BANK OF KIGALI
Financially transforming lives

ANNUAL REPORT
2023

TRANSFORMATIONAL **SOLUTIONS**

TRANSFORMATIONAL **SOLUTIONS**

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

01

Bank of Kigali: An Introduction

02

Operational Highlights

03

Creating Shared Value

04

Governance

05

Financial Statements

01.

Bank of Kigali: An Introduction


ATM

About Us

Rwanda's leading bank

Overview

Bank of Kigali Plc is an award-winning Rwandan institution that has deep roots in the African financial space since its founding in 1966. Throughout the years, Bank of Kigali Plc has evolved into a premier one-stop hub, providing a comprehensive array of financial services under a unified framework. Today, it stands as Rwanda's largest commercial bank in terms of total assets and boasts a diverse service portfolio catering to individuals, SMEs, large corporations, micro-enterprises, and non-profit organizations (NGOs), as well as a newly introduced agribusiness segment that has contributed to the Bank's FY 2023.

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 the Rwanda Stock Exchange (RSE) and the Nairobi Securities Exchange (NSE).

1

Market Position (Rank)

1,336 FRw bn

Loan Portfolio

1,582 FRw bn

Total Deposits

3,590

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 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 it boasts a comprehensive corporate portfolio of clients across a variety of industries.

The division's services comprise long-term CAPEX loans designed to target investments and expansions, commercial mortgages with a standard of up to 15 years, and working capital loans addressing short-term business requirements. 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 toward supporting the development and sustainability of the Rwandan economy. Bank of Kigali Plc's well-established presence in the banking and financial services space has allowed it to strategically position itself as the partner of choice for SMEs in Rwanda. By tailoring financing solutions that seamlessly address the dynamic needs of SMEs across the nation, Bank of Kigali Plc has been able to accumulate a comprehensive portfolio of FRw 206.3 billion in SME loans that comprised 15.4% of the Bank's loan portfolio in 2023.

Vision and Mission

Vision

Transform the lives of our **stakeholders** by offering **state-of-the-art, customer-centric** financial services.

Mission

Delight our customers via **deep knowledge** of our **region**, cultivating **engaged talent**, and **ground-breaking innovation**.

103
ATMs

67
Branches

4,470
Agents

2,490
POS

Our Strategy

Strategic Innovation and Customer Centricity

Bank of Kigali aspires to transform the lives of its communities by offering state-of-the-art, customer-centric financial services while consistently driving innovation to support financial growth and inclusion throughout the region. By introducing innovative financial products and services, it aims to maintain a competitive edge and better serve its customers. This vision underscores the Bank's dedication to innovation, a crucial element in today's dynamic business environment. The Bank firmly believes that staying ahead through innovation is essential for competitiveness and addressing the ever-changing needs of customers.

The Bank's mission is to generate value for stakeholders by delivering top-notch financial services to both businesses and individual customers. With a motivated and professional staff, the Bank aims to provide a personalized, customer-centric experience to all clients. Recognizing the significance of stakeholders in its success, Bank of Kigali is committed to serving them with the utmost professionalism and dedication. The Bank's distinctive reputation and cultivated trust set it apart from other financial institutions, consistently delivering sustainable value to stakeholders.

With these strategic objectives in place, Bank of Kigali is well-positioned to achieve its vision and mission, aiming to be the premier financial services provider in the region

Undergoing a Strategic Evolution: Growth and Innovation

Bank of Kigali is embarking on a transformation journey with the objective of evolving into two distinct business models in the coming years. In the short term, the focus is on becoming a specialized product provider. To achieve this, the Bank aims to enhance its comprehension of customer requirements and harness data to formulate customized financial products and services tailored to meet the distinct needs of its clientele. Recognizing the diversity of customer financial needs, the Bank is committed to delivering personalized financial solutions that exceed customer expectations.

In the longer term, Bank of Kigali envisions a transformation into an ecosystem that serves as an all-encompassing one-stop shop for both financial services and related offerings. By actively participating in ecosystems specific to customer segments, the Bank aims to provide a more holistic approach to addressing financial solutions. Acknowledging the multiplicity of customer financial needs, the Bank will offer an extensive array of both financial and non-financial services under a unified platform.

Strategic Objectives

Bank of Kigali has outlined a precise set of five strategic objectives to navigate its operations and outpace competitors in the swiftly evolving financial services industry.

1. **Innovative culture & employer of choice/top talent**
   - Enabling an **organization-wide culture shift in order to promote internal innovation, drive accountability, attract and retain the best talent.**

2. **Customer centric Bank/Product Specialist/Customer oriented sales force**
   - Deepen **clients' relationship**, develop **Products that sell** and start building **ecosystems.**

3. **Data driven Organization**
   - Every **decision is based on data, implement advanced analytics journey** to improve profitability and increase market share.

4. **Automation/Operational Efficiency**
   - Process redesign and to **increase productivity, reduce costs and improve customer and employee experiences**

5. **Profitability and Diversification**
   - Increase **capital efficiency, profitability and revenue diversification.**

The Bank has outlined five cultural ambitions that serve as guiding principles for its operations:

1

We **nurture, respect and support** our people to become a talent factory and the employer of choice in the Financial sector.

2

We **ambitiously challenge the status quo** by continuously learning and experimenting to improve ourselves, what we offer and how we operate.

3

We are **passionate about customer experience** and place customers at the heart of everything we do.

4

We are a **united team** that views success through the lens of the organization and not the individual.

5

We are **accountable** for our role in our shared purpose and courageous when **embracing challenging tasks.**

We have the Ubudasa DRIVE!

D	R	I	V	E
Devoted to nurturing our people	Redefining the status quo	Inspired by our customers	Viewing success through the lens of the organization	Empowered and responsible for our role in our shared purpose

Timeline and Awards

A legacy of excellence across the African banking and financial spaces

1966

- BK is 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 is officially listed on the RSE in an IPO worth USD 62.5 million
- A 45% stake in BK is floated in the IPO

2015

- BK establishes BK Registrars

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 Award – 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)

2023

Global Finance Award – Best Bank in Rwanda

Euromoney Award for Excellence – Best Bank in Rwanda

The Banker Award – Best Bank in Rwanda

2012

- BK establishes BK Securities and BK Nominees

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

2023

- Bank of Kigali inaugurates two modern branches in Nyamata and Giporoso
- BK launches IKAZE platform to help clients submit feedback
- Bank of Kigali unveils its new Private Banking Center
- Bank of Kigali launches two agriculture finance products (coffee working capital and agri inventory financing)

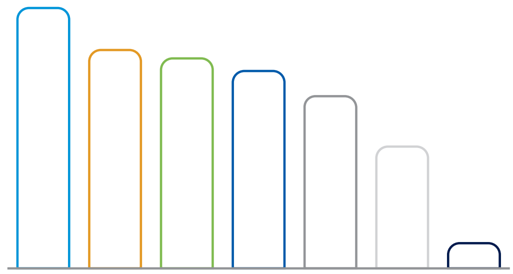
Our Market

Robust Economic Performance

Despite the challenges facing the Rwandan economy throughout 2023, the country continued to display its underlying resilience, recording GDP growth of 8.2%.[1] The country's impressive economic performance is expected to continue into 2024, with Rwanda estimated to come in as Africa's third-fastest growing economy in 2024, recording GDP growth of 7.5%.[2]

GDP growth during the year continued to be primarily driven by the expansion of the country's service sector, which constituted 44% of overall GDP during the year. Secondarily, Rwanda's growing industry sector also boosted economic performance, comprising 22% of the country's overall production.[3]

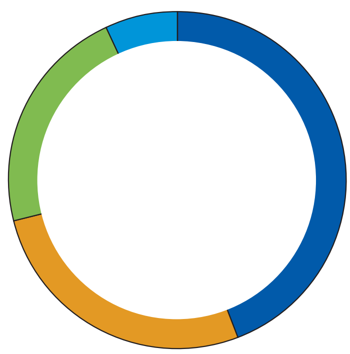
2023 Real GDP Growth*



Rwanda	8.2%
Tanzania	5.2%
Kenya	5.0%
DRC	4.7%
Senegal	4.1%
Nigeria	2.9%
South Africa	0.6%

*Source: International Monetary Fund

GDP Contribution 2023*



Services	44%
Agriculture	27%
Industry	22%
Net Taxes	7%

*Source: National Institute of Statistics Rwanda

1. National Institute of Statistics of Rwanda
2. Nanyang Technological University
3. National Institute of Statistics of Rwanda

The Financial Sector

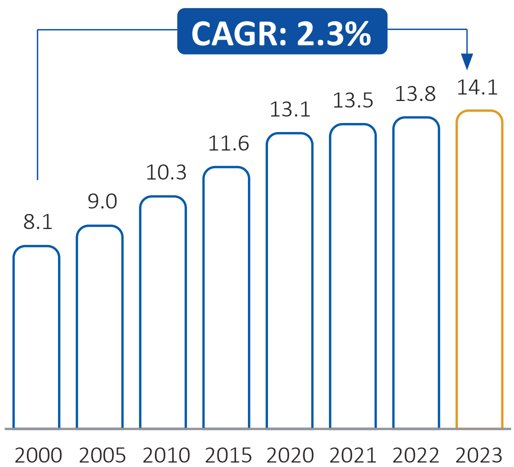
Rwanda's financial sector continued performing strongly throughout 2023, despite the hindrances posed by inflation and climate-related challenges affecting the economy. As of the 30 June 2023, the financial sector's total assets expanded by 18.3% year-on-year, reaching FRw 9,635 billion, compared to FRw 8,145 billion at the same time last year. Meanwhile, the banking industry, the financial sector's largest sub-sector, posted similarly impressive growth, with its total assets expanding by 18.1% year-on-year.[5]

The financial sector remains an integral component of economic growth in Rwanda, supporting macro-economic recovery by increasing access to finance to the private sector. Total outstanding loans as of June 2023 increased 17.3% year-on-year, reaching FRw 3,716 billion.[6]

Supportive Demographics

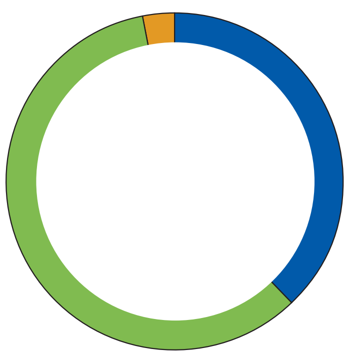
The Rwandan economy remains characterized by significant growth potential on the back of its central location in the continent and its young and fast-growing population. The country's total population stood at approximately 14 million people in 2023, up from 8.1 million in 2000. Since 2000, the Rwandan population has grown at a compound annual growth rate (CAGR) of 2.3%, significantly outpacing global averages.[7]

Population | mn*



*Source: World Bank

Population by Age Group | %*



Age: 0–4	38%
Age: 15–65	59%
Age: 65+	3%

*Source: United Nations Population Fund

4. National Bank of Rwanda
5. ibid
6. ibid
7. World Bank

Challenges, Responses, and Opportunities

The Agricultural Sector

Rwanda's agricultural sector represents a major component of the economy, constituting nearly 27% of the country's overall GDP in 2023. In fact, 66.5% of Rwanda's working population is estimated to be employed in the agricultural and related sectors.[8]

Despite the country's vast reliance on agriculture, the sector still faces significant challenges, with high population density, dependence on rain-fed production, natural disasters, and global economic fluctuations significantly hindering economic progress and posing potential threats to food supply. In May 2023, Rwanda experienced severe floods and landslides, leading to the death of over 130 people and damaging almost 6,000 houses. Majorly affected areas accounted for significant shares of the production of staple foods and export crops, putting pressure on the Rwandan economy during the second half of the year and partially hindering the impressive growth of 9.2% reported in the first six months of 2023.

Additionally, despite the sector's vast contribution to the overall economy, farmers' access to financial services and products still remains relatively low, with the percentage of banked Rwandan farmers standing at approximately 26% in 2020. Excluding both banking and other formal non-banking channels to finance, nearly 27% of Rwandan farmers lacked access to formal financial services, either relying on informal channels or remaining completely excluded from financial services. It is important to highlight that these figures have improved compared to 2016, when only 21% of farmers were formally banked.[10]

Responses and Opportunities

In recent years, the government has spearheaded several programs and initiatives aimed at developing the agricultural sector, cutting staple food imports and encouraging agricultural exports. At the end of 2022, the Rwandan government announced a USD-300-million project in partnership with the World Bank aimed at commercializing and de-risking the Rwandan agricultural sector. This five-year initiative will be implemented across 16 districts across the country, benefitting over 235,000 households with long-term financing options aimed at reducing risks faced throughout the agricultural value chain and scaling up agricultural insurance.[11]

The government has also been active on guaranteeing access to insurance for the sector. More specifically, in 2018, the Ministry of Agriculture and Animal Resources introduced the National Agriculture Insurance Scheme (NAIS), meant to mitigate farmer risks associated with natural disasters and diseases affecting livestock and crops, as well as boost financial inclusion in the sector.[12] Through the NAIS, the government partnered with leading private insurance companies to develop insurance products for its framers, ensuring their formal financial inclusion while subsidizing 40% of the insurance scheme for beneficiaries.[13] The plan has already yielded positive results, with higher farmer participation rates in the financial sector recorded during 2020.

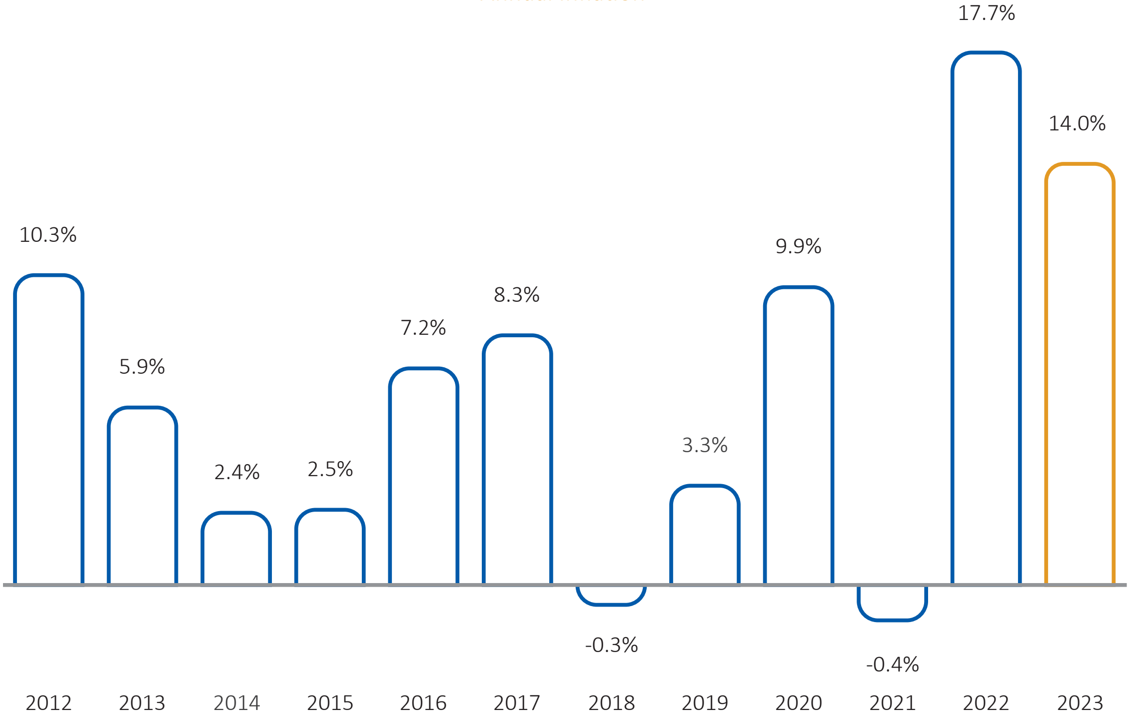
The relatively low financial participation rate that still prevails, however, presents attractive opportunities for the banking sector, with ample room for financial institutions like the Bank of Kigali to capture first mover advantage and establish themselves as the go-to provider of agriculture-focused financial services and insurance.

8. Food and Agriculture Organization (FAO)
9. Access to Finance Rwanda
10. ibid
11. Ministry of Agriculture and Animal Resources
12. ibid
13. International Food Policy Research Institute

Inflation

Since 2022, the country has seen an acceleration of inflation on the back of high costs of imported goods and low domestic food production, coupled with global economic inflation.[14] Higher prices throughout the country were further exacerbated by climate-related shocks, to which Rwanda is accustomed. As a result, inflation rates hit a 30-year high in 2022, reaching 17.7% during the year, the highest recorded figure since 19.6% in 1991.[15] This only partially slowed down in 2023, with annual inflation coming in at 14.0%, well above the average recorded in the previous decade.

Annual Inflation*



*Source: World Bank, National Institute of Statistics of Rwanda

14. African Development Bank Group
15. World Bank

Responses and Opportunities

The Rwandan Central Bank (BNR) tightened its monetary policy starting in August 2022 and throughout 2023, raising its interest rates by 300 basis points and holding the key rate at 7.5% in an effort to curb inflation. The BNR's monetary tightening immediately yielded positive results, with persistently declining inflation rates seen since March 2023.[17] The swift response by the BNR also helped boost the institution's credibility, further improving the operating and investing environment in the country and helping to drive growth across the banking sector.

