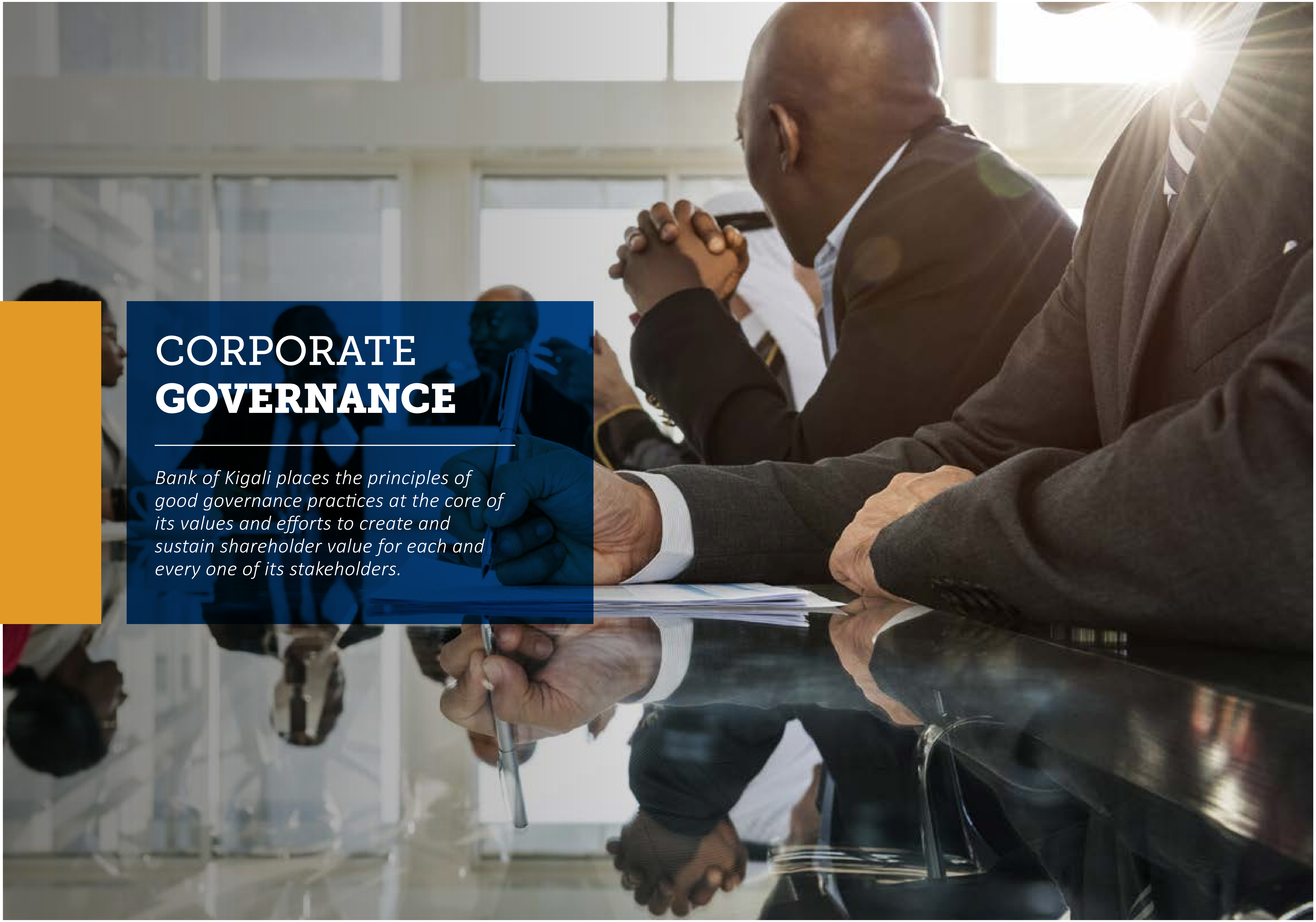
[text] On January 29, 2022, Bank of Kigali staff joined the residents of Kimisagara, a sector in the Nyarugenge district in Umuganda, in community work by participating in different activities to fight soil erosion in the area. After their participation, BK employees handed a cheque worth FRw 20.1 million in effort to support vulnerable residents in Kimisagara to be able to pay for their annual payments for medical insurance. The donation will cover medical insurance for over 7,000 Kimisagara residents.

Bank Home and Win Big Diaspora Promotion

The Bank launched a new banking promotion in February that focuses on members of the Rwandan Communities Abroad (RCA's). The six-month promotional campaign "Bank Home and Win Big" was created in effort to encourage Rwandans in the diaspora to bank in Rwanda. To be eligible, the client must deposit a minimum of FRw 1 million on a new or existing diaspora account and stand a chance to win a RwandAir economy return ticket to Kigali or a Rwandan holiday package for two. BK clients with diaspora banking accounts are additionally given a dedicated account relationship manager, free account maintenance fees, free incoming transfers, and withdrawals on Foreign Exchange accounts are also free of charge (up to USD 5,000 or equivalent).

Forward-Looking Strategy

Our goal is to continue our mission of bettering the livelihoods of the Rwandan people by promoting sustainable development in alignment with the UN's SDGs and the shared aims of the government. Our goal moving forward is to extend our efforts and involvement in the education, health, poverty, and environmental sectors to more segments of the population, and persist in finding new and innovative ways to impact our communities. We look forward to adopting additional initiatives, growing our existing partnerships, and exploring new opportunities to collaborate with new entities that share our goals and purpose to deliver on our social development promises.



CORPORATE **GOVERNANCE**

Bank of Kigali 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.

CORPORATE GOVERNANCE FRAMEWORK

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 performance and is collectively responsible for the Bank's long-term success. The board determines 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 Bank 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 Bank's Articles of Association, Board Charter, and applicable laws.

As of 31 December 2022, Bank of Kigali Plc Board is comprised of seven directors:

N◦	Name	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	**Eugene Ubalijoro**	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 law governing Companies in Rwanda, 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 Company.

The board is tasked with creating and delivering sustainable stakeholder value, through determining the Bank's strategic objectives and policies 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 full year 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 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 2022, the board held 4 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.

Board and Committee Participation

Director	Directorship Type	Position	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 Akintore 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 Bank 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 amongst 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 Board's 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 reviewing the effectiveness of the bank's disclosure controls and, of 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) which is operational at the bank's management level. The committee discusses the risk strategies on an aggregated basis and by type of risk, and issues recommendations to the board accordingly. Additionally, it reviews the bank's risk profiles at least annually, and ensure 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, if it is 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.

> Bank of Kigali’s board is accountable to the shareholders for the bank’s overall performance, and is collectively responsible for its long-term success.

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 directors. This is in addition to assisting the Chairman and Chief Executive Director to formulate an annual Board Plan and 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 financial statements. The Audit Committee oversees the external audit function. This includes reviewing and approving the external audit plan and engagement and assessing the performance of the external auditor.

Whereas the directors are responsible for preparing the accounts and for presenting a balanced and fair view of the financial position of the 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. The external auditor is invited to meetings with the Audit Committee. The external auditor report independently and directly to the board every quarter for interim results and at the end year board meetings.

RISK MANAGEMENT

The Bank's philosophy surrounding risk culture is anchored by an all-encompassing approach which acknowledges that the proper risk management is companywide responsibility, and not that of a single team or committee. It 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.

It 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 Bank'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

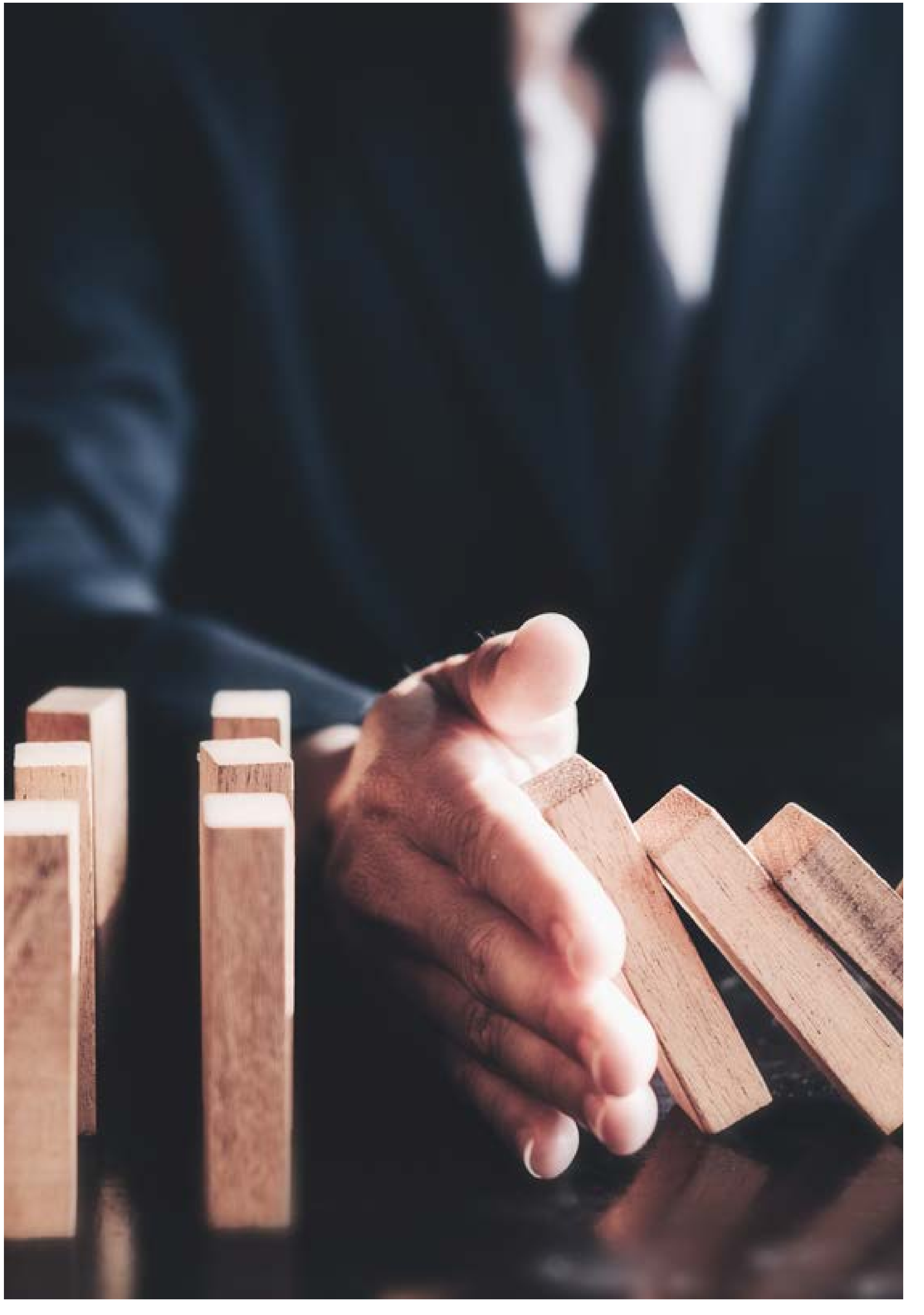
Our Five Lines of Defense

Its 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 risks appetites in coordination with the Bank's four lines of defense. Additionally, the BRC ensures that risk management policies are regularly updated to be in line with the Bank of Kigali's strategy, the BNR's regulatory requirements, and international best practices.

Risk Outline and Policies

Risks	Procedures and Measurements	Outcomes in 2022
Credit Risk	The bank has set in place policies and procedures, including credit approval matrices as well as a credit review system that utilizes standardized measures and ratios to monitor the health of its portfolio.	The bank was successful in maintaining a portfolio of high-quality risk assets. The non-performing loan ratio for the Bank's loan portfolio improved tremendously from 4.6% recorded in 2021 to 2.55% at the end of 2022.
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 intra-day positions which are monitored daily. Moreover, hedging strategies are used to ensure that positions are maintained within the established limits.	The Bank continued to closely monitor the economic impact of the ongoing Russo-Ukrainian War, thus successfully implemented mitigating actions to minimize the adverse impacts from the regional and global market fluctuations on its portfolio in 2022.

Operational Risk	The bank has set in place an operational risk management program that manages behavioral risk, cyber risk, credit risk, compliance risk and compliance risk. The bank utilizes the Basic Indicator Approach to measure and maintain operational risks across the Bank's divisions.	The operational risk was kept within the acceptable limit and there has been an improvement of the total operational related financial losses. The Bank maintained 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 two client segments. These include portfolio and counterparty limits, as well as approval and review controls.	The concentration risk per name and bank concentration, economic sector, and business segment was closely monitored and efforts were deployed to minimize the concentration risk to the maximum allowable limits. In 2022, the bank fostered its lending business to SME and Retail clients to have a well-diversified 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 Bank'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. As at end of 2022, the bank's CAR stood at 18.60%, quite above both the internal and regulatory limits.
Funding Risk	The bank utilizes a multitude of ratios as essential indicators for the risks associated with project cashflows.	The bank maintained diversified funding sources, adequate level of liquidity, and regular stress testing of the funding positions under different scenarios were conducted which allowed the bank to appropriately meet the business' funding demands.
Liquidity Risk	The key measure used by the Bank 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 bank maintained sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Bank's reputation. The Liquidity Coverage ratio was maintained at 148% and Net Stable Funding Ratio at 177% as at the end of 2022.



ANTI-CORRUPTION

Bank of Kigali Plc of 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 towards actual or attempted bribery. In fighting corruption and in execution of the anti-corruption policy and in accordance with the 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, 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 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 fraud act 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 additionally been informed of our anti-corruption policy. Seven executive Committee members have been trained on anti-corruption.

There has been one incident of corrupt practices in 2022 and the staff involved had his employment contract 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, one case involving three employees were given custodial sentences of six years each and ordered to jointly pay FRw 160 million to Bank of Kigali.

Bank of Kigali Board of Directors

Rod Reynolds
Chairman

Regis Rugemanshuro
Vice Chairman

Reuben Karemera
Board Member

William Juma Arogo
Board Member

Alline Akintore Kabbatende
Board Member

Risper Alaro Mukoto
Board Member

Eugene Ubalijoro
Board Member

FINANCIAL **STATEMENTS**

BANK OF KIGALI PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Directors

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

Non-Executive and Independent Directors

Mr. Rod M. Reynolds (Chairman)
Ms. Alline Akintore Kabbatende
Ms. Risper Alaro
Mr. William Juma Arogo
Mr. Ubalijoro Eugene

Non-Executive and Non-Independent Directors

Mr. Regis Rugemanshuro (Vice Chairman)
Mr. Karemera Ruben

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,72 ST
P. O. Box 3638
Kigali, Rwanda

Registered Office & Principal Place Of Business

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

Advocates

Mr. Emmanuel Rukangira
P.O Box 3270
Kigali-Rwanda

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

The directors have the pleasure of submitting their report together with the audited financial statements for the year ended 31 December 2022 which disclose the state of affairs of Bank of Kigali Plc (the "Bank"/Company").

Principal activities

The principal activities of Bank of Kigali Plc are provision of retail, SMEs, corporate banking services and treasury services.

Dividends

a) The total declared dividend for the year is therefore FRw 29,974,879,500 (2021: FRw 24,430,346,500) for ordinary shareholders.

Reserves

The reserves of Bank of Kigali Plc are set out in note 28(ii).

Directors

The Directors who served during the year and up to the date of this report are set out on page 1.

Auditors

The Bank's auditor, Ernst & Young Rwanda Limited continues in office in line with regulation issued by the Central Bank.

Approval of the financial statements

The financial statements were authorised for issue by the Directors on 31 March 2023. The directors have the power to amend and reissue the financial statements.

