ANNUAL REPORT 2018

BK GROUP PLC


BK Internet Banking
Login ID
Password
Login
Forgot Password
BK Mortgage, the key to your dream home.
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VISION MISSION & VALUES

OUR VISION

Bank of Kigali aspires to be the leading provider of the most innovative financial solutions in the region.

OUR MISSION

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

OUR VALUES

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

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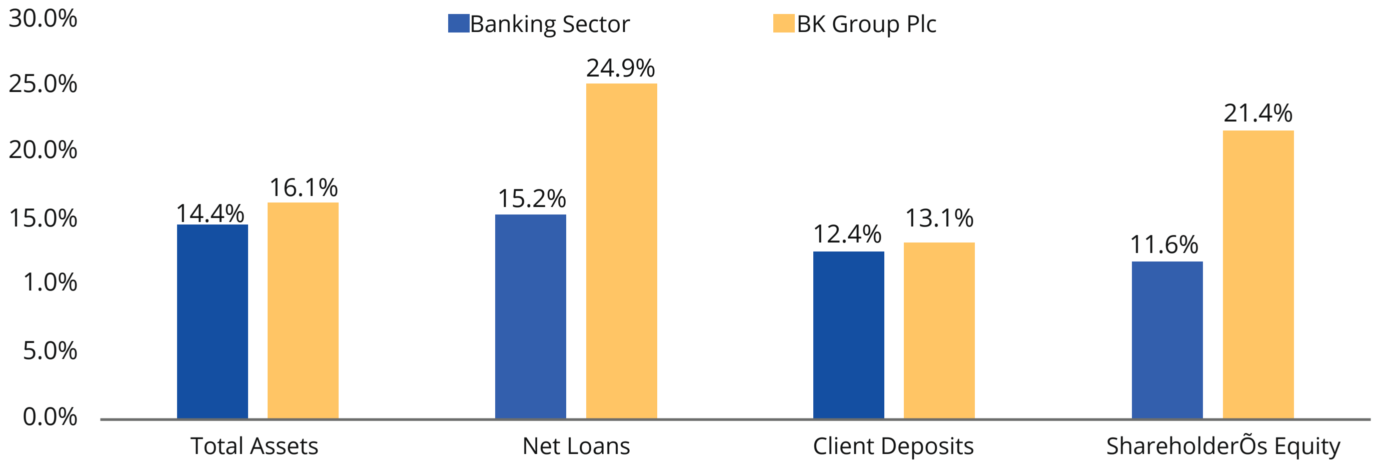
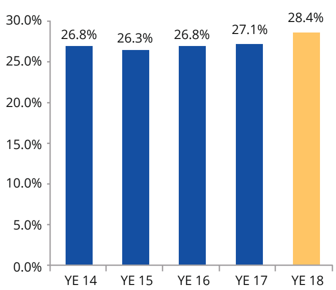
FINANCIAL HIGHLIGHTS

BK Group Plc Growth vs. Banking Sector Growth, CAGR 2014 – 2018

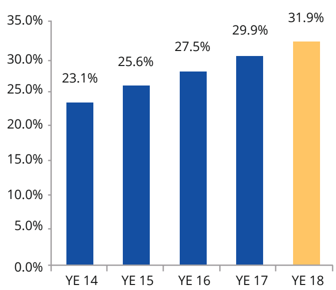


Total Assets	**2018**	**2017**	**2016**	**2015**	**2014**
BK Group Plc	20.7%	13.9%	13.7%	16.3%	14.3%
Banking Sector	15.1%	12.9%	11.6%	18.3%	19.3%
Net Loan Book Growth	**2018**	**2017**	**2016**	**2015**	**2014**
BK Group Plc	20.4%	22.3%	22.9%	34.5%	17.3%
Banking Sector	12.6%	12.6%	14.3%	21.5%	19.8%
Client Balances Growth	**2018**	**2017**	**2016**	**2015**	**2014**
BK Group Plc	16.9%	8.6%	8.9%	18.5%	15.7%
Banking Sector	8.1%	12.6%	7.4%	15.6%	20.9%
Shareholders' Equity Growth	**2018**	**2017**	**2016**	**2015**	**2014**
BK Group Plc	58.6%	13.1%	9.3%	10.8%	26.5%
Banking Sector	9.6%	3.9%	11.1%	19.8%	7.8%

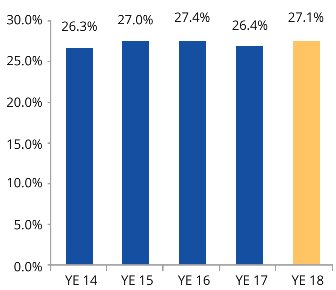
Market Share by Total Assets



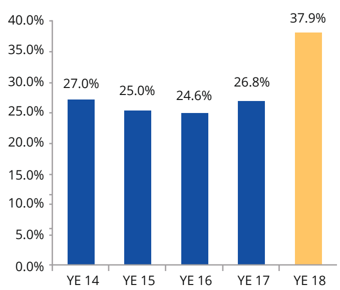
Market Share by Net Loans



Market Share by Clients Balances & Deposits

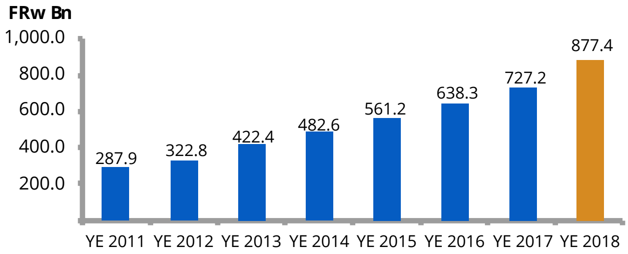


Market Share by Equity

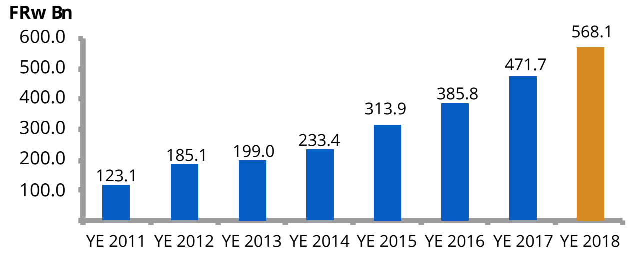


Market share data are based on the FY 2018 results submitted to BNR

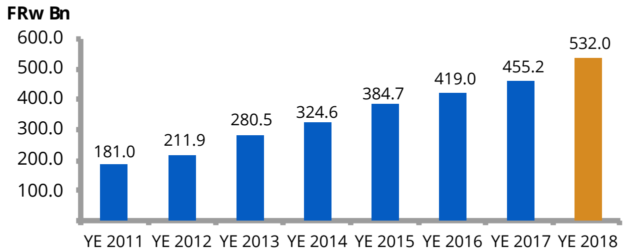
Total Assets



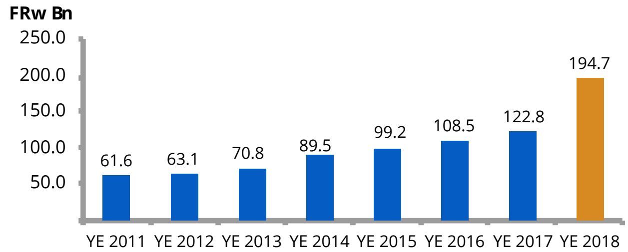
Net Loans and Advances



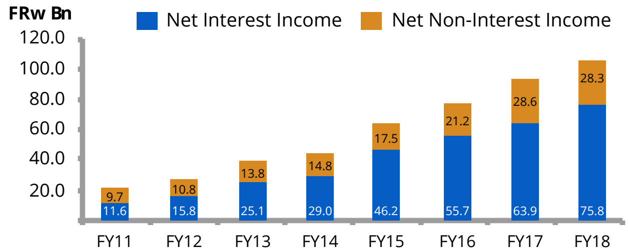
Client Balances & Deposits



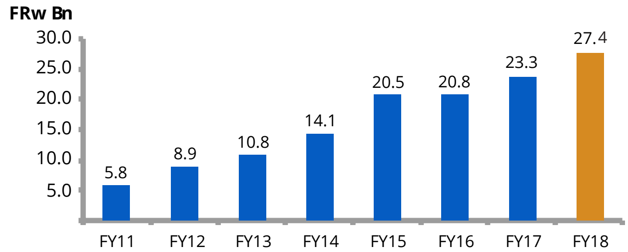
Shareholders' Equity



Total Operating Income

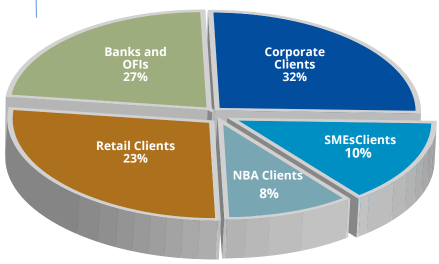


Net Income

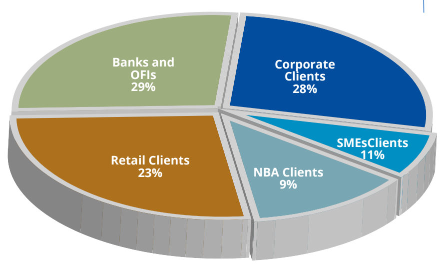


Total Deposits

YE 2018

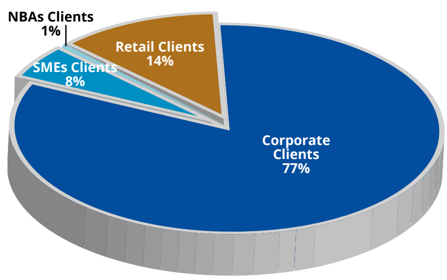


YE 2017

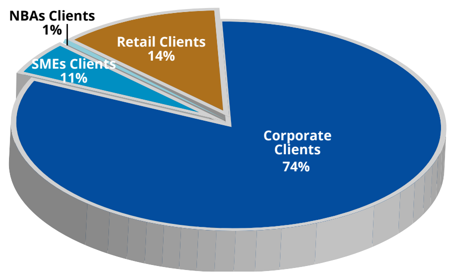


Gross Loans & Advances

YE 2018



YE 2017



	YE 2018	YE 2017	YE 2016	YE 2015	YE 2014	YE 2013	YE 2012	YE 2011	YE 2010
Profitability									
Return on Average Assets, %	3.4%	3.4%	3.5%	3.9%	4.0%	4.0%	3.9%	3.6%	3.5%
Return on Average Equity, %	17.2%	20.2%	20.0%	21.7%	22.9%	22.2%	18.9%	18.6%	24.5%
Net Interest Margin , %	10.4%	10.4%	10.5%	10.1%	9.9%	11.1%	9.6%	8.4%	8.3%
Loan Yield, %	15.3%	16.2%	17.6%	19.2%	20.5%	20.5%	17.0%	16.9%	15.8%
Interest Expense/Interest Income,%	19.4%	22.3%	22.9%	22.9%	24.4%	22.2%	26.0%	26.8%	25.6%
Cost of Funds, %	**3.0%**	**3.2%**	**3.3%**	**3.2%**	**3.4%**	**3.3%**	**3.4%**	**3.1%**	**2.8%**
Efficiency									
Cost/Income Ratio	48.1%	45.2%	47.4%	47.8%	47.9%	48.4%	52.8%	48.4%	47.5%
Costs/Average Assets, %	6.2%	6.1%	6.1%	5.8%	6.2%	7.0%	6.6%	5.9%	5.8%
Personnel Costs/Total Recurring Operating Costs	45.6%	50.5%	38.6%	49.4%	51.8%	45.0%	47.4%	51.8%	52.3%
Personnel Costs/Average Total Assets, Annualised	2.8%	3.1%	2.3%	2.9%	3.2%	3.1%	3.1%	2.9%	3.0%
Personnel Costs/Total Operating Income	21.9%	22.9%	18.3%	23.6%	24.8%	21.8%	25.0%	25.1%	25.0%
Net Income/Total Operating Income	26.3%	25.3%	27.0%	32.1%	31.5%	27.6%	30.7%	29.5%	29.2%
Total Operating Income/Average Assets %	**13.0%**	**13.5%**	**12.8%**	**12.2%**	**12.9%**	**14.4%**	**12.6%**	**12.1%**	**12.1%**
Liquidity									
Net Loans/Total Assets,%	64.7%	64.9%	60.4%	55.9%	48.4%	47.1%	57.3%	42.8%	51.3%
Liquid Assets / Total Assets	30.1%	28.8%	32.8%	38.4%	45.7%	46.0%	31.9%	45.1%	37.0%
Liquid Assets / Total Deposits	44.5%	42.1%	47.3%	52.9%	64.9%	65.2%	44.7%	64.9%	47.3%
Liquid Assets / Total Liabilities	38.6%	34.7%	39.5%	46.7%	56.1%	55.2%	39.6%	57.4%	44.1%
Total Deposits / Total Assets	67.6%	68.5%	69.4%	72.6%	70.4%	70.5%	71.3%	69.5%	78.2%
Total Deposits / Total Liabilities	86.9%	82.4%	83.6%	88.2%	86.5%	84.7%	88.7%	88.4%	93.2%
Interbank Borrowings / Total Deposits	10.3%	8.6%	5.4%	5.6%	4.5%	5.8%	8.0%	9.5%	12.2%
Gross Loans/Total Assets	68.4%	68.2%	62.3%	57.9%	51.1%	50.2%	60.1%	45.4%	53.4%
Gross Loans / Total Deposits	101.2%	99.5%	88.9%	79.7%	72.6%	71.1%	84.2%	65.3%	68.3%
Interest Earning Assets/Total Assets	91.1%	91.0%	88.9%	87.8%	87.7%	88.4%	80.5%	82.0%	81.6%
Leverage (Total Liabilities/Equity), Times	**3.5**	**4.9**	**4.9**	**4.7**	**4.4**	**5.0**	**4.1**	**3.7**	**5.2**
Asset Quality									
NPLs /Total Loans, %	4.9%	5.6%	4.5%	4.9%	6.6%	6.9%	6.5%	8.3%	8.5%
NPL Coverage Ratio	98.8%	72.9%	55.0%	57.2%	81.8%	87.4%	70.3%	69.1%	45.8%
NPL Coverage Ratio (Net Exposure)	163.7%	199.6%	128.4%	110.2%	169.0%	134.6%	90.0%	94.0%	62.3%
Loan Loss reserve / Gross Loans ,%	5.4%	4.8%	3.0%	3.3%	5.4%	6.1%	4.6%	5.8%	3.9%
Average Loan Loss reserve / Average Gross Loans ,%	5.2%	4.0%	3.1%	4.2%	5.7%	5.4%	5.1%	4.9%	4.3%
Large Exposures / Gross Loans	36.8%	46.2%	54.3%	24.1%	18.0%	5.4%	6.5%	8.8%	14.3%
Cost of Risk, Annualised	2.1%	3.7%	2.9%	2.6%	3.3%	4.4%	2.2%	3.8%	2.0%
Capital Adequacy									
Core Capital / Risk Weighted Assets	31.4%	18.9%	19.0%	22.1%	25.8%	23.1%	22.4%	28.1%	18.7%
Total Qualifying Capital / Risk Weighted Assets	32.0%	19.5%	19.6%	22.5%	26.3%	23.7%	23.2%	29.1%	20.1%
Off Balance Sheet Items / Total Qualifying Capital	471.2%	408.3%	469.1%	442.6%	428.4%	542.5%	524.3%	363.1%	351.2%
Large Exposures / Core Capital	124.2%	208.7%	227.5%	84.2%	53.5%	17.9%	22.6%	21.3%	61.1%
NPLs less Provisions / Core Capital	0.2%	8.1%	10.2%	8.7%	3.5%	2.9%	6.8%	6.2%	19.7%
Market Sensitivity									
Forex Exposure / Core Capital	(3.7%)	(14.4%)	(9.5%)	(20.4%)	(20.4%)	(9.1%)	(41.2%)	11.7%	11.5%
Forex Loans / Forex Deposits	69.0%	101.4%	68.9%	26.9%	8.4%	0.7%	1.0%	0.8%	1.0%
Forex Assets / Forex Liabilities	97.1%	92.3%	95.0%	86.4%	87.5%	93.8%	61.0%	105.3%	106.7%
Forex Loans / Gross Loans	18.5%	26.5%	21.3%	8.2%	3.3%	0.3%	0.3%	0.3%	0.4%
Forex Deposits/Total Deposits	27.2%	26.0%	27.7%	24.3%	28.4%	33.2%	25.3%	23.8%	27.4%
Selected Operating Data									
Full Time Employees	1,218	1,215	1,225	1,140	1,019	980	877	602	454
Assets per FTE (FRw in billion)	0.7	0.6	0.5	0.5	0.5	0.4	0.4	5.0	0.4
Number of Active Branches	79	79	79	75	70	65	59	44	33
Number of Mobibank	9	9	9	9	9	5	5	-	-
Number of ATMS	95	91	91	84	76	65	55	26	26
Number of POS Terminals	1,611	1,250	1,002	801	656	568	405	202	97
Number of Retail current accounts	293,450	208,592	198,067	312,369	266,239	231,409	191,632	124,248	50,073
Number of BK Yacu Agent	1,427	1,437	1,280	1,043	861	569	30	-	-

For the Year ended 31 December

Value Added Statement	2018	%	2017	%
Interest, commissions and other revenues	119,664,505		110,778,158	
Interest paid to depositors and costs of services	(35,459,678)		(30,663,773)	
Net impairement loss on Financial assets	(11,409,582)		(16,489,292)	
Value added	**72,795,245**		**63,625,093**	
Distribution of Value Added				
To Employees				
Salaries, wages and other benefits	15,786,437	21.7%	15,649,028	24.6%
To Government				
Corporation Tax	14,714,626	20.2%	10,823,155	17.0%
VAT	1,395,372	1.9%	1,245,824	2.0%
Withholding Tax	3,784,706	5.2%	2,530,796	4.0%
District Taxes	46,967	0.1%	47,528	0.07%
PAYE Tax	5,565,609	7.6%	5,478,672	8.6%
	25,507,280	**35.0%**	**20,125,975**	**31.6%**
To Shareholders				
Dividends paid to shareholders	10,694,651	14.7%	9,339,552	14.7%
To Expansion and Growth				
Retained Income	16,041,976	22.0%	14,009,328	22.0%
Depreciation and amortisation	4,764,901	6.6%	4,501,210	7.1%
	20,806,877	**28.6%**	**18,510,538**	**29.1%**
Wealth distributed	**72,795,245**	**100.0%**	**63,625,093**	**100.0%**

%	2018		2017	%
	FRw'000		FRw'000	
21.7%	15,786,437	To Employees	15,649,028	24.6%
35.0%	25,507,280	To Government	20,125,975	31.6%
14.7%	10,694,651	To Shareholders	9,339,552	14.7%
28.6%	20,806,877	To Expansion and Growth	18,510,538	29.1%
100%	**72,795,245**	**Total**	**63,625,093**	**100%**

CHAIRMAN'S REPORT

MARC HOLTZMAN
Chairman

Fellow Shareholders,

It is with great pleasure and enormous pride that I thank all our shareholders, fellow staff and customers for your amazing support and encouragement to have become the largest and most profitable financial services institution in Rwanda. 2018 was a highly successful year across all of our businesses and delivered outstanding results for our shareholders. Financial performance showed a record strong net income of FRw 27.4 billion and revenues of FRw 105.8 billion. Our total assets grew by a remarkable 20.7% and our shareholder's equity increased by 58.6% year-on-year. Our high profitability continued with ROAA and ROAE of 3.4% and 17.2% respectively.