On this front, the banking sector recorded significant improvements during 2023 in both its credit activity and interbank transactions. During the first half of 2023, the number of newly authorized loans increased by 40% compared to the same period of the previous year, with significantly increased loans recorded in the commerce, public works and building, personal loans, and manufacturing sectors. Meanwhile, the interbank market also recorded boosted activity, with more transactions recorded and volumes exchanged. In fact, during the first half of 2023, interbank transactions increased 34% year-on-year, while volumes grew over 54%, reflecting increased trust between banks and tangible improvements in their liquidity management skills.[18]

In November, the BNR announced it would maintain its lending rate, citing the fall of inflation toward a desired rate as a positive effect of the policy and not prompting further tightening. In February 2024, the BNR announced that it would consider easing its policies, should the outlook on inflation continue to be positive.[19] Despite the BNR's positive outlook on inflation, the International Monetary Fund (IMF) has reiterated that further policy adjustments and currency depreciation will still be necessary to ensure economic stability over the coming years.[20]

Unemployment

Rwanda is characterized by a young population and a high population density, making the country's workforce a primary driver for its future development. Despite this, the country is continuing to struggle with an unemployment problem, in particular among its youth. In 2022, the country's unemployment rate stood at around 14%, with youth unemployment reaching 21%. Additionally, around 60% of the country's jobs were estimated to be of low productivity, ranging from subsistence agriculture to retail and construction.[21] It is worth noting that part of the challenge stems from the large informal economy existing in Rwanda. In fact, in 2022, over 90% of the country's enterprises were categorized in the informal sector of the economy, providing few opportunities for profound growth and market-relevant experience for its youth.[22]

16. Rwandan Central Bank, Bloomberg
17. National Institute of Statistics Rwanda
18. National Bank of Rwanda
19. Reuters
20. International Monetary Fund
21. ibid
22. World Bank

Responses and Opportunities

The Rwanda Development Board (RDB) and the Rwandan Ministry of ICT and Innovation (MINICT) announced a landmark initiative in September 2023, aimed at positioning Rwanda as a leading Global Business Services (GBS) destination. The GBS Growth Initiative sets forth a transformative journey for the Rwandan economy, with the main objectives of growing Rwanda's GBS sector, creating high-quality employment opportunities in the country, and promoting an investment-friendly environment for international investors, all while prioritizing the education and training of a skilled local workforce. The initiative aims to create 5,500 job opportunities by 2025 while enhancing the country's business climate to emerge as a preeminent global business destination for foreign investment.[23]

In parallel, the government has been pushing forward plans to boost economic participation in the formal sector, prioritizing the growth of Rwanda's private sector and encouraging the development of SMEs as a crucial driver for employment and production. Today, SMEs face significant challenges in accessing finance and gaining formal sector financial support. In response to this issue, both the government of Rwanda and several leading international institutions, including the United Nations Development Programme (UNDP), are implementing development initiatives, helping scale small enterprises to medium and large businesses and supporting their access to loans and financial services.

23. Rwanda Development Board
24. United Nations Development Programme

Chairman's Note

"Throughout 2023, we remained focused on supporting women in business, building on our efforts and progress from the previous year to broaden our services and further tailor our products to the needs of our communities."

Dear shareholders,

As we look back on the past year at Bank of Kigali, it is with great pride that I share our progress and achievements with you. Our unwavering dedication to fostering economic growth and financial inclusion across Rwanda has driven us to excel in numerous areas, and I am pleased to highlight these accomplishments in our 2023 Annual Report.

In the twelve months to 31 December 2023, we have seen a notable 10.0% increase in our gross loan portfolio. This growth is a testament to our ability to attract and retain new customers and manage credit risks effectively, earning the trust of both businesses and individuals.

At Bank of Kigali, our clients remain the focal point of our operations. Throughout the year, our focus has remained steadfast: to continuously enhance our services and provide an unparalleled customer experience. We have been able to achieve this by refining our offerings, streamlining processes, and ensuring round-the-clock support across diverse channels. Our comprehensive approach includes rigorous staff training, expanding banking channels, enhancing digital services, maintaining transparency, and actively soliciting customer feedback. These efforts are aimed at building trust, fostering loyalty, and ensuring positive interactions at every touchpoint, all fundamental principles guiding our operations.

In line with our financial inclusion targets, our expansion initiatives have been directed towards reaching Rwanda's unbanked and underserved populations. We have enhanced the model of select branches as a initial pilot phase, introducing features such as a mother's room, a digital area, and a VIP corner; in order to improve our customers' experience when visiting our branches. Furthermore, we have expanded our digital solutions to provide financing options for remote communities. These advancements have enabled us to reach a wider audience and offer convenient, accessible banking. Additionally, we have reinforced our commitment to agricultural financing through various initiatives supporting the sector's development. All these efforts have significantly contributed to our growth, positioning us as a key player in driving Rwanda's agricultural transformation and economic progress.

Throughout 2023, we remained focused on supporting women in business building on our efforts and progress from the previous year to broaden our services and further tailor our products to the needs of our communities. We were particularly proud of the successful pilot of an Unsecured Stock Loan program dedicated to businesses, with a particular emphasis on benefiting women-led SMEs. Through this initiative, the Bank extended support to over 30 women-led SMEs, resulting in a total disbursement exceeding FRw 300 million. This initiative not only provided crucial financial assistance to chosen businesses but also contributed to fostering the growth and sustainability of women-led enterprises within the business landscape.

On a similar note, during the past twelve months we continued to focus on supporting Rwanda's SMEs providing an even more diverse range of loan products tailored to the unique needs of our clients. Recognizing their pivotal role in economic growth, we have developed specialized products and established an SME Center to provide comprehensive financial services and guidance to entrepreneurs. To further empower SMEs, we ensure reliable and flexible services, leveraging government schemes like the Economic Recovery Fund and implementing robust marketing strategies to raise awareness about our SME banking department.

Our efforts have yielded tangible results, with SME loans increasing by 50% in value, now constituting 15.4% of our gross loan portfolio in 2023, up from 11.3% the previous year. This growth underscores our commitment to supporting smaller businesses and their success.

Our Board of Directors, which at year-end 2023 was composed of seven members, including five independent and two non-independent directors with diverse backgrounds, plays a crucial role in overseeing the Bank's administration and providing guidance on operational performance, strategy, financial management, and governance.

With the collective efforts of all our stakeholders, we will continue to strive for excellence and reach new milestones. Thank you for being an integral part of our journey and for your continued trust and confidence.

Sincerely,

ROD REYNOLDS

Chairman

02.

Operational Highlights

Statistic Graph
All mentions:
General Stats 110
General Stats 136
General Stats 148
55%
25%
75%
50%
50%
01
02
Statistic Graph
All mentions:
Statistic Graph
All mentions:

CEO's Note

"Today, we boast a network of 67 branches and 103 ATMs, all strategically located across Rwanda to ensure we continue to boost access to finance and financial services in line with the country's and the Bank's financial inclusion vision."

I am pleased to once again present a remarkable set of financial and operational accomplishments delivered by Bank of Kigali during 2023. Despite navigating a challenging economic landscape, our organization has continued to demonstrate an unmatched ability to adapt and deliver sustained growth and incremental value for all stakeholders.

Digital Transformation and Innovation

In 2023, we prioritized our clients by expanding our service offerings and developing digital solutions to make banking more accessible to clients inside and outside Rwanda. Our digital transformation included automating services, enhancing our mobile banking app, and introducing real-time digital customer feedback portals. Additionally, we fortified the safety of our customers' financial data through AI, improving operational efficiency, risk management, and fraud detection. As part of our digital transformation strategy, we are gradually migrating customers to online and digital banking platforms, as demonstrated by the significant online retail transactions totaling 11.7 million, valued at FRw 2.0 trillion in 2023.

As we embrace digitalization, we recognize the importance of maintaining a strong and widespread on-the-ground presence across the country. Today, we boast a network of more than 67 branches and 103 ATMs all strategically located across Rwanda to ensure we continue to boost access to finance and financial services in line with the country's and the Bank's financial inclusion vision.

Customer Centricity and Outreach

Demonstrating our unwavering commitment to customer-centricity, we embarked on comprehensive outreach and engagement programs throughout 2023. By partnering with universities and higher learning institutions to recognize outstanding students, we forged enduring connections with the younger generation while boosting brand awareness in the process. Furthermore, our financial education initiatives have empowered individuals and small businesses alike, nurturing financial literacy and resilience within our communities. We were particularly pleased to note that in 2023, we successfully extended a full time offer to a graduate of the Bank's recently launched BK Academy, testament to the quality of our training programs and to our commitment to developing the next generation of Rwandan professionals.

Meanwhile, we consistently elevated customer service standards and fortified our brand positioning by proactively addressing evolving client needs with innovative offerings. This was exemplified through the robust implementation of our Customer Experience Management (CEM) Strategic Plan, which featured the deployment of service rating and feedback systems across all branches, alongside ongoing Customer Satisfaction Surveys. Notably, our current Net Promoter Score (NPS) stands at an impressive 79, complemented by a commendable Customer Satisfaction (CSAT) rate of 40%.

Advancements in Product Development

Looking back at the past year, I am especially proud of the impressive performance of our recently introduced segments. Our home equity loan portfolio maintained its upward trajectory, culminating in total disbursed loans of FRw 12.5 billion by year-end 2023, positioning itself as a top-performer among our offerings. Additionally, our Diaspora Banking Business, inaugurated just last year, experienced remarkable growth, boasting 3,532 diaspora customers, including 778 new accounts, marking a substantial 30% year-on-year expansion. Deposits surged by an impressive 50%, reaching FRw 26.7 billion, while loans surged by 74%, closing at FRw 9.9 billion.

During the year, we also continued to expand our corporate banking offering. As of 2023, Bank of Kigali is officially working with Africa Global Logistics (formerly Bollore Logistic) to provide trade finance products for sugar and rice importers. This has not only helped alleviate a bottleneck in the value chain for these two vital commodities but has also created a new avenue for sustainable expansion in the coming years. Furthermore, in an effort to continue driving innovation across the country's banking sector, the team successfully deployed 23 live payment integrations during the last year, enhancing operational efficiency and customer experience.

Finally, across our flagship SME division, our recently launched SME Center continues to play a crucial role in offering specialized financial and advisory services to entrepreneurs aiming to grow their businesses. In 2023, our SME division introduced a range of tailored products aimed at meeting the needs of entrepreneurs. Notable successes were observed in the SME Stock Loan and SME Current Accounts categories within a short period signaling once again our proven ability to understand the market's needs and develop products to effectively meet them. To strengthen our non-financial services for SMEs, we forged strategic partnerships with industry leaders such as BPN and IFC. These collaborations foster knowledge exchange and enhance service delivery, thereby adding substantial value for our SME clientele.

Driving Sustained Growth

As of the end of 2023, Bank of Kigali Plc has maintained its number one market position, showcasing significant operational and financial achievements. The gross loan portfolio has grown to FRw 1,336 billion, and total deposits have reached FRw 1,582 billion. More specifically, Bank of Kigali's corporate clients' deposits have reached FRw 764 billion. We proudly serve 515,896 retail customers and over 594 active corporate clients.

Our network expansion includes 2,490 POS terminals that accept major international cards like VISA and MasterCard, contributing to a total of 3,590 credit cards issued in 2023 alone. These achievements underscore our strong market leadership and continued commitment to providing exceptional banking services.

Looking Ahead

Looking ahead, we hold an optimistic outlook for the future of Bank of Kigali. The investments made to elevate customer experiences and digitalize our services are yielding promising results and ensuring we remain the go-to financial partner for individuals and businesses inside and outside Rwanda. Going forward, our focus will be on refining and expanding our digital capabilities, particularly in mobile and online banking, to offer enhanced convenience to our esteemed clientele.

I extend my heartfelt gratitude to each member of our team for their unwavering dedication, hard work, and commitment to excellence. Together, we will continue to spearhead innovation, deliver unparalleled service, and strive for even greater success in the years ahead

Sincerely,

DR. DIANE KARUSISI

CEO


BANK

Operational Highlights

Retail Banking

Bank of Kigali meets the diverse requirements of its clientele across Rwanda and beyond by providing a comprehensive suite of tailored banking solutions. These encompass various essential services, such as consumer and auto loans, credit cards, overdraft facilities, mortgage loans, and asset-backed financing, among others. This extensive offering, combined with the Bank's exceptional service quality, has seen Bank of Kigali capture the largest retail customer base among all banks in the nation.

Renowned for its retail banking expertise, Bank of Kigali plays a pivotal role in fostering financial inclusion in Rwanda. Leveraging its extensive network of branches, ATMs, and point-of-sale (POS) terminals nationwide, alongside innovative mobile banking platforms, the Bank has solidified its position as a leading provider of retail banking services while playing a pivotal role in expanding Rwanda's bankable population.

310.7 FRw bn

Total Retail Deposits

245.3 FRw bn

Total Retail Loan Portfolio

515,896

Retail Clients

761

Number of Credit Cards Issued

103

ATMs

67

Branches

4,470

Agents

2,490

POS

Expanding Our Portfolio

In 2022, the Bank introduced its Home Equity product, offering flexible financing with various repayment plans to retail customers. It caters to diverse financial needs, such as land or home purchase, house renovation, business startup, or school fees. The new product offers tenors of up to 20 years and 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.

In 2023, the home equity loan book continued its upward trajectory, surpassing expectations to conclude the year with total disbursed loans of FRw 12.5 billion. Overall, this product has effectively met the diverse financial needs of the Bank's customers, enabling it to quickly climb the ranks to become a top performer in the Bank's offering.

Meanwhile, the Bank's Diaspora division 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-yielding accounts denominated in USD or FRw. Diaspora clients also have access to discounted mortgage loans in both USD and FRw.

In 2023, Bank of Kigali's Diaspora Banking Business witnessed substantial growth, boasting 3,532 diaspora customers, including 778 new accounts, representing a notable 30% year-on-year expansion. This surge significantly strengthened the Bank's deposit and loan portfolios. Deposits expanded by 50% year-on-year, reaching FRw 26.7 billion, while loans recorded a substantial 74% year-on-year increase, closing the year at FRw 9.9 billion.

Aligned with its strategic goals to enhance investments from diaspora communities, Bank of Kigali's Diaspora Banking team has been organizing virtual awareness sessions in partnership with the Ministry of Foreign Affairs and International Cooperation (MINAFFET) and Rwandan Embassies. Held in January 2024, these sessions covered four continents: Africa, Europe, Asia, and America. Additionally, a Diaspora Banking promotion, which ran from November 2023 to January 2024, yielded significant outcomes, with 300 new accounts opened and deposits reaching FRw 9.5 billion.

In March 2022, Bank of Kigali Plc established a Mortgage Center aimed at enhancing customer experience and expediting mortgage processing. Providing specialized advisory services for housing solutions seekers, the Center has fostered partnerships with real estate developers since its launch. Currently, 10 Memoranda of Understanding (MoUs) are in place to facilitate swift access to residential real estate for mortgage applicants. Additionally, Bank of Kigali Plc has collaborated with the Development Bank of Rwanda (BRD) to develop affordable housing products tailored to aid low-income households in achieving homeownership aspirations.

In 2023, the Mortgage Center at Bank of Kigali continued its proactive approach to customer engagement and partnership expansion. The team organized a human resource (HR) partner event focused on financial literacy, targeting various HR managers to showcase their diverse product offerings. This event not only aimed to foster collaborations with different institutions but also served as a platform to directly engage with valued customers.

Furthermore, the Mortgage Center collaborated closely with branches, conducting training sessions for upcountry branches to enhance their sales capabilities for home loans and develop compelling product propositions. They also intensified partnerships with various real estate players, including realtors and developers, resulting in significant referral business for the Bank. Particularly noteworthy was the positive response from diaspora and foreign customers, who showed strong interest in purchasing high-end properties facilitated by these partnerships. Notably, customers can now acquire homes through partnered realtors at no additional cost.

By the end of 2023, the mortgage book closed with net loans totaling FRw 80.0 billion, surpassing the set target of 75.0 billion. Additionally, they achieved a commendable home loan non-performing loan (NPL) ratio of 1%, well below the Bank's 3% threshold. These results underscore Bank of Kigali's commitment to providing accessible and sustainable housing finance solutions while maintaining prudent risk management practices.

Building Our Brand

In the last few years, Bank of Kigali undertook strategic measures to enhance its brand recognition and expand market outreach. A significant milestone was the naming rights partnership with QA Venue Solutions, resulting in the rebranding of the Kigali Arena as the "BK Arena" for the subsequent six years. In tandem, the introduction of the "BK Arena prepaid card" as a flagship product facilitated seamless payments within and outside the arena, effectively raising awareness and driving uptake of prepaid card sales. This campaign significantly bolstered the Bank's brand equity across local, regional, and international platforms, with a targeted focus on the youth demographic. By offering banking solutions to the unbanked and encouraging the adoption of BK payment tools, the move solidified the Bank's position as the leading bank in Rwanda and broadened its global footprint.

The Bank also collaborated with MTN Rwanda for a Device Financing Program, allowing customers to purchase smartphones and tablets on credit from various MTN distribution centers. Aimed at increasing smartphone penetration and extending banking services to the informal sector, the program also supported the expansion of the Bank's loan book in the retail segment. This initiative enabled Bank of Kigali to reach previously untapped customer segments, fostering accessibility to digital financial services while advancing the Bank's growth agenda.

Demonstrating its commitment to customer centricity, the Bank implemented a comprehensive customer outreach and engagement program throughout 2023. Senior leadership members embarked on visits across the country to express gratitude to customers, gather feedback, and address service-related concerns. This proactive approach not only enhanced customer satisfaction but also led to an improvement in the Bank's NPS, which reached 79 in 2023 from 5 in 2022, reinforcing brand presence and fostering stronger customer relationships.

Furthermore, Bank of Kigali partnered with several universities and higher learning institutions, including East African University Rwanda, University of Kigali, and Adventist University of Central Africa, to recognize outstanding students during graduation ceremonies. This strategic initiative aims to cultivate long-term relationships with the younger generation while solidifying the Bank's position as a prominent financial institution in Rwanda. By actively contributing to the development of the education sector, promoting financial awareness among youth, and encouraging the adoption of BK products and services, the Bank aims to strengthen its brand positioning and further its commitment to societal development.

Ensuring Positive Customer Experiences

Bank of Kigali remains dedicated to delivering customer-centric services through a blend of traditional and digital channels. With strategically located branches across Rwanda and an extensive network of 103 ATMs countrywide, the Bank ensures convenient access to its services. In parallel, the Bank has undertaken a comprehensive digital transformation journey with a focus on migrating customers toward online and digital banking platforms, assessing customer satisfaction, and streamlining processes. During 2023, executed online retail transactions totaled 11.7 million with a total value of FRw 2.0 trillion.

The shift toward online and digital banking is being streamlined through several strategies, including the integration of a chatbot and the IKAZE platform, which allows for instantaneous customer feedback. Implemented across all branches, the IKAZE platform furnishes Management with weekly feedback. Following the success of the platform in 2023, the Bank is looking to roll IKAZE out across mobile devices during the first half of 2024, allowing customers to express their satisfaction without needing to physically visit an office.

In 2023, Bank of Kigali prioritized elevating its customer service standards and enhancing brand positioning by addressing evolving client needs through innovative offerings, while reinforcing the existing Customer Experience Management (CEM) Strategic Plan. To gauge customer satisfaction, the Bank has implemented service rating and feedback systems across all branches, in addition to conducting ongoing Customer Satisfaction Surveys through an independent firm. Management regularly receives updates on resolved and pending CRM cases, facilitating a better understanding of prevalent customer concerns. The Bank currently boasts an NPS of 79% and a CSAT rate of 40%.