BY ORDER OF THE BOARD

Emmanuel Nkusi
Company Secretary

Date: 31 March 2023

BANK OF KIGALI PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors are responsible for the preparation of financial statements that give a true and fair view of Bank of Kigali plc which comprise the statement of financial position as at 31 December 2022, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, in the manner required by Law No. 007/2021 of 05/02/2021 governing companies in Rwanda and Regulation No. 28/2019 of 09/09/2019 on publication of financial statements and other disclosures by Banks in Rwanda.

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

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

The independent auditors are responsible for reporting on whether the financial statements give a true and fair view in accordance with the International Financial Reporting Standards and in the manner required by Law No. 007/2021 of 05/02/2021 governing companies, and Regulation No. 28/2019 of 09/09/2019 on publication of financial statements and other disclosures by Banks in Rwanda.

Approval of financial statements

The financial statements of Bank of Kigali plc, were approved by the board of directors, and were signed on its behalf by:

Chief Executive Officer

Director

Date.31 March 2023

BANK OF KIGALI PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Bank of Kigali Plc is committed to world class corporate governance standards as set from time to time by the National Bank of Rwanda and by itself in accordance with international best practise. The Board of Directors are responsible for the long-term strategic direction for profitable growth of Bank of Kigali Plc whilst being accountable to the shareholders for compliance and maintenance of the highest corporate governance standards and business ethics.

The Board of Directors

The Board is made up of five Non-Executive and Independent Directors, two Non-Executive and Non-Independent Directors. The Board is provided with full, appropriate, and timely information to enable them maintain full and effective control over the strategic, financial, operational and compliance issues of Bank of Kigali Plc. The day to day running of the business of Bank of Kigali Plc is delegated to the Chief Executive Officer but the Board is responsible for establishing and maintaining Bank of Kigali Plc'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 Bank of Kigali Plc'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 Committees

The Board has created the following principal committees at Bank of Kigali Plc level which meet regularly under well-defined and materially delegated terms of reference set by the Board.

a. Risk Committee

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

b. Audit Committee

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

c. Credit Committee

The committee meets monthly to review credit risk profile of Bank of Kigali Plc and recommend to the Board for approval policies and standards relating to credit risk governance and management. The frequency of the meeting has ensured that the needs of Bank of Kigali Plc's customers are given timely attention. The committee also reviews Bank of Kigali Plc's credit risk appetite and sectorial concentration

Board Committees (continued)

d. Information and Communications Technology (ICT) Committee

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

e. Nominations and Remunerations (N&R) Committee

The committee meets quarterly to review human resource policies and make suitable recommendations to the Board on senior management appointments. This committee oversees the nomination functions and senior management performance reviews.

This Committee is responsible for setting the remuneration of senior management and board members.

Board/ Board Committee attendance

The following table gives the record of attendance of the directors of the board and its Committee meetings for the twelve months' period ended 31 December 2022.

Structure	Category	Main Board	Audit Committee	Risk committee	Credit Committee	Nomination and Remuneration Committee	IT Committee
Mr. Rod Reynolds	Independent	3/4					
Mr. Regis Rugemanshuro	Non-Executive Non-Independent	3/4		3/4	8/9		3/4
Mr. Reuben Karemera	Non-Independent	3/4	3/4		9/9	3/4	
Mrs. Alline Kabbatende	Independent	3/4		3/4			3/4
Mr. William Juma Arogo	Independent	3/4		3/4	8/9		
Mr. Eugene Ubalijoro	Independent	3/4	3/4			3/4	3/4
Mrs. Risper Alaro Mukoto	Independent	3/4	3/4			3/4	

Management committees

The Board has delegated the management of the business to the Chief Executive Officer together with her Management Committee. The following management committees are in place at Bank of Kigali Plc level to ensure that Bank of Kigali Plc carries out its obligation efficiently and effectively.

Bank of Kigali Plc

Management Committee
Assets and Liability Committee
Credit Committee
Debt Recovery Committee
Human Resource Committee
Product Development Committee
Information & Communication Technology Committee
Procurement Committee
Branch Expansion Committee

Opinion

We have audited the financial statements of Bank of Kigali (Rwanda) Plc which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Law No. 007/2021 of 05/02/2021 governing companies.

Basis for opinion

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

Key audit matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the 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 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 financial statements.

<table>
<tr><th>Key Audit Matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">IFRS 9. Expected Credit Losses</td></tr>
<tr><td>
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 a key 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.
Estimation and incorporation of multiple forward-looking macroeconomic scenarios and weightings into the ECL calculation

These scenario forecasts are developed by the Bank's Chief Credit Risk Officer and require management judgement, given the uncertain macroeconomic environment and the complexity of incorporating these scenario forecasts and probability weightings into the estimation of ECL.
</td><td>

Post-model management adjustments
Where the Bank's ECL models are not fully calibrated to cater for the impact of the current levels of economic volatility and complexity, management adjustments are applied.

These adjustments are subject to a high degree of subjective management judgement and bias

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 financial reporting and quantitative specialist teams to evaluate the reasonableness of macroeconomic scenarios used in the adjustments of PDs

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</table>

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.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- 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 Bank.
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 company, 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

31 March 2023

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2022

	Note	31 December 2022 FRw’000	31 December 2021 FRw’000
Interest income calculated using the effective interest rate method	5	185,918,302	175,273,400
Interest expense calculated using the effective interest rate	6	(50,953,192)	(41,481,321)
Net interest income		**134,965,110**	**133,792,079**
Fee and commission income*	7(a)	29,063,931	21,824,950
Fee and commission expense*	7(b)	(2,859,953)	(1,953,063)
Foreign exchange related income	8	13,504,051	11,751,527
Other operating income	9	160,969	248,657
Operating income before impairment losses		**174,834,108**	**165,664,150**
Credit impairment losses	10	(10,003,604)	(34,063,660)
Net operating income		**164,830,504**	**131,600,490**
Personnel costs	11(i)	(31,687,839)	(28,943,709)
Depreciation and amortisation	11(ii)	(8,676,965)	(6,925,589)
Administration and general expenses	11(iii))	(37,826,791)	(24,034,087)
Total operating expenses		**(78,191,595)**	**(59,903,385)**
Operating profit		**86,638,909**	**71,697,105**
Interest on lease liabilities	11	(400,872)	(630,111)
Profit before income tax		**86,238,037**	**71,066,994**
Income tax expense	12(a)	(26,288,278)	(22,206,302)
Profit for the year		**59,949,759**	**48,860,692**
Other Comprehensive income		-	-
Total comprehensive income for the year		**59,949,759**	**48,860,692**

*The reclassification note has been disclosed in Note 33.

The notes set out on pages 89 to 163 form an integral part of these financial statements

Consolidated statement of financial position

As at 31 December 2022

	Note	31 December 2022 FRw'000	31 December 2021 FRw'000
Assets			
Cash in hand	13 (a)	21,757,316	21,723,165
Balances with the national bank of rwanda	13 (b)	328,750,207	231,758,146
Cash balances with other banks	14	43,319,605	75,422,002
Investment securities	15 (a)	206,218,114	156,996,661
Investment in corporate bond	15 (b)	11,791,537	11,720,295
Investment in specialized fund	15 (c)	1,050,241	1,050,258
Loans and advances to customers	16 (a)	1,134,512,318	990,267,321
Deferred income tax asset	17	16,821,005	15,064,906
Other assets	18	17,828,138	27,449,694
Right of use assets	19	3,195,291	6,151,959
Property and equipment	20	9,653,845	8,120,475
Intangible assets	21	9,251,369	9,485,790
Total assets		**1,804,148,986**	**1,555,210,672**
Liabilities			
Due to banks	22	280,588,198	204,570,044
Deposits and balances from customers	23	1,084,321,751	980,510,581
Income tax payable	12	5,418,880	9,178,886
Dividends payable	24	29,974,880	24,460,702
Other liabilities	25	26,637,274	32,559,886
Lease liabilities	26	3,674,937	7,063,744
Long-term finance	27	102,718,354	56,026,996
Total liabilities		**1,533,334,274**	**1,314,370,839**
Capital and reserves			
Share capital	28 (i)	20,000,000	20,000,000
Share premium	28 (ii)	141,582,995	141,582,995
Other reserves	28 (iii)	2,321,973	2,321,973
Retained earnings	28 (iv)	106,909,744	76,934,865
Total equity		**270,814,712**	**240,839,833**
Total liabilities and equity		**1,804,148,986**	**1,555,210,672**

The notes set out on pages 89 to 163 form an integral part of these financial statements

Consolidated statement of changes in equity

For the year ended 31 December 2022

Year ended 31 December 2022	Note	Issued capital FRw'000	Share premium FRw'000	Other reserves FRw'000	Retained earnings FRw'000	Total FRw'000
As at 1 January 2022	28	20,000,000	141,582,995	2,321,973	76,934,865	240,839,833
Comprehensive income						
Profit for the year		-	-	-	59,949,759	59,949,759
Other comprehensive income		-	-	-	-	-
Accrued dividends		-	-	-	(29,974,880)	(29,974,880)
As at 31 December 2022		**20,000,000**	**141,582,995**	**2,321,973**	**106,909,744**	**270,814,712**

Year ended 31 December 2021	Note	Issued capital FRw'000	Share premium FRw'000	Other reserves FRw'000	Retained earnings FRw'000	Total FRw'000
As at 1 January 2021	28	20,000,000	141,582,995	2,279,052	52,547,440	216,409,487
Comprehensive income						
Profit for the year		-	-	-	48,860,693	48,860,693
Other comprehensive income		-	-	-	-	-
Accrued dividends		-	-	-	(24,430,347)	(24,430,347)
Statutory reserves		-	-	42,921	(42,921)	-
As at 31 December 2021		**20,000,000**	**141,582,995**	**2,321,973**	**76,934,865**	**240,839,833**

The notes set out on pages 89 to 163 form an integral part of these financial statements

Consolidated statement of cash flows

For the year ended 31 December 2022

	Note	31 December 2022 FRw'000	31 December 2021 FRw'000
Cash flows from operating activities			
Profit before income tax		86,238,037	71,066,994
Adjusted for:			
Depreciation of property and equipment	20	2,951,305	2,001,376
Depreciation on right of use assets	19	3,091,725	3,075,979
Amortization of intangible assets	21	2,633,935	1,848,234
Gain or loss of property and equipment		(91,020)	-
Interest incurred and revaluation loss on long-term financing	27	5,533,728	4,132,052
Changes in expected credit losses and other credit impairment charges	10	10,003,604	34,063,660
Accrued interest income		(507,057)	(1,116,596)
Cash flows before changes in working capital		**109,854,257**	**115,071,699**
Changes in working capital			
Increase in loans and advances	16(a)	(154,248,601)	(173,231,171)
Increase in other assets	18	9,621,556	(10,647,881)
Increase in cash reserve requirement	13(b)	(20,842,272)	(9,941,796)
Increase in deposits and balances from customers	23	103,811,170	187,502,966
Increase in due to banks	22	(18,861,320)	21,570,756
Increase in other liabilities	25	(5,922,611)	2,298,738
		23,412,179	**132,623,311**
Income tax paid	12	(31,804,382)	(20,122,257)
Repayment of interests on long-term finance	27	(3,976,406)	(3,773,751)
Net cash (used)/generated from operating activities		(12,368,609)	108,727,303
Investing Activities			
Purchase of property and equipment	20	(4,484,675)	(3,609,941)
Purchase of intangible assets	19	(2,399,514)	(3,223,657)
Investment securities*			
Additions in investment in securities*	15(a)	(456,408,439)	(404,147,002)
Receipts on investment maturities*	15(a)	407,339,906	384,078,531
Corporate bond*			
Additions in corporate bond*	15(b)	-	(650,000)
Receipts in corporate bond*	15(b)	232,655	773,878
Receipts from specialized fund*	15(c)	50,258	-
Proceed from sale of property and equipment		91,020	-
Net cashflows used investing activities		**(55,578,788)**	**(26,778,191)**
Financing Activities			
Dividends paid	**24**	(24,460,702)	(17,575,550)
Drawdown of long-term finance	27(a)	57,418,031	2,150,000
Repayment of principal on long-term finance	27(a)	(12,283,997)	(9,927,058)
Principal payment of lease liabilities	26	(3,525,790)	(2,834,781)
Net cash flows from/(used in) financing activities		17,147,543	(28,187,389)
Net (decrease)/increase in cash and cash equivalents		(50,799,856)	53,761,723
Net foreign exchange difference		(4,128,047)	2,730,389
Cash and cash equivalents at 1 January	13(c)	168,927,873	112,435,761
Cash and cash equivalents at 31 December		**113,999,970**	**168,927,873**
Interest income received		175,158,979	170,965,565
Interest expense paid		(38,880,158)	(33,853,381)
		136,278,820	**137,112,184**

*These items have been classified gross in the current year. In the prior year, they were presented on net. Refer to note 33.

The notes set out on pages 89 to 163 form an integral part of these financial statements

Notes to the consolidated financial statements

For the year ended 31 December 2022

1. Corporate information

Bank of Kigali Plc is an operating company registered with Rwanda Development Board (RDB) and licensed under Law No. 47/2017 of 23/9/2017 Governing the Organisation of Banking and Law No. 007/2021 of 05/02/2021 Governing Companies.

Bank of Kigali Plc is a financial institution licensed under Law No. 47/2017 of 23/9/2017 governing the Organisation of Banking and provides corporate, SMEs, retail banking services and also Treasury services.

The address of its registered office is as follows:

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

2. 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.

2.1. 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 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 Bank'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.

2.2. Changes in accounting policy and disclosures

New and amended standards and interpretations

New Standards issued that were effective at the reporting date

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.

2.2. Changes in accounting policy and disclosures (continued)

New and amended standards and interpretations (continued)

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

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 bank.

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. There is no transition relief for first-time adopters.

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

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

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 bank 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.

2.2. Changes in accounting policy and disclosures (continued)

New and amended standards and interpretations (continued)

Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts

Effective for annual periods beginning on or after 1 January 2023.

Background

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.

Scope

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.

Key requirements

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

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 an onerous group of underlying issued contracts as well as for subsequent measurement of the recovery of those losses.

2.2. Changes in accounting policy and disclosures (continued)

New and amended standards and interpretations (continued)

Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

Key requirements (continued)

- 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

Transition

IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17.

The Board decided on a retrospective approach for estimating the CSM on the transition date. However, if full retrospective application, as defined by IAS 8 for a group of insurance contracts, is impracticable, an entity is required to choose one of the following two alternatives:

- Modified retrospective approach - based on reasonable and supportable information available without undue cost and effort to the entity, certain modifications are applied to the extent full retrospective application is not possible, but still with the objective to achieve the closest possible outcome to retrospective application.
- Fair value approach - the CSM is determined as the positive difference between the fair value determined in accordance with IFRS 13 Fair Value Measurement and the fulfilment cash flows (any negative difference would be recognised in retained earnings at the transition date).

Both the modified retrospective approach and the fair value approach provide transitional reliefs for determining the grouping of contracts. If an entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, it is required to apply the fair value approach.

Impact

IFRS 17, together with IFRS 9, will result in profound changes to the accounting in IFRS financial statements for insurance companies. This will have a significant impact on data, systems and processes used to produce information for financial reporting purposes.

Finalisation of the amendment to IFRS 17

In December 2021, the IASB amended IFRS 17 to add a transition option for a “classification overlay” to address possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of IFRS 17.

If an entity elects to apply the classification overlay, it can only do so for comparative periods to which it applies IFRS 17 (i.e., from transition date to the date of initial application of IFRS 17).

2.2. Changes in accounting policy and disclosures (continued)

New and amended standards and interpretations (continued)

Standards issued but not yet effective (continued)

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted.