2018 was another milestone year for the BK Group. Our team completed a successful and oversubscribed rights issue and cross listing on the Nairobi Securities Exchange to achieve better liquidity for our investors. This marks the first time ever that a Rwandan company is listed and traded internationally. This year was also transformational for BK General Insurance delivering new income for the Group with strong prospects for continued and dynamic growth. Insurance is a relatively new concept in our market with low penetration in Rwanda at less than 3%. However, we are well positioned to increase our market share and remain the undisputed market leader thanks to the great work and dedication of our team combined with Rwanda's favorable economic environments.

There has never been a better time to be a shareholder in BK Group. In this digital age, our best performing and still core subsidiary, Bank of Kigali is now undergoing a digital transformation which will result in our valued customers having easier access to financial services at more attractive pricing than ever in our history. The execution of the digital transformation strategy is at an advanced stage and we are already realizing incredible results. Through offering more digital channels to our clients, we are working to reduce waiting times and significantly improve the customer experience.

Our company is committed to serious long-term sustainable growth. The recent launch of BK Capital, our investment banking subsidiary, is an example. BK is committed to becoming a one-stop-center for financial services – a strategy consistent with His Excellency President Kagame's inspirational vision to transform Kigali into a world class financial center.

It is a great privilege and honor to welcome Rod Reynolds, Lilian Kyatengwa and Risper Alaro Mukoto as the newest members of our Board of Directors. Our newest Board members have extensive global experience in the financial sector and we are extremely fortunate to have them on our team.

Our amazing and talented team is diligently focused and mindful that our success is constantly measured by the creation of shareholder value and how well we serve our customers and our community. Given the dynamism and exciting opportunities in today's Rwanda combined with all the transformative changes taking place in today's financial services sector, our future is indeed only limited by how we see the boundaries of the possible.

Sincerely,

Marc Holtzman

Dr. DIANE KARUSISI

Chief Executive Officer

Dear Shareholders,

Introduction

On behalf of the Management team and staff, I would like to thank you for choosing to invest in BK Group. Your renewed trust during our rights issue last year has added to our motivation and determination to deliver value to all our stakeholders for many years to come.

Our Performance

BK Group made a profit before tax of RwF 42.6 billion in 2018, up from RwF 34.2 billion in 2017. Our balance sheet grew by 20.7% to RwF 877.4 billion from RwF 727.2 billion in 2017. In line with a stellar GDP growth rate in 2018 of 8.6%, the Bank's Net loans and advances grew by 20.4%, compared to a growth of 22.3% in 2017. We managed to contain our NPL to 4.9% and closed the year with a cost-to-income ratio of 48.1%, reflecting a sustained control over costs. The bank has maintained its position as the largest Bank in Rwanda by total assets, with a 28.4% market share as of 31st December 2018. Today, we are proud to be the first domestic company in Rwanda to be cross-listed on the Nairobi Securities Exchange, offering our shareholders improved liquidity.
Our General Insurance subsidiary BKGI continued to grow and is now the largest non-interest income contributor to our revenues. BKGI reported a profit before tax of RwF 1.2 billion and is the second largest general insurance company with a market share of 13%.

Strategic Direction

Bank of Kigali embarked on an ambitious Transformation Program in 2018 in order to remain competitive and relevant in Rwanda's dynamic market environment and sustain its growth and performance in the future. Our vision for this program is to "give anyone, anywhere, the best customer experience through digital". Our overall aspirations are to "wow" the customer and deliver 70% NPS score, delight our shareholders by improving the profit before tax by 28% and drive new retail and SME customer acquisition to reach 1 million new customers by 2021.

Human capital development initiatives

We recognize that our staff are our most important resource and remain committed to developing and creating the best working environment. To deliver on the digital transformation strategy, we have setup a digital factory that will drive our digitization efforts. We are progressively adopting an agile way of working, to reduce time-to-market and improve the quality of our digital products. Our talent management policy is geared towards training, up-skilling our staff in line with our strategy.

Awards and Recognitions

During the year, our dedication to promote financial inclusion in Rwanda through innovative financial solutions was recognized by several institutions. We won the "Bank of the Year" award by the Banker Magazine, for the eight-consecutive year as well as the "Best Bank in Rwanda" award by EMEA Finance.
We also won the "Best Financial Reporting Award in the Financial Sector" by the Institute of Certified Public Accountants Rwanda and the "Best Securities Brokerage | Rwanda" 2018 from Business Vision Awards.

Risk and Compliance Management

Sustainable performance can only be achieved through disciplined risk management. It is part of our corporate culture that every employee at every level of the organization is accountable for risk management. This approach has enabled the Bank to overcome the challenges of a changing global, regional and domestic macroeconomic environment.

Inherently, credit risk is the single most important risk facing our bank. We continue to manage credit risk and make provisions for any specific risk proactively. Our non-performing loans Net risk coverage was 163.7%. The market has continued to benefit from the reforms in the regulatory framework as well as the land registration. These reforms have led to the fast tracking of provision of title deeds and foreclosures, with the electronic registration of collaterals now possible. In addition, Transunion Africa is increasingly becoming an important tool in credit risk management, offering more complete and multidimensional information on borrowers.

Credit rating of the Bank

The Bank is the only credit rated company in Rwanda with a short-term rating of A1+ and a long-term rating of AA-, with a stable outlook, from Global Credit Rating Agency.

Outlook for 2019

Owing to a strong capital position, we will continue to grow the business of the group, both in the banking and insurance sectors. The Bank has a strong pipeline of loans and is enforcing better diversification of the book in fast growing sectors of the economy such as Manufacturing, Energy and Telecom. The Bank has designed new products targeting large underbanked populations in the agriculture sector. We are working to de-risk agriculture with the support of Government stakeholders, with the objective to improve productivity in this critical sector of the economy.

The Group is planning to expand its footprint in the insurance sector, both Life and non-Life, to further consolidate its position in this fast-growing industry. In line with the group's ambition to be a one-stop shop for financial services in Rwanda, a fourth subsidiary BK Capital Ltd was setup. BK Capital will develop corporate finance and advisory services, investment and wealth management, in addition to the capital market activities it is already doing. BK Techouse will continue to grow digital consumers and support digital initiatives of the group.

Throughout 2019, we will spend considerable effort in our "Change the Bank" program as we overhaul our technology and data infrastructure to enable faster digitization, more efficiency and better customer experience.

Acknowledgement

On behalf of the management team staff and on my own behalf, I extend my sincere appreciation to our customers for their loyalty and confidence in the Group. I would like to thank our Board members for their continued commitment, direction and support to the management team.

Special thanks to our staff for their commitment and dedication that continues to shape BK Group PLc into a formidable player in the financial services sector.

Sincerely,

STRATEGY BRIEF

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

Expand channel capacity

With 79 branches, 95 ATMs and 1,427 operational agents across the country, BK is building sufficient channel capacity to be able to service 1 million clients by 2021. The Bank has already taken significant steps in channel expansion and roll out of self-service products such as mobile-based banking products and cards as well as introducing agency banking. BK will continue to deploy ATMs both within branches and in high footfall locations.

Enhance BK's digital finance offering

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

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

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

Shore up deposits by increasing BK's retail product offering

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

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

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

Expand SME product offering

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

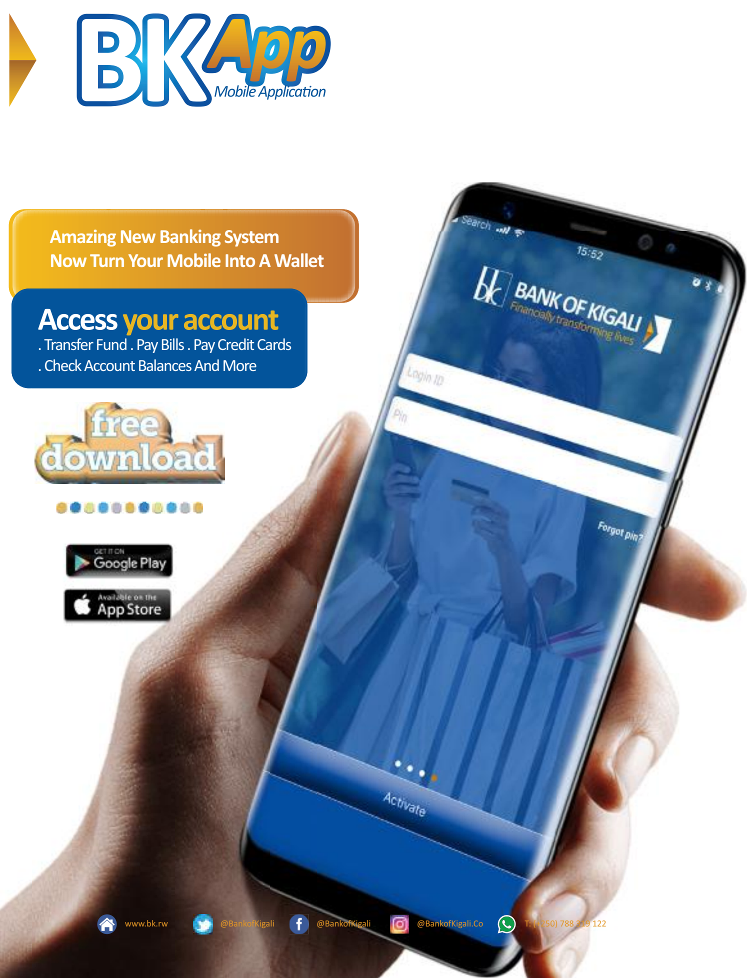
Implement a universal banking model

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

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

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

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



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

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

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

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

1. OUR BOARD

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

The Articles of Association of the company provides that the Board shall comprise of a maximum of eleven Directors. The Board is currently structured with two Executive Directors, and six as Independent Directors including the Group Chairman.

The Board determines its size and composition, subject to the Company's Articles of Association, Board Charter and applicable law.

As of 31 December 2018, the Board comprised of five Directors. Liliane Igihozo retired as Director on 27 August 2018 and Jonathan Gatera retired on 22 October 2018; Alline Kabbatende was appointed on 11 September 2018 and Lilian Kyatengwa on 22 October 2018 while in the beginning of 2019, three more board members were appointed: Richard Tusabe was appointed as a Director on 3 January 2019, Rod Reynolds on 6th February 2019, Risper Alaro Mukoto on 11 February 2019.

N◦	Director	Directorship type	Date of appointment
1	Marc Holtzman	Independent	October 2015
2	Richard Tusabe	Non-executive	22 October 2018
3	Lilian Kyatengwa	Independent	27 August 2018
4	Reuben Karemera	Non-executive	March 2014
5	Julien Kavaruganda	Independent	March 2012
6	Alline Kabbatende	Independent	18 May 2018
7	Risper Alaro Mukoto	Independent	11 February 2019
8	Rod Michael Reynolds	Independent	6 February 2019

2. THE ROLE OF OUR BOARD

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

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

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

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

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

3. BOARD MEETINGS AND ATTENDANCE

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

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

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

Structure	Main Board (Bank of Kigali Plc.)	Main Board (BK Group Plc.)	Audit Committee	Risk committee	Credit Committee	ALCO Committee	Nomination and Remuneration Committee	IT Committee
Mr. Marc Holtzman	4/4	4/4					2/2	
Mr. Jonathan Gatera	3/3	3/3		2/2	8/8			1/1
Mr. Julien Kavaruganda	4/4	4/4	3/3	4/4	3/3	2/2	2/2	
Mrs. Liliane Igihozo	3/3	3/3	3/3	1/1	6/6	2/2		
Mr. Reuben Karemera	4/4	4/4	1/1		11/11	2/2	2/2	1/1
Ms. Alline Kabbatende	2/2	2/2	1/1	1/1				2/2
Mr. Richard Tusabe	1/1	1/1			1/1			1/1
Mrs. Lilian Kyatengwa	1/1	1/1	1/1	1/1				1/1

4. ROLE OF BOARD COMMITTEES

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

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

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

5. BOARD COMPOSITION

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

The Board will be of such size and competence necessary to understand and deal with the current and emerging issues of the business of the Company. The number of Directors (unless otherwise determined by an ordinary resolution of the Company) shall not be less than five (5) or more than Eleven (11).

6. ANNUAL GENERAL MEETING

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

Notice of each meeting is sent to all shareholders not less than thirty (30) days before the date of the meeting. The notice states, at a minimum, the agenda for the meeting and any other information.

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

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

7. EXTERNAL AUDITOR

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

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

8. DIRECTORS' REMUNERATION AND EXPENSE POLICY

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

Remuneration reflects the importance and professional nature of Board work and attract and retain qualified individuals. The establishment of guidelines for the reimbursement of expenses by the Board and its Directors promotes accountability and transparency.

The Nominations & Renumeration Committee of the Board is responsible for setting and administering the remuneration of board directors.

The aggregate amount of emoluments paid to Directors for services rendered during the Year 2018 is disclosed under note 40 of the Financial Statements.

BK Group PLC is committed to world class corporate governance standards as set from time to time by the National Bank of Rwanda, Capital Market Authority in Rwanda and Kenya, Rwanda Stock Exchange, Nairobi Securities Exchange 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 the Group 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 six Non-Executive and Independent Directors, Two Non-Executive and Non-Independent Directors. The Board is provided with full, appropriate and timely information to enable them maintain full and effective control over the strategic, financial, operational and compliance issues of the Group. The day to day running of the business of the Group is delegated to the Chief Executive Officer but the Board is responsible for establishing and maintaining the Group's system of internal controls so that the objective of profitable and sustainable growth and shareholders' values are realised. The Board also makes recommendations to the shareholders on Board succession planning and annual financial statements.

Board Meetings

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

Board Committees

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

a. Risk Committee

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

b. Audit Committee

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

c. Credit Committee

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

d. Assets and Liabilities (ALCO) Committee

The Committee is responsible for monitoring and managing the Bank's balance sheet to ensure that various business risks such as liquidity, capital, market and currency risks are monitored and mitigated in compliance with the Bank's policies and Central Bank guidelines. The Committee meets on a quarterly basis or more frequently as its business demands.

e. IT Committee

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

f. Nominations & Remuneration Committee

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

BOARD OF DIRECTORS

MARC HOLTZMAN,
CHAIRMAN OF THE BOARD

Marc is the Chairman of Bank of Kigali and has served as a member of the Bank's Board of Directors since 2009.

He is also Chairman of Kazkommertsbank (LSE: KKB:LI), Kazakhstan's largest private bank with a total market share of 24%. Previously, Mr. Holtzman was Chairman of Meridian Capital HK, a private equity firm with investments in natural resources, real estate, food, agriculture and transportation. Prior to joining Meridian, Mr. Holtzman served as Vice Chairman of Barclays Capital and as Vice Chairman of ABN Amro Bank. Previously, as co-founder and President of MeesPierson EurAmerica (a firm which was acquired by ABN Amro) and as Senior Adviser to Salomon Brothers, he lived and worked in Eastern Europe and Russia from September 1989 until October 1998.

Mr. Holtzman also currently serves as a member of the Board of Directors TeleTech (NASDAQ: TTEC), the world's leading provider of analytics-driven technology- enabled services.

To further assist with the development of Central Asia's financial sector, Mr. Holtzman was appointed by Kazakhstan's Prime Minister to serve on the Board of Directors of Kazyna - the nation's sovereign wealth fund from 2006 – 2008. In addition, Mr. Holtzman served as a member of the Board of Trustees of the United States Space Foundation from 2004 – 2010.

From 2003 through 2005, Mr. Holtzman was President of the University of Denver where he was responsible for the development of the Rocky Mountain Center for Homeland Security. The University of Denver has approximately 10,000 students and includes the Daniels College of Business, which, during Mr. Holtzman's tenure, was ranked by The Wall Street Journal as being among the world's top fifty MBA programs. Previously, Mr. Holtzman served in the Cabinet of Governor Bill Owens as Colorado's first Secretary of Technology.

In addition, Mr. Holtzman was Chairman of Colorado's Information Management Commission and Co-Chairman of the Governor's Commission on Science and Technology. Mr. Holtzman helped guide Colorado's economic transformation into a fully diversified technology hub. During his tenure, Colorado was consistently ranked first among the fifty states in having the highest percentage of technology workers per thousand in the nation.

RICHARD TUSABE,
VICE CHAIRMAN

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

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

JULIEN KAVARUGANDA,
DIRECTOR

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

Julien was called to the Brussels Bar in 2004 and is a member of the Rwanda Bar Association as well as a Board member of the East African Law Society. He holds a Bachelor's and a Master's degree in Law from the Université Catholique de Louvain in Belgium

LILIAN KYATENGWA,
DIRECTOR

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

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

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

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

REUBEN KAREMERA,
DIRECTOR

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

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

ALLINE KABBATENDE,
DIRECTOR

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

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

She is currently the Chair of the IT Committee of the Board of Directors of Bank of Kigali Plc. since November 2018.

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

RISPER ALARO-MUKOTO,
DIRECTOR

Risper Alaro-Mukoto is currently a Non-Executive Director at the Nairobi Securities Exchange PLC (NSE), where she serves on the board as Chair of the Audit, Risk and Compliance Committee. She also serves as an Associate Executive Leadership Coach at The Coach Development Institute of Africa (CDI-Africa). CDI-Africa is renowned in advancing the coaching profession across Africa and offers internationally accredited training programs, one-on-one leadership and team coaching to corporates and individuals.

Prior to this, Risper served as the Managing Director of Centum Business Solutions Ltd (CBS); an integrated shared services subsidiary of Centum Investment PLC (Centum). Centum is the leading investment company in the East African region. Under her leadership, CBS led numerous projects that were instrumental to the growth, positioning as well as enhancement of operational efficiency of the Centum Group. Prior to her role as MD of CBS, Risper served Centum as the Group Finance and Operations Director.

Risper holds a Bachelors Degree in Business Management from the Moi University, and an MBA in Finance from the United States International University Africa (USIU-A). She is a fellow of the Archbishop Desmond Tutu Africa Leadership Fellowship. She is also a fellow of the Association of Certified Chartered Accountants (ACCA), a Member of the Institute of Certified Public Accountants of Kenya (ICPAK), an International Coach Federation Associate Certified Coach (ACC), and a Certified Executive Leadership Coach.

ROD M. REYNOLDS,
DIRECTOR

Rod is a senior, global banking executive with 35 years' experience leading a wide variety of business units. Career spanning eight countries with principal experience in turnarounds and growth strategies. Three years sabbatical from the end of 2009 to 2012 focused on high impact development work in Africa & India and advising medium size businesses in the US and Europe on strategic change. His current role is Principal, Aileron Project Ltd, London and Hong Kong.

Prior to that, Rod Served at Bank of Nova Scotia as President Asia- Pacific, Hong Kong, Chief Executive Officer Scotiabank Europe Plc, London, Vice president Scotia plaza Toronto, General Manager Scotiabank Trinidad and Tobago Ltd.

His sabbatical experience include among others, serving as mentor of entrepreneurs in Rwanda, Director of Bridges beyond boundaries organization and Chair of International Governance for Young Presidents Organization from 2009 to 2012.

He served on numerous public and private company and NGO boards. He is a current board member of Thanachart Thailand (5th largest bank with assets of $ 30 billion).

He was graduated from Harvard Business School, Executive Series in 2010, he holds an MBA from York University 1983, and he has a B.Sc. Civil Engineering from Queen's University, 1979.

EXECUTIVE MANAGEMENT

DR. DIANE KARUSISI,
CHIEF EXECUTIVE OFFICER

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

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

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

FLORA NSINGA,
CHIEF HUMAN RESOURCES & ADMINISTRATION OFFICER

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

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

She also holds a Master's in Management, majoring in Leadership and Human Resources from Cambridge College Boston, Massachusetts – USA.