Bank of Kigali prioritizes process automation, as demonstrated by its ongoing efforts to enhance customer relationship management (CRM) tools. A specialized unit, Business Processes, is dedicated to reviewing and optimizing key operations to enhance efficiency and customer satisfaction. Substantial advancements have been made in streamlining account opening, loan executions, and other services, reducing the Bank's total turnaround time for its services from one hour to just 15 minutes. To maintain high-quality service, the Bank has implemented comprehensive training programs for its call center and branches. Additionally, the Bank expanded its call center project, which included initiatives such as cross-selling the IKAZE product package, developing FAQs and communication templates, implementing quality assurance standards, and establishing guidelines for agent etiquette.

In alignment with the second phase of its strategic planning, Bank of Kigali continued its dedication to strengthening its CRM capabilities. This involved the ongoing rollout of an Electronic Document Management System (EDMS), integrating e-filing and mailroom automation functionalities. Efforts were concentrated on fostering customer migration toward digital channels, thus reducing dependency on physical visits to the Bank's branches. Throughout 2023, the Bank's focus remained on enhancing the digital experience and promoting the adoption of channels, such as self-onboarding, to boost transaction volume. The prioritization of automating key operational processes has significantly contributed to enhancing overall efficiency.

Positive outcomes were observed from the initiatives undertaken last year to implement the Financial Services Consumer Protection Law (FSCP Law) and standardize all bank forms. Furthermore, there has been continual assessment and continuous improvement in customer satisfaction levels, supported by the establishment of a dedicated Quality Assurance Unit tasked with enforcing interdepartmental service level agreements and escalations. This underscores the Bank's commitment to prioritizing the implementation of the Consumer Protection Regulation.

Outlook

In its ongoing commitment to enhancing customer experience and operational efficiency, Bank of Kigali continues to prioritize digital transformation initiatives. Efforts to improve the digital experience and increase channel usage, such as self-onboarding, are underway to bolster transaction volume. Moreover, the automation of key processes and integration of AI technologies are being pursued to further enhance operational efficiency.

Looking ahead to 2024, Bank of Kigali remains steadfast in its efforts to upgrade customer service and brand positioning to better address the evolving needs of its clientele through innovative offerings.

Amid heightened competition in the market, the Bank remains focused on enhancing its retail offering to maintain a competitive edge. In the upcoming year, the Bank intends to host a home expo, offering a platform to showcase its home loan products and bolster partnerships, cementing its position in the market.

In parallel, Bank of Kigali's Diaspora Banking segment anticipates significant advancements in 2024. These include the introduction of self-account opening with passport, virtual cards, agency banking, and the digitalization of loan requests. These initiatives are poised to streamline and enhance the banking experience for the diaspora community, underscoring the Bank's unwavering dedication to serving this crucial customer segment.

Corporate Banking

Bank of Kigali Plc has established itself as the bank of choice for large corporates, SMEs, and 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 today, it boasts a comprehensive corporate portfolio of 520 active 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 corporate banking deposits stood at FRw 764 billion.

Gross Loan Portfolio Breakdown

Gross Loans	Dec 2023	Dec 2022
	FRw '000	FRw '000
Corporate Banking	856,787	911,274
SMEs	206,305	137,272
Retail Banking	245,363	150,204
Agri-Business (previously known as Non-banking Activities)	27,999	15,384
Total	**1,336,456**	**1,214,137**

Total Deposit Portfolio Breakdown

Total Deposits	Dec 2023	Dec 2022
	FRw '000	FRw '000
Corporate Banking	764,320	541,920
SMEs	289,222	348,497
Retail Banking	310,798	184,039
Agri-Business (previously known as Non-banking Activities)	22,952	9,866
Total	**1,387,292**	**1,084,322**

2023 in Review

Bank of Kigali's corporate gross loan portfolio expanded by 3% in the year ending 31 December 2023, underscoring its ability to attract new customers while effectively managing credit risk. Similarly, the Bank grew its off-balance sheet portfolio by 68% year-on-year to reach FRw 582 billion, well ahead of its targets for the year. Arguably even more impressive was the ability to digitally onboard new customers during the year. In fact, of the 72 new accounts onboarded during 2023, 94% of corporate customers were onboarded digitally, recording a usage rate of 83% and activity level at 78%. Meanwhile, customer deposits reached an impressive FRw 1 trillion, up 20% year-on-year. Net interest income for 2023 recorded FRw 81.3 billion, with the segment's net profit after tax coming in at an impressive FRw 41.9 billion, contributing the lion share of the Bank's net profit for the year.

During the year, the Bank continued to expand it corporate banking offering. As of 2023, Bank of Kigali is officially working with Africa Global Logistics (formerly Bollore Logistic) to provide trade finance products for sugar and rice importers. This has not only helped remove a bottleneck in the value chain for these two vital commodities but has also created a new segment for the Bank to expand into, with the team expecting to execute on a notable transaction pipeline in the coming year.

Furthermore, in an effort to continue driving innovation across the country's banking sector, the team successfully deployed 23 live payment integrations during 2023, with seven completed and 16 underway, enhancing operational efficiency and customer experience. Meanwhile, in line with the Bank's commitment to talent acquisition and development, the division expanded its team in 2023 with the addition of three new key hires, including one recruited from BK Academy, ensuring it continues to boast a robust and dynamic workforce to drive future success.

Outlook

The Corporate Banking division intends to continue prudently managing its loan portfolio, leveraging its robust lending capacity and experienced team to diversify financial solutions and introduce innovative products. It aims to attract new clients and expand market share by growing its loan book, especially in trade finance, increasing deposits, and broadening services in transactional banking, institutional banking, and financial institutions in the foreseeable future. Meanwhile, digitalization will continue to feature heavily in the division's priorities for 2024, as it looks to increasingly rely on new AI solutions to enhance the quality and timeliness of its services.

SME Banking

The SME Center, established by the Bank of Kigali in July 2022, has played a crucial role in offering specialized financial and advisory services to entrepreneurs aiming to grow their businesses. To meet the changing requirements of SME clients, the Bank's product development team has sanctioned seven SME loan options and three SME liability products. Additionally, they are actively working on creating more solutions to aid customers. These initiatives aim to enhance financial access and assist entrepreneurs in effectively managing their funds.

Segment	Number of Customers
Large SME	2,243
Medium SME	13,158
Small SME	13,631
Micro SME	29,008

Expansion and Partnerships

In 2023, the SME division of Bank of Kigali introduced a range of tailored products aimed at meeting the needs of entrepreneurs. These offerings include various loan products, such as SME Stock Loan, SME Overdraft, SME Residential Mortgage Loan, SME Commercial Mortgage, SME Bank Guarantees, SME Letter of Credit, SME Contract Finance, and SME Invoice Discount. Additionally, account products like SME Current Account, SME Term Loan, and SME Starter Current Account were also introduced. Notable successes were observed in the SME Stock Loan and SME Current Accounts categories within a short period.

To bolster SME business, the Bank implemented various measures in 2023. These included ensuring reliable, timely, and flexible services to existing clients to cultivate loyalty and positive referrals within the SME sector. Government schemes, like the Economic Recovery Fund, were utilized, with campaigns conducted across major cities in Rwanda. Robust marketing strategies were employed to raise awareness about the Bank's SME Banking department. Furthermore, the Bank focused on reactivating dormant SME client accounts and set new targets for relationship officers, with regular monitoring of progress.

Over the last 12 months, the Bank bolstered its non-financial services for SMEs by forging strategic partnerships with industry leaders, such as BPN and IFC. These collaborations facilitate the exchange of knowledge and the sharing of expertise, enhancing service delivery and the value added for the Bank's SME customers. Additionally, the Bank initiated a Training of Trainers program among its staff, setting the stage for the development of its proprietary non-financial services program scheduled for rollout in 2024.

To achieve the target of a 60–40 mix between corporations and SMEs, the Bank has taken proactive measures. It recruited over 40 dedicated SME Officers and Managers to provide personalized support for customers within relevant segments, aligning with the customer value proposition. Furthermore, the introduction of new products, such as Merchant Finance and Agency Finance, leverages technology to streamline processes and meet the unique needs of SMEs. The Bank's efforts over the last three years have been yielding positive results. In 2021, SME loans accounted for 8.6% of the loan portfolio. This share has since grown to reach 11.3% in 2022 and 15.0% in 2023, showcasing the effectiveness of the division's growth and investment strategies.

In terms of training, Bank of Kigali conducted a comprehensive program for SME staff in 2023. This initiative aimed to deepen staff understanding of SME financial requirements, enabling better service provision. Leveraging government facilities, like the Economic Recovery Fund, the Bank attracted new SME customers and provided loans at favorable rates. The SME department, in collaboration with BPN Rwanda and IFC, coordinated various training sessions focusing on essential topics, such as taxation, bookkeeping, financial management, and overall SME capacity building.

Additionally, specialized SME-focused training for Relationship Officers (ROs) and Relationship Managers (RMs) was conducted. These sessions focused on areas such as customer relations management, financial and credit analysis, sales techniques, and customer care. Notably, clients have expressed their satisfaction, citing the significant assistance these training sessions provided in their day-to-day operations.

Women in Business

Last year, Bank of Kigali launched a new initiative, supported by the "EIB East Africa COVID-19 Rapid Response Facility" grant of EUR 40 million to promote gender equality in the business community. Notably, 30% of this grant was dedicated to female-led companies and organizations advocating for gender equality. Additionally, the grant included the Africa Women Rising Initiative (AWRI), aimed at providing capacity-building support and financial access to women-led micro- to medium-sized enterprises in Rwanda. The goal of the initiative was to unlock the potential of women entrepreneurs, ultimately fostering economic growth and development in the country.

In line with its continued commitment to supporting women in business, the Bank undertook further initiatives this past year. One notable endeavor was the successful pilot of an Unsecured Stock Loan program tailored for businesses, with a particular emphasis on benefiting women-led SMEs. Through this initiative, the Bank extended support to over 30 women-led SMEs, resulting in a total disbursement exceeding FRw 300 million. This initiative not only provided crucial financial assistance but also contributed to fostering the growth and sustainability of women-led enterprises within the business landscape.

Outlook

The SME department at Bank of Kigali is poised for sustained expansion, leveraging technology to boost efficiency and enhance customer satisfaction. With a focus on becoming the go-to bank for reliable financial advisory services, innovative products tailored for the medical sector are in the pipeline to facilitate growth without additional collateral. Emphasizing the value chain of corporate and public institutions as a key driver, the department's commitment to enhancing SME offerings underscores its leadership in the sector, contributing to Rwanda's economic development.

Moreover, ongoing staff training remains a top priority to ensure that employees are equipped with the necessary skills and knowledge to deliver exceptional services to customers. With these efforts in place, the department is well-positioned to secure more deals, attract new customers, and ultimately enhance overall satisfaction. These collective initiatives are aimed at driving SME portfolio growth and achieving set targets for 2024.


BLUE
Angel
CLUB Whisky
CLUB Whisky
Royal Bazooka Premium Deluxe Whisky
Royal Bazooka Café Rhum
K VANT
K VANT
K VANT
K VANT
12x500ml
MADE IN RWANDA
GRANDSIRE Whisky
MALTI
KIENYEJI
DELASED FOR ALL COLOURS
Bavaria

03.

Creating Shared Value


TRADING PLATFORM
EUR USD RUR
25%
50%
75%
04:00
15:00
01:00
11:00
22:00
50%
Robe
43%
51%
Currency-Stocks
BTC
19.5
Coin
Invested
USD
2400
Freely

Our People

At Bank of Kigali, we recognize that our 1,146 team members, ranging from seasoned executives to entry-level staff, form the bedrock of our organization. Their unwavering commitment, diligent efforts, and specialized knowledge have been instrumental in driving our remarkable accomplishments. We remain steadfast in our dedication to fostering an inclusive workplace, actively pursuing gender equality and fostering the professional growth of women across all our subsidiaries. Today, 45% of our workforce consists of women boasting a diverse range of experience and spanning a wide age bracket.

As a Bank, we continue to hold ourselves to the highest industry standards, seeking to recruit the best talents to our organization. In an effort to enhance our positioning as a premier employer in Rwanda, and to be able to consistently attract top talent, we utilize a competitive compensation philosophy, in addition to prioritizing the continuous development of our employees through comprehensive training programs, skill development, and exhaustive succession planning within the organization.

Following through with our ongoing human capital development strategy, we continued implementing our dual approach to talent acquisition, prioritizing internal recruitment where possible while remaining vigilant to attractive talents through external recruitment. Internally, we focused on nurturing homegrown talents, recognizing our employees' right to professional advancement within the Bank's ranks and fostering professional growth opportunities. Externally, we sought to onboard subject matter experts to complement our existing team, prioritizing gender diversity in our recruitment processes.

Meanwhile, in line with our effort to create a healthy environment for our people, we actively maintain transparent communication channels with our employees, actively seeking valuable insights through engagement surveys. These insights, previously gathered and shared with management, consistently enhance our ability to maintain high employee satisfaction levels, evidenced by our remarkable retention rate of 89%.

Training and Education

Recognizing the pivotal role our employees play in driving our success forward, the Bank remains steadfast in creating a work environment that nurtures growth, development, and job satisfaction for all. To this end, our collaboration with universities through the BK Academy Training Initiative aims to attract and cultivate top talent. The Entry Level Training Program (ELTP) equips fresh graduates with the requisite skills and competencies to fill diverse roles within the Bank. Upon completion, participants are awarded certifications and offered employment opportunities. Recently, we launched the second cohort of our three-month ELTP, facilitated by both local and international trainers.

Additionally, we actively engaged in employment fairs at UR Huye Campus, UR CBE Gikondo campus, and CMU, providing motivated young professionals an opportunity to launch their careers. We also provided academic and professional internships for youth, students, and graduates, with potential opportunities for permanent positions within the Bank.

With regards to internal talent development initiatives, we are equally committed to nurturing our existing talent through programs that include the Management Trainee Program. The program prepares employees for managerial roles by providing comprehensive training in leadership, managerial skills, client management, negotiation, and team management, paving the way for future leaders within the organization. Additionally, our talent development program utilizes a competency-based approach to enhance employee skills, recognize top performers, and prepare potential successors. This strategic initiative bolsters our business continuity plan and ensures a robust talent pipeline for the future.

On top of our Management Trainee Program, we offer a host of development initiatives for all our existing employees. Our learning and development initiatives are centered on improving employees' soft, technical, and leadership skills. We provide various training opportunities, including certifications, technical courses, leadership and soft skills workshops, as well as sponsored business visits, workshops, seminars, and conferences.

To continue recognizing our people, their potential, and their professional development, we give precedence to internal growth opportunities in our recruitment strategy, with external hiring processes only conducted for roles that are cannot be filled via internal movements or to onboard external experts bringing significant added value to our team.

Additionally, staff members benefit from participating in large-scale bank projects, enabling them to acquire valuable knowledge and skills.

In 2023 alone, a total of 193,330 hours of training were given to our employees, averaging 168.7 training hours per staff member. Of those programs, 63,810 hours were completed under the Management Trainee Program, empowering our people to take the leap into managerial positions. These concentrated efforts underscore our commitment to empowering our employees and fostering a culture of continuous learning and development across the organization.

Employee Age Group and Gender Breakdown

Age Group and Gender Breakdown

Number of Staff per Age and Gender

AGE BAND	NUMBER OF STAFF	GENDER	
		FEMALE	MALE
Under 25	38	15	8
25-30	192	85	107
31-35	236	89	147
36-40	426	202	224
41-45	250	106	144
46-50	76	35	41
Above 50	33	15	18
TOTAL	1,146	513	633

Number of Staff per Age and Gender – New Hires

AGE BAND	NUMBER OF STAFF	GENDER	
		FEMALE	MALE
UNDER 30	79	38	41
30-50	51	12	39
TOTAL	130	50	80

Occupational Health and Safety

The occupational health and safety management system at the Bank of Kigali was established to adhere to international standards (BCMS 22301:2019) and regulatory mandates, including labor regulations from the Ministry of Public Service and Labor and BNR regulations.

Bank of Kigali has recruited a Health and Safety Officer and a Clinic Officer as components of this system. To ensure the well-being of all BK employees, the HR department has designated health and safety champions from each department who have received specialized training in providing first aid assistance and conducting emergency evacuations. Additionally, the Bank has formulated a health and safety plan and policy, assigning responsibility to HR, Risk, Operations, and other business units for identifying and addressing health and safety risks promptly.

The goal of the system is to guarantee that the workplace effectively meets the health, safety, and welfare needs of all personnel, including those with disabilities, as well as visitors who utilize the premises and may be impacted by the organization's activities. To ensure organizational readiness, those tasked with executing these protocols undergo routine training on optimal response methods. The process of monitoring, measuring, analyzing, and evaluating business continuity encompasses ongoing assessments, which entail planning and executing health and safety tests regularly.

The occupational health and safety management system promotes a culture where employees are encouraged to report any incidents concerning occupational health and safety to the HR department, following the established reporting lines and channels. The Bank has instituted frequent training sessions and developed a health and safety recovery plan document to assist employees in maintaining a safe and healthy work environment, ensuring it remains injury-free and healthy.

Additionally, there is an incident response plan in place detailing the steps for investigating work-related incidents, including hazard identification and risk assessment. The Bank manages occupational health and safety risks through a dedicated framework of policies, procedures, and resources aimed at preventing risks and promptly managing them if they occur. The HR department, BCMS Unit, Physical Security Unit, and department heads share the responsibility for ensuring health and safety assurances across the organization. Moreover, the Crisis Management committee is tasked with discussing and addressing critical incidents based on the nature of the hazard.


ANK OF KIGALI
CO_2

Our Clients

Customer Centricity

Acknowledging that our clients are at the heart of our business, the Bank of Kigali constantly strives to provide superior services and an unmatched experience for our customers. To this end, we focus on continually improving our service offering, automating our processes, and ensuring hands-on customer support around the clock through a variety of channels.

Our strategy revolves around six main pillars through which we ensure effective and transparent operations with our clients, gaining their loyalty and providing positive experiences at all points of contact.

1. **Training:** A central part of our strategy is training our staff on the soft and hard skills needed to guarantee customer satisfaction. During 2023, we provided several training rounds for our employees, ensuring they are knowledgeable on our services, helpful to our clients, and empathetic to their questions and concerns.

2. **Access:** The Bank provides multiple channels through which our clients are able to access our banking services. These channels include internet banking, USSD, our BK mobile application, an extensive network of ATMs and branches around the country, agency banking, as well as automated loan applications (BK Quick). The Bank also provides 24/7 customer support to ensure that its customers have access to the guidance they need to resolve issues promptly whenever they arise.