Key requirements

The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors’ interests in the associate or joint venture.

Transition

The amendments must be applied prospectively. Early application is permitted and must be disclosed.

Impact

The amendments are intended to eliminate diversity in practice and give preparers a consistent set of principles to apply for such transactions. However, the application of the definition of a business is judgemental and entities need to consider the definition carefully in such transactions.

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

Effective for annual periods beginning on or after 1 January 2024.

Key requirements

In January 2020 and October 2022, the Board issued amendments to IAS 1 Presentation of Financial Statements 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
- Disclosures

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 the required covenants at a date subsequent to the reporting period (“future covenants”), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period. Furthermore, the Board specified that the requirements in paragraph 72B apply only to liabilities arising from loan arrangements.

2.2. Changes in accounting policy and disclosures (continued)

New and amended standards and interpretations (continued)

Standards issued but not yet effective (continued)

Classification of Liabilities as Current or Non- current - Amendments to IAS (continued)

Right to defer settlement (continued)

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.

Meaning of the term 'settlement'

The Board added two new paragraphs (paragraphs 76A and 76B) to IAS 1 to clarify what is meant by 'settlement' of a liability. The Board concluded that it was important to link the settlement of the liability with the outflow of resources of the entity.

Settlement by way of an entity's own equity instruments is considered settlement for the purpose of classification of liabilities as current or non-current, with one exception.

In cases where a conversion option is classified as a liability or part of a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current. Only if the conversion option itself is classified as an equity instrument would settlement by way of own equity instruments be disregarded when determining whether the liability is current or on- current.

Unchanged from the current standard, a rollover of a borrowing is considered the extension of an existing liability and is therefore not considered to represent 'settlement'.

Disclosures

IAS 1.76ZA has been added to require an entity to provide disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. This disclosure must include information about the covenants and the related liabilities.

Transition

The amendments must be applied prospectively. Early application is permitted and must be disclosed. However, an entity that applies the 2020 amendments early is also required to apply the 2022 amendments, and vice versa.

Impact

The combined impact of the 2020 amendments and the 2022 amendments will have implications for entities applying them. Entities will, therefore, need to carefully consider the impact of the amendments on existing and planned loan agreements. In this context, it is important to highlight that the amendments must be applied retrospectively.

2.2. Changes in accounting policy and disclosures (continued)

New and amended standards and interpretations (continued)

Standards issued but not yet effective (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.

Key requirements

In February 2021, the Board issued amendments to IAS 1 and 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

And

- 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.

Disclosure of standardised information

Although standardised information is less useful to users than entity-specific accounting policy information, the Board agreed that, in some circumstances, standardised accounting policy information may be needed for users to understand other material information in the financial statements. In those situations, standardised accounting policy information is material, and should be disclosed.

Transition

Earlier application of the amendments to IAS 1 is permitted as long as this fact is disclosed.
Since the amendments to the PS provide non-mandatory guidance on the application of the definition of material to accounting policy information, the Board concluded that transition requirements and an effective date for these amendments were not necessary.

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.

2.2. Changes in accounting policy and disclosures (continued)

New and amended standards and interpretations (continued)

Standards issued but not yet effective (continued)

Definition of Accounting Estimates - Amendments to IAS 8

Effective for annual periods beginning on or after 1 January 2023.

Key requirements

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new 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.

Changes in accounting estimates

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.

Transition

The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date. Earlier application is permitted.

Impact

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Although the amendments are not expected to have a material impact on entities' financial statements, they should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

Effective for annual periods beginning on or after 1 January 2023.

Key requirements

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

Determining the tax base of assets and liabilities

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Changes to the initial recognition exception

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g., if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, which the Board expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss.

2.2. Changes in accounting policy and disclosures (continued)

New and amended standards and interpretations (continued)

Standards issued but not yet effective (continued)

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (continued)

Transition

An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, it should also recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

Effective for annual periods beginning on or after 1 January 2024.

Key requirements

In September 2022, the Board issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16).

The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller- lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8.

Transition

A seller-lessee applies the amendment to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted and that fact must be disclosed.

A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application (i.e., the amendment does not apply to sale and leaseback transactions entered into prior to the date of initial application). The date of initial application is the beginning of the annual reporting period in which an entity first applied IFRS 16.

2.2. Summary of significant accounting policies (continued)

Significant accounting judgements, estimates and assumptions

(a) Going concern

Bank of Kigali Plc directors have made an assessment of Bank of Kigali Plc's ability to continue as a going concern and is satisfied that Bank of Kigali Plc 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 Bank of Kigali Plc's ability to continue as a going concern. Therefore, financial statements have been prepared on the going concern basis.

(b) Use of estimates and judgments

The preparation of 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 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.

(c) Recognition of interest income

The effective interest rate method

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost, interest rate derivatives for which hedge accounting is applied and the related amortisation/recycling effect of hedge accounting. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

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

If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

The IBOR reform Phase 2 amendments allow as a practical expedient for changes to the basis for determining contractual cash flows to be treated as changes to a floating rate of interest, provided certain conditions are met. The conditions include that the change is necessary as a direct consequence of IBOR reform and that the transition takes place on an economically equivalent basis.

2.2. Summary of significant accounting policies (continued)

Significant accounting judgements, estimates and assumptions

b) Recognition of interest income (continued)

(i) Revenue from financial instruments.

See note 2(g) on financial assets and liabilities

(ii) Interest income and similar income/expense

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the income statement for both Interest income and interest expense to provide symmetrical and comparable information.

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

When a financial asset becomes credit-impaired regarded as 'Stage 3', the Bank calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

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

(iii) Fees and commission

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

(iii) Fees and commission

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract.

When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Fee and commission income from services where performance obligations are satisfied over time

Performance obligations satisfied over time include asset management, custody and other services, where the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs. The Bank's fee and commission income from services where performance obligations are satisfied over time include the following:

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

2.2. Summary of significant accounting policies (continued)

Significant accounting judgements, estimates and assumptions

c) Recognition of interest income (continued)

(iii) Fees and commission (continued)

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

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

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

(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.

(v) 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, dividends and foreign exchange differences.

d) Property, Plant and Equipment

Property, Plant and Equipment is stated at cost excluding the costs of day–to–day servicing and less depreciation and accumulated impairments. The 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 Bank 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.

Depreciation is calculated using the straight-line method to allocate their cost, 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:

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

2.2. Summary of significant accounting policies (continued)

Significant accounting judgements, estimates and assumptions

d) Property, Plant 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 Bank policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

e) Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Bank determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses.

f) 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 — Bank of Kigali Plc 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 Bank of Kigali Plc 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.

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 Bank of Kigali Plc 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 Bank of Kigali Plc commits to purchase or sell the asset.

2.2. Summary of significant accounting policies (continued)

Significant accounting judgements, estimates and assumptions (continued)

f) Financial assets and liabilities (continued)

Initial recognition and measurement (continued)

At initial recognition, Bank of Kigali Plc 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.

(g) Financial assets and liabilities

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. Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets

(i) Classification and subsequent measurement

Bank of Kigali Plc classifies its financial assets in the following measurement categories:

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

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

Debt instruments 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) Bank of Kigali Plc's business model for managing the asset; and

(ii) The cash flow characteristics of the asset.

Based on these factors, Bank of Kigali Plc classifies its debt instruments into one of the following three 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.

2.2. Summary of significant accounting policies (continued)

Significant accounting judgements, estimates and assumptions (continued)

(g) Financial assets and liabilities (continued)

Financial assets (continued)

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

Business model: the business model reflects how Bank of Kigali Plc manages the assets in order to generate cash flows. That is, whether Bank of Kigali Plc'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 Bank of Kigali Plc in determining the business model for a Bank 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, Bank of Kigali Plc assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the `SPPI test'). In making this assessment, Bank of Kigali Plc 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.

Bank of Kigali Plc 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 in frequent 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.

Bank of Kigali Plc subsequently measures all equity investments at fair value through profit or loss, except where Bank of Kigali Plc's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. Bank of Kigali Plc'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 Bank of Kigali Plc'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.

2.2. Summary of significant accounting policies (continued)

Significant accounting judgements, estimates and assumptions (continued)

(g) Financial assets and liabilities (continued)

Equity instruments (continued)

(ii) Impairment

Bank of Kigali Plc assesses on a forward-looking basis the expected credit loss ('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. Bank of Kigali Plc 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.

(iii) Modification of loans

Bank of Kigali Plc sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, Bank of Kigali Plc assesses whether or not the new terms are substantially different to the original terms. Bank of Kigali Plc 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, Bank of Kigali Plc 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, Bank of Kigali Plc 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 Bank of Kigali Plc 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) Bank of Kigali Plc transfers substantially all the risks and rewards of ownership, or

(ii) Bank of Kigali Plc neither transfers nor retains substantially all the risks and rewards of ownership and Bank of Kigali Plc has not retained control.

2.2. Summary of significant accounting policies (continued)

Significant accounting judgements, estimates and assumptions (continued)

(g) Financial assets and liabilities (continued)

Equity instruments (continued)

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

Bank of Kigali Plc 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 Bank of Kigali Plc:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;

(ii) Is prohibited from selling or pledging the assets; and

(iii) Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by Bank of Kigali Plc under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because Bank of Kigali Plc 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 Bank of Kigali Plc 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, Bank of Kigali Plc 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 Bank of Kigali Plc 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.

2.2. Summary of significant accounting policies (continued)

Significant accounting judgements, estimates and assumptions (continued)

(g) Financial assets and liabilities (continued)

Financial guarantee contracts and loan commitments

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

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

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

Loan commitments provided by Bank of Kigali Plc are measured as the amount of the loss allowance. Bank of Kigali Plc 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 Bank of Kigali Plc 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.

(h) Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, non–restricted current accounts with National Bank of Rwanda and cash balances with other banks on demand or with an original maturity of three months or less.
Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(i) 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. Bank of Kigali Plc uses Rwanda's national currency, Rwanda Franc (FRw) as both functional and presentation currency.

(j) Income tax

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Bank operates and generates taxable income.
Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income respectively and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2.2. Summary of significant accounting policies (continued)

Significant accounting judgements, estimates and assumptions (continued)

(j) Income tax (continued)

Deferred tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, where

the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

(k) Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as a lessee

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

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

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

2.2. Summary of significant accounting policies (continued)

Significant accounting judgements, estimates and assumptions (continued)

(k) Leases (continued)

Bank as a lessee (continued)

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

To determine the incremental borrowing rate, the Bank where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

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

Right of use assets

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

If the Bank is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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

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

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

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

(l) Intangible assets

Bank of Kigali Plc's intangible assets 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 Bank of Kigali Plc.

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.

2.2. Summary of significant accounting policies (continued)

Significant accounting judgements, estimates and assumptions (continued)

(l) Intangible assets (continued)

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

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

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

Computer software	2 years

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 Bank of Kigali Plc's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of Bank of Kigali Plc.

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

Bank of Kigali Plc 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 Bank of Kigali Plc 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.

2.2 Summary of significant accounting policies (continued)

Significant accounting judgements, estimates and assumptions (continued)

(p) Grants

A grant is recognised as deferred revenue when grant funds are received and the bank has the full intent to comply with the conditions attached to the grant. Grant revenue is recognised on the statement of comprehensive income in the period in which the expenses for which the grant funds are to be used are incurred. Grants that compensate the Bank for purchase of an asset are recognised as deferred income in the statement of financial position and amortised

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3. Critical accounting estimate and judgement

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 Bank of Kigali Plc'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.

a) 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 4.1.2.3, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL;

b) 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 will be impacted and projecting beyond a five-year planning period has uncertainties as to the Bank exercising its extension options.

3. Critical accounting estimate and judgement (continued)

b) Critical judgements in determining the lease term (continued)

As at 31 December 2022 potential future cash outflows of FRw 13.4 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 Bank 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 have an increment in recognised lease liabilities and right-of-use assets of FRw 9.6 billion. The bank has not recognised the effects of the extension options.

4. Financial risk management

The following section discusses the bank's risk management policies. The measurement of ECL under IFRS 9 uses the information and approaches that the bank 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 Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. 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 Bank 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 Bank'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 Bank 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 4.1.2.1 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 2022. We continued to apply the requirements of IFRS 9 'Financial Instruments' within Credit Risk.

We have established Bank-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.

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

Credit risk grading

The bank grades its significant corporate exposures based on the internal rating below.

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]

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

Performing

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

Watch

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

Substandard

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

Doubtful

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

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

Credit risk grading (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 Bank;

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 Bank.
- 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 Bank 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 Bank 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 Bank 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 2

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

4.1.2.1. Significant increase in credit risk (SICR)

The Bank 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 Bank identifies a significant increase in credit risk where

- Exposures have a regulatory risk rating of "WATCH"
- An exposure is 30 days or more days past due .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 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.

Significant increase in credit risk (SICR)

The Bank 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 Bank identifies a significant increase in credit risk where

- exposures have a regulatory risk rating of 'WATCH';
- an exposure is greater than 30 days past due – 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.

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)

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 increase in credit risk 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.

The assessment of SICR incorporates forward-looking information (refer to note 4.1.5 for further information) and is performed on a monthly basis at a portfolio level for all financial instruments held by the Bank. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

A backstop is applied, and the financial instrument is considered to have experienced a significant increase in credit risk if the borrower is 30 or more days past due on its contractual payments.
The Bank has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2022.

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

Quantitative criteria

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

Qualitative criteria

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

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

The criteria above have been applied to all financial instruments held by the Bank 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 Bank's expected loss calculations.

4. Financial risk management (continued)

4.1. Credit risk (continued)

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) for financial instruments in stage 1 or over the remaining lifetime (Lifetime PD) of the obligation for financial instruments
- EAD is based on the amounts the Bank 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 Bank 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 Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.
- The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month).

This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

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

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

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. This will also be adjusted for any expected repayments 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 Bank'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.

4. Financial risk management (continued)

4.1. Credit risk (continued)

4.1.4. Measuring ECL — Explanation of inputs, assumptions and estimation techniques (continued)

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 4.1.5 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 Bank'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 4.1.5 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. Financial risk management (continued)
4.1. Credit risk (continued)
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 Bank 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 Bank'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 Bank 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. 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 Bank measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probabilities weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

Economic variable assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2022 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 most significant period-end assumptions used for the ECL estimate 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	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

4. Financial risk management (continued)
4.1. Credit risk (continued)
4.1.5 Forward-looking information incorporated in the ECL models (continued)
The weightings assigned to each economic scenario at 31 December were as follows:

	Base %	Upside %	Downside %
As at 31 December 2022			
Scenario probability weighting	66.0%	0%	34%
As at 31 December 2021			
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.

4.1.6. 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 2022 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank'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.

4.1.7. 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 Bank's maximum exposure to credit risk on these assets.

4. Financial risk management (continued)
4.1. Credit risk (continued)
4.1.7. 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 & Poor rating agency.