NATHALIE MPAKA ,
CHIEF FINANCE OFFICER

Ms. Mpaka is the Chief Finance Officer of BanK of Kigali. She joined the BK's Management team in 2011 as the Financial Reporting and Investors Relations Manager. Prior to joining the Bank, Nathalie studied and worked in the United Kingdom. She has vast experience in financial planning, analysis and reporting, as well as systems implementation. She is dynamic and passionate about Financial Excellence and Value creation.

Ms. Mpaka is ultimately responsible for the coordination and implementation of a finance strategy that supports the profitability, growth, and sustainability of the group.

Further, she leads the development of sound and effective control systems to monitor the performance of the bank, its flow of funds, adherence to budgets, and assessment of risks.

Ms. Mpaka is an ACCA qualified finance professional and also a member of the Certified Public Accountants in Rwanda (ICPAR) where she served as Governing Council Member. She holds a first-class bachelor's degree in Accounting and Finance from the University of Birmingham in the U.K; and currently completing her MSc in International Banking and Finance.

DÉSIRÉ RUMANYIKA,
CHIEF OPERATING OFFICER

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

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

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

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

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

VINCENT GATETE,
CHIEF COMMERCIAL OFFICER

Vincent joined Bank of Kigali as the Chief Commercial Officer from ISCO where he was the Managing Director for over 2 years, overseeing over 6000 employees.

Mr. Gatete was also Chief Executive Officer of Crystal Telecom, a fully listed company on the Rwanda Stock Exchange. Prior to that, Mr. Gatete was Company Secretary for Crystal Ventures Ltd where he provided general legal advice to management and board of Crystal Ventures in addition to being the lead project manager on several mergers, acquisitions and disposals.

Before Crystal Ventures, Mr. Gatete was at Rwanda Revenue Authority where he held a number of roles in the areas of Legal advisory, customs, regional integration and International affairs coordination. He has also served as a non-executive Director in a number of companies including MTN Rwanda, Ultimate Concepts Ltd, Akagera Aviation, Kigali Prime Economic Zones Ltd, Prime life insurance and CVL developers Ltd.

Mr. Gatete holds a Bachelor's degree in Law, from the National University of Rwanda, and a Masters in Business Administration (MBA) from Strathmore Business School, Strathmore University.

REGIS RUGEMANSHURO,
CHIEF DIGITAL OFFICER

Regis was the first Chief Executive Officer of BK TecHouse Ltd, the Tech subsidiary of BK Group PLC where his work in the past two years earned him the 2018 All Africa Business Leaders Award (AABLA) as Finalist for East Africa Innovator of the Year. Under his leadership, BK TecHouse was voted and awarded the 2017 Best Technology Company in Rwanda by the Smart Service Awards. Prior to joining BK Group Plc., Mr. Rugemanshuro spent his career in the United States consulting for the global Tech giants such as Hewlett Packard (HP) as a Program Manager and later with Accenture PLC in Seattle, Washington. During his time there, his main clients included Microsoft and T-Mobile.

His area of focus is at the intersection of Business and Technology; his expertise is in helping clients realize the promise of the digital revolution via adoption of modern engineering platforms and practices. He is known for his high energy and contagious passion to solving complex problems.

He is also a Certified Project Management Professional (PMP) by the Global Project Management Institute (PMI) as well as a Certified SAFE Program Consultant (SPC4) by the Global Scaled Agile Academy. He has a bachelor's degree in science information technologies and an MBA in Management both from Misericordia University in Pennsylvania.

GERARD NYANGEZI,
CHIEF REPRESENTATIVE OFFICER

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

Gerard holds a Bachelor of Commerce-Finance degree from Makerere University, Uganda; a Bachelor of Science in Accounting from Walter Sisulu University, South Africa and is also a Certified Chartered Accountant.

Gerard is a Fellow of the Institute of Certified Chartered Accountants of United Kingdom, (FCCA) and is also a member of the Institute of Certified Public Accountants, Rwanda (ICPAR).

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ALEX N. BAHIZI,
MANAGING DIRECTOR

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

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

ADOLPHE NGUNGA,
CHIEF OPERATIONS OFFICER

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

Adolphe holds a Bachelor's Degree in Economics from the National University of Burundi

JEAN CLAUDE MUNYANGABO,
MANAGING DIRECTOR

Jean Claude serves as the Managing Director of BK TecHouse Ltd. Mr. Munyangabo has accumulated 10 years of experience in the Telecommunication and Technology Business.

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

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

CARINE UMUTONI ,
MANAGING DIRECTOR

Carine is the Managing Director of BK Capital, a subsidiary of BK Group PLC and Sister Company of Bank of Kigali PLC.

Carine has 15 years' experience in the banking industry with expertise in Treasury solutions, Assets& Liabilities Management, Investments, Trade Finance and Capital Markets Activities.

Carine holds a MBA in Economic Policy & Corporate Strategy from Maastricht University of The Netherlands and a Bachelor degree in Banking and Finance from Damelin South Africa; she has benefited various leadership and strategic business management programs.

Carine serves in the Board of Rwanda National Investment Trust, which was incorporated in 2015 by the Government of Rwanda.

Carine has 15 Years' experience on the Financial Markets in Rwanda with a vast knowledge of capital markets activities and played key roles on important transactions that contributed to the milestones of the Capital Markets in Rwanda:

- She was part of the lead advisory team for the first corporate Bond in Rwanda listed on the RSE (BCR Corporate Bond listed on RSE in 2008).
- She was in the implementation team that set up the Custody services of KCB Rwanda where the service was being offered within the Treasury Department and launched in 2010 at the time of the Bralirwa Initial Public Offering to service international investors;
- She was on the advisory team for the first IFC Rwanda Franc Bond issuance where Bank of Kigali played the role of Co-Lead arranger, Sponsoring Broker and Issuing& Paying Agent and where IFC raised equivalent of $22 Million.
- She was on the working team for the Crystal Telecom Ltd Initial Public Offering where Bank of Kigali played the role of Lead Sponsoring Broker and Lead receiving Agent.
- She also oversaw the teams that were in the involved in the first rights issue and cross listing of Bank of Kigali at the Nairobi stock exchange.

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SENIOR MANAGEMENT


IGALI
C09

YVES GATSIMBANYI,
HEAD OF RISK

Yves has been the Head of Risk and Compliance since early 2010 with vast experience in the banking sector.

Yves served as a bank examiner at the National Bank of Rwanda for ten years. Prior to joining the Bank, he was the Head of Compliance and Internal Control at I&M Bank-Rwanda.

He holds an MBA in finance and accounting from Mount Kenya University and a Bachelor's degree in Economics from the National University of Rwanda. He also has a diploma in Risk management in Finance and Banking

AIMABLE MALAALA,
HEAD OF COMPLIANCE, LITIGATIONS AND SUBSIDIARIES CORPORATE COUNSEL

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

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

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

Aimable holds a Bachelor of Laws degree (LLB) from the National University of Rwanda 2005, a Master of Laws (LLM) in International Human Rights from Utrecht University (The Netherlands) 2007, Master of Laws (LLM) International Business Law from University of Liverpool (United Kingdom) 2011, a Post graduate Diploma in international environmental Law (UNITAR) and holds a diploma Legal practice from Institute of Legal Practice and Development.
He is a member of the Rwanda Bar Association & the East African Law Society, a member of the Chartered Institute of Arbitrators (CIArb) London and a qualified Adjudicator under Kuala Lumpur Regional Centre for Arbitration

BARBARA BUSINGYE , HEAD OF OPERATIONS

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

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

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

KEVIN RUDAHINDUKA, HEAD OF DIGITAL BANKING

Kevin is the Head of Digital Banking. Prior to joining Bank of Kigali, he worked for as Head of IT for KCB Bank Rwanda Ltd, also worked for I-Finance Microfinance Bank in Kinshasa DRC as Chief Information Officer and prior to I-Finance, he worked for Urwego Opportunity Bank (UOB) since 2006 as IT/MIS Director and later Chief Information Officer.

He has extensive experience from both the non-profit and private sector. In his capacity, as Chief Information Officer, he managed ICT operations and Innovation Technology including the banking system, Mobile Banking, Payment Systems, Networks Infrastructure and Information Security Systems.

Kevin has undergraduate degree in Computer Engineering and Information Technology from Kigali's Institute of Science and Technology and Master's degree in Information Technology from Carnegie Mellon University.

THIERRY NSHUTI, HEAD OF MARKETING

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

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

Thierry holds a Bachelor's degree in science, Applied Mathematics from the National University of Rwanda and multiple certificates as sales capability champion and Leadership.

MAMI FATOU SAID,
HEAD OF HUMAN RESOURCES

Mami spent more than thirteen years of experience in Human Resources. She started her HR career in the energy sector (Electrogaz) in 2005. She started with the banking sector in 2007 where she worked with Access Bank Rwanda SA for 4 years as Country Human Resources Manager.

She broadened her expertise when playing the role of Group Human Resources Manager of Crystal Ventures Ltd for three years. Her areas of expertise are change management, company reorganization and structure definition, performance management, skills audit, compensation and benefit, recruitment process and manpower planning, policies and procedures definition and alignment.

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

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

CÉLÉSTIN ZIMULINDA ,
HEAD OF IT

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

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

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

BONAVENTURE URIMUBE ,
HEAD OF CREDIT

Bonaventure is the Head of Credit Department at Bank of Kigali. He joined the Bank's Management Team in April 2017 as Head of Retail Credit Department and is responsible for credit portfolio management. He has vast knowledge and experience in credit risk management and bank treasury management with 8 years of banking experience specifically in Credit Risk and Treasury Management. Prior to joining Bank of Kigali, he was the Credit Administration Manager at Guaranty Trust Bank (Rwanda) Ltd. He also played Foreign Exchange Trader, Asset and Liability Manager (ALM) and Domestic Bank Credit Risk Manager roles in Ecobank Rwanda Ltd.

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

BARNABAS KALENZI,
HEAD OF BUSINESS

Barnabas is currently the Head of Business, in charge of developing and leading the implementation of the bank's strategy covering Corporate, SMEs, NGOs and digital business banking. He previously worked in Auditing and Financial Planning for private consultancy firm (KPS Associates/Consulting), after which he went on into Corporate Banking starting with Ecobank as an Account Manager in 2013 and becoming Head of Corporate Banking in 2016. He joined Bank of Kigali in April 2017 assuming the position of Head Corporate Banking managing the corporate and SME banking portfolio after which he became Head of Business in 2018.

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

SAMUEL NSHIMIYIMANA ,
HEAD OF FINANCE AND BUDGET

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

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

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

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

ROSE NGABIRE ,
HEAD OF CUSTOMER EXPERIENCE MANAGEMENT

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

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

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

BONAVENTURE NTABWOBA,
HEAD OF BRANCH BUSINESS

Bonaventure is the Head of Branch Business at Bank of Kigali. He has 18 years of experience in branch business in banking industry.

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

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

FABRICE BUGINGO ,
HEAD OF PROCUREMENT & ADMINISTRATION

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

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

Fabrice's exposure spanned through a number of job functions including: Credit, Banking operations, Risk, and managerial position in Treasury, Taxation, and Financial Control & Budget.
Fabrice holds a BBA Majoring in Finance from Kigali Institute of Science and Technology.

INNOCENT MUSOMINARI,
HEAD OF RECOVERY

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

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

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

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

EMMANUEL NKUSI BATANAGE,
HEAD OF CORPORATE AFFAIRS AND COMPANY SECRETARY

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

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

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

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

He holds a Bachelor's Degree of Law (LLB) and a Master's degree in International Business Law.

Emmanuel has participated in various certification programs on regulatory affairs management and legal advisory across the world.

He is a Certified In-House Corporate Counsel from the Institute of Corporate Counsel – Association of Corporate Counsel, Washington DC.

He serves as Board member of the East African Business Council.

JACQUELINE NKWIHOREZE, HEAD OF INTERNAL AUDIT

Jacqueline is the Head of Internal Audit department at Bank of Kigali. She joined the Bank in July 2018. Prior to joining the Bank, she worked at BDF (Business Development Fund) as Head of Finance department for over 7 years where she was in charge of financial accounting and reporting, financial analysis, Taxation, Budget preparation and control and Systems implementation.

At BDF also, she was the chairperson of the Credit committee and on the committees of both IT and Portfolio. She also previously worked with KPMG and then KPS Associates both audit and consultancy firms as senior auditor doing financial audits and reporting and consultancy work for 7 years.

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

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

CHARLES GAKURU, HEAD OF TREASURY

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

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

SUSTAINABILITY REPORT

On November 30, 2018 - BK Group PLC has cross-listed on the Nairobi Securities Exchange (NSE) becoming the first Rwandan company to tap into the Kenyan Capital Market.

Speaking during the cross-listing ceremony, the BK Group PLC chairman, Mr. Marc Holtzman noted:

This is a heavy experience for all of us to be here as the first Rwandan company to list on an international exchange and take the vision of President Paul Kagame. What has happened in the two decades in the Rwandan economy is nothing short of miraculous. I have never seen a more exciting, dynamic and transformational market than existing Rwanda today.

Speaking during the cross-listing ceremony, the NSE Chief Executive, Mr. Geoffrey Odundo note:

"We are delighted that the BK Group has chosen to tap into the Kenyan Capital Market as it seeks to strengthen its investor base, enhance liquidity of its stock as well as harness its growth opportunities in line with its corporate vision of becoming the leading provider of the most innovative financial solutions in the Region."

RIGHTS ISSUE

The bank offered total of 222,222,222 new shares at FRw 270 per ordinary share to “raise approximately FRw 60 billion before expenses in new equity capital.”

The BK Rights Issue, the first of its kind on Rwanda’s Stock Market presented a unique opportunity for Shareholders, totalling to over 3,800, to invest more in BK Shares.

“BK shareholders had the right to subscribe for one new ordinary share for every three ordinary shares held on Wednesday, October 24, 2018 which is the record date.”

CORPORATE SOCIAL RESPONSIBILITY

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

OUR MANDATE

We dedicate 1% of Operating Income to support our CSR strategy based on these pillars

- Education
- Environmental Sustainability
- Innovation
- Other- Based on CEO's budget and on the Reserve Budget

EDUCATION:

1. Scholarship project with Imbuto Foundation:

Imbuto foundation scholars participating to their annual boot camp

During the 2018 school year, with Bank of Kigali's donation to Imbuto Foundation; 160 students were able to pursue their studies with ease. These students are from 55 different schools in the country and 71 of them graduated from secondary school.

Our support enables Imbuto Foundation to finance the students' living cost in boarding schools, uniforms, health insurance, scholastic materials and national examination registration fees for those enrolled in the third and the sixth years.

Our partner, Imbuto Foundation also conducts a holiday camp for the scholars every year during which they empower students with foundational skills and values to prepare them for a good future. Since the beginning of this partnership in 2009 and with the help of Bank of Kigali, five hundred and sixty two **(562) Rwandan youth have completed their secondary studies.**

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

2. Partnership with the UK Chevening Scholarship program

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

Chevening scholars that were admitted in 2018

INNOVATION

URUMURI INITIATIVE

At the closing ceremony, 6 winners were granted free interest loans amounting to a total of 25,000,000 FRw

The Urumuri Initiative started in 2017, in celebration of the 50th anniversary of Bank of Kigali. The Bank choose to support the next generation of great businesses in Rwanda. In 2018, Bank of Kigali continued its support of businesses that might be Rwanda's billionaires 50 years from now. The theme of this year's competition was "Made in Rwanda" supporting businesses that invent, manufacture, and sell products made in Rwanda.

Bank of Kigali worked with Inkomoko to design the competition. We began with recruitment to collect applications from around the country. We selected the top 25 candidates to begin our accelerator. The accelerator began with a 3-day Boot camp Training. Each business was assessed for its opportunity and viability, and recommendations were made to them on how to improve. During consulting;
We helped these businesses implement the changes we recommended.

After a preliminary pitch selection process, 13 candidates were chosen to pitch in front of a panel of judges. These candidates received two weeks of pitch training and coaching. After the final pitch to BK and other judges, Inkomoko performed financial due diligence on 6 candidates to select the businesses that were most deserving of the 0% interest loans.
Finally, the 6 winners were selected to receive 25 Million Rwandan francs in loans from Bank of Kigali, which were provided in January 2019.

We are pleased to report that the BK Urumuri Initiative has had a significant impact on the businesses that participated.

Many of the effects of the accelerator will be felt in the coming years as these businesses take advantage of the lessons they learned.

OTHERS

We also continued to support public speaking skills development of secondary students through the annual national high school debate championship with focus on cashless economy, a theme supported by our government. In 2018, as the year before, we were fascinated to note that most of the best debaters were girls.

Naming few, the bank contributed to the Breast Cancer Initiative “Ulinzi Walk”; we donated to the Ministry of Disaster Management and Refugees in order to meet the needs of families affected by natural disasters that occurred early last year; we also donated tailoring equipment to National Women Council’s 83 identified beneficiaries and so many more…

Official ceremony of handing BK donation to National Women Council, a day that coincided with the celebration of the National day of the rural woman.

Total of 60 singer machines and 23 knitting machines were provided to National Women council's beneficiaries.

This was the closing event of the National Debate Championship 2018 where Notre Dame de Citeaux High School emerged as a winner.

Notre Dame de Citeaux debaters were declared winners of the National debate championship 2018

OUR SUBSIDIARIES

BANK OF KIGALI
Financially transforming lives

DURING THE REMARKABLE 2019, NEW PRODUCTS WERE LAUNCHED.

BKquick
For your convenience

Bkquick ⍰n ⍰our Mobile Phones⍰

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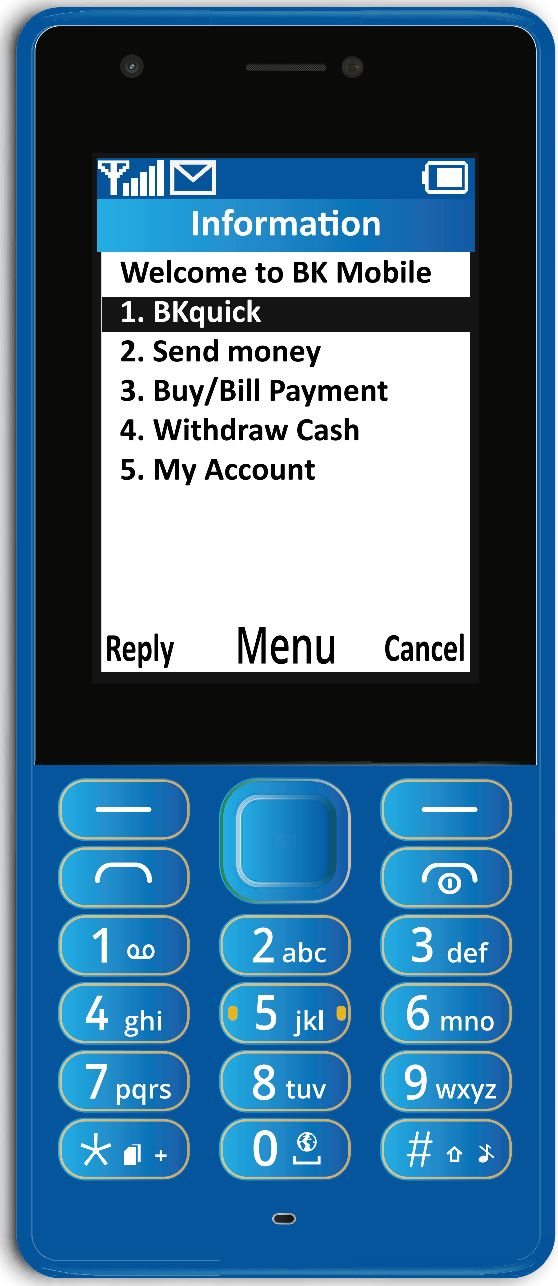
It Is Convenient, Fast And Accessible!