3. **Digitalization**: As the world around us increasingly turns to new digital solutions to maximize value creation, the Bank of Kigali placed a growing focus on digitalizing its product offering and customer experience in 2023. Efforts during the past 12 months have focused on upgrading the Bank's entire digital product suite to ensure it remains at the forefront of the industry in terms of product and service offering, user experience, and data security. The consistent improvement of the Bank's digital offering has reflected in the steady rise of registered and active users across its platforms, with total internet banking registrations reaching 56,000 in December 2023 from 43,000 at the end of the previous year.

4. **Transparency**: Across our operations, we strive to be fully transparent on our fees, terms, and conditions to build trust with customers. In line with the Financial Service Consumer Protection Regulation, we provide clear and easily understandable information about products and services, including interest rates, account fees, and loan terms, to help customers make informed financial decisions and empower them through greater financial independence.

5. **Customer Relationship Management (CRM):** To ensure continued customer satisfaction, we have recently rolled out a new CRM tool across the Bank to assist in handling customer complaints, tracking resolution times, and capturing feedback on the complaint resolution process. Through the CRM system, the Bank can accurately pinpoint gaps in customer service and implement methods of client communication improvements.

6. **Feedback**: Through our IKAZE platform, which is now installed all round our branch network, the Bank actively seeks feedback from its customers, rating services provided in real-time and allowing written feedback through the platform. The Bank also runs quarterly and yearly customer satisfaction surveys to ensure the quality of its services and customer experience are consistently monitored and improved.

The consistent adherence to our multi-pillar approach has continued to generate the desired results, with the Bank's 2023 NPS improving drastically on a year-on-year basis, well ahead of industry averages in the country.

Digital Clients as of December 2023

Clients	BK App	Internet Banking	Mobiserve	Agents	Cards Issued
Total onboarded	58,049	56,082	186,053	730	45,386
Active	19,350	9,485	69,176	4,470	73,298

Throughout 2023, the Bank of Kigali relied on three main policies to guarantee that clients are receiving top-tier customer service at all stages of their banking. The Complaints Handling Policy places significant emphasis on customer complaints, recognizing that direct client feedback is the cornerstone of developing the business and providing positive experiences for our clients. Meanwhile, the Customer Care and Service Delivery Policy ensures that we remain committed to providing excellent customer service, and the Transparency and Disclosure Policy ensures fairness in all business practices that the Bank and employees create and in which they engage.

Consumer Protection

Prioritizing the safety and privacy of our clients' data, the Bank takes measures to ensure that our clients' information is protected throughout every interaction, in line with the Financial Service Consumer Protection Law (FSCP) regulations.

As the threats posed by cyberattacks continue to evolve and expand, the Bank introduced several new initiatives throughout the year to ensure its protection and mitigation measures remain in line with the latest global standards in how to effectively safeguard data against potential cyber risks.

Throughout the year, the Bank developed and implemented a comprehensive cybersecurity strategy, specifically tailored to address the risks faced by the Bank. Through this strategy, it seeks to fortify its cybersecurity protocols by conducting regular risk assessments, performing vulnerability scans, and providing security awareness training for its employees.

Additionally, the Bank adopted ISO 27001 standards for Information Security Management Systems (ISMS), establishing frameworks for both managing and protecting sensitive client information. To ensure its compliance with ISO 27001 requirements, we implemented rigorous controls and processes to mitigate information security risks.

During 2023, the Bank also implemented several data protection measures to ensure compliance with Rwanda's data protection and privacy laws, including the General Data Protection Regulation (GDPR) aspect. To this end, we implemented encryption techniques and enforced access controls to safeguard sensitive information and ensure compliance with regulatory requirements.

Finally, to limit the effects of any potential future cybersecurity incidents, we designed and implemented a robust incident response protocol, configured to detect, respond to, and recover from security incidents. As part of this framework, we established clear roles and responsibilities for key personnel, defined escalation procedures, and conducted regular drills to enhance our preparedness for future events.

These key initiatives implemented throughout the year serve to highlight our commitment to strengthening our security defenses and protecting our clients' data from all angles. By proactively assessing vulnerabilities and conducting regular sweeps of our systems, as well as having in place defined frameworks and guides for incident response, we can guarantee the privacy of our customers' information and continue gaining the trust of our communities.

Responsible Banking

Bank of Kigali has remained committed to promoting financial inclusion across Rwanda while maintaining sustainable operations and enhancing the standards of living of the communities it serves. As the country's leading Bank, the Bank has consistently played a frontline role in helping the Rwandan government achieve its target of total financial inclusion by 2024, providing the products, access, and knowledge needed to deliver on this goal.

Additionally, the Bank undertakes a wide range of initiatives to ensure that sustainability remains at the center of all its strategies and operations. To this end, the Bank implemented an Environmental and Social Management System (ESMS) tool to identify the environmental and social risks associated with its projects scheduled to be launched in 2024. This helps quantify the Bank's positive and negative impacts and ensure that its initiatives result in a positive social impact across its footprint.

During the year, the Bank signed key partnerships with electric vehicle providers to convert a portion of its fuel-operated fleet to electric vehicles. The Bank is also a member of the United Nations Global Compact (UNGC) and wholeheartedly supports the Ten Principles of the UNGC on human rights, labor, environment, and anti-corruption.

Finally, to ensure a positive indirect environmental and social impact, the Bank conducts due diligence on all credit proposals. It also sets forth terms for its corporate clients, conducting regular visits to corporate customers to identify any potential sustainability risks. For corporate clients with high environmental and social risks, specifically, the Bank includes covenants in its contracts, ensuring no negative impacts from its investments affect its communities.


Cracking jokes especially if the jokes are not funny or acting too friendly and familiar on your first meetings.
You'll come across as patronizing and someone that is unserious and can't be trusted.
Approach each prospective customer with caution, respect and courtesy–not with an over bearing friendly hand shake or a hug or a pat or slap on the back
BANK OF KIGALI
Ubudasa
D R I V E

Social Development

Overview

Bank of Kigali is deeply committed to advancing sustainability in Rwanda, firmly believing in its capacity to address critical societal issues. Integral to the Bank's strategy is its commitment to advancing the welfare and development of Rwandan society. The Bank dedicates itself to impactful social initiatives that harmonize with both local and international agendas, seamlessly integrating with Rwanda's National Strategy for Transformation (NSTI), Vision 2050, the 14 Sustainable Development Goals (SDGs), and the African Union Agenda 2063.

CSR Strategy

The Bank prioritizes projects with maximal societal impact, covering a range of social concerns, encompassing poverty alleviation, malnutrition mitigation, environmental preservation, gender parity promotion, and the establishment of shelters for vulnerable groups, such as women and orphans. We also actively engage in various rural development ventures.

The Bank channels resources toward projects that align with its core pillars. Through strategic grant allocations, the Bank actively fulfills its commitment to social responsibility, driving positive change, and fostering sustainable development within the communities it serves.

To ensure the fruition of these social development endeavors, the Bank diligently procures requisite funding through diverse financing avenues. This entails harnessing donations, fostering sponsorships, and forging strategic alliances with key stakeholders in sustainable development. Through unwavering support for these initiatives, we remain steadfast in our commitment to driving transformative change and nurturing sustainable development within Rwanda and beyond.

Education

At the heart of the Bank's ethos is a dedicated focus on nurturing education and enhancing individuals' skills for personal and professional growth, dedicated to driving positive change through targeted education initiatives. With a focus on promoting equal access to quality education, the Bank empowers individuals from diverse backgrounds, particularly youth and women, for success in today's dynamic workforce.

Through strategic partnerships and innovative programs, Bank of Kigali addresses key challenges in education, including access, affordability, and relevance. By investing in initiatives that enhance vocational skills, promote STEM education, and foster entrepreneurship, the Bank unlocks new opportunities for personal and professional development, contributing to Rwanda's socio-economic progress.

University of Kigali Scholarship

In collaboration with the University of Kigali, the Bank proudly supported undergraduates during the institution's 7th Graduation Ceremony. This assistance included the provision of a scholarship for a master's degree and four prepaid cards, collectively amounting to FRw 4 million.

Partnership with Agahozo Shalom Youth Village

Building on several years of successful collaboration, the Bank's partnership with Agahozo Shalom Youth Village empowered 64 students in 2023 with scholarships, prioritizing inclusivity and gender equality in STEM fields. Backed by a grant of FRw 288,000, these scholarships, coupled with holistic development through extracurricular activities and support programs like The LEAP and Health and Wellness, significantly impact the educational landscape.

Imbuto Foundation Scholarships

The Bank proudly supports educational diversity by offering scholarships to 163 students, comprising 58 males and 105 females, across various educational levels. These scholarships are distributed in ordinary level, TVET, STEM, and TTC categories, emphasizing equal opportunities and promoting inclusivity in education.

Paroisse Rutongo Initiative

Through collaborative efforts, the Bank has empowered 106 teen mothers by providing them with vital economic and life skills, including family planning. Backed by a grant of FRw 19 million, this initiative addresses Rwanda's adolescent pregnancy challenge, enriches lives, and empowers Rutongo's youth, fostering sustainable community development.

Chevening Scholarship Program

In 2023, the Bank continued its long-standing partnership with the Chevening Scholarship Program and sponsored transformative education for five females and one male. This initiative, supported by a grant of GBP 35,000, underscores our commitment to empowering scholars to drive positive change in their communities and beyond. The current scholarship program was renewed in 2021 when Bank of Kigali renewed a three-year agreement with the Foreign, Commonwealth, and Development Office (FCDO) to support students pursuing studies under the Chevening Scholarship Program.

Development

The Bank endeavors to assist the government in achieving a fully banked population in Rwanda by 2024. To fulfill this objective, we actively engage in advocating for social development through various initiatives aimed at improving the quality of life for individuals in all areas.

BK Urumuri 7th Edition

Bank of Kigali and Inkomoko, a firm that works with micro, small, and medium enterprises, partner 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 2023, the Bank hosted the seventh edition of BK Urumuri. The Bank fueled innovation by assisting 25 SMEs and facilitating their accelerated entrepreneurship skills training. Additionally, six winners from this group, comprising two women-owned businesses and four men-owned businesses, received interest-free loans ranging from FRw 3 to 5 million from Bank of Kigali.

Support for Vulnerable Communities

BK's Response to Flood Victims

In the aftermath of the devastating floods that struck Rwanda in May 2023, Bank of Kigali spearheaded a significant relief effort. Recognizing the urgent need for assistance, employees from various subsidiaries came together, demonstrating a profound sense of unity and compassion. Through their collective efforts, they raised a total of FRw 127 million to aid the flood victims across the Western, Northern, and Southern provinces.

The funds raised by the Bank played a crucial role in facilitating the resettlement of over 51,000 affected individuals. Beyond immediate relief, the Bank provided essential recovery assistance to help affected communities rebuild their lives. From emergency shelters to livelihood support, the Bank's interventions aimed to address the diverse needs of those impacted by the floods. This comprehensive approach underscored the Bank's dedication to not only alleviating immediate suffering but also fostering long-term recovery and resilience.

BK Supports Unity Club

In addition to responding to natural disasters, the Bank remains dedicated to uplifting vulnerable individuals and communities. One significant initiative is the Bank's support for the Unity Club, aimed at improving the lives of marginalized groups.

With a generous grant of FRw 195 million, the Bank empowered the Unity Club to make a tangible difference in the lives of 41 individuals near Impinganzima in Huye District. This funding facilitated the construction of eight houses, providing secure homes for eight families, comprising six men, eight women, and 27 children. Beyond immediate shelter, the initiative aimed to address underlying factors contributing to vulnerability, such as inadequate housing and shelter insecurity.

Furthermore, the Bank's support for the Unity Club went beyond infrastructure development. Through holistic interventions, including access to education, healthcare, and livelihood opportunities, the Bank aimed to promote the long-term stability and well-being of beneficiaries. By investing in sustainable solutions that empower communities to thrive, the Bank reaffirmed its commitment to enhancing the quality of life of those in need within Rwandan communities.

Environmental Conservation

Women Empowerment in Entrepreneurship (WEE) Initiative: Zamuka Mugore

Through its WEE initiative, Bank of Kigali is paving the way for a greener and more equitable future in Rwanda. This biannual program empowers women and youth to become pioneers in the green e-mobility and transport sector, tackling both climate change and gender inequality simultaneously. WEE recognizes the crucial role women can play in transitioning to sustainable transportation solutions. As Rwanda prioritizes gender inclusion in its climate action strategies, WEE equips women with the skills and resources needed to thrive in the green transport industry. By providing training in green technologies, digital tools, and eco-friendly logistics, WEE empowers women to become entrepreneurs and leaders in this rapidly evolving ecosystem. Since its inception, WEE has made significant strides in achieving its goals. With a total membership of 88 as of 2023, the program has seen active participation from 13 women, covering an impressive 221,000 km. This collective effort has resulted in the avoidance of 22.34 metric tons of CO_2e, a testament to the program's positive environmental impact.

The Wildlife Conservation Initiative (WCI)

The WCI is a youth-led non-profit that has partnered with Bank of Kigali on a six-month project to revive the Mukungwa in Musanze District, located in the Northern Province of Rwanda. This project, titled "Integrated Restoration of Mukungwa River while Improving Local Livelihood," began with a plant nursery funded by a FRw-5-million grant. Indigenous plants, nurtured with fertile soil and manure, aim to combat erosion. Village workers contribute to the cause, finding hope and change in this green initiative. The WCI created a revitalized ecosystem that not only supports the environment but also replenishes the soil, enabling the community to cultivate indigenous trees along the Mukungwa River. The project's impact goes beyond the riverbanks. The WCI is also actively engaged in implementing a project aimed at establishing nursery beds for indigenous plants. The goal is to cultivate 30,000 plants in the Musanze District. As of year-end 2023, 20,000 plants have already sprouted from the initial planting.

Forward-Looking Strategy

As we pursue our mission to improve the lives of the Rwandan people through sustainable development, Bank of Kigali is ready to amplify its impact. Aligned with the Bank's Strategy, UN's SDGs and the objectives of the Rwandan government, our forward-thinking strategy aims to expand our reach across key sectors, such as education, health, poverty alleviation, and environmental conservation.

Looking ahead, we are dedicated to increasing our efforts and involvement in these crucial areas, reaching more segments of the population, and exploring innovative approaches to community impact. Through these endeavors, we are reaffirming our commitment to making a meaningful difference in Rwanda's societal development and fostering a brighter future for all Rwandans.

Our Environment

Acknowledging our responsibility to mitigating the environmental impact of our operations across our subsidiaries, we remain wholeheartedly dedicated to supporting Rwanda's environmental preservation efforts. As such, we continue to focus on the environmental impacts of our operations, minimizing our carbon footprint and preserving the environment, both directly through our head office and branch network and indirectly through our loans and financing operations.

With a strong focus on environmental conservation, the Bank is actively engaged in achieving measurable impact within Rwandan communities. Specifically targeting SDG 13: Climate Action, we have implemented frameworks to measure and reduce our carbon footprint, ensuring compliance with national environmental laws, particularly Law N°48/2018, which provides guidelines for environmental protection, conservation, and promotion.

In tandem with these commitments, the Bank joined the UNGC in 2023, demonstrating our drive to embrace sustainable and socially responsible practices. The UNGC supports businesses worldwide in adopting best practices, with its core principles covering key areas that include environment, labor, human rights, and anti-corruption. By ensuring these vital issues remain central to our operations, our membership offers access to invaluable networking opportunities, tools, training sessions, and a platform for exchanging best practices with a global network of leading companies.

Sustainability Through Digitalization

A core aspect of our environmental conservation involves transitioning toward a cashless banking model by enhancing and expanding digital service offerings. This shift significantly reduces our carbon footprint by decreasing paper usage for client services and conserving resources, including electricity, water, and waste emissions at physical branches. Moreover, a substantial portion of our internal processes has transitioned to paperless systems, utilizing digital signatures and other electronic methods. Our partnership with DirectPay Online Rwanda (DPO) further promotes digitalization, enabling clients to access efficient e-commerce and payment services through DPO's comprehensive platform. To bolster digital services, we successfully introduced five new features on our digital platform, allowing clients to conveniently pay various bills online, from water bills to school tuition, directly from their homes.

Sustainable Practices and Conservation Efforts

We have extended support to local NGOs as part of our steadfast commitment to environmental conservation. The BK Foundation has laid a comprehensive approach, collaborating with strategic partners to implement sustainable environmental management practices, including tree planting, initiatives for sustainable waste management, water pollution abatement, prudent management of water and natural resources, development of urban green spaces, and facilitating access to renewable energy in rural areas through solar energy solutions.

Furthermore, we have recently implemented systems to reduce electricity consumption at both our head offices and branches by installing eco-friendly equipment and LED lighting across various operational areas. In conjunction, we have prioritized staff education and awareness, ensuring they are informed on energy-saving practices. This transition has led to significant cost savings over the years, with an estimated monthly saving of up to FRw 4 million.

Additionally, we adhere to regulations set by the Rwanda Utilities Regulatory Authority regarding the disposal of e-waste, ensuring this is managed in the most sustainable manner possible. To minimize waste generation throughout our activities and value chain, we have initiated measures to reduce our waste footprint. This includes recycling construction materials, such as aluminum partitions, glass, and MDF boards, from previously demolished buildings, yielding both waste management and cost reduction benefits. Finally, the Bank has begun replacing a portion of its fleet with electric vehicles to further reduce its carbon footprint.

Environmental Initiatives and Partnerships

Bank of Kigali collaborates with local environmental partners to spearhead activities and initiatives aimed at advancing environmental sustainability, agroforestry, and the conservation of natural resources. Our latest green endeavor involves teaming up with Green Solutions and Supply Ltd Rwanda to provide energy-saving stoves along with water tanks to the Kabarore sector of the Gatsibo District.

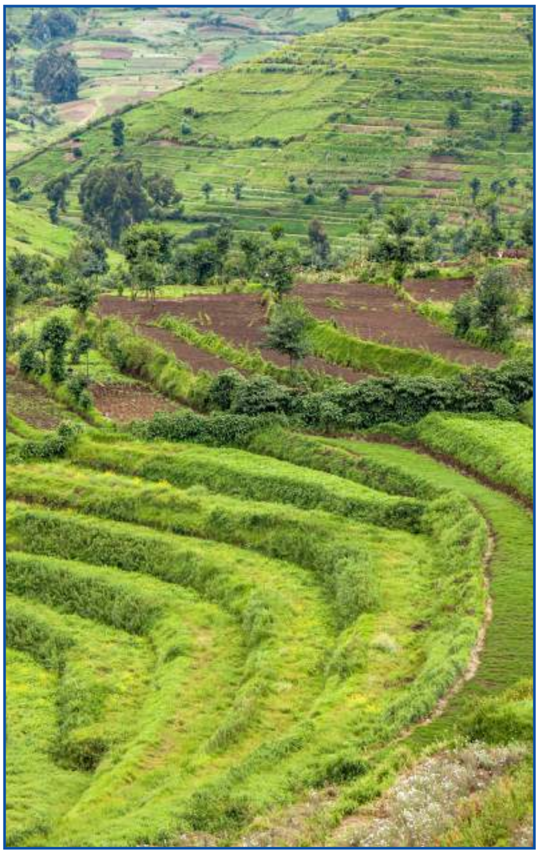
Additionally, we joined forces with MTN Rwanda to support the Connect Rwanda initiative. Through a handset financing tripartite agreement, we aim to offer smartphones to customers via a device-financing program. Furthermore, Bank of Kigali partnered with Enviroserve Rwanda Green Park (ERGP), a prominent recycling company in Rwanda, to implement a circular economy approach and sustainable e-waste collection system. This ensures the proper collection, repair, and refurbishment of end-of-life electronic equipment.