	Corporate				
	2022				2021
	ECL staging				
	Stage 1 12 month ECL FRw'000	Stage 2 Lifetime ECL FRw'000	Stage 3 Lifetime ECL FRw'000	Total FRw'000	FRw'000
Normal	928,507,263	-	-	928,507,263	717,211,919
Watch	-	112,812,591	-	112,812,591	187,924,579
Default	-	-	28,761,876	28,761,876	53,790,713
Gross carrying amount	928,507,263	112,812,591	28,761,876	1,070,081,730	958,927,211
Expected credit loss	(11,466,342)	(29,867,488)	(22,233,045)	(63,566,875)	(67,727,698)
ERF Discount	(3,540,526)	(2,022,297)	(586,194)	(6,149,016)	(2,235,213)
Carrying amount	**913,500,395**	**80,922,806**	**5,942,637**	**1,000,365,839**	**888,964,300**

	Retail				
	2022				2021
	ECL staging				
	Stage 1 12 month ECL FRw'000	Stage 2 Lifetime ECL FRw'000	Stage 3 Lifetime ECL FRw'000	Total FRw'000	FRw'000
Normal	134,667,838	-	-	134,667,838	96,806,707
Watch	-	4,663,723	-	4,663,723	5,486,861
Default	-	-	10,872,808	10,872,808	14,124,625
Gross carrying amount	134,667,838	4,663,723	10,872,808	150,204,369	116,418,193
Expected credit loss	(3,269,134)	(763,862)	(12,024,893)	(16,057,889)	(15,115,172)
ERF Discount	-	-	-	-	-
Carrying amount	**131,398,704**	**3,899,861**	**(1,152,085)**	**134,146,480**	**101,303,021**

4. Financial risk management (continued)
4.1. Credit risk (continued)
4.1.7 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				
	2022				2021
	ECL staging				
	Stage 1 12 month ECL FRw'000	Stage 2 Lifetime ECL FRw'000	Stage 3 Lifetime ECL FRw'000	Total FRw'000	FRw'000
Normal	207,390,703	-	-	207,390,703	157,893,742
Gross carrying amount	207,390,703	-	-	207,390,703	157,893,742
Expected credit loss	(1,172,589)	-	-	(1,172,589)	(897,081)
Carrying amount	**206,218,114**	**-**	**-**	**206,218,114**	**156,996,661**

	Guarantees and commitments				
	2022				2021
	ECL staging				
	Stage 1 12 month ECL FRw'000	Stage 2 Lifetime ECL FRw'000	Stage 3 Lifetime ECL FRw'000	Total FRw'000	FRw'000
Normal	338,939,331	-	-	338,939,331	176,298,845
Watch	-	8,296,130	-	8,296,130	246,823
Default	-	-	611,505	611,505	428,398
Gross carrying amount	338,939,331	8,296,130	611,505	347,846,967	176,974,065
Expected credit loss	(538,221)	(1,111)	(293,282)	(832,613)	(540,754)
Carrying amount	**338,401,110**	**8,295,019**	**318,223**	**347,014,354**	**176,433,311**

	Cash balances with other banks				
	2022				2021
	ECL staging				
	Stage 1 12 month ECL FRw'000	Stage 2 Lifetime ECL FRw'000	Stage 3 Lifetime ECL FRw'000	Total FRw'000	FRw'000
A	8,790,103	-	-	8,790,103	3,050,505
A-	-	-	-	-	10,422,464
A+	27,322,205	-	-	27,322,205	27,463,961
AA	229,978	-	-	229,978	-
B	-	-	-	-	-
B+	7,142,536	-	-	7,142,536	30,490,399
BB-	4,459	-	-	4,459	4,040,555
Expected credit loss	(169,676)	-	-	(169,676)	(45,882)
Carrying amount	**43,319,605**	**-**	**-**	**43,319,605**	**75,422,002**

4. Financial risk management (continued)
4.1. Credit risk (continued)
4.1.7 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)

The Expected Credit Losses (ECL) for cash balances with other banks has been arrived at using the below credit ratings for financial institutions:

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

	2022				2021
	ECL staging				
	Stage 1 12 month ECL FRw'000	Stage 2 Lifetime ECL FRw'000	Stage 3 Lifetime ECL FRw'000	Total FRw'000	FRw'000
Gross amount	335,093,302	-	-	335,093,302	231,758,146
Expected credit loss	(6,343,095)	-	-	6,343,095)	-
Carrying amount	**328,750,207**	**-**	**-**	**328,750,207**	**231,758,146**

Other assets

	2022				2021
	ECL staging				
	Stage 1 12 month ECL FRw'000	Stage 2 Lifetime ECL FRw'000	Stage 3 Lifetime ECL FRw'000	Total FRw'000	FRw'000
Gross amount	20,008,729	-	-	20,008,729	29,082,439
Expected credit loss	(2,180,591)	-	-	(2,180,591)	(1,632,744)
Carrying amount	**17,828,138**	**-**	**-**	**17,828,138**	**27,449,694**

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. Financial risk management (continued)
4.1. Credit risk (continued)
4.1.8 Gross loans

Below is a transitional table between stages between 1 January 2022 to 31 December 2022:

	31 December 2022			
	Stage 1 FRw'000	Stage 2 FRw'000	Stage 3 FRw'000	Total FRw'000
Gross loans as at 1 January 2022	813,564,757	193,298,576	66,246,858	1,073,110,191
Transfers from stage 1 to stage 2	(42,209,367)	42,209,367	-	-
Transfers from stage 2 to stage 1	98,656,601	(98,656,601)	-	-
Transfers to stage 3	(8,175,078)	(4,132,501)	12,307,579	-
Transfers from stage 3	6,671,121	5,655,151	(12,326,272)	-
New loans disbursed	191,126,540	737,102	1,043,443	192,907,085
Repayments	-	(23,646,210)	(12,536,244)	(36,182,454)
Net movement in gross loans	**1,059,634,574**	**115,464,884**	**54,735,364**	**1,229,834,822**
Financial asset derecognised	-	-	(15,697,740)	(15,697,740)
Gross loans as at 31 December 2022	**1,059,634,575**	**115,464,884**	**39,037,624**	**1,214,137,082**

Below is a transitional table between stages between 1 January 2021 to 31 December 2021:

	31 December 2021			
	Stage 1 FRw'000	Stage 2 FRw'000	Stage 3 FRw'000	Total FRw'000
Gross loans as at 1 January 2021	744,943,096	112,128,103	70,464,401	927,535,600
Transfers from stage 1 to stage 2	(69,838,434)	69,838,434	-	-
Transfers from stage 2 to stage 1	9,773,178	(9,773,178)	-	-
Transfers to stage 3	(13,470,806)	(7,600,372)	21,071,178	-
Transfers from stage 3	6,569,894	3,132,220	(9,702,114)	-
New loans disbursed	184,185,226	10,407,614	2,153,533	196,746,373
Repayments	-	(13,716,628)	(6,667,176)	(20,383,805)
Net movement in gross loans	**117,219,058**	**52,288,090**	**6,855,420**	**176,362,568**
Financial asset derecognised	-	-	(30,787,978)	(30,787,978)
Gross loans as at 31 December 2021	**841,778,350**	**164,416,193**	**66,915,648**	**1,073,110,190**

4.1.9 Loss Allowance-Investment securities

They have been no upgrade or downgrade in the investment securities in the year. All these investment securities are performing.

4. Financial risk management (continued)
4.1. Credit risk (continued)
4.1.10 Loss allowance

Below is a transitional table between stages between 1 January 2022 to 31 December 2022:

	31 December 2022			
	Stage 1 FRw'000	Stage 2 FRw'000	Stage 3 FRw'000	Total FRw'000
Loss allowance as at 1 January 2022	11,345,925	27,898,273	43,598,673	82,842,870
Movements with P&L impact				
Transfers from stage 1 to stage 2	(2,546,291)	2,546,291	-	-
Transfers from stage 2 to stage 1	15,232,908	(15,232,908)	-	-
Transfers to stage 3	(345,759)	(1,456,149)	1,801,908	-
Transfers from stage 3	3,608,994	2,205,686	(5,814,681)	-
ECL on new exposure raised	3,089,321	202,279	1,237,048	4,528,648
Subsequent changes in ECL	(15,648,807)	14,467,878	9,130,115	7,949,186
Net movement to profit or loss	**3,390,367**	**2,733,078**	**6,354,390**	**12,477,835**
Other movements with no P&L impact				
Financial asset derecognised	-	-	(15,697,738)	(15,697,738)
Loss allowance as at 31 December 2022	**14,736,292**	**30,631,351**	**34,257,121**	**79,624,764**

Below is a transitional table between stages between 1 January 2021 to 31 December 2021:

	31 December 2021			
	Stage 1 FRw'000	Stage 2 FRw'000	Stage 3 FRw'000	Total 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)
4.1.10 Loss allowance (continued)

The table below presents the credit quality of financial instruments:

Credit quality	31 December 2022 FRw'000	31 December 2021 FRw'000
Balances with National Bank of Rwanda	328,750,207	231,758,146
- Counterparty without credit rating	-	-
Government securities		
B+	206,218,114	156,996,661
Loans and advances	**1,214,137,083**	**1,073,110,190**
Counterparties without credit rating	-	-
Other assets	-	-
Counterparties without credit rating	**17,828,138**	**27,449,694**

Collateral and other credit enhancements

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

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

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

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

The Bank adopts a conservative approach in the foreclosure of mortgages and considers the foreclosure as a las t resort. After all the recovery options have failed, the bank will seek for approval from the Rwanda Development Board (RDB). Once the permit is given to the Bank, a Bailiff is appointed who in turn will begin the auction process. The auction process is open, and anyone is invited to participate.

In the case that there is no outright buyer, the Bank normally considers acquiring the asset, in which case it will hold for a maximum of one year, and this is classified as assets held for sale.

4. Financial risk management (continued)
4.1. Credit risk (continued)
4.1.10 Loss allowance (continued)

Collateral and other credit enhancements (continued)

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. In the case of repossession, the bank recognises the collateral as asset held for sale and derecognises the financial assets within one year. As at 31 December 2022, the Bank did not hold any collaterals re-possessed.

Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

Corporate	Stage 1	Stage 2	Stage 3	Gross Loans	Impairment allowance	Carrying amount	Fair value of collateral
Overdrafts	80,520,084	3,639,935	4,509,710	88,669,730	(14,937,121)	73,732,609	201,439,713
Treasury loans	36,707,096	4,594,574	735,149	42,036,819	(1,072,251)	40,964,568	78,250,395
Equipment loans	766,427,131	93,503,505	17,152,519	877,083,155	(35,244,434)	841,838,721	941,883,361
Consumer loans	1,794,518	43,218	290,017	2,127,753	(14,714)	2,113,039	-
Mortgage loans	39,517,908	9,019,928	5,477,422	54,015,257	(12,298,355)	41,716,902	70,884,331
Others	-	-	-	-	-	-	-
	924,966,737	**110,801,160**	**28,164,817**	**1,063,932,714**	**(63,566,875)**	**1,000,365,839**	**1,292,457,800**
Retail							
Overdrafts	1,872,358	3,368	1,816,864	3,692,590	(2,634,921)	1,057,667	149,890,110
Treasury loans	5,736,316	192,927	202,898	6,132,140	(171,009)	5,961,132	14,409,370
Equipment loans	4,634,547	612,700	2,181,420	7,428,668	(71,400)	7,357,268	35,225,871
Consumer loans	67,452,029	1,785,654	4,843,737	74,081,420	(616,877)	73,464,543	403,079
Mortgage loans	54,972,588	2,069,074	1,827,889	58,869,551	(12,563,682)	46,305,869	33,440,159
Others	-	-	-	-	-	-	
Total	**134,667,838**	**4,663,723**	**10,872,808**	**150,204,369**	**(16,057,889)**	**134,146,479**	**233,368,589**
Overdrafts	82,392,443	3,643,303	6,326,574	92,362,320	(17,572,043)	74,790,276	351,329,822
Treasury loans	42,443,412	4,787,500	938,047	48,168,959	(1,243,259)	46,925,700	92,659,764
Equipment loans	771,061,677	94,116,206	19,333,939	884,511,823	(35,315,834)	849,195,989	977,109,234
Consumer loans	69,246,547	1,828,871	5,133,754	76,209,172	(631,591)	75,577,582	403,079
Mortgage loans	94,490,496	11,089,002	7,305,311	112,884,808	(24,862,037)	88,022,771	104,324,489
Others	-	-	-	-	-	-	-
Total	**1,059,634,575**	**115,464,883**	**39,037,624**	**1,214,137,082**	**(79,624,764)**	**1,134,512,318**	**1,525,826,388**

4. Financial risk management (continued)
4.1. Credit risk (continued)
4.1.10 Loss allowance (continued)

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	43,383,386	(1,167,135)	42,216,252	61,345,038
Equipment loans	574,712,471	163,146,527	30,260,815	768,119,813	(38,363,238)	729,756,575	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	124,237,320	(11,922,391)	112,314,929	55,570,352
Others	-	-	-	-	-	-	-
	716,758,050	**187,811,715**	**52,122,231**	**956,691,996**	**(67,727,698)**	**888,964,300**	**1,013,232,880**
Retail							
Overdrafts	1,878,072	87,606	1,489,684	3,455,362	(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	36,667,309	2,017,056	3,870,818	42,555,183	(622,524)	41,932,660	274,582
Mortgage loans	49,208,121	2,992,955	3,205,741	55,406,817	(11,588,979)	43,817,837	22,779,780
Others	4,054	-	-	4,054	-	4,054	-
Total	**96,806,707**	**5,486,861**	**14,124,625**	**116,418,194**	**(15,115,172)**	**101,303,021**	**158,973,083**
Overdrafts	18,215,407	282,310	3,000,269	21,497,986	(18,917,959)	2,580,026	260,026,997
Treasury loans	50,574,526	1,132,027	727,404	52,433,957	(1,339,709)	51,094,249	71,160,849
Equipment loans	574,858,710	163,486,425	35,720,885	774,066,020	(38,435,291)	735,630,729	762,393,403
Consumer loans	39,372,320	2,090,791	4,000,925	45,464,036	(638,540)	44,825,497	274,582
Mortgage loans	130,539,740	26,307,023	22,797,373	179,644,137	(23,511,370)	156,132,766	78,350,132
Others	4,054	-	-	4,054	-	4,054	-
Total	**813,564,757**	**193,298,576**	**66,246,858**	**1,073,110,191**	**(82,842,869)**	**990,267,321**	**1,172,205,963**

4. Financial risk management (continued)
4.1. Credit risk (continued)
4.1.10 Loss allowance (continued)
The loss allowance recognised in the year 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 4.1.10).

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

The Bank may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2022 was FRw 15,697,738,497 (2021: FRw 30,787,977,967). The Bank still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

4.1.12 Modification of financial assets
The Bank sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities 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 Bank monitors the subsequent performance of modified assets. The Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

4.1.12.1 Covid 19 impact
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 2022.

4. Financial risk management (continued)
4.1. Credit risk (continued)
4.1.12 Modification of financial assets (continued)
4.1.12.1 Covid 19 impact (continued)
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, 2022 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.

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

	31 December 2022		31 December 2021	
	FRw’000	%age	FRw’000	%age
Large Corporate	911,274,882	75.1%	819,387,628	76.4%
SMEs	137,272,913	11.3%	131,345,475	12.2%
Non-Business Activities	15,384,918	1.3%	5,958,896	0.6%
Retail Banking	150,204,369	12.4%	116,418,192	10.8%
Gross loans	**1,214,137,082**	**100.0%**	**1,073,110,191**	**100.0%**

4.2 Liquidity risk
Liquidity risk is the risk that Bank of Kigali Plc will encounter difficulty in meeting obligations from its financial liabilities. Bank of Kigali Plc’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 Bank of Kigali Plc’s reputation.

Bank of Kigali Plc’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 Bank of Kigali Plc as a whole. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

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

	31 December 2022	31 December 2021
At close of the year	42.9%	39.5%
Average for the year	44.7%	43.5%
Maximum for the year	49.5%	48.1%
Minimum for the year	39.7%	39.2%
Minimum statutory requirement	20.0%	20.0%

4. Financial risk management (continued)

4.2. Liquidity risk (continued)

The table below summarizes Bank of Kigali Plc's liquidity risk as at 31 December 2022, categorized into relevant maturity rankings based on undiscounted cash flows.