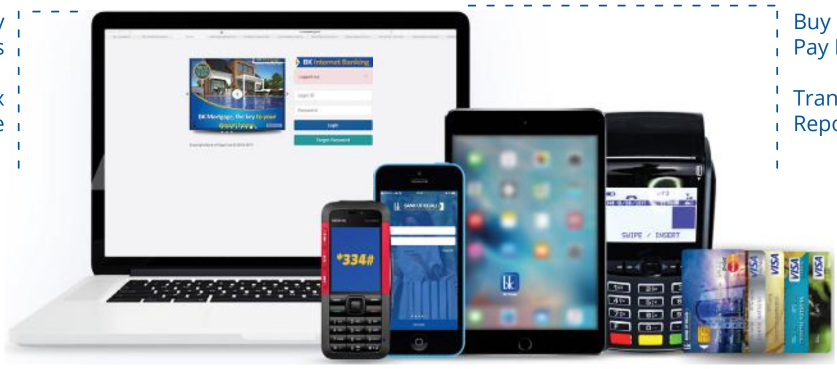


Mobile ⍰uick ⍰oans And Savings Solution!

BANK OF KIGALI
Financially transforming lives

BKquick enables our customers to borrow from their bank and acquire the loan amount from their mobile phones instantly. The loan amount can go up to five hundred thousand Rwanda francs (FRw 500,000) with an interest of 4% per month and is repayable in a period of your choice ranging from one to six months.
Users can also save money at their own convenience with an interest rate of 6.5% p.a

BK App/ online banking



Our Mobile app for iOS and Android are quicker than ever – with just a few taps you'll be logged in and ready to manage your money on the move.

We also renamed and revamped online banking, this is yet another platform that provides an avenue for undertaking banking services without necessarily visiting the typical bank branch. An interface is created between the bank and the customer's computer and a pass-word is generated which the customer should use to access bank information pertaining to their account.

It is Safe

We use the latest security measures to protect your money and your personal information.

It is Quick

Online Banking is the fastest way to efficiently manage your account and money.

It is Easy

It's easier than you think and our customers bank online millions of times every month.

Instant Card Issuing

Now clients don't have to wait to get their debit cards as they are issued the moment they are requested.

BANK OF KIGALI
Financially transforming lives

BK Yacu
Bank wherever you are

N'izindi serivisi nyinshi

bk money Send and Receive Now | WESTERN UNION | MoneyGram transfert d'argent

Sending money locally and internationally has been made easy for you with enhanced BK remittance services which includes: Money gram, Western Union and Xpress Money

General Insurance
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OUR BUSINESS

In 2015, the Bank of Kigali incorporated an insurance business through BK General Insurance Company that was licensed by the National Bank of Rwanda to transact general insurance in 2016. The Vision of BK General Insurance Company is to be the leading provider of innovative, high quality insurance services while its mission is the provision of innovative, high quality insurance services that add value to shareholders' investments through technology enhanced products and motivated professional staff.

The insurance business strategy in the short and medium term is to build a model that will enable it to set the standard of excellence among insurance providers by being innovative, growing the insurance business, building adequate reserves, enhance its services to meet and exceed customer expectations. The Management of the company is conscious of existing market imperfections and is committed in all its business goals to significantly contribute to the realization of a properly functioning market.

BK Insurance operations are guided and informed by belief and commitment to customer satisfaction, creativity, integrity and creation of value to shareholders. These values are key drivers of BKGI operational efficiency. BKGI has the potential to offer customers their dream insurance services and deliver returns that shareholders expect and deserve. In the spirit of its parent company, BK Insurance is customer centric. Provision of high quality products that meet the changing needs of customers and high standards of service delivery remain the hallmarks of BKGI business strategy.

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

The year 2018 was characterized by sustained growth: Premiums grew by 63%, Underwriting Profit by 800% (astronomical), Net Profit by 265%, Investment Income by 135%, Solvency Margins by 130%, Assets by 70%, Retained Earnings by 354%, and settled claims from our customers of 1.7Bn. BKGI Return on Equity increased to 23.5%, a clear demonstration of value addition to shareholders' investments. BKGI growth places its market share to 10% in a space of only Three Years. BKGI's performance capacity in the last two years has been tested and the company's books point to unequalled growth potential. The company shall continue to build a sustainable portfolio, enhance its already efficient claim settlement process, maintain a transparent and ethical business relationship with insurance intermediaries and invest in digital distribution channels.

www.bkgi.rw

General Insurance
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CALL CENTRE: (+250) 788 14 3653 / 786 86 7023 / 252 59 3100 / 252 57 3461(Fax)
EMAIL: bkgi@bk.rw / bkgisales@bk.rw

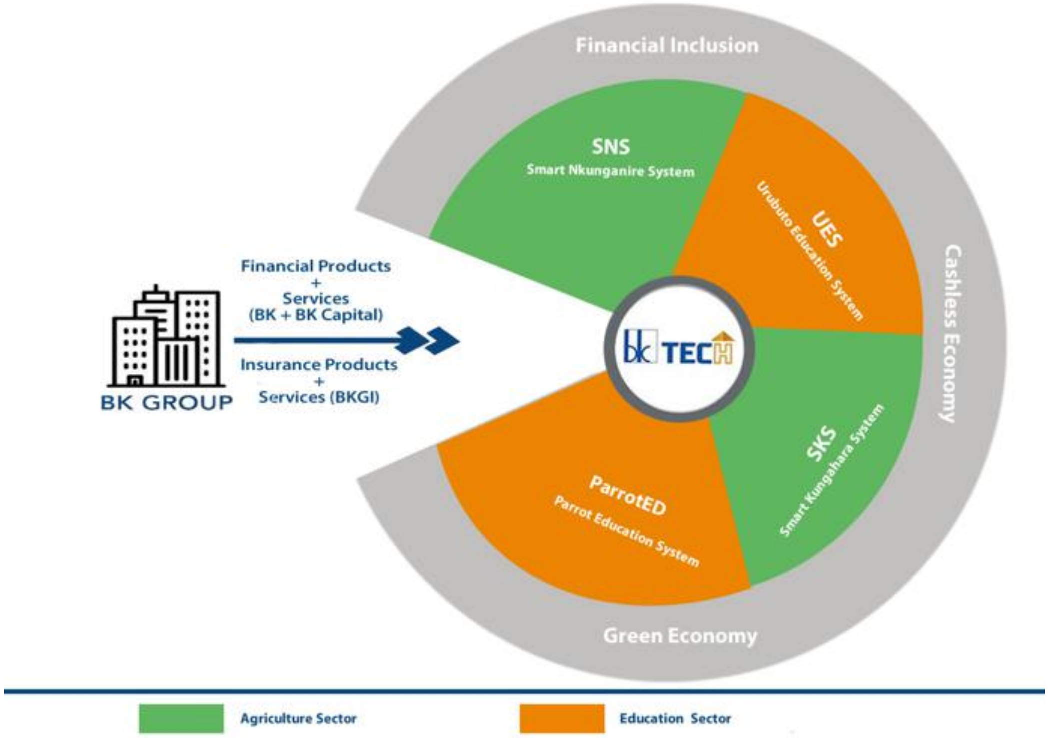
Incorporated by Bank of Kigali. Licensed by the National Bank of Rwanda to transact general insurance.

Our Vision is to be the leading provider of innovative, high quality insurance services.

Our core purpose and focus is the provision of innovative, high quality insurance services that add value to shareholders' investments

TECHOUSE
POWERING INNOVATION

BK TECHOUSE ECOSYSTEM



bk TECHOUSE POWERING INNOVATION

BK TECHOUSE PRODUCTS PORTFOLIO

Launched officially in March 2017, BK TecHouse is engaged in the business of providing Advanced Information and Communication Technology Services based on broadband connectivity. BK Techouse 's products range from the digital platforms to Broadband connectivity through 4G LTE connectivity and Fiber connectivity:

• Digital Projects in Agriculture:

Smart Nkunganire System (www.smartnkunganire.rw) :

Is an Innovative Supply Chain Management System build by BK TecHouse in partnership with RAB to digitize the end to end value chain of the Agro-Inputs Subsidy Program. To date the system has captured approximatively 1,5 Million farmers. The system is accessible on Web, Mobile App and USSD at *774#.#. It does not only give the farmers an active front seat while processing the registration, Agri-inputs Ordering and querying on Agriculture Market Information but it also offers a digital payment convenience while paying for the purchase of the Agro-inputs as the system is integrated with the Bank of Kigali Digital Payment Gateway.

Smart Kungahara System (www.smartkungahara.rw) :

BK TecHouse sealed a partnership agreement with NAEB to digitize the entire cash crop value chain. The product is under development and is expected to be tested starting with April 2019. The system will:

- Capture approximatively 500 thousand coffee farmers, Coffee Washing and all Dry Mills Factories;
- Digitize the Wet processing and
- Dry Mills Processing and Export warehousing

The system will be accessible on Web, Mobile App and USSD at *774# and will enable the digital payment as it will be integrated with Bank of Kigali Digital Payment Gateway.

• Digital Projects in Education:

Urubuto Education System for the Nursery, Primary and Secondary schools:

Urubuto Education System for Smart Schools and Cashless Campus, is the leading comprehensive School Management Digital Platform in Rwanda with over 95 schools on boarded on the platform and more than 152,000 users including school teachers, parents and students. The system is accessible on Web, Mobile App and USSD at *775#. It does not only give the parents an active front seat in their children education but it also offers digital payment convenience to pay school fess as integrated with Bank of Kigali Digital Payment Gateway and MTN Mobile Money. Parents are able to pay school fees using BK Universal E-Wallet, BK Internet Banking System and MTN Mobile Mooney. Parents will no longer need to take the physical pay slip to the school for recording as the schools are notified instantly and a reconciliation is done in real time.

Parrot Education System:

Parrot Education System is an Innovative Tuition Fees Payment System for the University Students. To date the System has on-boarded the University of Rwanda. The system is integrated with Bank of Kigali Digital Payment Gateway and MTN Mobile Money. Students can pay tuition fee using BK Universal E-Wallet, BK Internet Banking System and MTN Mobile Money. Student will no longer need to take the physical pay slip to the University for recording as the University Financial Department will be notified instantly and a reconciliation will be done in real time.

• Broadband Connectivity:

In partnership with KTRN, BK TecHouse provides a variety range of internet broadband packages.

The year 2019 will be marked by developing Agriculture Market Information System while at the same time refining the Big Data Analytics Engine behind the digital platforms to develop more insights based delightful and value adding solutions for our clients.

BK Capital
making more possible

WHO WE ARE

01 BK Capital, incorporated in Rwanda in 2012 as BK Securities Limited, is a subsidiary of BK Group. We are one of the Country's largest specialist stockbroker and also offer Investment Advisory services.

02 BK Capital is licensed by the:
- Capital Markets Authority (CMA) for Securities Brokerage and Investment Management;
- National Bank of Rwanda (BNR) for Investment Management and Administration of Pensions Schemes.

03 We are also a member of The Rwanda Stock Exchange (RSE) and a participant of the Central Securities Depository of the National Bank of Rwanda (BNR).

04 Together with our strategic partner, Swan Wealth Managers Ltd, BK Capital sets itself apart from other market players through its (i) widely experienced personnel (ii) advanced technology (iii) innovative product offering (iv) dedicated and long lasting personal relationships with our clients.

OUR MISSION

BK Capital's Mission is to serve as a trusted partner to its clients by responsibly providing financial services and advisory to grow its clients' finances.

OUR VISION

Our Vision is to be the most trusted financial partner offering Innovative financial solutions.

OUR AIM

We Aim to be the partner of choice for local, regional and global entities as well as individuals through our advisory and investment services

CORE VALUES

INTEGRATED AND HONESTY
Integrity and honesty are at the core of all our relationships ,we build trust and confidence in all our stakeholders

PROFESSIONALISM AND TEAM WORK
We provide the highest level of quality in all we do, we strive to attract, develop and retain the best people and foster a strong culture of teamwork

INNOVATION
We seek to create innovative solutions to customers' needs

VALUE ADDITION
Above all, we ensure that we exceed every single customer's expectations.

BK CAPITAL OFFICIAL LAUNCH

PRODUCTS AND SERVICES

Securities Brokerage and Market Research

Corporate Finance and Advisory services

Investment & Wealth Management

bk Capital making more possible

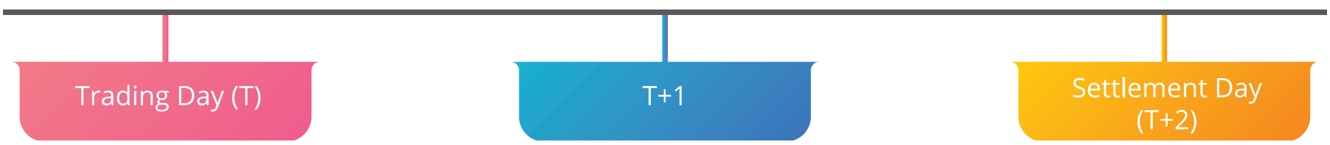
SECURITIES BROKERAGE& MARKET RESEARCH

BK Capital is a licensed market intermediary and depository participant that offers to investor's access to domestic, regional and international markets through its partnership with regional and global players.

We have a dedicated research team that provide market reports, which covers the macro perspective and the listed companies on the domestic market by providing market.

We encourage individuals and organizations to diversify their investments through promoting the benefits of trading in securities

TRADING CYCLE



BK Capital
making more possible

CORPORATE FINANCE AND ADVISORY

Performance Enhancement

- Financial/Corporate restructuring
- Business turnaround plan
- Risk Analysis
- Optimized exit strategy

Corporate Finance

- Capital budgeting & structuring
- Capital raising
- Initial Public Offerings (IPOs)

Deal Advisory

- Mergers & Acquisitions (M&A)
- Joint Ventures & strategic alliances
- business plan development
- pricing Strategy
- Competitive Analysis
- Divestitture
- Contract/ Deal negotiations

Valuation

- Business Modelling/Projection/ Simulations
- Use of Various financial metrics
- Strategic value consulting

Through our complete set of advisory/consulting services, we provide our clients with the required tailor-made solutions. We have the proud tradition of high performance and a relentless focus on exceptional client service.

Current Model & Scope of Service

- Understand the constraints and financial vision / objectives of the client.
- Define the scope of the engagement. Crucial process as it sets the stage for the shared journey ahead as client and advisor

Strategic Discussions & Optimal Structuring

- Identify the Intricacies of the transaction and define the market and regulatory framework
- Craft a strategy best-suited to the client while exploring different trade-offs of the different scenarios and mitigating any associated risks

Best Execution

- Monitor progress and employ techniques aimed at maximizing opportunities along the way
- Benefits from our extensive experience as we readily Identify the right approach as circumstances evolve

bk Capital making more possible

INVESTMENT MANAGEMENT

We give access to the full spectrum of investment products, provide strategic Investment advice and manage wealth portfolios for individuals, public and private schemes including pension and Trust Funds.

We administer investment's schemes and provide up to date and accurate information on members' collection, back office paper work processing and ensure compliance on regulatory requirements and reporting of schemes.

WHY US?

Holistic Wealth Management

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

Best Execution

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

Solutions to suit all investor preferences

- Transactional
- Advisory
- Discretionary

Superior Service

- Access to first class investment research and expertise
- Highly qualified and dedicated team of investment professionals
- On-going, flexible and strategic financial planning
- Monthly valuation and reporting, and quarterly portfolio reviews

ADVANTAGES

- Access to Products
- Initial and ongoing advice
- Clients maintain control over the decision-making process
- Exclusive management of portfolios within pre-established investment guidelines
- Dynamic management of the portfolio for potential enhanced returns
- Best suited for investors who cannot afford the time to manage their funds effectively and prefer to let the day-to-day management in our expert hands.
- Monthly reporting & regular presentation of reports to the Client,

BK GROUP PLC FINANCIALS


BK KIRA KIBONDO
Teganyiriza Ahazaza h'umwana Wawe
Izigamira Abana
Uhereye Ku 5.000 Frw ...
Buri Kwezi Wunguke 8% K'umwaka
Si Uko Mfite Byinshi, Ni
Imbere Heza Nkwifuriza.
www.bk.rw
@BankofKigali
@BankofKigali
@BankofKigali.Co
T: (+250) 788 319 122

DIRECTORS

Non-Executive and Independent Directors
Mr. Marc Holtzman (Chairman)
Mr. Julien Kavaruganda
Mr. Reuben Karemera
Ms. Alline Akintore Kabbatende
Ms. Lilian Kyatengwa (appointed 27 August 2018)
Ms. Risper Alaro Mukoto (appointed 11 February 2019)
Mr. Rod M. Reynolds (appointed 6 February 2019)

Non-Executive and Non-Independent Directors
Mr. Richard Tushabe (Vice Chairman)- (appointed 22 October 2018)
Mr. Jonathan Gatera (Resigned 22 October 2018)

CHIEF EXECUTIVE OFFICER

Dr. Diane Karusisi (CEO)

SECRETARY

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

AUDITOR

PricewaterhouseCoopers Rwanda Limited
5th Floor, Blue Star House, Blvd de l'Umuganda, Kacyiru
PO Box 1495
Kigali - Rwanda

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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

ADVOCATES

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

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

The directors have the pleasure of submitting their report together with the audited consolidated financial statements for the year ended 31 December 2018 which disclose the state of affairs of BK Group PLC and its subsidiaries (together, the "Group").

1. Principal activities

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

2. Results

The results for the year are set out on page 70.

3. Dividends

a) During the annual general meeting held on 18 May 2018, the shareholders approved a dividend pay-out of 40% of the group's audited IFRS based net income in respect of the year 2018-2020.
b) The total proposed dividend for the year is therefore FRw 10,946,646,400 (2017 was FRw 9,336,552,000) for ordinary shareholders.

4. Reserves

The reserves of BK Group PLC are set out in note 35.

5. Directors

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

6. Auditors

PricewaterhouseCoopers Rwanda Limited were appointed as external auditors at the Board meeting held on 28 February 2018 and ratified at the Annual General Meeting held on 18 May 2018 in accordance with Regulation No. 14/2017 of 23/11/2017 on accreditation requirements and other conditions for external auditors for financial institutions.

7. Approval of the financial statements

The consolidated financial statements were approved by the Directors on 15 March 2019.

BY ORDER OF THE BOARD

Emmanuel Nkusi
Company Secretary

Date: 29 March 2019

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

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

The directors accept responsibility for the consolidated financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements Law No. 17/2018 of 13/04/2018 Governing Companies. The Directors are of the opinion that the consolidated financial statements give a true and fair view of the state of the financial affairs and the profit and cash flow for the year ended 31 December 2018.

The directors have made an assessment of the Group's ability to continue as a going concern and have no reason to believe the Group will not be a going concern for at least the next twelve months from the date of this statement.