We also collaborated with Living Water International – Rwanda, an International Non-Governmental Organization (INGO) focused on improving water access, sanitation, and hygiene in communities. As part of this collaboration, the Bank sponsored the drilling of a borehole to address water scarcity in the Gahanda Village of the Nyanza District.

We initiated impactful environmental projects. These initiatives included the planting of 30,000 trees to enhance environmental well-being and empower the local community, particularly in bolstering climate resilience in Rwanda's Northern Province. Additionally, the Foundation provided 20 electric motorcycles to 120 women in Kigali, promoting environmental conservation in the country's economic hub. This initiative not only promotes eco-friendly mobility and environmental sustainability but also fosters sustainable livelihoods and enhances women's financial independence, enabling them to meet their social and economic needs more effectively.

A Look Ahead

Looking ahead, the Bank remains steadfast in its commitment to spearheading robust environmental policies. Over the course of 2024, we aim to establish a comprehensive ESG strategy, setting measurable milestones in the years to come. We will further expand our initiatives to mitigate our environmental impact. Partnering with strategic local environmental partners, we will continue to lead initiatives aimed at advancing environmental sustainability, agroforestry, and the conservation of natural resources.



04.

Governance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Anti-Corruption

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

Corruption has both financial and reputational costs, not only on the Bank but on the entire country as well. In this respect, the Bank has a zero-tolerance policy toward actual or attempted bribery. In fighting corruption and in execution of the anti-corruption policy, and in accordance with law No. 54/2018 of 13/08/2018 on fighting against corruption, the Board of Directors of Bank of Kigali Plc approved the Anti-Corruption and Anti-Bribery Policy in November 2018 and reviewed it in 2022 to guide the Bank in this endeavor.

The policy is applicable to all of the Bank's employees, including senior managers, directors, and third-party service providers (suppliers, agents, and sponsors). The policy prohibits accepting, offering, paying, granting, or authorizing bribes. The policy clearly states that the Bank's operations, including lending and staff engagement with stakeholders, should be conducted with utmost honesty and integrity and without the use of corrupt practices. The policy prohibits offering or receiving bribes on behalf of Bank of Kigali to gain business advantages 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 been informed of our anti-corruption policy. Furthermore, out of our 1,093 employees, consisting of 841 officers, 238 managers and Heads of Departments (HoDs), and seven Executive Committee members, have undergone training on anti-corruption measures.

There have been two incidents of corrupt practices in 2023, and all staff involved have had their contracts terminated. During the reporting period, there have been no public legal cases regarding corruption brought against the organization or its employees.

Risk Management

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

The Bank boasts a comprehensive risk and compliance framework that complies with the most effective standards for risk management, as well as the applicable regulations and laws, and acts as the driving force behind its ability to manage and balance financial and non-financial risks. The Bank's risk management process is structured in a manner that allows its risk officers and managers 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 for Banks
- Credit Classification and Provisioning
- Corporate Governance
- Management of Related Parties and Credit Concentration Risk
- Capital and Liquidity Requirements for Banks
- Business Continuity Management

Our Risk Organization’s Structure

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

Risk Outline and Policies

Risks	Procedures and Measurements	Outcomes in 2023
Credit Risk	Policies and procedures, including credit approval matrices and a credit review system that utilizes standardized measures and ratios to monitor the health of the Bank's portfolio, are in place.	The Bank's policies and procedures have allowed it to maintain a healthy loan portfolio. Regular monitoring of loan portfolio metrics enables the identification of early warning indicators of distress, allowing the Bank to take proactive measures in developing recovery strategies.
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 foreign exchange positions and exchange rate movements to mitigate the risk of revaluation losses. All key metrics, including LCR, NSFR, and NOP, are maintained within internal and regulatory limits.
Operational Risk	There is 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 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	Controls and measures to minimize undue concentration of exposure in the Bank's two client segments. These include portfolio and counterparty limits, as well as approval and review controls.	The concentration risk per name and group concentration, economic sector, and business segment was closely monitored, and efforts were deployed to minimize the concentration risk to the maximum allowable limits. Notable efforts were made by the Bank of Kigali to maintain a more strategically diverse portfolio by promoting lending services to retail and SME clients.

Risks	Procedures and Measurements	Outcomes in 2023
Capital and Solvency Risk	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.	Maintained 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 2023, the Bank's CAR stood at 19%, quite above both the internal and regulatory limits.
Funding Risk	A multitude of ratios as essential indicators for the risks associated with project cashflows.	Maintained diversified funding sources, adequate levels 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.	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 202.1% and net stable funding Ratio at 128.9% as at the end of 2023.

Corporate Governance Framework

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 Bank's overall performance and is collectively responsible for its long-term success. The Board determines the Bank's strategic objectives and policies to deliver long-term value, providing overall strategic direction within a framework of rewards, incentives, and controls. It also 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 2023, Bank of Kigali Plc Board comprised seven directors:

N◦	Director	Directorship Type	Date of Appointment
1.	**Mr. Rod Reynolds (Chairman)**	Independent	6 February 2019
2.	**Mr. Regis Rugemanshuro (Vice Chairman)**	Non- Independent	29 September 2020
3.	**Ms. Angela Wamola**	Independent	02 March 2023
4.	**Ms. Risper Alaro Mukoto**	Independent	11 February 2019
5.	**Mr. Laban Bayingana**	Non- Independent	03 October 2023
6.	**Mr. William Juma Arogo**	Independent	12 March 2020
7.	**Mr. Ubalijoro Eugene**	Independent	25 November 2020

Board Operations and Control

The Board's executive and non-executive directors act in accordance with the Bank's Memorandum and Articles of Association to promote the success of the Bank for the benefit of all stakeholders. The Board is governed by and is in full compliance with the 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 Bank.

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; changes in capital structure and major acquisitions, mergers, disposals or capital expenditure; and the approval of dividends and the annual budget.

The Board meets at least once per quarter, and all directors are expected to attend each meeting. Each member is required to attend at least 75% of the Board meetings in any financial year. Members who fail to attend meetings as required are to resign. In 2023, the Board held four Ordinary Meetings and one Extraordinary Meeting.

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 committee meets regularly under well-defined and materially delegated terms of reference set by the Board.

Board and Committee Participation

No:	Director	Directorship Type	Board	Audit Committee	Risk Committee	Credit Committee	Nomination and Remuneration Committee	IT Committee
1.	Rod Reynolds	Independent	5/5	N/A	N/A	N/A	N/A	N/A
2.	Regis Rugemanshuro	Non-Independent	5/5	N/A	4/4	7/9	N/A	4/4
3.	Reuben Karemera	Non-Independent	3/3	2/2	N/A	5/5	2/2	N/A
4.	Laban Bayingana	Non-Independent	1/1	1/1	N/A	2/2	1/1	N/A
5.	William Juma Arogo	Independent	5/5	N/A	4/4	9/9	N/A	N/A
6.	Eugene Ubalijoro	Independent	5/5	4/4	N/A	N/A	4/4	4/4
7.	Risper Alaro Mukoto	Independent	5/5	4/4	N/A	N/A	4/4	N/A
8.	Angela Wamola	Independent	5/5	N/A	4/4	N/A	N/A	4/4

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.

The Committee advises the Board on and leads the process for Board appointments and ensures that the Board and its committees have an appropriate balance of skills, experience, availability, independence, and knowledge of the Company to enable them to discharge their respective responsibilities effectively. It also advises the Board on developing an overall remuneration policy that is aligned with the business strategy and objectives, risk appetite, values, and long-term interests of the Company.

The Committee also advises the Board on salaries, bonuses, employee contracts, severance retirement benefits, and share-based or long-term incentive schemes. It is chaired by an Independent Director.

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 among the members for consideration and approval, in accordance with a defined procedure that ensures that all members of the Committee receive full information on such credits..

Audit Committee

The 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, 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 HR 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 within the Bank, as well as 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 it issues recommendations to the Board accordingly. Additionally, it reviews the Bank's risk profiles, at least annually, and ensures management's implementation of processes to promote the Bank's adherence to the approved risk policies.

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

Board IT Committee

The Board IT Committee oversees the IT Steering Committee and the implementation of the requirements set out in the relevant cybersecurity laws and regulations. Accordingly, it must investigate activities within this scope, seek information from any employee, and seek external experts, if deemed necessary.

The Committee must work in partnership with other Board Committees and senior management to provide input on, review, and amend the aligned corporate and IT strategies.

Company Secretary Mandate

As per the Bank's Board Charter, the Company Secretary provides a point of reference and support for all directors and will consult regularly with directors to ensure that they receive required information. The Board may obtain information from external sources, such as consultants and other advisers, if there is a need for outside expertise, either 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 conducted by the external auditor provides a further level of protection of the integrity of the Bank's financial statements. The Audit Committee oversees the external audit function. This includes reviewing and approving the external audit plan and engagement and assessing the performance of the external auditor.

Whereas the Directors are responsible for preparing the accounts and 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 reports independently and directly to the Board every quarter for interim results and at the end-of-year Board meetings.


Annual Report
Process Analysis
PROJECT PLAN YEAR
Sale UP
Process Analysis

Bank of Kigali
Board of Directors

Rod Reynolds
Chairman

Regis Rugemanshuro
Vice Chairman

Angela Wamola
Board Member

Risper Alaro Mukoto
Board Member

Laban Bayingana
Board Member

William Juma Arogo
Board Member

Eugene Ubalijoro Kabera
Board Member


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05.

Financial Statements


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BANK OF KIGALI PLC
DIRECTORS AND STATUTORY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2023

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. Angela Wabosha Wamola
Ms. Risper Alaro
Mr. William Juma Arogo
Mr. Ubalijoro Eugene

Non-Executive and Non-Independent Directors

Mr. Regis Rugemanshuro (Vice Chairman)
Mr. Reuben Karemera (Rotated on 28th March 2023)
Mr. Bayingana Laban (Appointed on 3rd October 2023)

CHIEF EXECUTIVE OFFICER

Dr. Diane KARUSISI (CEO)

SECRETARY

Felista M. KIMANUKA
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

BANK OF KIGALI PLC
REPORT OF THE DIRECTORS'
FOR THE YEAR ENDED 31 DECEMBER 2023

The directors have the pleasure of submitting their report together with the audited financial statements for the year ended 31 December 2023 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

The total proposed dividend for the year is therefore FRw 29,474,791,752 (2022: FRw 29,974,879,500) 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 14th March 2024. The directors have the power to amend and reissue the financial statements.

BY ORDER OF THE BOARD

Felista M. KIMANUKA
Company Secretary

BANK OF KIGALI PLC
STATEMENT OF THE DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023, 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 material 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 assessed 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:

____
Chairman of the Board

____
Director

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, three 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 five 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

BANK OF KIGALI PLC
CORPORATE GOVERNANCE STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023.

Structure	Category	Main Board	Audit	Risk committee	Credit Committee	Nomination and Remuneration Committee	IT Committee
Mr. Rod Reynolds	Independent	5/5					
Mr. Regis Rugemanshuro	Non-Executive Non-Independent	5/5		4/4	7/9		4/4
Mr. Reuben Karemera	Non-Independent	3/3	2/2		5/5	2/2	
Mrs. Angela Wabosha Wamola	Independent	5/5		4/4			4/4
Mr. William Juma Arogo	Independent	5/5		4/4	9/9		
Mr. Eugene Ubalijoro	Independent	5/5	4/4			4/4	4/4
Mrs. Risper Alaro Mukoto	Independent	5/5	4/4			4/4	
Mr. Bayingana Laban	Non-Independent	1/1	1/1		2/2	1/1	

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

BANK OF KIGALI PLC
CORPORATE GOVERNANCE STATEMENT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2023

Opinion

We have audited the financial statements of Bank of Kigali (Rwanda) Plc set out on pages 11 to 89, which comprise the statement of financial position as 31 December 2023, and the statement of 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as at 31 December 2023, 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 as amended by Law No. 019/2023 of 30 March 2023.

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 the Company in accordance with the International Ethics Standards Board for Accountants' International 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

Key Audit Matters	How the matter was addressed in our audit

IFRS 9. Expected Credit Losses

Key Audit Matters

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.
- **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

How the matter was addressed in our audit

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

REPORT OF THE INDEPENDENT AUDITOR
TO THE SHAREHOLDERS OF
BANK OF KIGALI PLC

Other information Included the group's 2023 annual report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, 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.

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

- 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.
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.
- From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by the Law No. 007/2021 of 05/02/2021 governing Companies as amended by Law No. 019/2023 of 30 March 2023,

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

Statement of profit or loss and other comprehensive income

For the year ended 31 december 2023

	Note	31 December 2023 FRw'000	31 December 2022 FRw'000
Interest revenue calculated using the effective interest	5	212,821,310	185,918,302
Interest expense calculated using the effective interest method	6	(50,684,375)	(50,953,192)
Net interest income		**162,136,935**	**134,965,110**
Fee and commission income	7(a)	43,288,034	29,063,931
Fee and commission expense	7(b)	(3,671,796)	(2,859,953)
Foreign exchange related income	8	13,777,145	13,504,051
Other operating income	9	485,840	160,969
Operating income before impairment losses		**216,016,158**	**174,834,108**
Credit impairment losses	10	(18,606,590)	(10,003,604)
Net operating income		**197,409,568**	**164,830,504**
Personnel costs	11(i)	(39,690,030)	(31,687,839)
Depreciation and amortisation	11(ii)	(10,491,415)	(8,676,965)
Administration and general expenses	11(iii))	(41,932,243)	(37,826,791)
Total operating expenses		**(92,113,688)**	**(78,191,595)**
Operating profit		**105,295,880**	**86,638,909**
Interest on lease liabilities	11	(160,122)	(400,872)
Profit before income tax		**105,135,758**	**86,238,037**
Income tax expense	12(a)	(31,448,778)	(26,288,278)
Profit for the year		**73,686,980**	**59,949,759**
Other comprehensive income:		-	-
Total comprehensive income for the year		**73,686,980**	**59,949,759**

The notes set out on pages 15 to 89 form an integral part of these financial statements.

Statement of financial position

For the year ended 31 december 2023

	Note	31 December 2023 FRw'000	31 December 2022 FRw'000
ASSETS			
Cash in hand	13 (a)	30,615,261	21,757,316
Balances with the National Bank of Rwanda	13 (b)	305,656,016	328,750,207
Cash balances with other banks	14	245,045,682	43,319,605
Investment securities	15 (a)	175,768,193	206,218,114
Investment in corporate bond	15 (b)	16,139,396	11,791,537
Investment in specialized fund	15 (c)	1,104,027	1,050,241
Loans and advances to customers	16 (a)	1,244,843,264	1,134,512,318
Deferred income tax asset	17	12,426,968	16,821,005
Other assets	18	9,197,349	17,828,138
Right of use assets	19	346,744	3,195,291
Property and equipment	20	12,933,693	9,653,845
Intangible assets	21	8,541,338	9,251,369
Total assets		**2,062,617,931**	**1,804,148,986**
Liabilities			
Due to banks	22	195,184,606	280,588,198
Deposits and balances from customers	23	1,387,291,803	1,084,321,751
Income tax payable	12	660,909	5,418,880
Dividends payable	24	21,639,940	29,974,880
Other liabilities	25	38,351,952	26,637,274
Lease liabilities	26	739,759	3,674,937
Long-term finance	27	103,722,062	102,718,354
Total liabilities		**1,747,591,031**	**1,533,334,274**
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)	151,121,932	106,909,744
Total equity		**315,026,900**	**270,814,712**
Total liabilities and equity		**2,062,617,931**	**1,804,148,986**

The notes set out on pages 15 to 89 form an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 december 2023

31 December 2023	Note	Issued capital	Share premium	Other reserves	Retained earnings	Total
		FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
As at 1 January 2023	28	20,000,000	141,582,995	2,321,973	106,909,744	270,814,712
Comprehensive Income						
Profit for the year		-	-	-	73,686,980	73,686,980
Other comprehensive income					-	-
Accrued dividends					(29,474,792)	(29,474,792)
As at 31 December 2023		**20,000,000**	**141,582,995**	**2,321,973**	**151,121,932**	**315,026,900**

31 December 2022	Note	Issued capital	Share premium	Other reserves	Retained earnings	Total
		FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
As at 1 January 2022		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)
Statutory reserves		-	-	-	-	-
As at 31 December 2022		**20,000,000**	**141,582,995**	**2,321,973**	**106,909,744**	**270,814,712**

The notes set out on pages 15 to 89 form an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 december 2023

Cash flows from operating activities	Note	31 December 2023 FRw'000	31 December 2022 FRw'000
Profit before income tax		**105,135,758**	**86,238,037**
Adjusted for:			
Depreciation of property and equipment	20	4,517,193	2,951,305
Depreciation on right of use assets	19	3,106,851	3,091,725
Amortization of intangible assets	21	2,867,371	2,633,935
Interest on lease liabilities	26	160,122	400,872
Gain or loss on disposal of property and equipment		(8,388)	(91,020)
Interest incurred and revaluation loss on long-term financing	27	12,311,456	5,533,728
Changes in expected credit losses and other credit impairment charges	10	18,606,590	10,003,604
Accrued interest income		(1,320,778)	(507,057)
Cash flows before changes in working capital		**145,376,175**	**110,255,129**
Changes in working capital			
Increase in loans and advances	16(a)	(128,937,536)	(154,248,601)
Decrease in other assets	18	8,630,789	9,621,556
Increase in cash reserve requirement	13(b)	(10,878,322)	(20,842,272)
Increase in deposits and balances from customers	23	302,970,052	103,811,170
Decrease in due to banks	22	(37,718,408)	(18,861,320)
Increase in other liabilities	25	11,714,678	(5,922,611)
		291,157,428	**23,813,051**
Income tax paid		(31,812,712)	(31,804,382)
Net cash (used)/generated from operating activities	12	**259,344,716**	**(7,991,331)**
Investing Activities			
Purchase of property and equipment	20	(7,817,950)	(4,484,675)
Purchase of intangible assets	19	(2,157,340)	(2,399,514)
Investment securities			
Additions in investment in securities	15(a)	(398,994,676)	(456,408,439)
Receipts on investment maturities	15(a)	429,444,597	407,339,906
Corporate bond			
Additions in corporate bond	15(b)	(4,502,300)	-
Receipts in corporate bond	15(b)	1,245,222	232,655
Receipts from specialized fund	15(c)	50,258	50,258
Proceed from sale of property and equipment		29,296	91,020
Net cash flows used investing activities		**17,297,107**	**(55,578,789)**
Financing Activities			
Dividends paid	24	(37,809,732)	(24,460,702)
Proceeds from long-term finance	27(a)	7,875,439	57,418,031
Repayment of principal on long-term finance	27(a)	(10,763,507)	(12,283,997)
Repayment of interest on long-term finance	27(a)	(8,419,679)	(3,976,406)
Interest Payment of lease liabilities	26	(160,122)	(400,872)
Principal payment of lease liabilities		**(3,193,479)**	**(3,525,790)**
Net cash flows from/(used in) financing activities		(52,471,080)	12,770,264
Net (decrease)/increase in cash and cash equivalents		224,170,743	(50,799,856)
Net foreign exchange difference		(28,736,190)	(4,128,047)
Cash and cash equivalents at 1 January	13(c)	113,999,970	168,927,873
Cash and cash equivalents at 31 December		**309,434,523**	**113,999,970**
Additional information on operational cashflows from interest income and interest expense			
Interest income received		195,669,018	175,158,979
Interest expense paid		(45,009,487)	(38,880,158)

Notes to the financial statements

For the year ended 31 december 2023

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. Material 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 "IFRS Accounting Standards" 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 material 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.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply prospectively.