	Up to 1 month	1 - 3 months	3 – 12 months	1 - 5 years	Over 5 years	Total
Assets						
Balances with the national bank of rwanda	304,320,616	-	-	-	-	304,320,616
Cash balance with other banks	43,319,605	-	-	-	-	43,319,605
Held to maturity investments	14,091,269	10,959,994	138,267,019	31,902,076	17,099,857	212,320,216
Investment in corporate bond	6,187,500	-	-	6,131,311	-	12,318,811
Loans and advances to customers	132,854,603	15,103,723	33,907,030	290,696,745	675,161,710	1,147,723,811
Other assets	255,895	983,492	4,001,625	-	6,509,537.94	11,750,549
Swap receivables	7,162,819	-	15,637,983	17,780,408	-	40,581,210
Total assets	**529,949,623**	**27,047,209**	**191,813,658**	**346,510,540**	**698,771,105**	**1,794,092,134**
Liabilities and equity						
Due to banks	204,861,875	5,489,853	60,078,353	18,362,079	-	288,792,160
Customer deposits	961,603,320	10,261,155	106,291,931	16,256,674	9,624,480	1,104,037,560
Dividends payable	-	-	29,974,880	-	-	29,974,880
Other liabilities	12,504,042	5,815,538	832,613	7,485,082	-	26,637,275
Lease liabilities	307,451	922,354	2,445,132	-	-	3,674,937
Long-term finance	-	158,771	3,649,076	38,377,484	66,332,224	108,517,554
Swap payables	7,158,113	-	12,826,208	19,647,415	-	39,631,736
At 31 december 2022	**1,186,434,801**	**22,647,670**	**216,098,192**	**100,128,734**	**75,956,704**	**1,601,266,101**
Off balance sheet items	**20,316,132**	**17,221,919**	**45,554,962**	**32,572,526**	**232,181,428**	**347,846,967**
Liquidity gap december 2022	**(676,801,310)**	**(12,822,380)**	**(69,839,496)**	**213,809,280**	**390,632,972**	**(155,020,934)**

4. Financial risk management (continued)

4.2. Liquidity risk (continued)

The table below summarizes Bank of Kigali Plc's liquidity risk as at 31 December 2021, categorized into relevant maturity rankings based on undiscounted cash flows.

	Up to 1 month	1 - 3 months	3 – 12 months	1 - 5 years	Over 5 years	Total
Assets						
Cash in hand	21,723,165	-	-	-	-	21,723,165
Balances with the National Bank of Rwanda	237,770,541	-	10,551,445	51,757,181	-	300,079,167
Cash balances with other banks	75,462,066	-	-	-	-	75,462,066
Government securities – amortized cost	29,746,011	32,152,743	85,421,947	7,751,047	5,400,003	160,471,751
Investment in corporate bond	-	1,070,847	-	11,657,469	-	12,728,316
Investment in specialized fund	-	-	-	1,050,258	-	1,050,258
Loans and advances to customers	13,280,487	40,240,115	119,524,380	637,463,360	192,780,865	1,003,289,207
Other assets	3,656,406	15,045,488	5,235,405	3,512,395	-	27,449,694
Total assets	**381,638,676**	**88,509,193**	**220,733,177**	**713,191,710**	**198,180,868**	**1,602,253,624**
Liabilities and equity						
Due to banks	117,662,260	-	65,897,566	96,515,480	-	280,075,306
Other customer deposits	878,583,996	31,293,630	51,926,577	22,601,367	9,845,049	994,250,619
Dividend	-	-	24,460,702	-	-	24,460,702
Other liabilities	27,969,755	4,590,132	-	-	-	32,559,887
Long-term finance	-	1,252,534	1,650,475	23,641,603	29,482,384	56,026,996
Lease liabilities	66,464	201,861	628,409	1,773,180	-	2,669,914
At 31 December 2021	**1,024,282,475**	**37,338,157**	**144,563,729**	**144,531,630**	**39,327,433**	**1,390,043,424**
Off balance sheet items	**20,316,132**	**17,221,919**	**45,554,962**	**28,137,373**	**43,570,825**	**154,801,211**
Liquidity Gap December 2021	**(662,959,931)**	**33,949,117**	**30,614,486**	**540,522,707**	**115,282,610**	**57,408,989**

4.2. Liquidity risk (continued)

In managing its liquidity mismatch, the Bank has three sources of funding available namely its natural cash flow, investment securities assets and capacity to borrow additional funds. The Bank 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

(i) Currency risk

Bank of Kigali Plc 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. Bank of Kigali Plc translates monetary assets and liabilities denominated in foreign currencies at the rate of exchange in effect at the reporting date. Bank of Kigali Plc records all gains or losses on changes in currency exchange rates in profit or loss.

The table below summarises the foreign currency exposure for Bank of Kigali Plc as at 31 December 2022 and 31 December 2021:

	31 December 2022 FRw'000	31 December 2021 FRw'000
Assets in foreign currencies	475,584,513	456,663,051
Liabilities in foreign currencies	(481,681,397)	(468,728,962)
Net foreign currency exposure at the end of the year	**(6,096,884)**	**(12,065,911)**

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 Bank of Kigali Plc's profit before tax (due to changes in the fair value of monetary assets and liabilities).

Currency	Increase/ decrease in exchange rate FRw'000	31 December 2022 FRw'000	31 December 2021 FRw'000
USD	+5%	(623,172)	(219,977)
	-5%	623,172	219,977
GBP	+5%	293,730	(24,235)
	-5%	(293,730)	24,235
EUR	+5%	(12,075)	(371,888)
	-5%	12,075	371,888

4. Financial risk management (continued)

4.3 Market risk (continued)

(i) Currency risk (continued)

The various foreign currencies to which Bank of Kigali Plc is exposed as at 31 December 2022 are summarised below. All figures are in thousands of Rwandan francs (FRw'000):

	USD	EUR	GBP	Other foreign currencies	Total
Cash, deposits and advances to banks	230,837,404	24,988,454	1,334,616	1,432,820	258,593,294
Loans and advances to customers	154,520,527	(74,176)	321	(45)	154,446,626
Other assets, property and investments	16,478,115	2,864,477	282,894	(69,573)	19,555,913
Swap with BNR	42,988,680	-	-	-	42,988,680
At 31 December 2022	**444,824,727**	**27,778,754**	**1,617,831**	**1,363,201**	**475,584,513**
Liabilities and Equity					
Deposits from banks	100,400,814	386,941	318,044	-	101,105,798
Deposits from customers	340,673,088	22,819,521	1,095,950	621,890	365,210,449
Other liabilities	(206,603)	(1,302,306)	445,333	7,850	(1,055,727)
Long-term finance	16,420,878	-	-	-	16,420,878
At 31 December 2022	**457,288,176**	**21,904,155**	**1,859,327**	**629,740**	**481,681,397**
Net currency exposure	**(12,463,449)**	**5,874,598**	**(241,496)**	**733,462**	**(6,096,884)**

The various foreign currencies to which Bank of Kigali Plc is exposed as at 31 December 2021 are summarised below. All figures are in thousands of Rwandan francs (FRw'000):

	USD	EUR	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)	0	46,611,902
Swap with BNR	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 and Equity					
Deposits from banks	86,618,740	10,473,546	(250,097)	(33)	96,842,156
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**	**860,048**	**468,728,962**
Net currency exposure	**(4,399,544)**	**(7,437,765)**	**(484,707)**	**256,105**	**(12,065,911)**

(ii) Interest rate risk

Interest rate is the risk that the future cash flows of financial instruments will fluctuate because of changes in the market interest rates. Interest margin may increase as a result of such changes but may reduce losses in the event that unexpected movement arises. Bank of Kigali Plc 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)
(ii) Interest rate risk (continud)

Sensitivity analysis interest rate risk

Except for some borrowings that are tagged to LIBOR, all financial instruments entered into by Bank of Kigali Plc 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 Bank of Kigali Plc.

	Effect on profit before tax		
Currency	Increase/ decrease in LIBOR rate	31 December 2022	31 December 2022
USD	+/-0.23%	(28,666)	(10,119)
EUR	+/-0.27%	15,861	(20,082)

The following is an analysis of Bank of Kigali Plc'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 2022	Weighted interest rate	FRw'000	+/- 100bp FRw'000
Effect on interest income			
Balances and placements with other banks	3.8%	43,319,605	433,196
Treasury bills and bonds	12.7%	218,009,651	2,180,097
Loans and advances – net	14.0%	1,136,937,356	11,369,374
Total assets/increase		**1,395,640,090**	**13,956,401**
Effect on interest expense			
Balances and placements due to banks	2.9%	263,687,669	2,636,877
Customer deposits	11.0%	431,130,664	4,311,307
Long-term finance	5.9%	102,718,352	1,027,184
Total liabilities/increase		**797,536,686**	**7,975,367**
Effect on profit			**5,981,034**

The following is an analysis of Bank of Kigali Plc'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%	75,422,002	754,220
Treasury bills and bonds	10.1%	168,716,955	1,687,170
Loans and advances – net	15.8%	990,267,321	9,902,673
Total assets/increase		**1,234,406,278**	**12,344,063**
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			**7,530,050**

4. Financial risk management (continued)
4.3. Market risk (continued)
(ii) Interest rate risk (continud)

Sensitivity analysis interest rate risk (continued)

The table below summarizes the interest rate risk of Bank of Kigali Plc as at 31 December 2022:

	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 with other banks	3.8%	43,319,605	-	-	-	-	43,319,605
Treasury bills and bonds	12.7%	-	78,341,215	37,592,569	28,983,257	58,674,551	203,591,593
Investment in corporate bond	9.4%	-	6,187,500	-	5,604,037	-	11,791,537
Investment in specialized fund	9.6%	1,050,241	-	-	-	-	1,050,241
Loans and advances – net	14.0%	-	146,255,172	33,516,725	287,350,524	669,814,934	1,136,937,356
Total assets		**44,369,846**	**230,783,887**	**71,109,295**	**321,937,818**	**728,489,485**	**1,396,690,331**
Liabilities							
Balance with other banks	2.9%	86,810,986	5,333,898	153,702,333	17,840,452	-	263,687,669
Customer deposits	11.0%	299,658,652	9,985,940	98,174,776	14,642,475	8,668,822	431,130,664
Long-term finance	5.9%	-	148,337	17,259,667	78,543,975	6,766,373	102,718,352
Total liabilities		**386,469,637**	**15,468,176**	**269,136,776**	**111,026,902**	**15,435,195**	**797,536,686**
Total interest sensitivity gap		**(342,099,792)**	**215,315,712**	**(198,027,482)**	**210,910,916**	**713,054,291**	**599,153,646**

The table below summarizes the interest rate risk of Bank of Kigali Plc 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 with other banks	1.9%	75,422,002	-	-	-	-	75,422,002
Treasury bills and bonds	10.1%	-	60,856,427	83,313,748	7,559,753	5,266,732	156,996,661
Investment in corporate bond	9.5%	-	1,070,847	-	10,649,448	-	11,720,295
Investment in specialized fund	11.3%	1,050,258	-	-	-	-	1,050,258
Loans and advances – net	15.8%	-	52,825,948	117,973,050	629,189,599	190,278,724	990,267,321
Total assets		**76,472,260**	**114,753,222**	**201,286,798**	**647,398,800**	**195,545,456**	**1,235,456,536**
Liabilities							
Balance with other banks	5.60%	16,108,143	6,500,000	50,125,000	44,950,357	-	117,683,500
Customer deposits	9.40%	184,289,617	45,229,341	48,510,435	20,661,380	9,000,000	307,690,773
Long-term finance	6.20%	**-**	**1,252,534**	**1,650,475**	**23,641,603**	**29,482,384**	**56,026,996**
Total liabilities		**200,397,760**	**52,981,875**	**100,285,910**	**89,253,340**	**38,482,384**	**481,401,269**
Total interest sensitivity gap		**(123,925,500)**	**61,771,347**	**101,000,888**	**558,145,460**	**157,063,072**	**754,055,267**

4. Financial risk management (continued)

4.4 Capital management

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

Bank of Kigali Plc maintains an actively managed capital base to cover risks inherent in the businesses. The adequacy of Bank of Kigali Plc'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 Bank of Kigali Plc.

In implementing current capital requirements, the National Bank of Rwanda requires Bank of Kigali Plc 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.

Bank of Kigali Plc's 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.

Bank of Kigali Plc's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and Bank of Kigali Plc 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.

4. Financial risk management (continued)

4.4 Capital management (continued)

Bank of Kigali Plc's regulatory capital position at 31 December 2022 was as follows:

	31 December 2022 FRw'000	31 December 2021 FRw'000
Core Capital (Tier 1):		
Ordinary share capital	20,000,000	20,000,000
Retained earnings and reserves	110,005,324	76,934,866
Share premium	141,582,995	141,582,995
Statutory credit risk reserves	(2,321,973)	(2,321,973)
Regulatory adjustments	(26,072,374)	(24,550,696)
Total	**243,193,972**	**211,645,193**
Domestic Important Bank	(1,945,552)	(1,693,581)
Net Core Capital (Tier 1):	**241,248,420**	**209,952,031**
Supplementary Capital (Tier 2):	-	-
Total qualifying capital	**241,248,420**	**209,952,031**
Total Credit RWA	922,898,494	943,232,271
Total Market RWA	45,780,221	44,024,903
Total Operational RWA	138,129,489	118,690,807
Total Risk weighted assets	**1,223,246,951**	**1,105,947,981**
Regulatory reserve	15.0%	15.0%
Capital ratios:		
Total qualifying capital expressed as percentage of total risk-weighted assets	21.8%	19.0%
Total tier 1 capital expressed as a percentage of total risk-weighted assets	22%	19.1%

Bank of Kigali Plc's geographical coverage is within all provinces of Rwanda.