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

The consolidated financial statements which appear on pages 70 to 137 were approved by the Board of Directors on 15 March 2019 and signed on its behalf by:

Director

Director

pwc

Report on the audit of the financial statements

Our opinion

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

What we have audited

The consolidated financial statements of BK Group PLC and its subsidiaries are set out on pages 70 to 137 and comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of profit and loss and other comprehensive income for the year ended;
- the consolidated statement of changes in equity for the year ended;
- the consolidated statement of cash flows for the year ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Key audit matters

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

pwc

Key audit matters (continued)

Key audit matter

Expected credit losses on loans and advances at amortised cost

IFRS 9 was implemented by the Group on 1 January 2018. This new and complex standard requires the Group to recognise expected credit losses ("ECL") on financial instruments which involves significant judgement and estimates. ECL provisions as at 31 December 2018 was FRw 32.463 billion. Refer to note 23 (c).

Significant judgements are made to determine the staging of facilities as per IFRS 9. A backstop is applied and the financial instrument considered to have experienced significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Impairment

The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus are:

- Economic scenarios – IFRS 9 requires the Group to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied to determining the economic scenarios used and the probability weightings applied to them.
- Model estimations:
    - Probability of default (PD): the Group has estimated the PD using the migration matrix technique on 12 month basis. The PD for off-balance sheet items has been assumed to be equal to the PD of the business segment they relate to;

How key audit matter was addressed in the audit

- For significant judgements made on staging, we have challenged how the directors have determined the staging by reviewing management and board credit committee meeting minutes and corroborated the same through review of corresponding customer credit files. We have tested how the Group's extracts 'days past due' applied in classifying the loan book into the three stages required by IFRS 9. For a sample of loans we recalculated the 'days past due' applied in the model to the Group's IT systems and to the respective customer files.
- We have independently verified the source of the choice of macro-economic overlays included in the model as they are publicly available information, checked the correlation and understood management judgement on the weightings applied;
- We have tested completeness of data used in deriving the probabilities of default and recomputed these probabilities based on the Group's past credit related financial information;

pwc

Key audit matter **Expected credit losses on loans and advances at amortised cost**	**How key audit matter was addressed in the audit**
o Loss given default (LGD): The methodology used to estimate the LGD reflects the expected cash flows from collateral made by the bank in the event of default;	• For loss given default we traced the expected future cash flows from collaterals for a sample of Group's customers to information produced by external valuers. We also tested directors' assumptions on the timing of the cash flows and reasonability of haircuts applied based on the Group's empirical evidence
o Exposure at default: EAD constitutes total exposure amount subject to provisioning process and includes on-balance sheet and off balance sheet exposures. The EAD for off balance sheet exposures takes into account a credit conversion factor. The credit conversion factors were based on empirical evidence	• We checked the computation of the exposure of default for loans and advances in the model;

Other information

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

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

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

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

Responsibilities of directors for the Group consolidated financial statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group, or to cease operations, or have no realistic alternative but to do so.

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

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

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

pwc

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

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

- Identify and assess the risks of material misstatement of the Group financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Group financial statements, including the disclosures, and whether the Group financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Group financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

There are no circumstances that may create threat to our independence as auditor of the Group;

i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii. In our opinion proper books of account have been kept by the Group, so far as appears from our examination of those books; and

iii. We have communicated to the Group's Board of Directors, through separate management letters, internal control matters identified in the course of our audit including our recommendations in relation to those matters.

For PricewaterhouseCoopers Rwanda Limited, Kigali

Moses Nyabanda **1 April 2019**

Director

	Note	2018 FRw'000	2017 FRw'000
Interest income	8	93,997,805	84,707,152
Interest expense	9	(18,199,106)	(18,315,980)
Net interest income		**75,798,699**	**66,391,172**
Net fees and commission income	10	16,523,167	15,857,994
Foreign exchange related income	11	9,188,503	7,786,502
Net premium income	12	3,932,651	2,104,762
Other operating income	13	392,387	1,231,111
Operating income before impairment losses		**105,835,407**	**93,371,541**
Credit impairment losses	14	(11,409,582)	(16,489,292)
Net claims	15	(1,785,522)	(909,363)
Net operating income		**92,640,303**	**75,972,886**
Employee benefits expense	16(i)	(22,818,679)	(21,127,700)
Depreciation and amortisation	16(ii)	(4,866,655)	(4,501,210)
Administration and general expenses	16(iii)	(22,353,344)	(16,171,942)
Total operating expenses		**(50,038,678)**	**(41,800,852)**
Profit before income tax		**42,601,625**	**34,172,034**
Income tax expense	17(a)	(15,235,009)	(10,823,154)
Profit for the year		**27,366,616**	**23,348,880**
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss		-	-
Items that will not be subsequently reclassified to profit or loss		-	-
Total comprehensive income for the year		**27,366,616**	**23,348,880**
Attributable to:			
Equity holders of the parent		27,278,184	23,348,880
Non-controlling interests		88,432	-
Basic and Diluted earnings per share in FRw	19	39.5	34.7

The notes set out on pages 74 to137 form an integral part of these financial statements.

ASSETS	Note	2018	2017
		FRw'000	FRw'000
Cash in hand	20 (a)	20,071,592	19,731,699
Balances with the National Bank of Rwanda	20 (b)	64,914,684	42,583,327
Due from banks	21	105,210,355	53,055,021
Investment securities	22 (a)	73,594,798	94,248,923
Loans and advances to customers	23	568,104,724	471,704,315
Insurance receivables	24	2,877,789	882,660
Deferred income tax	30	672,030	-
Current income tax	17(b)	551,644	-
Other assets	25	9,502,119	10,569,349
Equity investments	22 (b)	-	221,425
Property and equipment	26	28,226,576	33,529,626
Intangible assets	27	3,675,053	678,355
TOTAL ASSETS		**877,401,364**	**727,204,700**
LIABILITIES			
Due to banks	28	61,312,934	42,377,460
Deposits and balances from customers	29	531,959,345	455,213,393
Current income tax	18	4,095,815	6,900,698
Dividends payable	31	11,078,029	9,378,311
Insurance liabilities	32	3,909,011	1,902,366
Other liabilities	33	19,457,343	15,488,363
Deferred income tax	30	-	2,351,802
Long-term finance	34	50,883,806	70,842,175
TOTAL LIABILITIES		**682,696,283**	**604,454,568**
CAPITAL AND RESERVES			
Share capital	35 (i)	8,967,592	6,745,370
Share premium	35 (ii)	74,795,986	18,936,176
Revaluation reserves	35(iii)	13,000,149	13,000,149
Retained earnings	35(iv)	96,995,779	84,068,437
Equity attributable to the owners of the parent		193,759,506	122,750,132
Non-controlling interests		945,575	-
TOTAL EQUITY		**194,705,081**	**122,750,132**
TOTAL LIABILITIES AND EQUITY		**877,401,364**	**727,204,700**

The notes set out on pages 74 to137 form an integral part of these financial statements.

2018	Note	Issued capital	Share premium	Revaluation	Retained earnings	Non-controlling interests	Total
		FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
As at 1 January 2018		*6,745,370*	*18,936,176*	*13,000,149*	*84,068,437*	-	*122,750,132*
Change on initial application of IFRS 9					*(3,404,196)*	-	*(3,404,196)*
Restated balance at 1 January 2018		**6,745,370**	**18,936,176**	**13,000,149**	**80,664,241**	**-**	**119,345,936**
Profit for the year		-	-	-	27,278,184	88,432	27,366,616
Right issue	35	2,222,222	55,859,810	-	-	-	58,082,032
Contributions of equity, net of transaction costs and tax		-	-	-	-	857,143	857,143
Dividends paid/declared	31	-	-	-	(10,946,646)	-	(10,946,646)
As at 31 December 2018		**8,967,592**	**74,795,986**	**13,000,149**	**96,995,779**	**945,575**	**194,705,081**

2017	Note	Issued capital	Share premium	Revaluation	Retained earnings	Non-controlling interests	Total
		FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
As at 1 January 2017		6,724,428	18,695,343	13,630,625	69,435,204	-	108,485,600
Profit for the year		-	-	-	*23,342,309*	-	*23,348,880*
Elimination of excess depreciation on disposal		-	-	*(630,476)*	*630,476*	-	-
Total comprehensive income for the period		**-**	**-**	**(630,476)**	**23,972,785**	**-**	**23,342,309**
Contributions of equity, net of transaction costs and tax		20,942	240,833	-	-	-	261,775
Dividends paid/declared	31	-	-	-	(9,339,552)	-	(9,339,552)
As at 31 December 2017		**6,745,370**	**18,936,176**	**13,000,149**	**84,068,437**	**-**	**122,750,132**

The notes set out on pages 74 to137 form an integral part of these financial statements

		2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES	**Note**	**FRw'000**	**FRw'000**
Profit before income tax		42,601,625	34,172,034
Adjusted for:			
Depreciation of property and equipment	16 (ii)	3,860,518	3,884,073
Amortization of intangible assets	16 (ii)	1,006,137	617,137
Gains on disposal of fixed assets	13	-	(852,793)
Interest incurred and revaluation loss on long-term financing	34	5,566,021	6,681,720
Release of impairment on investment securities		(3,404,196)	-
Dividend income		(40,335)	(47,651)
Cash flows before changes in working capital		**49,589,770**	**44,454,520**
Changes in working capital			
-Increase in loans and advances	23 (a)	(96,400,409)	(85,879,745)
-Increase in insurance receivables	24	(1,995,129)	(850,426)
-Decrease in other assets	25	1,067,230	(1,723,817)
- (Increase)/decrease in cash reserve requirement	20(b)	(4,784,072)	11,103,733
-Increase in deposits and balances from customers	29	76,745,952	36,196,130
-Increase in insurance liabilities	32	2,006,645	1,418,233
- Decrease in other liabilities	33	3,968,980	(3,948,225)
Other provisions and payables		(1,284,837)	-
Income tax paid	18	(20,109,110)	(12,532,038)
Net cash generated from/(used in) operating activities		**8,805,020**	**(11,761,635)**
INVESTING ACTIVITIES			
Purchase of property and equipment	26	1,442,532	(5,001,970)
Purchase of intangible assets	27	(4,002,833)	(780,609)
Proceeds from sale of fixed assets		-	1,876,780
Investment in securities	22(a)	20,654,126	(16,286,317)
Dividends received		40,335	47,651
Net cash flows from investing activities		**18,134,160**	**(20,144,465)**
FINANCING ACTIVITIES			
Dividends paid	31	(9,246,927)	(8,304,345)
Drawdown of long term finance	34	-	31,362,073
Repayment of long-term finance	34	(25,524,390)	(24,338,685)
Investment of non-controlling interests		857,143	-
Proceeds from issue of new shares	35(i)	2,222,222	20,942
Increase in share premium on new shares	35(ii)	55,859,810	240,833
Net cash flows from financing activities		**24,167,858**	**(1,019,182)**
Net increase / (decrease) in cash and cash equivalents		51,107,038	(32,925,282)
Net foreign exchange difference		454,371	1,277,029
Cash and cash equivalents at 1 January		46,130,278	77,778,531
Cash and cash equivalents at 31 December	**20(c)**	**97,691,687**	**46,130,278**

The notes set out on pages 74 to137 form an integral part of these financial statements.

1. CORPORATE INFORMATION

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

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

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

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

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

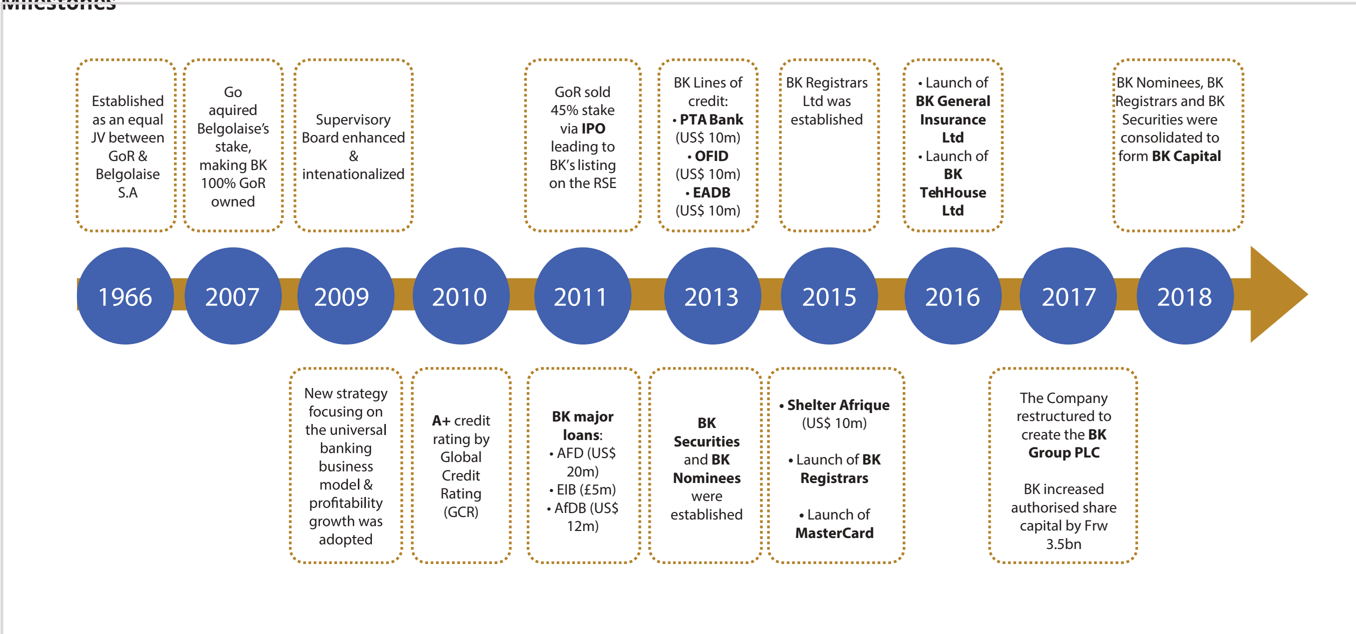
Business Overview

History

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

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

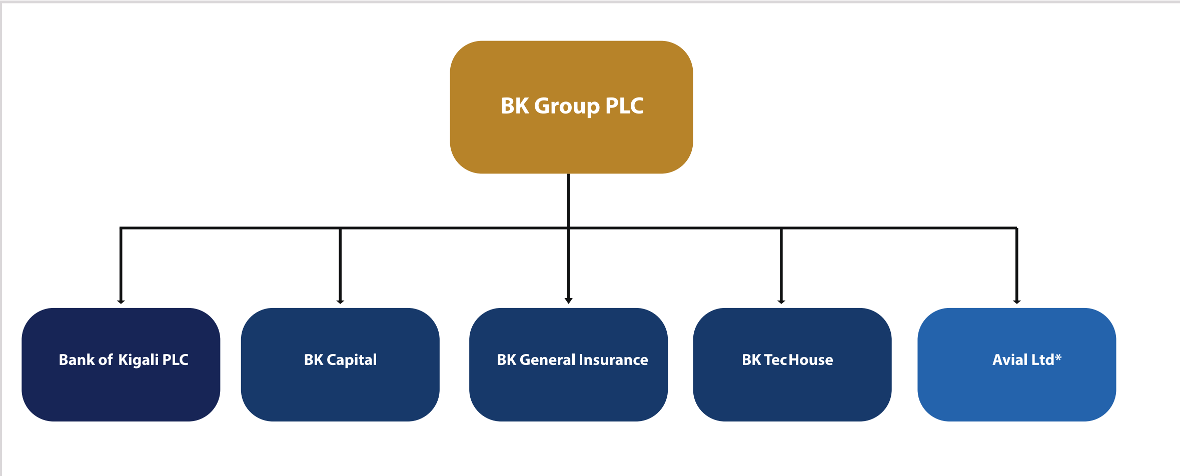
Milestones



1. CORPORATE INFORMATION (continued)

Structure

The current principal functions at BK Group are carried out through Bank of Kigali which accounts for about 98% of the Groups revenues.



Notes:

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

Bank of Kigali Plc

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

BK Capital Ltd

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

BK General Insurance Ltd

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

BK TecHouse Ltd

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

1. CORPORATE INFORMATION (continued)

Competitive Advantages and Strengths

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

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

Brand and Reputation

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

Commercial Banking Service

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

Culture of Risk Management

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

Seasoned Management Team and Staff

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

Comprehensive Training and Development of the Work Team

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

Innovation in Technology

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

Social Responsibility

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

2. Summary of significant accounting policies

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

(a) Basis of preparation

(i) Compliance with IFRS

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

The Group presents its consolidated statement of financial position broadly in order of liquidity as the banking business contributes 98% of the results and assets of the Group. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non- current) is presented in note 36.

ii) Historical cost convention

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

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

iii) Comparatives

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

iv) New and amended standards adopted by the Group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
- Annual Improvements 2014-2016 cycle
- Transfers to Investment Property – Amendments to IAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The group also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2015-2017 Cycle.

The group had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9. This is disclosed in note 3. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2. Summary of significant accounting policies (continued)

iii) New and amended standards not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

Title of Standard	IFRS 16 Leases
Nature of change	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The group carried out an assessment of lease agreements for its branch networks, ATMs and vehicles to determine the effects on its capital, the results of the assessment show that the adoption will have no material impact on the capital adequacy ratio for tier 1 and 2. At the same time we anticipate minor impact on ratios such as return on average asset and operating profit margin. As at the reporting date, the group has cancellable operating lease commitments of FRw 3.3 Billion
Mandatory application date/ Date of adoption by group	The group will apply the standard from its mandatory adoption date of 1 January 2019. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(b) Going Concern

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

(c) Use of estimates and judgments

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

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

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

(d) Principles of consolidation

Subsidiaries

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

2. Summary of significant accounting policies (continued)

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

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

(e) Segment reporting

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

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

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

(f) Revenue recognition

(i) Revenue from financial instruments.

See note 5 on financial assets and liabilities

(ii) Fees and commission

Fees and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – are recognised as the related services are performed.Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received. Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

(iii) 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) (2017 – from financial assets at FVPL and available-for-sale financial assets). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI.

(iv) Net trading income

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

(v) Premiums

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

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

2. Summary of significant accounting policies (continued)

Reinsurance premiums

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

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

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

(g) Property and equipment

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

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

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

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

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

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

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

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

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

(h) Provisions

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

2. Summary of significant accounting policies (continued)

(i) Financial assets and liabilities

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the

principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

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

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

Interest income

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

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

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

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

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

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e.a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

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

Financial assets

(i) Classification and subsequent measurement

From 1 January 2018, the Group has applied IFRS 9 and classifies its financial assets in the following measurement categories:

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

The classification requirements for debt and equity instruments are described below: Debt instruments
Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

2. Summary of significant accounting policies (continued)

Classification and subsequent measurement of debt instruments depend on:

1. the Group's business model for managing the asset; and
2. the cash flow characteristics of the asset.

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

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

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

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

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

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

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

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

(ii) Impairment

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

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

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

2. Summary of significant accounting policies (continued)

(iii) Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

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

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

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

(iv) Derecognition other than on a modification

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

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

1. Has no obligation to make payments unless it collects equivalent amounts from the assets;
2. Is prohibited from selling or pledging the assets; and
3. Has an obligation to remit any cash it collects from the assets without material delay.

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

Financial Liabilities

(i) Classification and subsequent measurement

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

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

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

2. Summary of significant accounting policies (continued)

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

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

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

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

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

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

(j) Cash and cash equivalents

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

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

(k) Foreign exchange forward and spot contracts

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

(l) Income tax expense

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

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

2. Summary of significant accounting policies (continued)

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

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

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

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

(m) Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

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

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

(n) Fiduciary assets

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

(o) Intangible assets

The Group'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 the Group.

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

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

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

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

(p) Dividends on ordinary shares

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

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

2. Summary of significant accounting policies (continued)

(q) Employee benefits

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

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

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

(r) 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.