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

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)

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 2023 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 2023. 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 1st 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 and is 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 and 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. This standard does not have any material effect on the bank's financial statements as the bank does not issue any insurance/reinsurance contracts or hold reinsurance contracts.

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 2023.

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

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 'material' 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.

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

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.

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.

2.2 Changes in accounting policy and disclosures (continued)

New and amended standards and interpretations (continued)

Standards issued but not yet effective (continued)
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 (continued)

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.

2.3 Summary of material accounting policies

Material 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.

2.3 Summary of material accounting policies (continued)

a) 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.

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.

2.3 Summary of material accounting policies (continued)

b) Recognition of interest income (continued)

(iii) Fees and commission (continued)
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.

2.3 Summary of material accounting policies (continued)

Material accounting judgements, estimates and assumptions (continued)

c) Property 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%

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.

d) 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.

2.3 Summary of material accounting policies (continued)

Material accounting judgements, estimates and assumptions (continued)

e) 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.

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.

2.3 Summary of material accounting policies (continued)

(g) Financial assets and liabilities (continued)

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.

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.

2.3 Summary of material accounting policies (continued)

(g) Financial assets and liabilities (continued)

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.

(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.

2.3 Summary of material accounting policies (continued)

(g) Financial assets and liabilities (continued)

(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.

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.

2.3 Summary of material accounting policies (continued)

(g) Financial assets and liabilities (continued)

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.

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.

2.3 Summary of material accounting policies (continued)

(g) Financial assets and liabilities (continued)

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.

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.

2.3 Summary of material accounting policies (continued)

(j) Income tax expense (continued)

Deferred tax (continued)

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. 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.

2.3 Summary of material accounting policies (continued)

(k) Leases (continued)

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.

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.

2.3 Summary of material accounting policies (continued)

(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.

(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 Material 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 material 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 material 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.

As at 31 December 2023 potential future cash outflows of FRw 17.4 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 17 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 2023. 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.

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]

4. Financial risk management (continued)

4.1. Credit risk (continued)

4.1.1 Credit risk management (continued)

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.

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. Financial risk management (continued)

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).

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.

4. Financial risk management (continued)

4.1.2 Expected credit loss measurement (continued)

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.

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.

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

4.1.2 Expected credit loss measurement (continued)

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).

	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.

Macroeconomic factors	Base scenario		Upside		Downside	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
Domestic GDP	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

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 2023			
Scenario probability weighting	50%	30%	34%
As at 31 December 2022			
Scenario probability weighting	66.0%	34%	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 2023 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 for commercial properties and 2 years for residential properties. If time to realisation increased by 1 year, overall ECL would increase in the range of FRw 2 billion and FRw 3.5 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 3.5 billion and FRw 4.1 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				
	2023				2022
	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	964,637,246	-	-	964,637,246	928,507,263
Watch	-	58,954,240	-	58,954,240	112,812,591
Default	-	-	72,533,384	72,533,384	28,761,876
Gross carrying amount	**964,637,246**	**58,954,240**	**72,533,384**	**1,096,124,869**	**1,070,081,730**
Expected credit loss	(13,509,157)	(2,994,948)	(59,069,003)	(75,573,108)	(63,566,875)
ERF Discount	(4,488,857)	(49,972)	(492,526)	(5,031,355)	(6,149,016)
Carrying amount	**946,639,232**	**55,909,320**	**12,971,855**	**1,015,520,407**	**1,000,365,839**

	Retail				
	2023				2022
	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	226,734,696	-	-	226,734,696	134,667,838
Watch	-	9,260,889	-	9,260,889	4,663,723
Default	-	-	14,158,334	14,158,334	10,872,808
Gross carrying amount	**226,734,696**	**9,260,889**	**14,158,334**	**250,153,919**	**150,204,369**
Expected credit loss	(3,038,240)	(1,325,323)	(11,676,886)	(16,040,449)	(16,057,889)
ERF Discount	(4,780,621)	(8,121)	(1,870)	(4,790,613)	-
Carrying amount	**218,915,834**	**7,927,445**	**2,479,578**	**229,322,857**	**134,146,480**

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				
	2023				2022
	ECL staging				
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Normal	176,809,580	-	-	176,809,580	207,390,703
Gross carrying amount	176,809,580	-	-	176,809,580	207,390,703
Expected credit loss	(1,041,386)	-	-	(1,041,386)	(1,172,589)
Carrying amount	**175,768,194**	**-**	**-**	**175,768,194**	**206,218,114**

	Guarantees and commitments				
	2023				2022
	ECL staging				
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Normal	579,856,541			579,856,541	338,939,331
Watch		3,237,788		3,237,788	8,296,130
Default			21,036	21,036	611,505
Gross carrying amount	579,856,541	3,237,788	21,036	583,115,365	347,846,966
Expected credit loss	(5,125,848)	(149,418)	(242,606)	(5,517,872)	(832,613)
Carrying amount	**574,730,693**	**3,088,369**	**(221,570)**	**577,597,492**	**347,014,353**

	Cash balances with other banks				
	2023				2022
	ECL staging				
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
A	185,480,148	-	-	185,480,148	8,790,103
A+	56,993,465	-	-	56,993,465	27,322,205
AA	1,617,122	-	-	1,617,122	229,978
B+	1,951,683	-	-	1,951,683	7,142,536
BB-	109,886	-	-	109,886	4,459
Expected credit loss	(1,106,622)	-	-	(1,106,622)	(169,676)
Carrying amount	**245,045,682**	**-**	**-**	**245,045,682**	**43,319,605**

Financial risk management (continued)

4.1.7 Credit risk exposure (continued)

4.1.7.1 Maximum exposure to credit risk — Financial instruments subject to impairment (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

	2023				2022
	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	309,686,367	-	-	309,686,367	335,093,302
Expected credit loss	(4,030,351)	-	-	(4,030,351)	6,343,095)
Carrying amount	**305,656,016**	**-**	**-**	**305,656,016**	**328,750,207**

Other assets

	2023				2022
	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	12,936,700	-	-	12,936,700	20,008,729
Expected credit loss	(3,739,351)	-	-	(3,739,351)	(2,180,591)
Carrying amount	**9,197,349**	**-**	**-**	**9,197,349**	**17,828,138**

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 2023 to 31 December 2023:

	31 December 2023			
	Stage 1 FRw'000	Stage 2 FRw'000	Stage 3 FRw'000	Total FRw'000
Gross loans as at 1 January 2023	1,059,643,574	115,464,884	39,040,624	1,214,140,082
Transfers from stage 1 to stage 2	(13,149,876)	13,149,876	-	-
Transfers from stage 2 to stage 1	4,882,044	(4,882,044)	-	-
Transfers to stage 3	(1,238,231)	(7,481,859)	8,720,090	-
Transfers from stage 3	11,743,978	341,578	(12,085,556)	-
New loans disbursed	249,051,054	4,037,194	54,981,827	308,070,076
Repayments	(128,750,184)	(52,543,489)	-	(181,293,673)
Net movement in gross loans	**122,538,786**	**(47,378,745)**	**51,616,361**	**126,776,403**
Financial asset derecognised	-	-	(4,459,663)	(4,459,663)
Gross loans as at 31 December 2023	**1,182,173,360**	**68,086,139**	**86,197,322**	**1,336,456,821**

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**

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 2023 to 31 December 2023:

	31 December 2023			
	Stage 1 FRw'000	Stage 2 FRw'000	Stage 3 FRw'000	Total FRw'000
Loss allowance as at 1 January 2023	14,736,291	30,631,350	34,257,121	79,624,762
Movements with P&L impact				
Transfers from stage 1 to stage 2	(1,151,303)	1,151,303	-	-
Transfers from stage 2 to stage 1	1,991,337	(1,991,337)	-	-
Transfers to stage 3	(3,427,823)	(20,683,409)	24,111,231	-
Transfers from stage 3	399,059	113,873	(512,932)	-
ECL on new exposure raised	1,406,398	589,005	3,511,580	5,506,983
Subsequent changes in ECL	2,593,437	(5,490,515)	13,838,554	10,941,476
Net movement to profit or loss	**1,811,106**	**(26,311,079)**	**40,948,432**	**16,448,459**
Other movements with no P&L impact				
Financial asset derecognised	-	-	(4,459,663)	(8,926,593)
Loss allowance as at 31 December 2022	**16,547,396**	**4,320,270**	**70,745,891**	**91,613,558**

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	13,433,727	19,159,983	43,842,081	76,435,791
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**

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 2023 FRw'000	31 December 2022 FRw'000
Balances with National Bank of Rwanda	305,656,016	328,750,207
- Counterparty without credit rating	-	-
Government securities		
B+	175,768,193	206,218,114
Loans and advances	**1,336,387,537**	**1,214,137,083**
Counterparties without credit rating	-	-
Other assets	-	-
Counterparties without credit rating	**9,266,633**	**17,828,138**

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 2023, 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:

As at 31 December 2023

Corporate	Stage 1	Stage 2	Stage 3	Gross Loans	Impairment allowance	Carrying amount	Fair value of collateral
Overdrafts	560,433,055	24,164,044	65,571,814	650,168,913	(65,141,537)	585,027,376	201,439,713
Treasury loans	19,442,990	303,920	1,444,427	21,191,338	(1,013,448)	20,177,890	78,250,395
Equipment loans	327,570,940	33,969,984	4,205,745	365,746,669	(7,905,261)	357,841,408	941,883,361
Consumer loans	2,340,944	143,309	289,230	2,773,484	(337,154)	2,436,330	-
Mortgage loans	50,360,460	323,010	529,641	51,213,111	(1,175,708)	50,037,403	70,884,331
Others	-	0	-	-	-	-	-
	960,148,389	**58,904,268**	**72,040,858**	**1,091,093,515**	**(75,573,108)**	**1,015,520,407**	**1,292,457,800**
Retail							
Overdrafts	17,826,221	1,679,317	4,782,387	24,287,925	(4,658,238)	19,629,687	149,890,110
Treasury loans	466,925	3,773	0	470,698	(4,244)	466,453	14,409,370
Equipment loans	919,611	219,917	144,879	1,284,407	(140,337)	1,144,070	35,225,871
Consumer loans	138,025,636	5,500,204	8,423,536	151,949,376	(10,119,897)	141,829,479	403,079
Mortgage loans	64,715,682	1,849,557	805,662	67,370,901	(1,117,732)	66,253,169	33,440,159
Others	-	-	-	-	-	-	
Total	**221,954,074**	**9,252,768**	**14,156,464**	**245,363,306**	**(16,040,449)**	**229,322,858**	**233,368,589**
Overdrafts	578,259,276	25,843,361	70,354,201	674,456,839	(69,799,776)	604,657,063	351,329,822
Treasury loans	19,909,914	307,694	1,444,427	21,662,035	(1,017,692)	20,644,343	92,659,764
Equipment loans	328,490,551	34,189,901	4,350,624	367,031,076	(8,045,598)	358,985,478	977,109,234
Consumer loans	140,366,580	5,643,513	8,712,766	154,722,859	(10,457,051)	144,265,809	403,079
Mortgage loans	115,076,141	2,172,567	1,335,303	118,584,012	(2,293,440)	116,290,572	104,324,489
Others	-	-	-	-	-	-	-
Total	**1,182,102,463**	**68,157,036**	**86,197,322**	**1,336,456,821**	**(91,613,557)**	**1,244,843,264**	**1,525,826,388**

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

As at 31 December 2022

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**

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. Financial risk management (continued)

4.1. Credit risk (continued)

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 2023 was FRw 4,459,663 ,000 (2022: FRw 15,697,738,497). 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. Financial risk management (continued)
4.1. Credit risk (continued)

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 2023		31 December 2022	
	FRw'000	%age	FRw'000	%age
Large Corporate	856,787,935	64.1%	911,274,882	75.1%
SMEs	206,305,984	15.4%	137,272,913	11.3%
Non-Business Activities	27,999,595	2.1%	15,384,918	1.3%
Retail Banking	245,363,306	18.4%	150,204,369	12.4%
Gross loans	**1,336,456,821**	**100.0%**	**1,214,137,082**	**100%**

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 2023	31 December 2022
At close of the year	48.9%	42.9%
Average for the year	46.3%	44.7%
Maximum for the year	49.8%	49.5%
Minimum for the year	40.8%	39.7%
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 2023, 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	303,508,101	-	-	-	-	303,508,101
Cash balance with other banks	274,657,809	1,003,134	-	-	-	275,660,943
Held to maturity investments	13,928,710	26,894,887	70,532,641	63,195,315	5,533,585	180,085,138
Investment in corporate Bond		-	-	17,907,884	-	17,907,884
Loans and advances to customers	132,926,980	15,111,951	33,925,502	290,855,111	787,206,090	1,260,025,635
Other assets	6,645,368	1,190,694	1,361,287	-	-	9,197,349
SWAP receivables	-	-	8,170,666	5,886,737	-	14,057,403
Total assets	**731,667,012**	**44,200,671**	**113,990,108**	**377,845,143**	**792,669,805**	**2,060,372,739**
Liabilities and equity						
Due to banks	153,037,403	3,779,452	19,148,088	19,219,663	-	195,184,606
Customer deposits	1,231,390,465	10,209,555	124,616,740	20,150,624	20,157,127	1,406,524,511
Dividends payable	-	-	21,639,937	-	-	21,639,937
Other liabilities	38,351,955	-	-	-	-	38,351,955
Lease liabilities	393,016	346,744	-	-	-	739,760
Long-term Finance	-	-	10,687,181	59,862,155	42,062,614	112,611,950
SWAP payables	-	-	8,170,666	5,886,737	-	14,057,403
At 31 december 2023	**1,423,172,839**	**14,335,751**	**184,262,612**	**105,119,179**	**62,219,741**	**1,789,110,122**
Off balance sheet items	**21,115,132**	**15,131,919**	**82,554,962**	**62,157,252**	**402,156,100**	**583,115,365**
Liquidity Gap December 2023	**(712,620,959)**	**14,733,001**	**(152,827,466)**	**210,568,712**	**328,293,964**	**(311,852,748)**

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	-	6,509,538	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)**

4.2. 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.

4.3 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 2023 and 31 December 2022:

	31 December 2023 FRw'000	31 December 2022 FRw'000
Assets in foreign currencies	664,872,625	475,584,513
Liabilities in foreign currencies	(684,020,635)	(481,681,397)
Net foreign currency exposure at the end of the year	**(19,148,011)**	**(6,096,884)**

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 2023 FRw'000	31 December 2022 FRw'000
USD	+5%	1,216,732	(623,172)
	-5%	(1,216,732)	623,172
GBP	+5%	113,876	293,730
	-5%	(113,876)	(293,730)
EUR	+5%	37,355	(12,075)
	-5%	(37,355)	12,075

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 2023 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	401,314,858	31,778,011	3,003,726	3,038,816	439,135,410
Loans and advances to customers	192,858,388	14,770	927	176	192,874,262
Other assets, property and investments	9,278,993	232,724	78,626	100,542	9,690,885
Swap with BNR	23,172,068	-	-	-	23,172,068
At 31 December 2023	**626,624,306**	**32,025,504**	**3,083,280**	**3,139,534**	**664,872,625**
Liabilities and Equity					
Deposits from banks	52,586,439	274,471	12,926	115,666	52,989,502
Deposits from customers	581,175,314	29,260,182	2,321,564	854,656	613,611,716
Other liabilities	2,123,168	213,337	1,698	7,182	2,345,386
Long-term finance	15,074,032	-	-	-	15,074,031
At 31 December 2023	**650,958,952**	**29,747,990**	**2,336,189**	**977,504**	**684,020,635**
Net currency exposure	**(24,334,646)**	**2,277,514**	**747,091**	**2,162,030**	**(19,148,011)**

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)**

(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

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.