5. Interest income

	31 December 2022 FRw'000	31 December 2021 FRw'000
Interest on overdrawn accounts	13,229,005	11,798,639
Interest on Treasury loans	7,144,097	9,070,134
Interest on equipment loans	108,068,085	101,289,896
Interest on consumer loans	10,973,632	8,912,572
Interest on mortgage loans	17,825,505	25,032,964
Other interest on loans to clients	2,570,818	1,745,172
Interest on deposits with banks	867,327	865,754
Interest received from pension reverse repos	2,278,500	1,714,659
Interest income on government and corporate securities	22,961,333	14,843,610
	185,918,302	**175,273,400**

6. Interest expense

	31 December 2022 FRw'000	31 December 2021 FRw'000
Interest on customer term deposits	26,528,710	22,617,638
Interest on Current and savings accounts	14,195,449	8,952,034
Interest on long term credit lines	4,653,683	3,683,655
Interest on transactions with other banks	5,575,350	6,227,994
	50,953,192	**41,481,321**

7. Net fees and commission income

	31 December 2022 FRw'000	31 December 2021 FRw'000
Fees and commission income		
Commissions on operations of accounts	2,458,126	2,767,707
Commissions on payment facilities	8,299,939	6,806,069
Commissions on loan services	5,768,085	3,895,557
Commissions received from financing commitments	3,311,518	2,227,129
Commissions received from guarantees commitments	1,851,889	539,828
Income from transactions with other banks	59,724	209,378
Other fees from services	7,314,650	5,379,282
	29,063,931	**21,824,950**
Fees and commission expense		
Commissions on credit services	(21,410)	(269,945)
Commissions on payment facilities	(2,288,353)	(1,451,176)
commissions on other transactions with banks	(550,190)	(231,942)
	(2,859,953)	**(1,953,063)**
Net fees and commission income	**26,203,977**	**19,871,887**

7. Net fees and commission income (continued)

The fee and commission income of the Bank is earned at a point in time and over time in compliance with IFRS 15. The breakdown is analysed below;

31 December 2022

	Corporate Banking FRw'000	Retail Banking FRw'000	Central Treasury FRw'000	Total FRw'000
Commissions on operations of accounts	1,966,501	491,625	-	2,458,126
Commissions received from financing commitments	2,649,214	662,304	-	3,311,518
Commissions received from guarantees commitments	1,481,512	370,378	-	1,851,889
Income from transactions with other banks	47,779	11,945	-	59,724
Other fees from services	5,851,720	1,462,930	-	7,314,650
Total	**11,996,726**	**2,999,181**	**-**	**14,995,907**
	23,251,145	**5,812,786**	**-**	**29,063,931**

31 December 2021

Fees and commission earned from the services that are provided over time:

	Corporate Banking FRw'000	Retail Banking FRw'000	Central Treasury FRw'000	Total FRw'000
Commissions on payment facility	5,446,455	1,361,614	-	6,808,069
Commission on loans services	3,116,446	779,111	-	3,895,557
Total	**8,562,901**	**2,140,725**	**-**	**10,703,626**

Fees and commission earned from the services that are provided at point in time:

	Corporate Banking FRw'000	Retail Banking FRw'000	Central Treasury FRw'000	Total FRw'000
Commissions on operations of accounts	2,214,166	553,541	-	2,767,707
Commissions received from financing commitments	1,781,703	445,426	-	2,227,129
Commissions received from guarantees commitments	431,862	107,966	-	539,828
Income from transactions with other banks	165,902	41,476	-	207,378
Other fees from services	4,303,426	1,075,856	-	5,379,282
Total	**8,897,059**	**2,224,265**	**-**	**11,121,324**
Total fee and commission income	**17,459,960**	**4,364,990**	**-**	**21,824,950**

8. Foreign exchange related income

	31 December 2022 FRw'000	31 December 2021 FRw'000
Net forex trading	10,051,981	8,296,350
Forex commissions	3,394,865	3,354,962
Other forex revenues	57,205	100,215
	13,504,051	**11,751,527**

9. Other operating income

	31 December 2022 FRw'000	31 December 2021 FRw'000
Sublease rental income	24,746	95,241
Gain on asset disposal	91,020	-
Other non-banking income	45,203	153,416
	160,969	**248,657**

10. Credit impairment losses

	31 December 2022 FRw'000	31 December 2021 FRw'000
Expected credit loss under IFRS 9 (Note 16(c))	12,477,836	37,195,058
Expected credit loss on off balance sheet items	291,859	289,307
Expected credit loss on cash balances with other banks	123,792	-
Expected credit loss on investment securities	161,208	227,071
Bad debts recovered during the year*	(3,051,091)	(3,647,776)
Net Credit impairment losses	**10,003,604**	**34,063,660**

*Bad debts recovered during the year relates to recoveries from credit impaired financial asset.

11. Operating expenses

	31 December 2022 FRw'000	31 December 2021 FRw'000
Employee benefits expense		
Salaries and wages	21,788,804	19,552,785
Medical expenses	1,210,418	1,149,452
Pension scheme contributions	1,584,968	1,358,327
Bonus provision	3,744,369	5,500,000
Other benefits	3,359,280	1,383,145
	31,687,839	**28,943,709**
Depreciation and amortization		
Depreciation of property and equipment (Note 21)	2,951,305	2,001,376
Right of use depreciation (Note 19)	3,091,725	3,075,979
Amortization of intangible assets (Note 21)	2,633,935	1,848,234
	8,676,965	**6,925,589**
Administration and general expenses		
Directors' Remuneration	392,626	403,933
Audit Fees	69,107	63,720
Expenses relating to low value assets	1,134,025	944,016
Repairs & Maintenance	247,339	443,291
Utilities	648,947	706,624
Postage, Photocopying & printing	1,110,733	315,061
Travel & Entertainment Expenses	1,314,189	419,299
Security & cash in transit costs	1,699,966	1,545,301
Insurance	240,364	451,762
Marketing & Publicity	2,171,609	876,428
Statutory Fees	1,081,229	1,107,713
Legal & Consultancy Fees	1,665,594	2,088,082
Irrecoverable input VAT	2,713,081	2,302,201
Allowance for uncleared settlements	6,845,754	(56,383)
IT related, Telephone & Internet costs	5,923,925	5,427,992
Charitable donation	974,030	822,057
Account maintenance costs	44,859	82,356
Fees on import and export	1,189,006	775,075
Card production & Maintenance	7,862,792	4,468,452
Other general expenses	497,616	847,107
	37,826,791	**24,034,087**

	31 December 2022 FRw'000	31 December 2021 FRw'000
Interest on lease liabilities	**400,872**	**630,111**

Other general expenses relate to filing and storage expenses, sports and entertainment, SMS banking charges, district taxes and other miscellaneous costs.

12. Income tax expense

The components of income tax expense for the years ended 31 December 2022 and 2021 are, as follows:

	Effective Rate	31 December 2022 FRw'000	Effective Rate	31 December 2021 FRw'000
a) Income tax charge				
Current income tax		28,044,377		26,352,163
Deferred income tax (credit)		(1,756,099)		(4,145,861)
Prior year understatement on current income tax		-		-
Net tax charge	**31.5%**	**26,288,278**	**31.7%**	**22,206,302**

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

	Effective Rate	31 December 2022 FRw'000	Effective Rate	31 December 2021 FRw'000
Accounting profit before income tax		86,238,037		71,066,994
Current income tax calculated at tax rate of 30%	30.0%	25,871,411	30.0%	21,320,098
Tax effect of:				
Staff complementary pension		-	-	160,599
Other non-deductible expenses		416,867	30%	725,605
		26,288,278	**30.5%**	**22,206,302**

The average tax rate for the Bank is 31.2%.

The other non-deductible expenses relate foreign travel expenses, capital allowances and provisions.

b) Reconciliation of tax payable

	31 December 2022 FRw'000	31 December 2021 FRw'000
At 1 January	9,178,886	2,948,980
Tax paid during the year	(31,804,383)	(20,122,257)
Tax charge for the year	28,044,377	26,352,163
At 31 December	**5,418,880**	**9,178,886**

Bank of Kigali Plc's statutory income tax charge was 30% (2021:30%).

13. 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 2022 FRw'000	31 December 2021 FRw'000
a) Cash in hand		
Cash in foreign currency	10,339,556	11,565,320
Cash in local currency	11,417,760	10,157,845
	21,757,316	**21,723,165**
b) Balances with National Bank of Rwanda		
Restricted balances (Cash Reserve Ratio)	68,245,498	47,403,225
Unrestricted balances	260,504,709	184,354,921
	328,750,207	**231,758,146**

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 2022, the Cash Reserve Ratio requirement was 5% (2021: 4%) of all deposits amounting to FRw 1,365 billion (2021: FRw 1,185 Trillion). Mandatory cash reserve ratio is not available for use in Bank of Kigali Plc's day-to-day operations.

The unrestricted balances include Cash balances on Nostro accounts in BNR FRw. 68.2 billion available for use in Bank of Kigali Plc's day-to-day operations (2021: FRw.47.4 billion).

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

	31 December 2022 FRw'000	31 December 2021 FRw'000
c) Cash and cash equivalent		
Cash in hand	21,757,316	21,723,165
Balances with the National Bank of Rwanda (13b)	260,504,709	184,354,921
Cash balances with other banks	43,319,605	75,422,002
Due to banks	(204,899,249)	(109,494,691)
Unrealized exchange gains	(7,205,571)	(3,077,524)
	113,999,970	**168,927,873**

14. Cash balances with other banks

	31 December 2022 FRw'000	31 December 2021 FRw'000
Placements with local banks	2,909,878	22,045,726
Placements with foreign banks	40,579,403	53,422,158
Expected credit loss	(169,676)	(45,882)
	43,319,605	**75,422,002**

The credit ratings of the financial institutions where Bank of Kigali Plc'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 Dec 22 FRw'000	ECL FRw'000	31 Dec 21 FRw'000	ECL FRw'000
A	8,790,103	(5,274)	3,050,505	1,801
A-	-	-	10,422,464	-
A+	27,322,205	(16,467)	27,454,518	28,380
AA	229,978	(138)	-	20
B	-	-	-	-
B+	7,142,536	(147,638)	30,499,842	15,684
BB-	4,459	(160)	4,040,555	-
	43,319,605	**(169,676)**	**75,422,002**	**45,882**

The weighted average effective interest rate on placements and balances with other banks at 31 December 2022 was 0.9 % (2021: 0.7%).

15. Investment securities

a) Investment securities	31 December 2022 FRw'000 Amortised cost	31 December 2021 FRw'000 Amortised cost
Treasury bills	151,441,414	123,642,675
Treasury bonds	55,901,047	34,251,067
Expected credit loss	(1,124,347)	(897,081)
Total	**206,218,114**	**156,996,661**
Maturing between 1-12 months	115,933,785	144,170,176
Maturing between 1-5 years	28,983,257	7,559,753
Maturing between >5 years	62,425,419	6,163,813
Expected credit loss	(1,124,347)	(897,081)
	206,218,114	**156,996,661**

15. Investment securities (continued)

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

(a) Investment securities (continued)	31 December 2022			
	Treasury bills FRw'000	Treasury bonds FRw'000	Other government securities FRw'000	Total FRw'000
1-Jan-21	122,940,835	28,495,008	5,560,817	156,996,660
Additions	424,202,992	5,530,030	26,828,338	456,561,360
Maturities	(395,702,413)	(4,952,329)	(5,560,817)	(406,215,559)
Expected credit loss	(857,769)	(166,135)	(100,443)	(1,124,347)
31 December 2022	**150,583,645**	**28,906,574**	**26,727,895**	**206,218,114**

	31 December 2021			
	Treasury bills FRw'000	Treasury bonds FRw'000	Other government securities FRw'000	Total FRw'000
1-Jan-21	100,853,124	25,691,476	10,269,290	136,813,890
Additions	400,232,580	4,028,722	-	404,261,302
Maturities	(377,443,029)	(1,061,837)	(4,676,584)	(383,181,450)
Expected credit loss	(701,840)	(163,353)	(31,889)	(897,081)
31 December 2021	**122,940,835**	**28,495,008**	**5,560,817**	**156,996,661**

(b) Investment in corporate bond	31 December 2022 FRw'000	31 December 2021 FRw'000
At start of year	11,720,295	10,888,178
Additions	-	650,000
Accrued interest	456,819	1,070,295
Maturities	(232,655)	(773,878)
Expected credit loses	(152,922)	(114,300)
At end of year	**11,791,537**	**11,720,295**

Maturity analysis:

	31 December 2022 FRw'000	31 December 2021 FRw'000
Maturing between 1-3 years	6,187,500	3,212,541
Maturing between 1-5 years	5,604,037	8,507,754
	11,791,537	**11,720,295**

(c) Investment Aguka Fund on demand	31 December 2022 FRw'000	31 December 2021 FRw'000
At start of year	1,050,258	1,000,000
Interest	50,241	50,258
Maturities	(50,258)	-
At end of year	**1,050,241**	**1,050,258**
Maturity Analysis		
Initial investment	1,000,000	1,000,000
Accrued interests	50,241	50,258
	1,050,241	**1,050,258**

15. Investment securities (continued)

Movement in the expected credit loss on – investment securities

	31 December 2022 FRw'000	31 December 2021 FRw'000
At 1 January	1,011,381	784,310
Charge for the year	112,966	227,071
At 31 December	**1,124,347**	**1,011,381**

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 31 December 2022.

The weighted average effective interest rate on government securities held to maturity at 31 December 2022 was 10.1 % (2021: 10.1 %).

16. Loans and advances to customers

a) Corporate loans and advances	31 December 2022 FRw'000	31 December 2021 FRw'000
Corporate	917,423,898	821,622,841
Small and medium enterprises	137,272,914	131,345,475
Non-profit entities	15,384,918	5,958,895
Total corporate loans	**1,070,081,730**	**958,927,211**
Discount on economic recovery financing*	(6,149,016)	(2,235,213)
Adjusted Corporate Loans	**1,063,932,714**	**956,691,998**
Retail loans and advances		
Gross retail loans	155,119,010	120,693,587
Discount on staff loans	(4,914,642)	(4,275,394)
Total retail loan book	**150,204,368**	**116,418,193**
Total gross loans	**1,214,137,082**	**1,073,110,191**
Loss allowance/credit impairment provision - corporate	(63,566,875)	(67,727,698)
Loss allowance/credit impairment provision - retail	(16,057,889)	(15,115,172)
Total expected credit losses/credit impairment provision	**(79,624,764)**	**(82,842,870)**
Net Loans and advances to customers	**1,134,512,318**	**990,267,321**

b) Guarantees and commitments	31 December 2022 FRw'000	31 December 2021 FRw'000
Corporate	225,780,483	162,412,270
Small and medium enterprises	25,637,960	13,564,730
Non-profit entities	96,209,414	997,065
Retail Banking	219,110	-
Total guarantees and commitments	347,846,967	176,974,065
Loss allowance	(832,613)	(540,754)
	347,014,354	**176,433,311**

16. Loans and advances to customers (continued)

c) Movement in the loss allowance balance - loans and advances	31 December 2022 FRw'000	31 December 2021 FRw'000
At 1 January	82,842,870	76,435,790
Increase in loss allowance in the year	12,477,836	37,195,058
Loans written off during the year	(15,695,942)	(30,787,978)
As at 31 December	**79,624,764**	**82,842,870**
Movement in the loss allowance- commitments		
At 1 January	540,754	432,187
Increase in loss allowance in the year	291,859	108,567
As at 31 December	**832,613**	**540,754**

	31 December 2022 FRw'000	31 December 2021 FRw'000
Maturing within 1 month	131,325,309	13,108,117
Maturing after 1 month, but before 3 months	14,929,863	39,717,831
Maturing after 3 months, but within 1 year	33,516,725	117,973,050
Maturing after 1 year, but within 5 years	287,350,524	629,189,599
Maturing after 5 years	667,389,897	273,121,594
	1,134,512,318	**1,073,110,191**

d) Sectoral analysis of Gross Loans and advances to customers	31 December 2022 FRw'000	31 December 2021 FRw'000
Private sector and individuals	608,766,332	798,501,130
Government and parastatals	525,745,986	274,609,061
	1,134,512,318	**1,073,110,191**

The weighted average effective interest rate on gross loans and advances as at 31 December 2022 was 14.0% (2021: 15. 8%). As at 31 December 2022, the ageing analysis of past due but not impaired loans and advances is as follows:

	31 December 2022 FRw'000	31 December 2021 FRw'000
Less than 60 days	-	1,608,499
Between 61 – 90 days	39,623,818	66,980,574
	39,623,818	**68,589,073**

*Discount on economic recovery financing relates to the discount given to customers in economic sectors mostly affected by the pandemic COVID 19. These sectors are Hospitality, transport and SMEs. This represents the difference between the market rate and the contractual rate of the facility. The movement in the Discount on economic recovery loans is detailed below;

	31 December 2022 FRw'000	31 December 2021 FRw'000
ERF loan valuation at start of year	2,245,045	4,197,265
Fair value on new additional loans	3,903,971	-
Decrease in the ERF valuation on repayments	-	(1,952,220)
ERF loan valuation at end of year	**6,149,016**	**2,245,045**

17. Deferred income tax

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

	31 December 2022 FRw'000	31 December 2021 FRw'000
At 01 January 2022	(15,064,906)	(10,919,045)
Charge to profit or loss account	(1,756,099)	(4,145,861)
At 31 December 2022	**(16,821,005)**	**(15,064,906)**

	At 1 January 2022 FRw'000	Charge/ (credit) to profit or loss FRw'000	Charged to OCI FRw'000	At 31 December 2022 FRw'000
Capital allowances	2,513,117	360,441	-	2,873,558
Expected credit loss	(13,439,000)	(333,063)	-	(13,772,063)
Other temporary differences	(4,139,023)	(1,783,477)	-	(5,922,500)
	(15,064,906)	**(1,756,099)**	**-**	**(16,821,005)**

	At 1 January 2021 FRw'000	Charge/ (credit) to profit or loss FRw'000	Charged to OCI FRw'000	At 31 December 2021 FRw'000
Capital allowances	558,437	1,954,680	-	2,513,117
Expected credit loss	(9,778,102)	(3,660,898)	-	(13,439,000)
Other temporary differences	(1,699,380)	(2,439,643)	-	(4,139,023)
	(10,919,045)	**(4,145,861)**	**-**	**(15,064,906)**

18. Other assets

	31 December 2022 FRw'000	31 December 2021 FRw'000
Due from related parties	255,895	3,656,406
Prepayments	6,438,110	5,235,405
Economic recovery loan valuation	6,149,016	3,512,395
Other receivables	7,165,708	16,678,232
Expected credit loss-other assets	(2,180,591)	(1,632,744)
	17,828,138	**27,449,694**
Non-Financial assets	6,438,110	5,235,405
Clearing and other transitory accounts	11,390,028	22,214,289

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

Other receivables relate to input VAT, debtors account in transit, internal account balances, accrued revenue and deposits.