(s) Earnings per share

Basic and diluted earnings per share (EPS) data for ordinary shares are presented in the financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

(t) Benefits, claims and expenses recognition

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

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

(u) Reinsurance

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

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

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

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

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.
Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

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

2. Summary of significant accounting policies (continued)

(v) Insurance receivables

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

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

(w) Insurance contract liabilities

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

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

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

(x) Insurance payables

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

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

3. Changes in accounting policies

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail in section 2 (c) above.

(a) Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

3. Changes in accounting policies (Continued)

	IAS 39		IFRS 9	
	Measurement category	**Carrying amount**	**Measurement category**	**Carrying amount**
Financial assets		**FRw'000**		**FRw'000**
Cash and balances with the central bank	Amortised cost (Loans and receivables)	42,583,327	Amortised cost	42,583,327
Loans and advances to banks	Amortised cost (Loans and receivables)	53,055,021	Amortised cost	53,055,021
Loans and advances to customers	Amortised cost (Loans and receivables)	471,704,315	Amortised cost	468,300,119
Insurance receivables	Amortised cost (Loans and receivables)	882,660	Amortised cost	882,660
Government securities	Held to maturity	94,248,923	Amortised cost	94,284,923
Equity investments	Cost	221,425	FVOCI	221,425
Derivative financial instruments	FVTPL	-	FVPL	-

There were no changes to the classification and measurement of financial liabilities.

(b) **Reconciliation of statement of financial position balances from IAS 39 to IFRS 9**

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

	IAS 39 carrying amount 31 December 2017	**Reclassifications**	**Remeasurements**	**IFRS 9 carrying amount 1 January 2018**
	FRw'000	**FRw'000**	**FRw'000**	**FRw'000**
Amortised cost				
Cash and balances with central banks				
Opening balance under IAS 39 and closing balance under IFRS 9	**42,583,327**		**-**	**42,583,327**
Loans and advances to banks				
Opening balance under IAS 39	**53,055,021**			
Remeasurement: ECL allowance			-	
Closing balance under IFRS 9				53,055,021
Loans and advances to customers				
Opening balance under IAS 39	**471,704,315**			
Remeasurement: ECL allowance			(3,404,196)	
Closing balance under IFRS 9				468,300,119
Government securities amortised cost				
Opening balance under IAS 39	**94,248,923**			
Subtraction: to amortised cost (IFRS 9)			-	
Closing balance under IFRS 9				94,248,923
Insurance receivables				
Opening balance under IAS 39 and closing balance under IFRS 9	**882,660**		**-**	**882,660**
Total financial assets measured at amortised cost	**662,474,246**	**-**	**(3,404,196)**	**615,284,218**

3. Changes in accounting policies (Continued)

(b) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

	IAS 39 carrying amount 31 December 2017	Reclassifications	Remeasurements	IFRS 9 carrying amount 1 January 2018
	FRw'000	FRw'000	FRw'000	FRw'000
Fair value through profit or loss (FVPL)				
Derivative financial instruments				
Opening balance under IAS 39 and closing balance under IFRS 9	-			-
Total financial assets measured at FVPL	-			-
Fair value through other comprehensive income (FVOCI)				
Investment securities - FVOCI (equity instruments)				
Opening balance under IAS 39	221,425			
Additions from AFS		-		
Closing balance under IFRS 9				221,425
Total financial assets measured at FVOCI	**221,425**	**-**		**221,425**

The following explains how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Group as shown in the table above:

Designation of equity instruments at FVOCI

The Group has elected to irrevocably designate strategic investments of Rwf 221 million in a small portfolio of non-trading equity securities at FVOCI as permitted under IFRS 9. These securities were previously classified as available for sale. The changes in fair value of such securities will no longer be reclassified to profit or loss when they are disposed of.

Reclassification from retired categories with no change in measurement
In addition to the above, the following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were 'retired', with no changes to their measurement basis:

(i) Those previously classified as available for sale and now classified as measured at FVOCI; and
(ii) Those previously classified as held to maturity and now classified as measured at amortised cost.

There are no financial assets and liabilities that have been reclassified from the fair value through profit or loss category to the to the amortised cost category as part of the transition to IFRS 9.

(a) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

3. Changes in accounting policies (continued)

(b) Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

Measurement category	Loan loss allowance under IAS 39/Provision under IAS 37	Reclassification	Remeasurement	Loan loss allowance under IFRS 9
	FRw'000	FRw'000	FRw'000	FRw'000
Loans and receivables (IAS 39)/Financial assets at amortised cost (IFRS 9				
Cash and balances with central banks	-	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to customers	24,007,332	-	3,404,196	27,411,518
Insurance receivables	-	-	-	-
Total	**24,007,332**	**-**	**3,404,196**	**27,411,518**
Held to maturity (IAS 39)/Financial assets at amortised cost (IFRS 9)				
Government securities	-	-	-	-
Available for sale financial instruments (IAS 39)/Financial assets at FVOCI (IFRS 9)				
Investment securities	-	-	-	-
Total	**24,007,332**	**-**	**3,404,196**	**27,411,518**

Further information on the measurement of the impairment allowance under IFRS 9 can be found in 5.1.2.

4. Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. The directors also needs to exercise judgement in applying the Group's accounting policies.
This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

4. Critical accounting estimates and judgements (continued)

Measurement of the expected credit loss allowance

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

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:
- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 5.1.2.

5. FINANCIAL RISK MANAGEMENT

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

5.1 Credit risk

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

The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures') including non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties and reverse repurchase agreements.

Credit risk is the single largest risk for the Group's business; the directors therefore carefully manage its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team which reports regularly to the Board of Directors.

5.1.1. Credit risk measurement

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

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

Credit risk grading

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

Performing

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

Watch

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

5. FINANCIAL RISK MANAGEMENT (continued)

Substandard

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

Doubtful

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

Loss

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

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

Corporate

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

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

5.1.2. Expected credit loss measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to note 5.1.2.1 for a description of how the Group determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 5.1.2.2 for a description of how the Group defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 5.1.2.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 5.1.2.4 includes an explanation of how the Group has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

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

Change in credit quality since initial recognition

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

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

5. FINANCIAL RISK MANAGEMENT (continued)

5.1.2.1 Significant increase in credit risk (SICR)

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

Qualitative criteria:

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

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

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

Backstop

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

The Group has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2018.

5.1.2.2 Definition of default and credit-impaired assets

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

Quantitative criteria

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

Qualitative criteria

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

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

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

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

5. FINANCIAL RISK MANAGEMENT (continued)

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

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

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

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

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

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

1. 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.
2. For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

1. 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.
2. For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

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

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

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

5.1.2.4 Forward-looking information incorporated in the ECL models

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

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.

5. FINANCIAL RISK MANAGEMENT (continued)

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

In addition to the base economic scenario, the Group's credit team also provide other possible scenarios along with scenario weightings. The three scenarios and their attributes are reassessed at each reporting date. At 1 January 2018 and 31 December 2018, the Group concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators (see note 5.1.2.1). This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12 month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

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

		2019	2020	2021	2022	2023
Domestic GDP	Base	6.5%	6.5%	6.5%	6.5%	6.5%
	Upside	7.1%	7.1%	7.1%	7.1%	7.1%
	Downside	6.0%	6.0%	6.0%	6.0%	6.0%

		2019	2020	2021	2022	2023
Interest rates	Base	17.1%	17.1%	17.1%	17.1%	17.1%
	Upside	16.9%	16.9%	16.9%	16.9%	16.9%
	Downside	17.2%	17.2%	17.2%	17.2%	17.2%

The weightings assigned to each economic scenario at 31 December 2018 were as follows:

	Base	Upside	Downside
Corporate and retail portfolio	79%	5%	16%

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.

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 2018 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Group's economic variable assumptions.
Time to realisation: The directors have assumed a time to realisation of 2 years both for commercial properties and residential properties. If time to realisation increased to 3 years, overall ECL would increase in the range of Frw 4 billion and Frw 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 7 billion and Frw 4 billion.

5.1.3 Credit risk exposure

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

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

5. FINANCIAL RISK MANAGEMENT (continued)

5.1.3.1 Maximum exposure to credit risk — Financial instruments subject to impairment (continued)

Corporate

	2018				2017
		ECL staging			
	Stage 1	Stage 2	Stage 3	Total	
	12 month ECL	Lifetime ECL	Lifetime ECL		
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Normal	389,410,881	-	-	389,410,881	376,394,602
Watch	-	105,205,356	-	105,205,356	23,957,476
Default	-	-	23,579,746	23,579,746	27,738,275
Gross carrying amount	**389,410,881**	**105,205,356**	**23,579,746**	**518,195,983**	**428,090,353**
Expected credit loss	(6,024,879)	(5,302,976)	(13,160,426)	(24,488,280)	(19,547,004)
Carrying amount	**383,386,003**	**99,902,380**	**10,419,320**	**493,707,703**	**408,543,349**

Retail

	2018				2017
		ECL staging			
	Stage 1	Stage 2	Stage 3	Total	
	12 month ECL	Lifetime ECL	Lifetime ECL		
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Normal	70,169,167	-	-	70,169,167	60,260,237
Watch	-	3,376,862	-	3,376,862	2,764,523
Default	-	-	8,825,329	8,825,329	4,596,534
Gross carrying amount	**70,169,167**	**3,376,862**	**8,825,329**	**82,371,358**	**67,621,294**
Expected credit loss	(1,181,969)	(137,680)	(6,654,688)	(7,974,337)	(4,460,329)
Carrying amount	**68,987,198**	**3,239,182**	**2,170,641**	**74,397,021**	**63,160,965**

Government securities

	2018				2017
		ECL staging			
	Stage 1	Stage 2	Stage 3	Total	
	12 month ECL	Lifetime ECL	Lifetime ECL		
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Normal	74,323,165	-	-	74,323,165	94,248,923
Gross carrying amount	**74,323,165**	**-**	**-**	**74,323,165**	**94,248,923**
Expected credit loss	(728,367)	-	-	(728,367)	
Carrying amount	**73,594,798**	**-**	**-**	**73,594,798**	**94,248,923**

5. FINANCIAL RISK MANAGEMENT (continued)

5.1.3.1 Maximum exposure to credit risk — Financial instruments subject to impairment (continued)

Guarantees and commitments

	2018				2017
	ECL staging				
	Stage 1	Stage 2	Stage 3	Total	
	12 month ECL	Lifetime ECL	Lifetime ECL		
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Normal	43,093,120	-	-	43,093,120	88,439,532
Watch	-	30,521,212	-	30,521,212	2,204,849
Default	-	-	990,661	990,661	
Gross carrying amount	**43,093,120**	**30,521,212**	**990,661**	**74,604,993**	**90,644,381**
Expected credit loss	-	-	(2,306)	(2,306)	
Carrying amount	**60,727,158**	**13,423,252**	**452,276**	**74,602,687**	**90,644,381**

Nostros

	2018				2017
	ECL staging				
	Stage 1	Stage 2	Stage 3	Total	
	12 month ECL	Lifetime ECL	Lifetime ECL		
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
A+	54,432,235	-	-	-	242,819
A	154,360	-	-	-	51,130,030
B+	30,785,600	-	-	-	106,712
B	19,915,115	-	-	-	1,575,460
Expected credit loss	(76,954)	-	-	-	-
Carrying amount	**105,210,355**	**-**	**-**	**-**	**53,055,021**

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

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

The maximum credit risk exposure from financial assets not subject to impairment (i.e. FVPL) are the Group's equity investments. As at 31 December 2018, the maximum exposure was FRw 221 million and was fully provided for.

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

5. FINANCIAL RISK MANAGEMENT (continued)

5.1.3.3 Loss allowance

Below is a transitional table between stages between 1st January 2018 to 31st December 2018:

	Stage 1	Stage 2	Stage 3	Total
	Frw 000	Frw 000	Frw 000	Frw 000
Loss allowance as at 31 December 2017	5,700,753	7,192,205	11,114,375	24,007,333
On adoption of IFRS 9	3,350,780	(941,111)	994,527	3,404,196
As at 1 January 2018	**9,051,533**	**6,251,094**	**12,108,902**	**27,411,529**
Movements with P&L impact				
Transfers from stage 1	(4,409,776)	1,582,944	624,381	(2,202,451)
Transfers from stage 2	2,035,661	(2,974,645)	738,403	(200,581)
Transfers to stage 3	529,392	581,263	15,283,369	16,394,024
Net movement to profit or loss	**(1,844,723)**	**(810,438)**	**16,646,153**	**13,990,992**
Other movements with no P&L impact				
Financial asset derecognised	-	-	(8,939,904)	(8,939,904)
	7,206,810	**5,440,656**	**19,815,151**	**32,462,617**

The table below presents the credit quality of financial instruments:

Credit quality	**2018**	**2017**
Balances with National Bank of Rwanda		
Counterparty without credit rating	**64,914,684**	**42,583,327**
Government securities		
B+	**73,594,798**	**94,248,923**
Loans and advances		
Counterparties without credit rating	**114,494,736**	**87,824,212**
Insurance receivables		
Counterparties without credit rating	**2,877,789**	**1,483,554**
Other assets		
Counterparties without credit rating	**9,502,119**	**9,968,455**
Equity instruments		
Counterparties without credit rating	**-**	**221,425**

5. FINANCIAL RISK MANAGEMENT (continued)

5.1.4 Collateral and other credit enhancements

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.The Group prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

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

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

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

Corporate	Stage 1 FRw'000	Stage 2 FRw'000	Stage 3 FRw'000	Impairment allowance FRw'000	Carrying amount FRw'000	Fair value of collateral FRw'000
Overdrafts	28,430,567	2,216,419	2,530,076	(2,875,006)	30,302,056	67,697,322
Treasury loans	36,841,598	7,117,749	1,955,825	(3,532,746)	42,382,426	59,859,711
Equipment loans	300,775,854	82,538,015	7,604,308	(9,855,328)	381,063,300	606,972,899
Consumer loans	3,941,501	120,915	336,631	(411,808)	3,987,239	10,559,584
Mortgage loans	19,421,270	13,201,332	11,024,724	(7,690,747)	35,956,128	47,692,283
Others	92	10,926	128,182	(122,646)	16,553	85,085
	389,410,881	**105,205,356**	**23,579,746**	**(24,488,280)**	**493,707,703**	**792,866,884**
Retail						
Overdrafts	854,224	72,137	1,027,945	(937,113)	1,017,194	1,889,061
Treasury loans	592,963	67,242	1,217,537	(1,085,840)	791,902	4,301,857
Equipment loans	347,552	122,538	19,048	(25,512)	1,559,305	912,469
Consumer loans	36,699,142	1,406,484	4,352,566	(4,301,691)	37,017,829	37,574,898
Mortgage loans	31,654,048	1,708,461	2,152,206	(1,581,814)	33,932,901	47,119,120
Others	21,237	-	56,027	(42,366)	77,890	44,569
	70,169,167	**3,376,862**	**8,825,329**	**(7,974,337)**	**74,397,021**	**91,841,974**
Total						
Overdrafts	29,284,791	2,288,556	3,558,022	(3,812,119)	31,319,250	69,586,383
Treasury loans	37,434,561	7,184,991	3,173,362	(4,618,586)	43,174,328	64,161,568
Equipment loans	301,123,406	82,660,553	7,623,355	(9,880,840)	382,622,605	607,885,368
Consumer loans	40,640,643	1,527,398	4,689,197	(4,713,499)	41,005,067	48,134,482
Mortgage loans	51,075,318	14,909,793	13,176,930	(9,272,561)	69,889,029	94,811,402
Others	21,329	10,926	184,209	(165,012)	94,444	129,654
	459,580,048	**108,582,218**	**32,405,075**	**(32,462,617)**	**568,104,724**	**884,708,858**

5. FINANCIAL RISK MANAGEMENT (continued)

5.1.5 Loss allowance

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

1. 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;
2. Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
3. 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;
4. Impacts on the measurement of ECL due to changes made to models and assumptions;
5. Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
6. Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
7. Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period (see note 5.1.6).

5.1.6 Write-off policy

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

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2018 was Rwf 8,939,905,000 (2017: Rwf 7,499,834,000). The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

5.1.7 Modification of financial assets

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

Such restructuring activities may include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.
The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

5.1.8 Concentration of credit risk

The Group's financial instruments do not represent a concentration of credit risk because the Group deals with a variety of customers and its loans and advances are structured and spread among a number of customers. The Group monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

	2018		2017	
	FRw'000	**%age**	**FRw'000**	**%age**
Large Corporate Clients	460,963,516	77%	367,759,825	74%
Small and Medium Enterprises	51,869,354	9%	54,702,928	11%
Non-Profit Entities	5,363,113	1%	5,627,590	1%
Retail Banking	82,371,358	13%	67,621,305	14%
	600,567,341	**100%**	**495,711,648**	**100%**

5.2 Liquidity risk

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

5. FINANCIAL RISK MANAGEMENT (continued)

5.2 Liquidity risk (continued)

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

	2018	2017
At close of the year	44.5%	47.0%
Average for the year	43.0%	45.9%
Maximum for the year	48.1%	51.6%
Minimum for the year	39.8%	36.2%
Minimum statutory requirement	39.5%	20.0%

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

The table below summarizes the Group's liquidity risk as at 31 December 2018 and 31 December 2017, categorized into relevant maturity rankings based on undiscounted cash flows.