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 ratew	31 December 2023	31 December 2022
USD	+/-0.23%	(55,970)	(28,666)
EUR	+/-0.27%	6,149	15,861

	Effect on Equity		
Currency	Increase/decrease in LIBOR ratew	31 December 2023	31 December 2022
USD	+/-0.23%	(39,179)	(20,066)
EUR	+/-0.27%	4,305	11,103

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 2023	Weighted interest rate	FRw'000	+/- 100bp FRw'000
Effect on interest income			
Balances and placements with other banks	4.1%	245,045,682	2,450,457
Treasury bills and bonds	10.4%	191,907,590	1,919,076
Loans and advances – net	14.6%	1,244,843,264	12,448,433
Total assets/increase		**1,681,796,537**	**16,817,965**
Effect on interest expense			
Balances and placements due to banks	1.2%	223,748,193	2,237,482
Customer deposits	8.4%	473,199,709	4,731,997
Long-term finance	9.6%	103,722,061	1,037,221
Total liabilities/increase		**800,669,963**	**8,006,700**
Effect on profit		**881,126,573**	**8,811,266**
Effect on equity		**315,026,901**	**6,167,886**

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		**600,729,927**	**6,007,299**
Effect on equity		**270,814,712**	**4,205,109**

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 2023:

	Weighted interest rate	On demand	Less than 3 months	3-12 months	1 to 5 year	Over 5 years	Total
		FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Assets							
Balances with other banks	4.1%	241,177,914	1,003,134	-	-	-	242,181,048
Treasury bills and bonds	10.4%	-	40,024,843	68,750,762	61,598,800	5,393,789	175,768,194
Investment in corporate bond	11.0%	-	-	-	16,139,396	-	16,139,396
Investment in specialized fund	9.7%	1,104,027	-	-	-	-	1,104,027
Loans and advances – net	14.6%	-	146,255,172	33,516,725	287,350,524	777,720,843	1,244,843,264
Total assets		**245,146,575**	**187,283,150**	**102,267,487**	**365,088,720**	**783,114,632**	**1,682,900,563**
Liabilities							
Balance with other banks	1.2%	86,270,314	3,779,452	114,478,765	19,219,663	-	223,748,193
Customer deposits	8.4%	308,759,715	10,000,076	117,248,472	18,592,723	18,598,723	473,199,709
Long-term finance	9.6%		10,687,181	54,640,971	38,393,908	103,722,061	10,687,181
Total liabilities		**395,030,029**	**13,779,528**	**242,414,418**	**92,453,357**	**56,992,631**	**800,669,963**
Total interest sensitivity gap		**(149,883,455)**	**173,503,622**	**(140,146,931)**	**272,635,363**	**726,122,001**	**882,230,599**

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

	Weighted interest rate	On demand	Less than 3 months	3-12 months	1 to 5 year	Over 5 years	Total
		FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Assets							
Balances 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**

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 2023 was as follows:

	31 December 2023 FRw'000	31 December 2022 FRw'000
Core Capital (Tier 1):		
Ordinary share capital	20,000,000	20,000,000
Retained earnings and reserves	153,443,906	110,005,324
Share premium	141,582,995	141,582,995
Statutory credit risk reserves	(2,321,973)	(2,321,973)
Regulatory adjustments	(20,968,306)	(26,072,374)
Total	**291,736,622**	**243,193,972**
Domestic Important Bank	(2,333,893)	(1,945,552)
Net Core Capital (Tier 1):	**289,402,729**	**241,248,420**
Supplementary Capital (Tier 2):1.15% of RWA	19,937,645	13,835,103
Total qualifying capital	**309,340,374**	**241,248,420**
Total Credit RWA	1,346,381,516	922,898,494
Total Market RWA	102,263,427	45,780,221
Total Operational RWA	146,366,633	138,129,489
Total Risk weighted assets	**1,595,011,576**	**1,106,808,204**
Regulatory Capital Minimun	15.0%	15.0%
Capital ratios:		
Total qualifying capital expressed as percentage of total risk-weighted assets	19.4%	23.0%
Total tier 1 capital expressed as a percentage of total risk-weighted assets	18.3%	22%

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

5. Interest income

	31 December 2023 FRw'000	31 December 2022 FRw'000
Interest on overdrawn accounts	13,408,670	13,229,005
Interest on Treasury loans	9,857,428	7,144,097
Interest on equipment loans	121,681,176	108,068,085
Interest on consumer loans	17,313,611	10,973,632
Interest on mortgage loans	16,479,903	17,825,505
Other interest on loans to clients	7,904,700	2,570,818
Interest on deposits with banks	622,648	867,327
Interest received from pension reverse repos	5,888,716	2,278,500
Interest income on government and corporate securities	19,664,458	22,961,333
	212,821,310	**185,918,302**

*This relates to interest charged on loans advanced to customers for investments in heavy machinery and plants. The interest is linked to loans and advances

**This relates to interest charged on loans advanced to customers for mortgage loan advances. The interest is linked to loans and advances in the balance sheet

***This relates to interest levied on call money, repos and other placements with correspondent banks. This is linked to "Cash balances with other banks" on the balance sheet

6. Interest expense

	31 December 2023 FRw'000	31 December 2022 FRw'000
Interest on customer term deposits	23,542,555	26,528,710
Interest on Current and savings accounts	14,344,780	14,195,449
Interest on long term credit lines	9,863,141	4,653,683
Interest on transactions with other banks	2,933,899	5,575,350
	50,684,375	**50,953,192**

7. Net fees and commission income

	31 December 2023 FRw'000	31 December 2022 FRw'000
Fees and commission income		
Commissions on operations of accounts	2,492572	2,599,483
Commissions on payment facilities	8,710,386	8,457,438
Commissions on loan services	12,651,873	6,239,800
Commissions received from financing commitments	13,157,904	9,748,127
Commissions received from guarantees commitments	5,710,973	1,717,114
Income from transactions with other banks	188,570	59,724
Other fees from services*	375,756	242,245
	43,288,034	**29,063,931**

*Mainly relates to Commission on Swap arrangements and other third-party arrangements

	31 December 2023 FRw'000	31 December 2022 FRw'000
Fees and commission expense		
Commissions on credit services	-	(21,410)
Commissions on payment facilities	(2,931,042)	(2,288,353)
commissions on other transactions with banks	(740,754)	(550,190)
	(3,671,796)	**(2,859,953)**
Net fees and commission income	**39,616,238**	**26,203,977**

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 2023

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	7,600,805	1,109,581	-	8,710,386
Commission on loans services	10,887,018	1,764,855	-	12,651,873
Total	**18,487,823**	**2,874,436**	**-**	**21,362,259**

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	2,064,743	427,829	-	2,492,572
Commissions received from financing commitments	12,663,491	494,413	-	13,157,904
Commissions received from guarantees commitments	4,911,884	799,089	-	5,710,973
Income from transactions with other banks	162,266	26,304	-	188,570
Other fees from services	375,756	-	-	375,756
Total	**20,178,140**	**1,747,635**	**-**	**21,925,775**
	38,665,963	**4,622,071**	**-**	**43,288,034**

31 December 2022

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	7,095,824	1,361,614	-	8,457,438
Commission on loans services	5,460,689	779,111	-	6,239,800
Total	**12,556,513**	**2,140,725**	-	**14,697,238**

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	644,928	1,954,555	-	2,599,483
Commissions received from financing commitments	9,085,823	662,304	-	9,748,127
Commissions received from guarantees commitments	1,346,736	370,378	-	1,717,114
Income from transactions with other banks	47,779	11,945	-	59,724
Other fees from services	242,245	-	-	242,245
Total	**11,367,511**	**2,999,182**	**-**	**14,366,693**
Total fee and commission income	**23,924,024**	**5,139,907**	**-**	**29,063,931**

8. Foreign exchange related income

	31 December 2023 FRw'000	31 December 2022 FRw'000
Net forex trading	10,320,505	10,051,981
Forex commissions	3,384,229	3,394,865
Other forex revenues	72,411	57,205
	13,777,145	**13,504,051**

9. Other operating income

	31 December 2023 FRw'000	31 December 2022 FRw'000
Sublease rental income	4,818	24,746
Gain on asset disposal	8,388	91,020
Other non-banking income	472,634	45,203
	485,840	**160,969**

10. Credit impairment losses

	31 December 2023 FRw'000	31 December 2022 FRw'000
Expected credit loss under IFRS 9 (Note 16(c))	16,448,456	12,477,836
Expected credit loss on off balance sheet items	4,685,259	291,859
Expected credit loss on cash balances with other banks	936,946	123,792
Expected credit loss on investment securities	82,961	161,208
Bad debts recovered during the year*	(3,547,033)	(3,051,091)
Net Credit impairment losses	**18,606,590**	**10,003,604**

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

11. Operating expenses

	31 December 2023 FRw'000	31 December 2022 FRw'000
(i) Personnel Cost		
Salaries and wages	26,172,092	21,788,804
Medical expenses	1,377,694	1,210,418
Pension scheme contributions	1,898,108	1,584,968
Bonus provision	6,320,839	3,744,369
Other benefits*	3,921,297	3,359,280
	39,690,030	**31,687,839**

* Mainly relates to training costs, team building and office staff refreshments

	31 December 2023 FRw'000	31 December 2022 FRw'000
(ii) Depreciation and amortization		
Depreciation of property and equipment (Note 20)	4,517,193	2,951,305
Right of use depreciation (Note 19)	3,106,851	3,091,725
Amortization of intangible assets (Note 21)	2,867,371	2,633,935
	10,491,415	**8,676,965**
(iii) Administration and general expenses		
Directors' Remuneration	481,787	392,626
Audit Fees	54,000	69,107
Expenses relating to low value assets	1,154,722	1,134,025
Repairs & Maintenance	587,139	247,339
Utilities	704,827	648,947
Postage, Photocopying & printing	491,492	1,110,733
Travel & Entertainment Expenses	1,941,222	1,314,189
Security & cash in transit costs	2,244,251	1,699,966
Insurance	205,220	240,364
Marketing & Publicity	2,846,021	2,171,609
Statutory Fees	1,729,599	1,081,229
Legal & Consultancy Fees	3,292,345	1,665,594
Irrecoverable input VAT***	3,021,252	2,713,081
Provision for operational loss and uncleared settlements*	1,993,480	6,845,754
IT related, Telephone & Internet costs	8,421,894	5,923,925
Charitable donation	1,111,704	974,030
Account maintenance costs	24,342	44,859
Fees on import and export	2,997,348	1,189,006
Card production & Maintenance	7,836,853	7,862,792
Digital filing costs	496,602	**335,293**
Other general expenses**	**296,142**	**162,323**
	41,932,243	**37,826,791**

* Includes Rwf"000" 1,558,750 provision for operational loss (Note 18)
** Mainly relates to sports and entertainment expenses and other local government taxes
*** Relates to around 92% of total input irrecoverable because most bank product are exempt from VAT therefore claim ratio ranges between 6% to 8% on monthly input VAT

	31 December 2023 FRw'000	31 December 2022 FRw'000
Interest on lease liabilities	**160,122**	**400,872**

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 2023 and 2022 are, as follows:

	Effective Rate	31 December 2023 FRw'000	Effective Rate	31 December 2022 FRw'000
a) Income tax charge				
Current income tax		27,054,741		28,044,377
Deferred income tax (credit)		4,394,037		(1,756,099)
Net tax charge		**31,448,778**	**31.5%**	**26,288,278**

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 2023 FRw'000	Effective Rate	31 December 2022 FRw'000
Accounting profit before income tax		**105,135,758**		**86,238,037**
Current income tax calculated at tax rate of 29.4% and 30%	29.4%	30,969,349	28.0%	25,871,411
Tax effect of:				
Other non-deductible expenses		(3,914,608)		2,172,966
		27,054,741		**28,044,377**

The average tax rate for the Bank is 29.9%. The other non-deductible expenses relate foreign travel expenses, capital allowances and provisions.

b) Reconciliation of tax payable

	31 December 2023 FRw'000	31 December 2022 FRw'000
At 1 January	5,418,880	9,178,886
Tax paid during the year	(31,812,712)	(31,804,383)
Tax charge for the year	27,054,741	28,044,377
At 31 December	**660,910**	**5,418,880**

Bank of Kigali Plc's statutory income tax charge was 30% for 9 months and 28% for 3 months average is 29.46% (2022:30%).13. Analysis of cash and cash equivalents

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 2023 FRw'000	31 December 2022 FRw'000
a) Cash in hand		
Cash in foreign currency	21,543,364	10,339,556
Cash in local currency	9,071,897	11,417,760
	30,615,261	**21,757,316**
b) Balances with National Bank of Rwanda		
Restricted balances (Cash Reserve Ratio)	79,123,820	68,245,498
Unrestricted balances	226,532,196	260,504,709
	305,656,016	**328,750,207**

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 2023, the Cash Reserve Ratio requirement was 5% (2022: 5%) of all deposits amounting to FRw 1,582 trillion (2022: FRw 1,365 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. 229.4 billion available for use in Bank of Kigali Plc's day-to-day operations (2022: FRw.260.5 billion).

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

	31 December 2023 FRw'000	31 December 2022 FRw'000
c) Cash and cash equivalent		
Cash in hand	30,615,261	21,757,316
Balances with the National Bank of Rwanda (13b)	226,532,196	260,504,709
Cash balances with other banks	245,045,682	43,319,605
Due to banks	(156,816,855)	(204,376,089)
Unrealized exchange gains	(35,941,761)	(7,205,571)
	309,434,523	**113,999,970**

14. Cash balances with other banks

	31 December 2023 FRw'000	31 December 2022 FRw'000
Placements with local banks	45,505	2,909,878
Placements with foreign banks	246,106,799	40,579,403
Expected credit loss	(1,106,622)	(169,676)
	245,045,682	**43,319,605**

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 23 FRw'000	ECL FRw'000	31 Dec 22 FRw'000	ECL FRw'000
A	185,480,148	(97,236)	8,790,103	(5,274)
A-	-	-	-	-
A+	56,993,465	(31,989)	27,322,205	(16,467)
AA	1,617,122	(758,298)	229,978	(138)
B	-	-	-	-
B+	1,951,683	(215,007)	7,142,536	(147,637)
BB-	109,886	(4,092)	4,459	(160)
	246,152,304	**(1,106,622)**	**43,489,281**	**(169,676)**

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 2023 FRw'000 Amortised cost	31 December 2022 FRw'000 Amortised cost
Treasury bills	103,215,012	151,441,414
Treasury bonds	73,594,567	55,901,047
Expected credit loss	(1,041,386)	(1,124,347)
Total	**175,768,193**	**206,218,114**
Maturing between 1-12 months	109,816,990	115,933,785
Maturing between 1-5 years	61,598,800	28,983,257
Maturing between >5 years	5,393,789	62,425,419
Expected credit loss	(1,041,386)	(1,124,347)
	175,768,193	**206,218,114**

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 2023			
	Treasury bills	Treasury bonds	Other government securities	Total
	FRw'000	FRw'000	FRw'000	FRw'000
1-Jan-21	150,583,645	28,906,574	26,727,895	206,218,114
Additions	376,644,563	4,919,843	18,471,656	400,036,062
Maturities	(424,013,196)	(2,715,700)	(2,715,701)	(429,444,597)
Expected credit loss	(516,075)	(157,797)	(367,514)	(1,041,386)
31 December 2023	**102,698,937**	**30,952,920**	**42,116,336**	**175,768,193**

	31 December 2022			
	Treasury bills	Treasury bonds	Other government securities	Total
	FRw'000	FRw'000	FRw'000	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**

*Included in the additions, is new placements and the related accrued interest.

(b) Investment in corporate bond	31 December 2023	31 December 2022
	FRw'000	FRw'000
At start of year	11,791,537	11,720,295
Additions	4,502,300	-
Accrued interest	1,216,751	456,819
Maturities	(1,245,222)	(232,655)
Expected credit loses	(125,970)	(152,922)
At end of year	**16,139,396**	**11,791,537**

Maturity analysis:

	31 December 2023	31 December 2022
	FRw'000	FRw'000
Maturing between 1-3 years	11,070,295	6,187,500
Maturing between 1-5 years	5,069,101	5,604,037
	16,139,396	**11,791,537**

(c) Investment Aguka Fund on demand	31 December 2023	31 December 2022
	FRw'000	FRw'000
At start of year	1,050,258	1,050,258
Interest	104,027	50,241
Maturities	(50,258)	(50,258)
At end of year	**1,104,027**	**1,050,241**
Maturity Analysis		
Initial investment	1,000,000	1,000,000
Accrued interests	104,027	50,241
	1,104,027	**1,050,241**

15. Investment securities (continued)

Movement in the expected credit loss on – investment securities

	31 December 2023 FRw'000	31 December 2022 FRw'000
At 1 January	1,124,347	1,011,381
Charge for the year	(82,961)	112,966
At 31 December	**1,041,385**	**1,124,347**

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 2023.

The weighted average effective interest rate on government securities held to maturity at 31 December 2023 was 10.4 % (2022: 10.1 %).