19. Right of use assets

a) Year ended 31 December 2022

	Group property FRw'000	Motor vehicle FRw'000	Third party property FRw'000	Total FRw'000
Cost				
At 1 January 2022	11,231,500	301,646	4,148,397	15,681,543
Additions	-	-	135,058	135,058
At 31 December 2022	**11,231,500**	**301,646**	**4,283,455**	**15,816,601**
Depreciation				
At 1 January 2021	6,736,848	301,646	2,491,090	9,529,584
Charge for the year	2,246,299	-	845,426	3,091,725
At 31 December 2022	**8,983,147**	**301,646**	**3,336,516**	**12,621,309**
Net book Value	**2,248,352**	**-**	**946,939**	**3,195,291**

b) Year ended 31 December 2021

	Group property FRw'000	Motor vehicle FRw'000	Third party property FRw'000	Total FRw'000
Cost				
At 1 January 2021	11,231,500	301,646	4,148,397	15,681,543
Additions	-	-	-	-
At 31 December 2021	**11,231,500**	**301,646**	**4,148,397**	**15,681,543**
Depreciation				
At 1 January 2021	4,492,600	301,646	1,659,359	6,453,605
Charge for the year	2,244,248	-	831,731	3,075,979
At 31 December 2021	**6,736,848**	**301,646**	**2,491,090**	**9,529,584**
Net book Value	**4,494,652**	**-**	**1,657,307**	**6,151,959**

20. Property and equipment

a) Year ended 31 December 2022

At 1 January 2022	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 2022	8,204,428	396,631	612,451	935,102	10,148,612
Additions	3,377,727	100,095	469,886	536,967	4,484,675
Disposal	(6,350)	-	(2,231)	-	(8,581)
At 31 December 2022	**11,575,805**	**496,726**	**1,080,106**	**1,472,069**	**14,624,706**
Depreciation					
At 1 January 2022	1,790,192	118,114	119,831	-	2,028,137
Change for the year	2,614,907	111,873	224,525	-	2,951,305
Disposal	(6,350)	-	(2,231)	-	(8,581)
At 31 December 2022	4,398,749	229,987	342,125	-	4,970,861
Net book value	**7,177,056**	**266,740**	**737,981**	**1,472,069**	**9,653,845**

20. Property and equipment (continued)

b) Year ended 31 December 2021

At 1 January 2021	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	6,076,511	189,428	272,733	-	6,538,672
Additions	2,127,917	207,203	339,718	935,102	3,609,941
At 31 December 2021	**8,204,428**	**396,631**	**612,451**	**935,102**	**10,148,612**
Depreciation					
At 1 January 2021	-	26,761	-	-	26,761
Change for the year	1,790,192	91,353	119,831	-	2,001,376
At 31 December 2021	**1,790,192**	**118,114**	**119,831**	**-**	**2,028,137**
Net book value	**6,414,236**	**278,517**	**492,620**	**935,102**	**8,120,475**

*Work in progress relates to the Primary Data centre and Recovery site costs that have not been capitalised. The project is yet to be commissioned. These are prepayments made to E-fellows for items that have not been received.

21. Intangible assets

	31 December 2022 FRw'000	31 December 2021 FRw'000
Cost		
At 1 January	14,372,254	11,148,597
Additions	2,399,514	3,223,657
At 31 December	**16,771,768**	**14,372,254**
Amortisation		
At 1 January	4,886,464	3,038,230
Amortisation	2,633,935	1,848,234
At 31 December	**7,520,399**	**4,886,464**
Net book value	**9,251,369**	**9,485,790**

Intangible assets relate to Bank of Kigali Plc's core banking platform, Delta and computer software in use.

22. Due to banks

	31 December 2022 FRw'000	31 December 2021 FRw'000
Deposits and balances from other Banks	156,874,545	51,944,104
Term treasury borrowings	123,713,653	152,625,940
	280,588,198	**204,570,044**
Maturing as follows:		
Payable within 1 month	204,376,089	109,494,687
Payable after 1 month	76,212,109	95,075,357
Total	**280,588,198**	**204,570,044**

The weighted average effective interest rate on deposits and balances from other banks as at 31 December 2022 was 7.8% (2021: 7.8%).

23. Deposits and balances from customers

	31 December 2022 FRw'000	31 December 2021 FRw'000
Current accounts	793,56,503	665,347,579
Fixed deposit accounts	233,784,63	268,183,686
Savings accounts	41,117,117	39,507,088
Collateral and other deposits	15,883,468	7,472,228
	1,084,321,751	**980,510,581**

24. Dividend

	31 December 2022 FRw'000	31 December 2021 FRw'000
At 1 January	24,460,702	17,605,904
Dividend paid during the year	(24,460,702)	(17,605,904)
Dividend returned	-	30,355
Accrued dividend payable	29,974,880	24,430,347
	29,974,880	**24,460,702**
Dividends per share (DPS):	**14.99**	**12.22**

The shareholders approved a dividend pay-out of 50% of the Bank's audited IFRS based net income in respect of the year 2022. The total declared dividend for the year is therefore Frw 29,974,880,000 (2021: 24,430,347,000) for ordinary shareholders as approved by the shareholders for 2022.

25. Other liabilities

	31 December 2022 FRw'000	31 December 2021 FRw'000
Clearing accounts	58,353	10,196,584
Deferred revenue	7,485,082	4,466,994
Economic recovery grant valuation	5,971,737	5,105,020
ECL on guarantees and commitments	832,613	540,754
Other payables	5,815,538	3,240,353
Accrued expenses	6,473,951	9,010,181
	26,637,274	**32,559,886**

26. Lease Liabilities

	31 December 2022 FRw'000	31 December 2021 FRw'000
As at 1 January	7,063,744	9,898,525
Additions of lease	136,983	-
Interest expense	400,872	630,111
Payments:		
Payment of interest on lease liabilities	(400,872)	(630,111)
Payment of principal portion of lease liabilities	(3,525,790)	(2,834,781)
	3,674,937	**7,063,744**

The table below represents the maturity analysis of lease commitments entered into by Bank of Kigali Plc, as a lessee:

	31 December 2022 FRw'000	31 December 2021 FRw'000
Commitments for future minimum lease payments		
Due within 1 year	2,040,386	3,923,962
Due within 1 year and 5 years	1,634,551	3,139,782
Due after 5 years	-	-

27. Long term finance

a) Year ended 31 December 2022

	01 January 2022 FRw'000	Additional drawdown	Revaluation loss FRw'000	31 December 2022 FRw'000	Principal repayments	Interest repayments FRw'000	31 December 2022 FRw'000
EIB Loan (8.01% - 11.4%)	33,083,311	40,280,000	3,188,291	-	(8,723,569)	(2,624,160)	65,203,873
AFD Loan (Libor +3.74% pa)	14,140,685	4,973,222	863,233	880,045	(3,520,028)	(750,237)	16,586,920
BRD-KFW EGF(8% p.a)	8,803,000	12,164,809	602,160	-	(40,399)	(602,009)	20,927,561
Total	**56,026,996**	**57,418,031**	**4,653,684**	**880,045**	**(12,283,996)**	**(3,976,406)**	**102,718,354**

b) Year ended 31 December 2021

	01 January 2022 FRw'000	Additional drawdown	Revaluation loss FRw'000	31 December 2022 FRw'000	Principal repayments	Interest repayments FRw'000	31 December 2021 FRw'000
EIB Loan (8.01% - 11.4%)	38,484,891	-	3,075,982	-	(5,356,010)	(3,121,552)	33,083,311
AFD Loan (Libor +3.74% pa)	16,185,899	-	593,289	448,397	(2,449,916)	(636,984)	14,140,685
OFID Loan (Libor +4.0% pa)	2,121,133	-	15,214	-	(2,121,132)	(15,215)	-
SBM -USD 10M (+4.5%libor)	831	-	(831)	-	-	-	-
BRD-KFW EGF(8% p.a)	6,653,000	2,150,000	-	-	-	-	8,803,000
Total	**63,445,754**	**2,150,000**	**3,683,654**	**448,397**	**(9,927,058)**	**(3,773,751)**	**56,026,996**

i. In 2019 Bank of Kigali Plc signed two loan agreement with European Investment Bank (EIB) for a credit of EUR 30 million. The EIB facility was fully drawn down on the 2nd of January 2020 and the repayment terms are in Rwandan Francs. During the year, Bank of Kigali Plc signed a contract with European Investment Bank (EIB) for a credit of EUR 40 million and the repayment terms are in Rwandan Francs.
ii. Agence Francaise de Development (AFD) disbursed USD 20 million. As at 31 December 2020, Bank of Kigali plc had drawn down USD 15.1m from the AFD line for a 7-year term.
iii. The Bank was compliant on all financial covenants on the long-term finance. During the year, Bank of Kigali Plc signed a contract with Agence Francaise de Development (AFD) disbursed for a credit of USD 4 million. Remediation work on the USD LIBOR exposures will commence in advance of the discontinuation date of 30 June 2023. As at 31 December 2022, the USD LIBOR exposures which had not been transitioned was valued at US$ 13.9 million dollars.
iv. BRD-KFW signed two loans of RWF 1 Billion and RWF 5 Billion maturing on 30/09/2027 and 30/06/2023 respectively and a line of Credit of Rwf 2.1 Billion on the 14th June 2021. During the year, Bank of Kigali Plc signed 4 contracts with BRD for a credit of Frw 70 million, Frw 2 billion, Frw 2 billion and 6.1 billion.

28. Capital & reserves

(i) Share Capital

	31 December 2022		31 December 2021	
	Shares	FRw'000	Shares	FRw'000
Authorised share capital of Frw 10 each			-	-
Issued and fully paid up				
At start of the year	2,000,000,000	20,000,000	2,000,000,000	20,000,000
New issued	-	-	-	-
At year end	**2,000,000,000**	**20,000,000**	**2,000,000,000**	**20,000,000**

(ii) Share Premium

These reserves arose when Bank of Kigali Plc authorised transfer of capital requirement to Bank of Kigali Plc.

	31 December 2022 FRw'000	31 December 2021 FRw'000
At 1 January	141,582,995	141,582,995
New issued at premium	-	-
Share premium on issue of shares	-	-
At 31 December	**141,582,995**	**141,582,995**

(iii) Other statutory reserves

Article 26 of Regulation No. 12/2017 of 23/11/2017 on credit classification and provisioning requires that where provisions determined using IFRS are lower than provisions determined using the National Bank of Rwanda Regulation, the difference shall be treated as an appropriation from retained earnings and placed in a non-distributable reserve

	31 December 2022 FRw'000	31 December 2021 FRw'000
At 1 January	2,321,973	2,279,052
Increase in the year	-	42,921
At 31 December	**2,321,973**	**2,321,973**

(iv) Retained earnings

	31 December 2022 FRw'000	31 December 2021 FRw'000
At 1 January	76,934,865	52,547,439
Profit for the period	59,949,759	48,860,693
Statutory credit risk	-	(42,920)
Accrued dividend	(29,974,880)	(24,430,347)
At 31 December	**106,909,744**	**76,934,865**

29. Maturity analysis of assets and liabilities

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

At 31 December 2022	Less than 12 months FRw'000	Over 12 months FRw'000	Total FRw'000
Assets			
Cash in hand	21,757,316	-	21,757,316
Balances with the National Bank of Rwanda	308,508,638	20,241,569	328,750,207
Balances held with other financial institutions	43,319,605	-	43,319,605
Investment securities	158,689,000	47,529,115	206,218,114
Investment in corporate bond	6,187,500	5,604,037	11,791,537
Investment in specialized fund	1,050,241	-	1,050,241
Loans and advances to customers	179,771,897	954,740,421	1,134,512,318
Deferred Tax Asset	-	16,821,005	16,821,005
Other assets	11,679,122	6,149,016	17,828,138
Right to use assets	1,819,687	1,375,604	3,195,291
Intangible assets	-	9,653,846	9,653,846
Property and equipment	-	9,251,369	9,251,369
Total assets	**732,783,006**	**1,071,365,980**	**1,804,148,986**

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

	Less than 12 months FRw'000	Over 12 months FRw'000	Total FRw'000
Liabilities			
Due to banks	262,747,746	17,840,452	280,588,198
Deposits and balances from customers	1,061,010,454	23,311,297	1,084,321,751
Current tax liability	5,418,880	-	5,418,880
Dividends	29,974,880	-	29,974,880
Other liabilities	19,152,193	7,485,082	26,637,275
Lease liabilities	3,674,937	-	3,674,937
Long-term finance	3,807,846	98,910,506	102,718,352
Shareholders' funds	-	270,814,714	270,814,714
Total Equity and Liabilities	**1,385,786,936**	**418,362,051**	**1,804,148,987**

29. Maturity analysis of assets and liabilities (continued)

At 31 December 2021	Less than 12 months FRw'000	Over 12 months FRw'000	Total FRw'000
Assets			
Cash in hand	21,723,165	-	21,723,165
Balances with the National Bank of Rwanda	231,758,146	-	231,758,146
Balances held with other financial institutions	75,422,002	-	75,422,002
Investment securities	144,170,176	12,826,485	156,996,661
Investment in corporate bond	1,070,848	10,649,448	11,720,296
Investment in specialized fund	-	1,050,258	1,050,258
Loans and advances to customers	170,798,997	819,468,323	990,267,320
Deferred Tax Asset	-	15,064,906	15,064,906
Other assets	23,937,299	3,512,395	27,449,694
Right to use assets	1,819,687	4,332,271	6,151,958
Intangible assets	-	8,120,476	8,120,476
Property and equipment	-	9,485,790	9,485,790
Total assets	**670,700,320**	**884,510,352**	**1,555,210,672**

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

At 31 December 2021	Less than 12 months FRw'000	Over 12 months FRw'000	Total FRw'000
Liabilities			
Balances and placements due to other Banking institutions	159,619,687	44,950,357	204,570,044
Customer deposits	950,849,200	29,661,380	980,510,580
Current income tax	9,178,886	-	9,178,886
Dividends payable	24,460,702	-	24,460,702
Other liabilities	32,559,886	-	32,559,886
Lease liabilities	3,996,866	3,066,877	7,063,743
Long-term Finance	2,903,010	53,123,987	56,026,997
Shareholders' funds	-	240,839,834	240,839,834
Total Equity and Liabilities	**1,183,568,237**	**371,642,435**	**1,555,210,672**

30. Fair value

The following table provides the fair value measurement hierarchy of Bank of Kigali Plc's assets and liabilities carried at amortised cost as at 31 December 2022:

		Fair value measurement using		
	Carrying amount FRw'000	Quoted prices in active markets (Level 1) FRw'000	Significant observable inputs (Level 2) FRw'000	Significant unobservable inputs (Level 3) FRw'000
Assets				
Balances with the National Bank of Rwanda	328,750,207	328,750,207	-	-
Cash balances with other banks	43,319,605	-	43,319,605	-
Investment securities	206,218,114	-	206,218,114	-
Investment in corporate bond	11,791,537		11,791,537	-
Investment in specialized fund	1,050,241	1,050,241	-	-
Loans and advances to customers	1,134,512,318	-	1,134,512,318	-
Other assets	17,828,138	-	17,828,138	-
Total assets	**1,743,470,160**	**329,800,448**	**1,413,669,712**	**-**
Liabilities				-
Due to banks	280,588,198	-	280,588,198	-
Deposits and balances from customers	1,084,321,751		1,084,321,751	-
Other liabilities	24,426,975	-	24,426,975	-
Long-term finance	102,718,352	-	102,718,352	-
Total liabilities	**1,492,055,276**	**-**	**1,492,055,276**	**-**

The following table provides the fair value measurement hierarchy of Bank of Kigali Plc's assets and liabilities carried at amortised cost as at 31 December 2021:

		Fair value measurement using		
	Carrying amount FRw'000	Quoted prices in active markets (Level 1) FRw'000	Significant observable inputs (Level 2) FRw'000	Significant unobservable inputs (Level 3) FRw'000
Assets				
Balances with the National Bank of Rwanda	231,758,146	231,758,146	-	-
Cash balances with other banks	75,422,002	-	75,422,002	-
Investment securities	156,996,661	-	156,996,661	-
Investment in corporate bond	11,720,295	-	11,720,295	-
Investment in specialized fund	1,050,258	1,050,258	-	-
Loans and advances to customers	990,267,321	-	990,267,321	-
Other assets	27,449,694	-	27,449,694	-
Total assets	**1,494,664,377**	**232,808,404**	**1,261,855,973**	**-**
Liabilities				
Due to banks	204,570,044	-	204,570,044	-
Deposits and balances from customers	980,510,581	-	980,510,581	-
Other liabilities	32,559,886	-	32,559,886	-
Long-term finance	**56,026,996**	**-**	**56,026,996**	**-**
Total liabilities	**1,273,667,507**	**-**	**1,273,667,507**	**-**

30. Fair value (continued)

Valuation Techniques

The financial instruments include Government Securities, Cash balances with other 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 Bank 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 Bank classifies those securities as Level 2. The Bank uses discounted cash flow models with observable market inputs of similar instruments and bond prices The Bank classifies those securities as Level 2. The Bank does not have Level 3 government securities where valuation inputs would be unobservable.

31. Contingent liabilities and commitments

Legal claims

Litigation is a common occurrence in the financial services industry due to the nature of the business undertaken. Bank of Kigali Plc has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, Bank of Kigali Plc makes adjustments to account for any adverse effects which the claims may have on its financial standing.

At period end, Bank of Kigali Plc is party to various legal proceedings for a total amount of FRw 9.7 Billion (2021: FRw 6.4 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 2022, the Bank had contractual commitments of FRw 4.6 Billion that mainly relates to acquisition of servers and storage, Data center and splunk Enterprise Licence (2021: FRw 3.9 Billion) relating to transformation program to migrate to new core banking system.

32. Related party disclosures

The Company is controlled by BK Group Plc incorporated in Rwanda who is also the ultimate parent and ultimate controlling party of the company. There are other companies that are related to the Company through common shareholdings or common Directorships.

The following transactions were carried out with related parties during the year

Compensation of key management personnel of Bank of Kigali Plc	31 December 2022 FRw'000	31 December 2021 FRw'000
Short term employee benefits	1,575,843	1,519,142
Post-employment pension (defined contribution)	42,774	37,878
Terminal benefit	197,613	-
	1,816,230	**1,557,020**
Directors emoluments	392,626	403,933
	2,208,856	**1,960,953**

32. Related party disclosures (continued)

31 December 2022	Directors fees and allowances FRw'000	Loans FRw'000	ESOP Shares
Mr. Reynolds Rod Michael	118,839	-	-
Mr. Regis Rugemanshuro	36,911	228,563	-
Mr. Karemera Ruben	38,385	134,250	148,100
Ms. Alline Akintore Kabbatende	22,101	-	250,000
Ms Risper Alaro	58,797	-	70,000
Mr. William Juma Arogo	58,797	-	-
Mr. Ubalijoro Eugene	58,797	-	-
	392,626	**362,813**	**468,100**

31 December 2021	Directors fees and allowances FRw'000	Loans FRw'000	ESOP Shares
Mr. Reynolds Rod Michael	115,829	-	-
Mr. Regis Rugemanshuro	42,394	246,104	148,100
Mr. Karemera Ruben	45,214	151,016	250,000
Ms. Alline Akintore Kabbatende	26,818	-	70,000
Ms Risper Alaro	57,914	-	-
Mr. William Juma Arogo	57,914	-	-
Mr. Ubalijoro Eugene	57,850	-	-
	403,933	**397,120**	**468,100**

The non-executive directors do not receive pension entitlements from Bank of Kigali Plc.

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.

	31 December 2022		
	Maximum balance during FRw'000	Balance as at 31 December FRw'000	Income/ Expense FRw'000
Residential mortgages	1,377,321	1,348,972	106,200
Credit cards and other loans	2,116,525	2,116,525	54,915
Deposits	677,208	514,838	8,458
	31 December 2021		
	Maximum balance during FRw'000	Balance as at 31 December FRw'000	Income/ Expense FRw'000
Residential mortgages	421,236	421,236	165,343
Credit cards and other loans	26,099	26,099	2,304
Deposits	123,587	123,587	5,460

The amounts above relate to key management personnel.

32. Related party disclosures (continued)

Transaction with other related parties

In addition to transactions with key management, Bank of Kigali Plc enters into transactions with entities with significant influence over Bank of Kigali Plc and other BK Group PLC subsidiaries. The following table shows the outstanding deposits balance and the corresponding interest during the period.

Deposits from BK Group Plc and its subsidiaries

	31 December 2022		31 December 2021	
	Balance as at FRw'000	Interest paid to FRw'000	Balance as at FRw'000	Interest paid to FRw'000
BK Group PLC	13,459,907	663,973	18,147,363	885,135
BK General Insurance Ltd	1,297,339	119,516	1,343,008	83,241
BK TecHouse Ltd	348,144	158	473,997	3,734
BK Capital Ltd	435,918	69,447	2,630,666	20,705
Total Deposits	**15,541,307**	**853,093**	**22,595,033**	**992,814**

The above-mentioned outstanding balances arose from the ordinary course of business. The interests charged to and by related parties are at normal commercial rates. Outstanding balances at the year-end are unsecured. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 31 December 2022, Bank of Kigali Plc has not made any provision for doubtful debts relating to amounts owed by related parties.

33. Reclassification of prior period amounts

Prior amounts have been reclassified to conform to the changes in presentation in the current year to allow for comparability. The reclassifications are described as follows:

a) Reclassification relating to the statement of profit or loss and other comprehensive income

i) Fees and commission income, fees, and commission expense

The fees and commission income and expense that were previously stated on a net basis as net fees and commission expense on the face of the profit or loss and other comprehensive income have now been disaggregated and presented separately. These changes have resulted into an amount of FRw 19,871,887,000 relating to fee and commission income and FRw 1,953,063,000 in fee and commission expense being presented as separate line items on the face of the statement of profit or loss and other comprehensive income.

	Previously Reported 2021 FRw'000	Reclassification 2021 FRw'000	Reclassified 2021 FRw'000
Net fees and commission income	19,871,887	(19,871,887)	-
Fees and commission income	-	21,824,950	21,824,950
Fees and commission expense	-	(1,953,063)	(1,953,063)
	19,871,887	**-**	**19,871,887**

ii) Statement of cashflow

In the current year, there are certain items that have been classified differently compared to the prior year. The prior year numbers have been aligned to match with the current year presentation. These items are as below;

- Lease liabilities have been reclassified from changes in working capital into Financing activities;
- Tax paid has been moved from changes in working capital to below the operating activities to arrive at the net operating activities;
- Interest paid on long term borrowings has been reclassified from Financing activities into net operating activities;
- Non-cash items that were initially included in the cashflow have been reclassified and added back to cashflow from operating activities;
- Investment securities, corporate bond and specialized fund have been presented gross to indicate the additional investment and the receipt from these investments.

Please refer to the schedule below for disclosure of movement in the cashflow.

33. Reclassification of prior period amounts (continued)

iv)Statement of cashflow

		Reclassification FRw'000	Reclassified FRw'000	Reclassified FRw'000
Cash flows from operating activities				
Profit before income tax		71,066,994	-	71,066,994
Adjusted for:				
Depreciation of property and equipment	20	2,001,376	-	2,001,376
Depreciation on right of use assets	19	3,075,979	-	3,075,979
Amortization of intangible assets	21	1,848,234	-	1,848,234
Gain or loss of property and equipment		-	-	-
Interest incurred and revaluation loss on long-term financing	27	4,132,052	-	4,132,052
Changes in expected credit losses and other credit impairment charges	10	34,063,660	-	34,063,660
Accrued interest income		-	1,116,596	(1,116,596)
Cash flows before changes in working capital		**116,188,295**	**(1,116,596)**	**115,071,699**
Changes in working capital				
Increase in loans and advances	16(a)	(173,231,171)	-	(173,231,171)
Increase in other assets	18	(10,647,881)	-	(10,647,881)
Increase in cash reserve requirement	13(b)	(9,941,796)	-	(9,941,796)
Increase in deposits and balances from customers	23	187,502,966	-	187,502,966
Increase in due to banks	22	21,570,756	-	21,570,756
Increase in other liabilities	25	2,298,738	-	2,298,738
Increase in lease liabilities*		(2,834,781)	2,834,781	-
Income tax paid *	12	(20,122,257)	20,122,257	-
		110,782,869	**21,840,442**	**132,623,311**
Income tax paid *	12		(20,122,257)	(20,122,257)
Repayment of interests on long-term finance*	27	-	(3,773,751)	(3,773,751)
Net cash generated from operating activities		**110,782,869**	**(2,055,566)**	**108,727,303**
Investing Activities				
Purchase of property and equipment	20	(3,609,941)	-	(3,609,941)
Purchase of intangible assets	19	(3,223,657)	-	(3,223,657)
Investment securities*		(20,182,771)	20,182,771	-
Additions in investment in securities*	15(a)	-	(404,147,002)	(404,147,002)
Receipts on investment maturities*	15(a)	-	384,078,531	384,078,531
Corporate bond*		(832,117)	832,117	-
Additions in corporate bond*	15(b)	-	(650,000)	(650,000)
Receipts in corporate bond*	15(b)	-	773,878	773,878
Investment in specialized fund*		(46,300)	46,300	-
Receipts from specialized fund	15(c)	-	-	-
Proceed from sale of property and equipment		-	-	-
Net cashflows from investing activities		**(27,894,786)**	**1,116,595**	**(26,778,191)**
Financing Activities				
Dividends paid	24	(17,575,550)	-	(17,575,550)
Drawdown of long-term finance	27(a)	2,150,000	-	2,150,000
Repayment of principal on long-term finance	27(a)	(9,927,058)	-	(9,927,058)
Repayment of interest on long-term finance*		(3,773,752)	3,773,752	-
Principal payment of lease liabilities*	26	-	(2,834,781)	(2,834,781)
Net cash flows from financing activities		**(29,126,360)**	**938,971**	**(28,187,389)**
Net increase / (decrease) in cash and cash equivalents		53,761,724	-	53,761,724
Net foreign exchange difference		2,730,389	-	2,730,389
Cash and cash equivalents at 1 January	13(c)	112,435,761	-	112,435,761
Cash and cash equivalents at 31 December		**168,927,873**		**168,927,873**

* These relate to the reclassification of the cash flow items to conform to the current year presentation.

34. 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.

35. Other disclosures

Item	31-Dec-22 FRw'000	31-Dec-21 FRw'000
A. Capital Strength		
a. Core capital (Tier 1)	243,193,972	211,645,192
b. Supplementary capital (Tier 2)	241,248,420	209,952,031
c. Total capital	243,193,972	211,645,192
d. Total risk weighted assets	1,110,340,341	1,105,947,981
e. Core capital/ Total risk weighted assets ratio (Tier 1 ratio)	21.90%	19.10%
f. Tier 2 ratio	21.70%	19.00%
g. Total capital/total risk weighted assets ratio	21.90%	19.10%
h. Leverage ratio	12.50%	13.00%
B. Credit Risk		
1. Total gross credit risk exposures: after accounting offsets and without taking into account credit risk mitigation;	1,561,984,050	1,227,911,402
2. Average gross credit exposures, broken down by major types of credit exposure:		
a) loans, commitments and other non-derivative off-balance sheet exposures;	1,561,984,050	1,227,911,402
b) debt securities;	-	-
c) OTC derivatives	-	-
3. Regional or geographic distribution of exposures, broken down in significant areas by major types of credit exposure;	**1,134,512,318**	**1,083,675,486**
City of Kigali	1,063,706,064	1,014,025,129
Northern Province	26,827,240	21,953,002
Eastern Province	24,434,824	22,581,542
Western province	10,467,173	10,710,657
Southern province	9,077,017	14,405,156
4. Sector distribution of exposures, broken down by major types of credit exposure and aggregated in the following areas:	**1,134,512,318**	**1,083,675,486**
a) public;	143,318,155	70,253,565
b) financial;	1,801,456	1,732,100
c) manufacturing;	109,163,325	93,017,827
d) infrastructure and construction;	161,126,126	184,364,340
e) services and commerce.	456,009,225	477,536,878
f) others	263,094,030	256,770,776
5. Off- balance sheet items	**347,846,967**	**154,801,211**
6. non-performing loans indicators		
a) Non-performing loans (NPL)	40,282,169	66,764,123
b) (b) NPL ratio	2.60%	5.30%
7. Related parties		
a. Loans to directors, shareholders and subsidiaries	362,813	397,120
b. Loan to employees	22,598,814	17,870,083
8. Restructured loans as at 31 December 2022		
a. No. of borrowers	1,774	2,956
b. Amount outstanding (Frw '000)	351,388,209	458,349,630

35. Other disclosures (continued)

Item	31-Dec-22 FRw'000	31-Dec-21 FRw'000
c. Provision thereon (Frw '000) (regulatory):	23,059,049	5,233,287
d. Restructured loans as % of gross loans	31.00%	42.30%
C. Liquidity risk		
a. Liquidity Coverage Ratio (LCR)	141.00%	222.10%
b. Net Stable Funding Ratio (NSFR)	187.00%	160.00%
D. Operational risk		
a. Number and types of frauds and their corresponding amount		
Digital channel frauds (Number and amount)	1	1,584,870,586
Frauds using forged documentation (Number and amount)	1	-
Internal frauds involving staff (Number and amount)	1	51,675,000
E. Market risk		
a. Interest rate risk	599,355,129	754,055,266
b. Equity position risk	-	-
c. Foreign exchange risk	(6,096,884)	(12,065,911)
F. Country risk		
a. Credit exposures abroad	-	-
b. Other assets held abroad	43,319,605	75,422,002
c. Liabilities to abroad	102,718,352	56,026,996
G. Management and board composition		
a. Number of Board members	7	7
b. Number of independent directors	5	5
c. Number of non-independent directors	2	2
d. Number of female directors	2	2
e. Number of male directors	5	5
f. Number of Senior Managers	11	11
g. Number of female senior managers	4	4

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