2018	**Up to 1 month**	**1 - 3 months**	**3 – 12 months**	**1 - 5 years**	**Over 5 years**	**Total**
ASSETS						
Cash in hand	20,071,592	-	-	-	-	20,071,592
Balances with the National Bank of Rwanda	64,914,684	-	-	-	-	64,914,684
Due from banks	104,899,097	37,975	77,804	-	-	105,014,876
Held to maturity investments	10,594,834	18,435,581	18,119,828	24,944,555	1,500,000	73,594,798
Loans and advances to customers	32,883,027	55,561,420	28,335,493	172,913,370	278,411,413	568,104,723
Insurance receivables	-	2,877,789	-	-	-	2,877,789
Other assets	2,959,394	73,714	2,598,220	3,870,791	-	9,502,119
Swap receivable	-	-	3,987,223	1,711,911	-	5,699,134
TOTAL ASSETS	**236,322,628**	**76,986,479**	**53,118,568**	**203,440,627**	**279,911,413**	**849,779,715**
LIABILITIES						
Due to banks	26,017,104	11,588,555	26,088,297	-	-	63,693,956
Other customer deposits	472,867,476	19,035,043	93,462,374	4,089,352	1,083,761	590,538,006
Dividends payable	131,383	-	10,946,646	-	-	11,078,029
Insurance liabilities	-	3,909,011	-	-	-	3,909,011
Other liabilities	12,826,900	2,157,281.56	4,313,967	159,195	-	19,457,344
Swap payable	-	-	3,929,658	1,695,383	-	5,625,041
Long-term finance	2,500,722	866,051	15,775,713	49,041,815	-	68,184,301
At 31 December 2018	**514,343,585**	**37,555,942**	**154,516,655**	**54,985,745**	**1,083,761**	**762,485,688**
Liquidity Gap 2018	**(278,020,957)**	**39,430,537**	**(101,398,087)**	**148,454,882**	**278,827,652**	**87,294,029**

5. FINANCIAL RISK MANAGEMENT (continued)

5.2 Liquidity risk (continued)

2017	Up to 1 month	1 - 3 months	3 – 12 months	1 - 5 years	Over 5 years	Total
ASSETS						
Cash in hand	19,731,699	-	-	-	-	19,731,699
Balances with the National Bank of Rwanda	42,583,327	-	-	-	-	42,583,327
Due from banks	52,143,328	113,263	842,831	-	-	53,099,422
Held to maturity investments	22,315,451	11,854,149	35,753,759	28,053,200	1,781,250	99,757,810
Loans and advances to customers	40,625,275	38,398,098	82,846,477	83,025,415	332,213,191	577,108,456
Equity investments	-	-	-	-	221,425	221,425
Insurance liabilities	-	1,147,644	-	-	-	1,147,644
Other assets	7,430,272	1,037,109	460,789	25,897	-	8,954,068
TOTAL ASSETS	**184,829,352**	**52,550,263**	**119,903,857**	**111,104,513**	**334,215,866**	**802,603,850**
LIABILITIES						
Due to banks	26,670,446	15,669,000	38,014	-	-	42,377,460
Other customer deposits	359,057,557	17,314,759	81,670,225	878,748	-	458,921,290
Dividends payable	38,759	-	9,339,553	-	-	9,378,312
Insurance liabilities	-	2,339,653	-	-	-	2,339,653
Other liabilities	7,874,665	9,310	7,167,101	-	-	15,051,076
Long-term finance	2,255,761	3,138,573	15,660,331	59,880,070	-	80,934,735
At 31 December 2017	**395,897,188**	**38,471,295**	**113,875,224**	**60,758,818**	**-**	**609,002,526**
Liquidity Gap 2017	**(211,067,836)**	**14,078,968**	**6,028,633**	**50,345,695**	**334,215,866**	**193,601,324**

5.3 Market Risk

(i) Currency risk

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

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

The table below summarises the foreign currency exposure for the Group as at 31 December 2018 and 31 December 2017:

	2018	2017
	FRw'000	FRw'000
Assets in foreign currencies	224,765,942	190,349,295
Liabilities in foreign currencies	(231,600,626)	(206,170,870)
Net foreign currency exposure at the end of the year	**(6,834,684)**	**(15,821,575)**

5. FINANCIAL RISK MANAGEMENT (continued)

5.3 Market Risk (continued)

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

(i) **Currency risk(continued)**

Currency	Increase/decrease in exchange rate	Effect on profit before tax	
		2018	**2017**
		FRw'000	FRw'000
USD	+5%	(385,509)	(856,822)
	-5%	385,509	856,822
GBP	+5%	15,116	-
	-5%	(15,116)	
EUR	+5%	(5,111)	(2,509
	-5%	5,111	2,509

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

Assets	**USD**	**Euro**	**GBP**	**Other foreign currencies**	**Total**
Cash, deposits and advances to banks	89,324,678	20,271,998	2,314,991	857,506	112,769,174
Loans and advances to customers	111,386,879	5,450	509	166	111,393,004
Other assets, property and investments	597,500	5,400	472	393	603,765
At 31 December 2018	**201,309,057**	**20,282,848**	**2,315,972**	**858,065**	**224,765,942**
Liabilities					
Deposits from banks	34,071,899	2,165,731	1,597,580	-	37,835,210
Deposits from customers	142,538,059	17,812,503	820,124	182,689	161,353,374
Other liabilities	548,204	2,286	486	-	550,976
Long-term finance	31,861,067	-	-	-	31,861,067
At 31 December 2018	**209,019,228**	**19,980,519**	**2,418,190**	**182,689**	**231,600,626**
Net currency exposure	**(7,710,171)**	**302,329**	**(102,218)**	**675,376**	**(6,834,684)**

5. FINANCIAL RISK MANAGEMENT (continued)

5.3 Market Risk (continued)

(i) Currency risk(continued)

The various foreign currencies to which the Group was exposed to as at 31 December 2017 are summarised below. All figures are in thousands of Rwandan francs (FRw'000):

Assets	USD	Euro	GBP	Other Foreign currencies	Total
Cash, deposits and advances to banks	39,812,867	15,494,441	1,235,868	1,163,836	57,707,012
Loans and advances to customers	131,576,935	3,621	7,003	166	131,587,725
Other assets, property and investments	1,032,548	10,449	11,260	301	1,054,558
At 31 December 2017	**172,422,350**	**15,508,511**	**1,254,131**	**1,164,303**	**190,349,295**
Liabilities					
Deposits from banks	29,427,141	104,342	2,378	-	29,533,861
Deposits from customers	113,269,930	15,449,952	825,940	223,062	129,768,884
Other liabilities	750,806	4,401	1,607	409	757,223
Long-term finance	46,110,902	-	-	-	46,110,902
At 31 December 2017	**189,558,779**	**15,558,695**	**829,925**	**223,471**	**206,170,870**
Net currency exposure	**(17,136,429)**	**(50,184)**	**424,206**	**940,832**	**(15,821,575)**

(ii) Interest rate risk

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

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

		Effect on profit before tax	
Currency	**Increase/decrease in LIBOR rate**	**2018**	**2017**
		FRw'000	FRw'000
USD	+/-0.23%	(17,733)	101,689
EUR	+/-0.27%	1,012	65,011

5. FINANCIAL RISK MANAGEMENT (continued)

5.3 Market Risk (continued)

(ii) Interest rate risk

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

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

Balance as at 31 December 2017	Weighted interest rate		+/- 100bp
Effect on Interest income		FRw'000	FRw'000
Balances with the National Bank of Rwanda	9.6%	19,012,423	190,124
Balances and placements with other banks	0.2%	51,833,407	518,334
Treasury bills and bonds	9.6%	94,248,923	942,489
Loans and advances - Net	16.2%	471,704,315	4,717,043
TOTAL ASSETS/INCREASE		**636,799,068**	**6,367,991**
Effect on Interest expense			
Balances and placements due to banks	3.4%	31,200,214	312,002
Customer deposits	8.9%	140,381,856	1,403,819
Long-Term Finance	7.2%	70,842,175	708,422
TOTAL LIABILITIES/INCREASE		**242,424,245**	**2,424,242**
EFFECT ON PROFIT			**3,943,748**

5. FINANCIAL RISK MANAGEMENT (continued)

5.3 Market Risk (continued)

(ii) Interest rate risk (continued)

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

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

The table below summarizes the interest rate risk of the Group as at 31 December 2017:

	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 the National Bank of Rwanda	9.6%	-	19,012,423	-	-	-	19,012,423
Balances and placements with other banks	0.2%	45,873,406	5,117,871	842,130	-	-	51,833,407
Treasury bills and bonds	9.6%	-	33,812,821	35,312,355	23,623,747	1,500,000	94,248,923
Loans and advances – net	16.2%	-	76,951,178	76,532,542	83,025,415	235,195,180	471,704,315
TOTAL ASSETS		**45,873,406**	**134,894,293**	**112,687,027**	**106,649,162**	**236,695,180**	**636,799,068**
LIABILITIES							
Balances and placements due to other banks	4.5%	-	31,162,200	38,014	-	-	31,200,214
Customer deposits	8.7%	32,652,435	26,655,799	80,265,577	808,045	-	140,381,856
Long-term finance	7.2%	-	5,322,558	15,094,295	50,425,322	-	70,842,175
TOTAL LIABILITIES		**32,652,435**	**63,140,557**	**95,397,886**	**51,233,367**	**-**	**242,424,245**
Total interest sensitivity gap		**13,220,971**	**71,753,736**	**17,289,141**	**55,415,795**	**236,695,180**	**394,374,823**

5. FINANCIAL RISK MANAGEMENT (continued)

5.4 Capital management

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

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

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

The Bank'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.

The Bank'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 the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

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

	2018	2017
	FRw'000	FRw'000
Core Capital (Tier 1):		
Ordinary share capital	8,967,592	6,745,370
Investment of non-controlling interests	945,575	-
Retained earnings and reserves	96,995,779	84,068,437
Share premium	74,795,986	18936176
Regulatory adjustments	(3,675,053)	(678,355)
Total	**178,029,879**	**109,071,628**
Supplementary Capital (Tier 2): 25% of revaluation reserve	3,250,037	3,250,037
Total qualifying capital	**181,279,916**	**112,321,665**
Total Credit RWA	483,466,377	456,044,687
Total Market RWA	11,487,090	30,795,638
Total Operational RWA	59,026,782	57,839,373
Total Risk weighted assets	**553,980,249**	**544,679,699**
Regulatory reserve	15%	15%
Capital ratios:		
Total qualifying capital expressed as percentage of total risk-weighted assets	32.7%	20.6%
Total tier 1 capital expressed as a percentage of total risk-weighted assets	32.1%	2%

5. FINANCIAL RISK MANAGEMENT (continued)

5.4 Capital management (continued)

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

Capital management	Capital		Solvency	
	2018	2017	2018	2017
	FRw'000	FRw'000	FRw'000	FRw'000
Regulatory requirement	1,000,000	1,000,000	624,268	500,000
Maintained by company	2,000,000	1,000,000	1,085,283	889,812

6. INSURANCE RISK MANAGEMENT

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

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

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

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

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

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

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

Claims are payable on claims occurrence basis.

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

For certain contracts, the Group has limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year. The Group also has the right to re-price the risk at renewal. It also has the ability to impose deductibles and reject fraudulent claims.

6. INSURANCE RISK MANAGEMENT (continued)

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

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

a) **Technical provision**

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

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

b) **Reinsurance risk**

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

7. SEGMENT REPORTING

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

Retail banking

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

Corporate banking

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

Treasury

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

Central cost

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

Non Bank subsidiaries:

Incorporating results of BK General Insurance, BK Capital and BK TecHouse.

The table below shows analysis of the breakdown for segmental assets, liabilities, income and expenses.

7. SEGMENT REPORTING (continued)

Statement of Profit or Loss and Other Comprehensive Income
For the period ended 31 December

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

2017	Corporate Banking	Retail Banking	Central Treasury	Central costs	Non Bank Subsidiaries	Total
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Interest income	60,124,241	11,752,572	10,209,831	-	137,224	82,223,868
Interest expense	(3,890,815)	(1,074,548)	(13,374,706)	-	24,089	(18,315,980)
Net interest income	**56,233,426**	**10,678,024**	**(3,164,875)**	**-**	**161,313**	**63,907,888**
Net Non-interest Income	5,306,464	6,134,386	5,548,211	-	2,204,806	19,193,867
Foreign exchange income	-	-	7,786,502	-	-	7,786,502
Net impairment on loans and advances	(13,191,434)	-3,297,858	-	-	-	(16,489,292)
Total operating expenses	(4,517,689)	(4,958,669)	(627,013)	(30,407,744)	(2,199,100)	(42,710,215)
Profit before income tax	**43,830,767**	**3,958,550**	**16,623,442**	**(30,407,744)**	**167,019**	**34,172,034**
Income tax expense	(13,149,231)	(2,566,762)	(4,987,033)	9,944,933	(65,061)	(10,823,154)
Profit after income tax	**30,681,536**	**1,391,788**	**11,636,410**	**-20,462,812**	**101,958**	**23,348,880**

7. SEGMENT REPORTING (continued)

Statement of Financial Position
As at 31 December

2018	Corporate Banking FRw'000	Retail Banking FRw'000	Central treasury FRw'000	Non Bank Subsidiaries FRw'000	Total FRw'000
Gross loans& advances to customers	518,195,983	82,371,358	-	-	600,567,341
Cash in hand	-	-	20,071,592	-	20,071,592
Balances with central bank	-	-	64,914,684	-	64,914,684
Due from banks	-	-	101,234,144	3,976,211	105,210,355
Held to maturity investments	-	-	73,594,798	-	73,594,798
Total deposits	296,848,633	138,787,678	157,635,968	-	593,272,279
Number of customers	**24,058**	**293,450**	**261**		**317,769**
Current accounts	**34,908**	**226,723**	**571**		**262,202**

2017	Corporate Banking FRw'000	Retail Banking FRw'000	Central treasury FRw'000	Non Bank Subsidiaries FRw'000	Total FRw'000
Gross loans& advances to customers	428,090,343	67,621,306	-	-	495,711,649
Cash in hand	-	-	19,731,699	-	19,731,699
Balances with central bank	-	-	42,583,327	-	42,583,327
Due from banks	-	-	51,852,516	1,202,505	53,055,021
Held to maturity investments	-	-	94,248,923	-	94,248,923
Total deposits	240,803,014	113,728,500	143,059,338	-	497,590,852
Number of customers	**24,229**	**257,990**	**261**	**-**	**282,480**
Current accounts	**30,843**	**208,592**	**568**	**-**	**240,003**

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

The Group does not suffer concentration risk and there is no single customer who contributes more than 15% of the revenue. The Group's geographical coverage is within all provinces of Rwanda. There were no intersegment transfers during the year

8. INTEREST INCOME	2018	2017
	FRw'000	FRw'000
Interest on overdrawn accounts	5,562,843	5,730,052
Interest on Treasury loans	6,473,934	7,948,505
Interest on equipment loans	49,401,834	41,616,649
Interest on consumer loans	8,902,776	7,554,024
Interest on mortgage loans	13,307,368	11,981,697
Other interest on loans to clients	436,235	226,225
Interest on deposits with banks	774,202	288,714
Interest received from reverse repos	853,912	1,074,168
Interest on assets held to maturity	8,284,701	8,287,118
	93,997,805	**84,707,152**

9. INTEREST EXPENSE	2018	2017
	FRw'000	FRw'000
Interest on customer term deposits	9,113,785	10,621,323
Interest on Current and savings Accounts	2,544,173	1,960,674
Interest on long term credit lines	4,160,127	4,597,333
Interest on transactions with other banks	2,381,021	1,136,650
	18,199,106	**18,315,980**

10. NET FEES AND COMMISSION INCOME	2018	2017
Fees and commission income	FRw'000	FRw'000
Commissions on operations of accounts	1,420,581	2,224,430
Commissions on payment facilities	7,310,513	7,636,280
Commissions on loan services	1,443,523	1,097,040
Commissions received from financing commitments	2,454,177	1,781,148
Commissions received from guarantees commitments	1,649,753	1,695,631
Income from transactions with other banks	490,888	187,909
Other fees from services	2,600,477	2,207,420
	17,369,912	**16,829,858**
Fees and commission expense		
Commissions on credit services	(45,146)	(444,158)
Commissions on payment facilities	(510,115)	(371,463)
commissions on other transactions with banks	(291,485)	(156,243)
	(846,745)	**(971,864)**
Net fees and commission	**16,523,167**	**15,857,994**

11. Foreign exchange related income	2018	2017
	FRw'000	FRw'000
Net forex trading	6,151,355	5,030,120
Forex commissions	2,877,426	2,593,662
Other forex revenues	159,722	162,720
	9,188,503	**7,786,502**

12. NET PREMIUM INCOME

31 December 2018	Motor	Fire	Guarantee	Engineering	Liability	Accident & health	Transport	Miscellaneous	Total
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Gross written premium	5,312,187	607,770	105,671	64,902	81,924	-	52,031	16,132	6,240,617
Unearned premium reserve b/f	933,042	229,675	109,328	63,174	33,717	8,509	5,872	1,868	1,385,185
Unearned premium reserve c/f	(2,187,514)	(250,274)	(43,514)	(26,726)	(33,736)	-	(21,426)	(6,643)	(2,569,833)
Gross earned premiums	**4,057,715**	**587,171**	**171,485**	**101,350**	**81,905**	**8,509**	**36,477**	**11,357**	**5,055,969**
Premiums ceded to treaties & facultative reinsures	(370,033)	(196,604)	(44,554)	(68,217)	(38,777)	-	(5,103)	(4,684)	(727,972)
Premiums ceded to co-insurance	(305,475)	(59,270)	-	-	-	-	(10,108)	-	(374,853)
Reinsurance portfolio premium reserves b/f	(154,926)	(38,136)	(18,153)	(10,490)	(5,598)	(2,951)	(975)	(310)	(231,539)
Reinsurance portfolio premium reserve c/f	300,620	40,438	17,546	22,765	11,902	18,126	-	97	411,494
Premium ceded to reinsurance	**(529,814)**	**(253,572)**	**(45,161)**	**(55,942)**	**(32,473)**	**15,175**	**(16,186)**	**(4,897)**	**(922,870)**
Net insurance earned premium	**3,527,901**	**333,599**	**126,324**	**45,408**	**49,432**	**23,684**	**20,291**	**6,460**	**4,133,099**
Intergroup eliminations	(131,070)	(59,270)	-	-	-	-	(10,108)		(200,448)
Net group premium revenue	**3,396,831**	**274,329**	**126,324**	**45,408**	**49,432**	**23,684**	**10,183**	**6,460**	**3,932,651**

12. NET PREMIUM INCOME (Contiinued)

31 December 2017	Motor	Fire	Guarantee	Engineering	Liability	Accident & health	Transport	Miscellaneous	Total
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Gross written premium	2,562,577	630,796	-	173,506	92,604	349,082	16,128	5,130	3,829,823
Unearned premium reserve b/f	29,963	81,717	-	62,650	8,172	49,030	35,411	5,448	272,391
Unearned premium reserve c/f	(933,042)	(229,675)	-	(63,174)	(33,718)	(127,102)	(5,872)	(1,868)	(1,394,451)
Gross earned premiums	**1,659,498**	**482,838**	**-**	**172,982**	**67,058**	**271,010**	**45,667**	**8,710**	**2,707,763**
Premiums ceded to treaties & facultative reinsures	(240,025)	(195,359)	-	(133,424)	(19,222)	(106,904)	(3,352)	(10,200)	(708,486)
Premiums ceded to co-insurance	-	-	-	-	-	-	-	-	-
Reinsurance portfolio premium reserves b/f	-	(2,929)	-	(57,256)	-	(9,084)	-	-	(69,269)
Reinsurance portfolio premium reserve c/f	98,139	38,136	-	10,490	5,599	21,105	975	310	174,754
Premium ceded to reinsurance	**(141,886)**	**(160,152)**	**-**	**(180,190)**	**(13,623)**	**(94,883)**	**(2,377)**	**(9,890)**	**(603,001)**
Net insurance premium revenue									
Intergroup eliminations									
Net group premium revenue	**1,517,612**	**322,686**	**-**	**(7,208)**	**53,435**	**176,127**	**43,290**	**(1,180)**	**2,104,762**

13. OTHER OPERATING INCOME

	2018	2017
	FRw'000	FRw'000
Rental income	81,895	137,646
Dividends received from investments	40,335	47,651
Gain on asset disposal	70,346	852,793
Other non-banking income	57,680	79,335
Elimination of intercompany rental income	(54,203)	-
	196,053	**1,117,425**
BK General Insurance other operating income		
Brokers' commissions	(185,875)	-
Investment income	176,261	-
	(9,614)	**-**
BK TecHouse income		
Gross sales	618,465	435,015
Cost of sales	(314,888)	(109,109)
Elimination of intercompany sales	(251,002)	(261,080)
	52,574	**64,826**
BK Capital income		
Brokerage commissions	255,138	48,860
Advisory service	81,388	-
Elimination of intercompany sales	(183,152)	-
	153,374	**48,860**
Other operating income	**392,387**	**1,231,111**

14. CREDIT IMPAIRMENT LOSSES

	2018	2017
	FRw'000	FRw'000
Loan loss provision under IFRS_9/IAS 39 (Note 23)	13,990,992	19,708,967
Expected credit loss on off balance sheet items	2,306	-
Expected credit loss on investment securities	728,368	-
Bad debts recovered during the year	(3,312,084)	(3,219,675)
	11,409,582	**16,489,292**