16. Loans and advances to customers

a) Corporate loans and advances	31 December 2023 FRw'000	31 December 2022 FRw'000
Corporate	861,819,290	917,423,898
Small and medium enterprises	206,305,984	137,272,914
Non-profit entities	27,999,595	15,384,918
Total corporate loans	**1,096,124,869**	**1,070,081,730**
Discount on economic recovery financing*	(5,031,355)	(6,149,016)
Adjusted Corporate Loans	**1,091,093,514**	**1,063,932,714**
Retail loans and advances		
Gross retail loans	250,153,920	155,119,010
Discount on staff loans	(4,790,613)	(4,914,642)
Total retail loan book	**245,363,307**	**150,204,368**
Total gross loans	**1,336,456,821**	**1,214,137,082**
Loss allowance/credit impairment provision - corporate	(75,573,108)	(63,566,875)
Loss allowance/credit impairment provision - retail	(16,040,449)	(16,057,889)
Total expected credit losses/credit impairment provision	**(91,613,557)**	**(79,624,764)**
Net Loans and advances to customers	**1,244,843,264**	**1,134,512,318**

b) Guarantees and commitments	31 December 2023 FRw'000	31 December 2022 FRw'000
Corporate	556,733,850	321,989,895
Small and medium enterprises	26,381,515	25,637,960
Non-profit entities	-	219,110
Retail Banking	583,115,365	347,846,967
Total guarantees and commitments		
Loss allowance	(5,517,872)	(832,613)
	577,597,493	**347,014,354**

16. Loans and advances to customers (continued)

c) Movement in the loss allowance balance - loans and advances	31 December 2023 FRw'000	31 December 2022 FRw'000
At 1 January	79,624,764	82,842,870
Increase in loss allowance in the year	16,448,456	12,477,836
Loans written off during the year	(4,459,663)	(15,695,942)
As at 31 December	**91,613,557**	**79,624,764**

*The increase in loss allowance during the year is mainly linked to the growth of the loan book which grew by 10% and the full provision taken on one major client in the energy sector who had been assessed to have 100% default risk

Movement in the loss allowance- commitments		
At 1 January	832,613	540,754
Increase in loss allowance in the year	4,685,259	291,859
As at 31 December	**5,517,872**	**832,613**

	31 December 2023 FRw'000	31 December 2022 FRw'000
Maturing within 1 month	131,325,309	131,325,309
Maturing after 1 month, but before 3 months	14,929,863	14,929,862
Maturing after 3 months, but within 1 year	33,516,725	33,516,725
Maturing after 1 year, but within 5 years	287,350,524	287,350,524
Maturing after 5 years	777,720,843	667,389,898
	1,244,843,264	**1,134,512,318**

d) Sectoral analysis of Gross Loans and advances to customers	31 December 2023 FRw'000	31 December 2022 FRw'000
Private sector and individuals	709,264,511	608,766,332
Government and parastatals	535,578,753	525,745,986
	1,244,843,264	**1,134,512,318**

The weighted average effective interest rate on gross loans and advances as at 31 December 2023 was 14.6% (2022: 14.0%). As at 31 December 2023, the ageing analysis of past due but not impaired loans and advances is as follows:

	31 December 2023 FRw'000	31 December 2022 FRw'000
Less than 60 days	-	-
Between 61 – 90 days	69,537,793	39,623,818
	69,537,793	**39,623,818**

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 2023 FRw'000	31 December 2022 FRw'000
ERF loan valuation at start of year	6,149,016	2,245,045
Fair value on new additional loans	-	3,903,971
Decrease in the ERF valuation on repayments	(1,117,661)	-
ERF loan valuation at end of year	**5,031,355**	**6,149,016**

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 2023 FRw'000	31 December 2022 FRw'000
At 01 January 2023	(16,821,005)	(15,064,906)
Charge to profit or loss account	4,394,037	(1,756,099)
At 31 December	**(12,426,968)**	**(16,821,005)**

Deferred tax liability	At 1 January 2023 FRw'000	Charge/ (credit) to profit or loss FRw'000	Charged to OCI FRw'000	At 31 December 2023 FRw'000
Capital allowances	2,873,558	(12,115)	-	2,861,443
	2,873,558	**(12,115)**	**-**	**2,861,443**

Deferred Tax Asset	At 1 January 2023 FRw'000	Charge/ (credit) to profit or loss FRw'000	Charged to OCI FRw'000	At 31 December 2023 FRw'000
Expected credit loss	(13,772,063)	5,533,903	-	(8,238,159)
Other temporary differences	(5,922,500)	(1,127,751)	-	(7,050,251)
	(15,288,411)	**(4,406,152)**	-	**(19,694,563)**
	(16,821,005)	**4,394,037**	-	**(12,426,968)**

Deferred tax liability	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*	2,873,558	(12,115)	-	2,861,443
	2,873,558	**(12,115)**	**-**	**2,861,443**

Deferred Tax Asset	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
Expected credit loss	(13,439,000)	(333,063)	-	(13,772,063)
Other temporary differences*	(4,139,023)	(1,783,477)	-	(5,922,500)
	(17,578,023)	**(2,116,540)**	-	**(19,694,563)**
	(15,064,906)	**(1,756,099)**	-	**(16,821,005)**

18. Other assets

	31 December 2023 FRw'000	31 December 2022 FRw'000
Due from related parties	192,700	255,895
Prepayments	6,521,952	6,438,110
Economic recovery loan valuation	5,031,354	6,149,016
Other receivables	1,190,694	7,165,708
Expected credit loss-other assets	(3,739,351)	(2,180,591)
	9,197,349	**17,828,138**
Non-Financial assets	6,521,953	6,438,110
Clearing and other transitory accounts	2,675,397	11,390,028

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 2023

	Group property FRw'000	Motor vehicle FRw'000	Third party property FRw'000	Total FRw'000
Cost				
At 1 January 2023	11,231,500	301,646	4,283,455	15,816,601
Additions	-	-	258,303	258,302
At 31 December 2023	**11,231,500**	**301,646**	**4,541,757**	**16,074,903**
Depreciation				
At 1 January 2023	8,983,147	301,646	3,336,516	12,621,309
Charge for the year	2,248,353	-	858,498	3,106,850
At 31 December 2023	**11,231,500**	**301,646**	**4,195,014**	**15,728,160**
Net book Value	**-**	**-**	**346,744**	**346,744**

b) 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 2022	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**

*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

20. Property and equipment

a) Year ended 31 December 2023

At 1 January 2023	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 2023	11,575,805	496,726	1,080,105	1,472,069	14,624,705
Additions	**6,143,574**	**-**	**1,168,977**	**505,399**	**7,817,949**
Reclassification	1,084,776	-	387,292	(1,472,069)	-
Disposal	-	(69,068)	-	-	(69,068)
At 31 December 2023	**18,804,155**	**427,659**	**2,636,374**	**505,399**	**22,373,587**
Depreciation					
At 1 January 2023	4,398,749	229,986	342,124	-	4,970,860
Change for the year	3,955,655	121,701	439,837	-	4,517,193
Disposal	-	(48,158)		-	(48,158)
At 31 December 2023	**8,354,404**	**303,529**	**781,961**	**-**	**9,439,894**
Net book value	**10,449,751**	**124,130**	**1,854,412**	**505,399**	**12,933,693**

b) 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**

21. Intangible assets

	31 December 2023 FRw'000	31 December 2022 FRw'000
Cost		
At 1 January	16,771,768	14,372,254
Additions	2,157,340	2,399,514
At 31 December	**18,929,108**	**16,771,768**
Amortisation		
At 1 January	7,520,399	4,886,464
Amortisation	2,867,371	2,633,935
At 31 December	**10,387,770**	**7,520,399**
Net book value	**8,541,338**	**9,251,369**

*Includes legacy core Banking (Amplitude) and database system called NUODB which are fully depreciated, and which are maintained for historical data retrieval (amplitude) and NUODB which is earmarked for replacement by Oracle
** Intangible assets relate to Bank of Kigali Plc's core banking platform T24 and other application software in use.

22. Due to banks

	31 December 2023 FRw'000	31 December 2022 FRw'000
Deposits and balances from other Banks	151,057,407	156,874,545
Term treasury borrowings	44,127,199	123,713,653
	195,184,606	**280,588,198**
Maturing as follows:		
Payable within 1 month	156,816,855	204,376,089
Payable after 1 month	38,367,750	76,212,109
Total	**195,184,606**	**280,588,198**

The weighted average effective interest rate on deposits and balances from other banks as at 31 December 2023 was 7.8% (2022: 7.8%).

23. Deposits and balances from customers

	31 December 2023 FRw'000	31 December 2022 FRw'000
Current accounts	1,111,084,579	793,536,503
Fixed deposit accounts	213,884,749	233,784,663
Savings accounts	50,272,400	41,117,117
Collateral and other deposits	12,050,075	15,883,468
	1,387,291,803	**1,084,321,751**

24. Dividend

	31 December 2023 FRw'000	31 December 2022 FRw'000
At 1 January	29,974,880	24,460,702
Dividend paid during the year	(29,974,880)	(24,460,702)
Dividend returned	(7,834,852)	-
Accrued dividend payable	29,474,792	29,974,880
	21,639,940	**29,974,880**

The shareholders approved a dividend pay-out of 40% of the Bank's audited IFRS based net income in respect of the year 2023. The total proposed dividend for the year is therefore FRw 29,474,791,752 (2022: 29,974,879,500) for ordinary shareholders as approved by the shareholders for 2023.

25. Other liabilities

	31 December 2023 FRw'000	31 December 2022 FRw'000
Clearing accounts	2,696,844	58,353
Deferred revenue	7,792,341	7,485,082
Economic recovery grant valuation	4,686,023	5,971,737
ECL on guarantees and commitments	5,517,809	832,613
Other payables*	4,710,079	5,815,538
Accrued expenses	12,948,856	6,473,951
	38,351,952	**26,637,274**

* Other payables include PAYEE, Output VAT and other internal transitory accounts for cards and bill payment settlements in the month of December

26. Lease Liabilities

	31 December 2023 FRw'000	31 December 2022 FRw'000
As at 1 January	3,674,937	7,063,744
Additions of lease	258,303	136,983
Interest expense	160,122	400,872
Payments:		
Payment of interest on lease liabilities	(160,122)	(400,872)
Payment of principal portion of lease liabilities	(3,193,480)	(3,525,790)
	739,760	**3,674,937**

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

	31 December 2023 FRw'000	31 December 2022 FRw'000
Commitments for future minimum lease payments		
Due within 1 year	739,759	2,040,386
Due within 1 year and 5 years	-	1,634,551
	739,759	**3,674,937**

27. Long term finance

a) Year ended 31 December 2023

	01 January 2023 FRw'000	Additional drawdown	Interest expense FRw'000	Revaluation loss FRw'000	Principal repayments	Interest repayments FRw'000	31 December 2023 FRw'000
EIB Loan (8.01% - 11.4%)	65,203,872		6,220,368	-	(6,166,560)	(5,697,095)	59,560,585
AFD Loan (Libor +3.74% pa)	16,586,920		1,468,562	2,448,315	(3,236,495)	(1,676,021)	15,591,281
BRD-KFW EGF(8% p.a)	20,927,561	7,875,439	2,174,211	-	(1,360,452)	(1,046,563)	28,570,196
Total	**102,718,352**	**7,875,439**	**9,863,141**	**2,448,315**	**(10,763,507)**	**(8,419,679)**	**103,722,062**

b) Year ended 31 December 2022

	01 January 2022 FRw'000	Additional drawdown	Interest expense FRw'000	Revaluation loss 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	3,075,982	-	(8,723,569)	(2,624,160)	65,203,873
AFD Loan (Libor +3.74% pa)	14,140,685	4,973,222	593,289	880,045	(3,520,028)	(750,237)	16,586,920
BRD-KFW EGF(8% p.a)	8,803,000	12,164,809	15,214	-	(40,399)	(602,009)	20,927,561
Total	**56,026,996**	**57,418,031**	**3,683,654**	**880,045**	**(12,283,996)**	**(3,976,406)**	**102,718,354**

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 2023, the USD LIBOR exposures which had not been transitioned was valued at US$ 11.9 million dollars.

vi. In 2022 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. In 2023 the Bank has signed two contracts with BRD for economic recovery loan of FRw 6.8 Bln and FRw 1 Billion for Commercialization and De-Risking for Agricultural Transformation Project (CDAT) maturing on 30/03/2038 and 30/09/2027

28. Capital & reserves

(i) Share Capital

	31 December 2023		31 December 2022	
	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 2023 FRw'000	31 December 2022 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 2023 FRw'000	31 December 2022 FRw'000
At 1 January	2,321,973	2,321,973
Increase in the year	-	-
At 31 December	**2,321,973**	**2,321,973**

(iv) Retained earnings

	31 December 2023 FRw'000	31 December 2022 FRw'000
At 1 January	106,909,744	76,934,865
Profit for the period	73,686,980	59,949,759
Statutory credit risk	-	-
Accrued dividend	(29,474,792)	(29,974,880)
At 31 December	**151,121,932**	**106,909,744**

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 2023	Less than 12 months FRw'000	Over 12 months FRw'000	Total FRw'000
Assets			
Cash in hand	30,615,261	-	30,615,261
Balances with the National Bank of Rwanda	299,769,279	5,886,737	305,656,016
Balances held with other financial institutions	245,045,682	-	245,045,682
Investment securities	108,775,605	66,992,588	175,768,193
Investment in corporate bond	-	16,139,396	16,139,396
Investment in specialized fund	1,104,027	-	1,104,027
Loans and advances to customers	179,771,897	1,065,071,367	1,244,843,264
Deferred Tax Asset	-	12,426,968	12,426,968
Other assets	9,197,349	-	9,197,349
Right to use assets	346,744	-	346,744
Intangible assets	-	12,933,693	12,933,693
Property and equipment	-	8,541,338	8,541,338
Total assets	**874,625,844**	**1,187,992,087**	**2,062,617,931**

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

At 31 December 2023	Less than 12 months FRw'000	Over 12 months FRw'000	Total FRw'000
Liabilities			
Due to banks	175,964,943	19,219,663	195,184,606
Deposits and balances from customers	1,350,100,357	37,191,446	1,387,291,803
Current tax liability	660,909	-	660,909
Dividends	21,639,940	-	21,639,940
Other liabilities	38,351,952	-	38,351,952
Lease liabilities	739,759	-	739,759
Long-term finance	10,687,181	93,034,881	103,722,062
Shareholders' funds	-	315,026,900	315,026,900
Total Equity and Liabilities	**1,598,145,041**	**464,472,890**	**2,062,617,931**

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

29. Maturity analysis of assets and liabilities (continued)

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:

At 31 December 2022	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	19,152,192	7,485,082	26,637,274
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	**1,385,786,935**	**418,362,051**	**1,804,148,986**

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 2023:

	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	305,656,016	305,656,016	-	-
Cash balances with other banks	245,045,682	-	245,045,682	-
Investment securities	175,768,193	-	175,768,193	-
Investment in corporate bond	16,139,396		16,139,396	-
Investment in specialized fund	1,104,027	1,104,027		-
Loans and advances to customers	1,244,843,264	-	1,244,843,264	-
Other assets	9,197,349	-	9,197,349	-
Total assets	**1,997,753,927**	**306,760,043**	**1,690,993,884**	**-**
Liabilities				-
Due to banks	195,184,606	-	195,184,606	-
Deposits and balances from customers	1,387,291,803		1,387,291,803	-
Other liabilities	38,351,952	-	38,351,952	-
Long-term finance	103,722,062	-	103,722,062	-
Total liabilities	**1,724,550,423**	**-**	**1,724,550,423**	**-**

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**	**-**

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 adjusts 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 32.9 Billion (2022: FRw 9.7 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 with probable loss has been fully provided for in these financial statements.

Commitments

As at 31 December 2023, the Bank had contractual commitments of FRw 2.4 Billion that mainly relates to acquisition of servers and storage, ATM purchases, Office renovations, E-learning platforms license (2022: FRw 4.6 Billion).

32. Related parties disclosures (continued)

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 2023 FRw'000	31 December 2022 FRw'000
Short term employee benefits	1,729,185	1,575,843
Post-employment pension (defined contribution)	49,915	42,774
Terminal benefit	43,542	197,613
	1,822,642	**1,816,230**
Directors emoluments	**481,787**	**392,626**
	2,304,429	**2,208,856**

32. Related party disclosures (continued)

31 December 2023	Directors fees and allowances FRw'000	Loans FRw'000	ESOP Shares
Mr. Reynolds Rod Michael	131,861	-	-
Mr. Regis Rugemanshuro	53,574	-	-
Mr. Karemera Ruben	19,114	111,649	148,100
Ms Risper Alaro	65,441	-	70,000
Mr. William Juma Arogo	65,441	-	-
Mr. Ubalijoro Eugene	65,441	-	-
Mrs. Angela Wabosha Wamola	54,959	-	-
Mr. Bayingana Laban	**25,957**	**-**	**-**
	481,787	**111,649**	**218,100**

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**

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 2023		
	Maximum balance during FRw'000	Balance as at 31 December FRw'000	Income/ Expense FRw'000
Residential mortgages	1,576,609	1,576,609	112,973
Credit cards and other loans	2,761,517	2,691,059	89,665
Deposits	818,478	623,345	5,701
	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

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 2023		31 December 2022	
	Balance as at FRw'000	Interest paid to FRw'000	Balance as at FRw'000	Interest paid to FRw'000
BK Group PLC	9,881,937	614,995	13,459,907	663,973
BK General Insurance Ltd	2,537,672	173,698	1,297,339	119,516
BK TecHouse Ltd	145,032	156,334	348,144	158
BK Capital Ltd	3,688,616	-	435,918	69,447
Total Deposits	**16,253,257**	**945,027**	**15,541,307**	**853,093**

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 2023, Bank of Kigali Plc has not made any provision for doubtful debts relating to amounts owed by related parties.

33. Subsequent events

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.

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. Subsequent events (continued)

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.

Other Disclosures item	31-Dec-23 FRw'000	31-Dec-22 FRw'000
A. Capital Strength		
a. Core capital (Tier 1)	289,402,729	241,248,420
b. Supplementary capital (Tier 2)	19,937,645	13,835,103
c. Total capital	309,340,374	255,083,523
d. Total risk weighted assets	1,595,011,576	1,106,808,204
e. Core capital/ Total risk weighted assets ratio (Tier 1 ratio)	18.1%	21.8%
f. Tier 2 ratio	1.3%	1.3%
g. Total capital/total risk weighted assets ratio	19.4%	23.0%
h. Leverage ratio	11.7%	12.5%
B. Credit Risk		
1. Total gross credit risk exposures: after accounting offsets and without considering credit risk mitigation;	1,919,572,186	1,561,984,050
2. Average gross credit exposures, broken down by major types of credit exposure:	-	-
a) Loans, commitments and other non-derivative off-balance sheet exposures;	583,115,365	347,846,967
b) Debt securities;	-	-
c) OTC derivatives	-	-
3. Regional or geographic distribution of exposures, broken down in significant areas by major types of credit exposure;	**1,336,456,821**	**1,214,137,082**
City of Kigali	1,255,528,422	1,143,330,828
Northern Province	25,854,201	26,827,240
Eastern Province	26,295,098	24,434,824
Western province	12,898,670	10,467,173
Southern province	15,880,430	9,077,017
4. Sector distribution of exposures, broken down by major types of credit exposure and aggregated in the following areas:	**1,336,456,821**	**1,214,137,082**
a) public;	207,470,048	143,318,155
b) financial;	3,627,166	1,801,456
c) manufacturing;	134,587,334	109,163,325
d) infrastructure and construction;	202,228,826	161,126,126
e) services and commerce.	559,965,419	456,009,225
f) others	228,578,029	342,718,794
5. Off- balance sheet items	**583,115,365**	**347,846,967**
6. non-performing loans indicators		
a) Non-performing loans (NPL)	86,149,075	40,282,169
b) (b) NPL ratio	4.5%	2.6%
7. Related parties		
a. Loans to directors, shareholders and subsidiaries	195,756	362,813
b. Loan to employees	24,304,979	22,598,814
8. Restructured loans as at 31 December 2022		
a. No. of borrowers	1,186	1,774
b. Amount outstanding (Frw '000)	326,931,528	351,388,209
c. Provision thereon (Frw '000) (regulatory):	29,170,203	23,059,049
d. Restructured loans as % of gross loans	24.46%	31.0%

Other Disclosures item	31-Dec-23 FRw'000	31-Dec-22 FRw'000
C. Liquidity risk		
a. Liquidity Coverage Ratio (LCR)	452%	141.0%
b. Net Stable Funding Ratio (NSFR)	128.9%	187.0%
D. Operational risk		
a. Number and types of frauds and their corresponding amount		
Digital channel frauds (Number and amount)	4	61,795,110
Internal frauds involving staff	1	190,000
E. Market risk		
a. Interest rate risk	882,084,059	599,355,129
b. Equity position risk	-	-
c. Foreign exchange risk	(19,148,011)	(6,096,884)
F. Country risk		
a. Credit exposures abroad	-	-
b. Other assets held abroad	245,045,682	43,319,605
c. Liabilities to abroad	75,151,865	102,718,352
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	12	11
g. Number of Female senior managers	4	4
g. Number of Male senior managers	8	7