15. NET CLAIMS

31 December 2018	Motor	Fire	Guarantee	Engineering	Liability	Accident & Health	Transport	Miscellaneous	Total
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Gross claims paid & benefits	1,839,867	21,736	2,234	3,403	8,887	21,487	916	17,680	1,916,210
Direct technical expense	-	-	-	-	-	-	-	-	-
Outstanding claims reserve b/f	(558,505)	(11,264)	-	(242,846)	(1,315)	-	(5,585)	(2,400)	(821,915)
Outstanding claims reserve c/f	1,084,880	12,817	1,317	2,007	5,240	12,670	540	10,425	1,129,896
Incurred but not report (IBNR) b/f	(83,776)	(1,689)	-	(36,427)	(197)	-	-	(360)	(122,449)
Incurred but rot report (IBNR) c/f	162,732	1,922	198	301	786	1,900	81	1,564	169,484
Net claims payable	**2,445,198**	**23,522**	**3,749**	**(273,562)**	**13,401**	**36,057**	**(4,048)**	**26,909**	**2,271,226**
Claims recoveries from treaties & facultative reinsurance	(254,601)	(2,858)	(1,117)	-	-	(15,316)	-	-	(273,892)
Claims recoveries	(68,778)	-	-	-	-	-	-	-	(68,778)
Reinsurance portfolio claims reserve b/f	255,026	6,766	-	233,881	-	437	-	-	496,110
Reinsurance portfolio claims reserve c/f	(197,114)	(209,022)	-	(233,008)	-	-	-	-	(639,144)
Amount recoverable from reinsurers	**(265,467)**	**(205,114)**	**(1,117)**	**873**	**-**	**(14,879)**	**-**	**-**	**(485,704)**
Net claims and policyholder benefits payable	**2,179,731**	**(181,592)**	**2,632**	**(272,690)**	**13,401**	**21,178**	**(4,048)**	**26,909**	**1,785,522**

15. NET CLAIMS (continued)

31 December 2017	Motor	Fire	Guarantee	Engineering	Liability	Accident & Health	Transport	Miscellaneous	Total
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Gross claims paid & benefits	503,128	2,506	-	9,455	-	-	5,067	4,799	524,954
Direct technical expense	-	-	-	-	-	-	-	-	-
Outstanding claims reserve b/f	-	(905)		(9,157)					(10,063)
Outstanding claims reserve c/f	558,505	11,264	-	242,846	1,315	-	5,585	2,400	821,915
Incurred but not report (IBNR) b/f		(136)		(1,374)		-			(1,509)
Incurred but rot report (IBNR) c/f	83,776	1,690		36,427	197		838	360	123,287
Net claims payable	**1,145,409**	**14,418**	**-**	**278,197**	**1,512**	**-**	**11,490**	**7,559**	**1,458,584**
Claims recoveries from treaties & facultative reinsurance	(290,815)	(465)		(257,340)	(602)	-	-	-	(549,221)
Claims recoveries	-	-	-	-	-	-	-	-	-
Reinsurance portfolio claims reserve b/f	-	-	-	-	-	-	-	-	-
Reinsurance portfolio claims reserve c/f	-	-	-	-	-	-	-	-	-
Amount recoverable from reinsurers	**(290,815)**	**(465)**	**-**	**(257,340)**	**(602)**	**-**	**-**	**-**	**(549,221)**
Net claims and policyholder benefits payable	**854,593**	**13,953**	**-**	**20,857**	**911**	**-**	**11,490**	**7,559**	**909,363**

16. OPERATING EXPENSES

	2018	2017
	FRw'000	FRw'000
(i) **Employee benefits expense**		
Salaries and wages	20,027,762	19,083,777
Medical expenses	948,397	696,485
Pension scheme contributions	1,140,165	1,092,079
Other benefits	702,355	255,359
	22,818,679	**21,127,700**
(ii) **Depreciation and amortisation**		
Depreciation of property and equipment (Note 23)	3,860,518	3,884,073
Amortisation of intangible assets (Note 24)	1,006,137	617,137
	4,866,655	**4,501,210**
(iii) **Administration and general expenses**		
Directors' remuneration	398,167	415,368
Audit fees	94,858	51,154
Rent, repairs and maintenance	1,825,933	1,575,620
Utilities	690,021	628,335
Postage, photocopying and printing	680,845	799,715
Travel and accommodation expenses	810,514	524,016
Security and cash in transit costs	1,828,950	1,750,162
Insurance	-	212,620
Marketing and publicity	799,398	715,545
Statutory fees	727,852	598,476
Legal and consultancy fees	3,235,119	761,064
Unclaimed VAT on expenditure	1,395,372	1,245,824
Telephone and internet costs	1,735,015	1,292,596
Charitable donation	276,899	269,993
Account maintenance costs	14,033	1,363,454
Tax related provision	1,638,985	-
Provision for card and doubtful receivables	2,523,649	-
Credit and debit card costs	2,916,783	2,697,781
Other general expenses	760,951	1,278,022
	22,353,344	**16,171,942**

Provisions for cards and doubtful receivables related to long outstanding transitory account receivables that are being followed up. The exposures are fully provided for.

17. INCOME TAX EXPENSE

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

	Effective Rate	**2018** FRw'000	**Effective** Rate	**2017** FRw'000
a. **Income tax charge**				
Current income tax		16,114,358		14,906,006
Deferred income tax (credit)		(3,028,203)		(4,443,752)
Provisions for prior years re-assessment		2,148,854		360,900
	35.8%	**15,235,009**	**31.7%**	**10,823,154**
Accounting profit before income tax		**42,601,625**		**34,172,034**
Tax calculated at tax rate of 30%	30.0%	12,780,488	30.0%	10,251,611
Deferred income tax (credit)		(3,028,203)		(4,443,752)
Provisions for prior years re-assessment		2,148,854		360,900
Tax effects on non-taxable items:				
Provisions for prior years re-assessment	0.1%	42,802	0.1%	47,583
Provision on government securities	0.5%	218,510	0.0%	-
Voluntary pension contributions	0.3%	133,858	0.3%	118,137
Provision for staff performance bonus	1.9%	791,249	3.1%	1,050,000
Provision for doubtful receivables	3.2%	1,365,362	0.5%	174,017
Other non deductible expenses	1.8%	782,089	9.6%	3,264,658
	35.8%	**15,235,009**	**31.7%**	**10,823,154**

b. **Recoverable taxes**		**2018** FRw'000	**Effective** Rate	**2017** FRw'000
Taxable profit		(1,824,516)		-
Company tax calculated at tax rate of 30%		(547,355)		-
BK TecHouse tax advance		(4,289)		-
Total recoverable taxes		**(551,644)**		**-**

18. CURRENT INCOME TAX

	2018	2017
	FRw'000	FRw'000
At 1 January	6,900,698	4,165,830
Tax paid during the year	(20,109,110)	(12,532,038)
Tax charge for the year	16,666,002	14,906,006
Prior year understatement	638,225	360,900
At 31 December	**4,095,815**	**6,900,698**

The Group's statutory income tax charge was 30% (2017: 30%).

19. EARNINGS PER SHARE

	2018	2017
Profit for the period attributable to equity shareholders – FRw'000	27,366,616	23,348,880
Weighted average number of shares	693,456,486	674,537,000
Earnings per share:		
Basic earnings per share – FRw	39.5	34.7

Basic earnings per share is calculated on the profit attributable to ordinary shareholders of FRw 27.4 billion (2017: FRw 23.3 billion) and on the weighted average number of ordinary shares outstanding during the year of 693,456,486 (2017: 674,537,000 shares).

20. ANALYSIS OF CASH AND CASH EQUIVALENTS

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

(a) Cash in hand	2018	2017
	FRw'000	FRw'000
Cash in foreign currency	9,735,010	10,619,960
Cash in local currency	10,336,582	9,111,739
	20,071,592	**19,731,699**
(b) Balances with National Bank of Rwanda		
Restricted balances (Cash Reserve Ratio)	29,663,614	24,879,543
Unrestricted balances	35,251,070	17,703,784
	64,914,684	**42,583,327**

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 2018, the Cash Reserve Ratio requirement was 5% (2017 - 5%) of all deposits amounting to FRw 593.2 billion (2017: FRw 497.6 billion). Mandatory cash reserve ratio is not available for use in the Group's day-to-day operations.

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

(c) Cash and cash equivalent	2018	2017
	FRw'000	FRw'000
Cash in hand (note 20a)	20,071,592	19,731,699
Unrestricted balances (Note (20b)	35,251,070	17,703,785
Due from banks	105,210,355	53,055,021
Due to banks	(61,312,934)	(42,377,460)
Unrealized exchange gains	(1,528,396)	(1,982,767)
	97,691,687	**46,130,278**

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

21. DUE FROM BANKS

	2018	2017
	FRw'000	FRw'000
Placements with local banks	5,487,291	6,226,505
Placements with foreign banks	99,800,019	45,873,406
Current accounts with foreign banks	-	955,110
Expected credit loss	(76,954)	-
	105,210,355	**53,055,021**

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

Credit Ratings	2018	2017
	FRw'000	FRw'000
A	54,432,235	242,819
A+	154,360	51,130,030
B	30,785,600	106,712
B+	19,915,114	1,575,460
Expected credit losses	(76,954)	-
	105,210,355	**53,055,021**

The weighted average effective interest rate on placements and balances with other banks at 31 December 2018 was 0.5% (2017: 0.5%)

22. INVESTMENT SECURITIES

	2018	2017
	FRw'000	FRw'000
a) Investment securities	**Amortised cost**	**Amortised cost**
Treasury bills	48,192,372	67,415,533
Treasury bonds	7,298,944	7,226,785
Other government security	18,831,850	19,606,605
Expected credit losses	(728,368)	-
Total	**73,594,798**	**94,248,923**
Maturing between 3-12 months	47,878,611	70,625,176
Maturing between 1-5 years	24,944,555	23,623,747
Maturing between >5 years	1,500,000	-
Expected credit losses	(728,368)	-
	73,594,798	**94,248,923**

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.

22. INVESTMENT SECURITIES (continued)

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

2018

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

2017

	Treasury bills	Treasury bonds	Other government security	Total
	FRw'000	FRw'000	FRw'000	
1-Jan-17	74,355,403	3,607,203	-	77,962,606
Additions	307,645,666	6,250,527	19,606,605	333,502,798
Maturities	(314,585,535)	(2,630,946)	-	(317,216,481)
31 December 2017	**67,415,534**	**7,226,784**	**19,606,605**	**94,248,923**

	2018	2017
	FRw'000	FRw'000
Movement in the expected credit loss on – investment securities		
At 1 January	-	-
Charge for the year	728,368	-
At 31 December	**728,368**	**-**

The weighted average effective interest rate on government securities held to collect at 31 December 2018 was 9.9% (2017: 9.6%).

b) Equity Investments	2018	2017
	FRw'000	FRw'000
Development Bank of Rwanda (BRD)	-	96,975
M Magerwa	-	5,000
Investments in SWIFT	-	2,970
R-Switch (SIMTEL)	-	116,480
	-	**221,425**

The equity investment in unquoted entities is recorded at fair value through other comprehensive income.

23. LOANS AND ADVANCES TO CUSTOMERS

(a) Corporate loans and advances	2018	2017
	FRw'000	FRw'000
Corporate	460,924,666	367,759,825
Small and medium enterprises	51,908,675	54,702,928
Non-profit entities	5,362,642	5,627,590
Total corporate loans	**518,195,983**	**428,090,343**

23. LOANS AND ADVANCES TO CUSTOMERS (continued)	2018	2017
Retail loans and advances	**FRw'000**	**FRw'000**
Gross retail loans	84,655,101	67,882,475
Discount on staff loans	(2,283,743)	(261,169)
Total retail loan book	**82,371,358**	**67,621,306**
Total gross loans	**600,567,341**	**495,711,648**
Loss allowance/credit impairment provision - corporate	(24,488,279)	(19,547,004)
Loss allowance/credit impairment provision - retail	(7,974,338)	(4,460,329)
Total expected credit losses/credit impairment provision	**(32,462,617)**	**(24,007,333)**
Net loans and advances to customers	**568,104,724**	**471,704,315**

(b) Guarantees and commitments	**2018**	**2017**
	FRw'000	**FRw'000**
Corporate	62,398,075	80,219,188
Small and medium enterprises	12,095,064	10,906,518
Non-profit entities	111,854	43,548
Retail banking	-	66,146
Total guarantees and commitments	74,604,993	91,235,400
Expected credit loss (23(c))	**(2,306)**	**-**
	74,602,686	**91,235,400**

(c) Movement in the loss allowance balance - loans and advances	**2018**	**2017**
	FRw'000	**FRw'000**
At 1 January	24,007,333	11,798,199
On adoption of IFRS 9	3,404,196	-
Increase in loss allowance in the year	13,990,992	19,708,968
Loans written off during the year	(8,939,904)	(7,499,834)
As at 31 December	32,462,617	24,007,333

The increase in the loan loss allowance between 1 January 2018 and 31 December 2018 is due to facilities falling within Stage 2 during the period.

(d) Maturity analysis of gross loans and advances to customers	**2018**	**2017**
	FRw'000	**FRw'000**
Maturing within 1 month	32,883,027	40,074,254
Maturing after 1 month, but before 3 months	55,561,420	36,876,925
Maturing after 3 months, but within 1 year	28,335,493	76,532,542
Maturing after 1 year, but within 5 years	172,913,370	83,025,415
Maturing after 5 years	310,874,030	259,202,512
	600,567,341	**495,711,648**

(e) Sectoral analysis of Gross Loans and advances to customers	**2018**	**2017**
	FRw'000	**FRw'000**
Private sector and individuals	486,072,605	407,887,436
Government and parastatals	114,494,736	87,824,212
	600,567,341	**495,711,648**

23. LOANS AND ADVANCES TO CUSTOMERS (continued)

The weighted average effective interest rate on gross loans and advances as at 31 December 2018 was 15.3% (31 December 2017: 16.2%). As at 31 December, the ageing analysis of past due but not impaired loans and advances is as follows:

	2018	2017
	FRw'000	FRw'000
Less than 60 days	83,024,930	2,560,534
Between 61 – 90 days	25,557,288	19,914,521
	108,582,218	**22,475,055**

24. INSURANCE RECEIVABLES	2018	2017
	FRw'000	FRw'000
Insurance related receivables	1,795,090	852,933
Reinsurance share in claims	1,082,699	29,727
Total	**2,877,789**	**882,660**

25. OTHER ASSETS	2018	2017
	FRw'000	FRw'000
Clearing accounts	1,050,020	6,263,937
Other receivables	3,761,632	2,855,115
Asset held for sale	1,634,510	100,000
Prepayments	3,055,957	1,350,297
	9,502,119	**10,569,349**

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' terms

26. PROPERTY AND EQUIPMENT

31 December 2018	Land and Buildings	Computer and IT Equipment	Motor vehicles	Furniture and Fittings	Work in Progress	Total
COST/VALUATION	**FRw'000**	**FRw'000**	**FRw'000**	**FRw'000**	**FRw'000**	**FRw'000**
At 1 January 2018	27,802,152	7,685,877	1,515,792	15,292,620	2,551,997	54,848,438
Additions	828,017	610,522	151,493	550,008	1,518,537	3,658,577
Reclassification	(1,292,988)	-	(2,143)	2,143	(3,808,121)	(5,101,109)
At 31 December 2018	**27,337,181**	**8,296,399**	**1,665,142**	**15,844,771**	**262,413**	**53,405,906**
DEPRECIATION						
At 1 January 2018	1,946,000	6,670,430	845,254	11,845,769	-	21,307,453
Charge for the year	1,329,376	889,563	263,121	1,378,457	-	3,860,518
Reclassification		-	(213)	11,573	-	11,360
At 31 December 2018	**3,275,376**	**7,559,993**	**1,108,162**	**13,235,799**	**-**	**25,179,330**
CARRYING AMOUNT	24,061,805	736,406	556,980	2,608,972	262,413	28,226,576

31 December 2017	Land and Buildings	Computer and IT Equipment	Motor vehicles	Furniture and Fittings	Work in Progress	Total
COST/VALUATION	**FRw'000**	**FRw'000**	**FRw'000**	**FRw'000**	**FRw'000**	**FRw'000**
At 1 January 2017	28,581,585	6,585,355	1,054,808	12,982,551	1,743,480	50,947,779
Additions	333,237	1,100,522	460,984	2,310,069	797,158	5,001,970
Disposal	(1,112,670)	-	-	-	-	(1,112,670)
At 31 December 2017	**27,802,152**	**7,685,877**	**1,515,792**	**15,292,620**	**2,540,638**	**54,837,079**
DEPRECIATION						
At 1 January 2017	336,401	5,934,718	605,302	10,635,657	-	17,512,078
Charge for the year	1,698,297	735,712	239,952	1,210,113	-	3,884,073
Disposal	(88,698)	-	-	-	-	(88,698)
At 31 December 2017	**1,946,000**	**6,670,430**	**845,254**	**11,845,769**	**-**	**21,307,453**
CARRYING AMOUNT	25,856,152	1,015,447	670,538	3,446,851	2,540,638	33,529,626

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

26. PROPERTY AND EQUIPMENT (continued)

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

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

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

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

The reconciliation is provided below

	2018	2017
	FRw'000	FRw'000
COST		
At 1 January	8,356,542	9,257,265
Disposal during the period	-	(900,723)
At 31 December	**8,356,542**	**8,356,542**

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

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

	Property	
	2018	2017
The parity USD/FRw is estimated to 7% in 2018 and 2017	7%	7%
The estimated occupancy time	Fifteen years term	Fifteen years term
Discount rate	10%	10%

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

If the parity USD/FRw used was higher/lower by 500 basis points, the fair value of land and buildings would be higher/lower by FRw 418 million.
If the estimated occupancy time was higher/lower by 5 years, the fair value of land and buildings would be higher/lower by FRw 2,786 million.
If the estimated discount rate was higher/lower by 500 basis points, the fair value of land and buildings would be lower/higher by FRw 794 million.

27. NTANGIBLE ASSETS	2018	2017
COST	**FRw'000**	**FRw'000**
At 1 January	3,228,143	2,447,534
Additions	939,610	780,609
Reclassification of work in progress	3,063,225	-
At period end	7,230,978	3,228,143
AMORTISATION		
At 1 January	2,549,788	1,932,651
Amortisation	1,006,137	617,137
At period end	**3,555,925**	**2,549,788**
Net book value	**3,675,053**	**678,355**

Intangible assets relates to the Group's core banking platform, Delta and computer software in use.

28. DUE TO BANKS		
	2018	**2017**
	FRw'000	**FRw'000**
Deposits and balances from other Banks	21,797,986	23,599,194
Term treasury borrowings	39,514,948	18,778,266
	61,312,934	**42,377,460**
Maturing as follows:		
Payable within 1 month	23,995,986	23,432,102
Payable after 1 month	**37,316,948**	**18,945,358**
Total	**61,312,934**	**42,377,460**

The weighted average effective interest rate on deposits and balances from other banks as at 31 December 2018 was 4.5% (2017: 4.5%)

29. DEPOSITS AND BALANCES FROM CUSTOMERS	2018	2017
	FRw'000	**FRw'000**
Current accounts	386,136,663	321,141,412
Fixed deposit accounts	115,562,895	107,729,421
Savings accounts	20,450,906	14,874,833
Collateral and other deposits	5,493,978	7,658,128
Interest Payable	4,314,903	3,809,599
	531,959,345	455,213,393

30. DEFERRED INCOME TAX

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

	At 1 January 2018	Charge/(credit) to profit or loss	Charged to OCI	At 31 December 2018
	FRw'000	**FRw'000**	**FRw'000**	**FRw'000**
Revaluation of assets-property	5,571,446	-	-	5,571,446
Capital allowances	851,045	(385,783)	4,371	469,633
Other temporary differences	(4,070,689)	(2,642,420)	-	(6,713,109)
	2,351,802	**(3,028,203)**	**4,371**	**(672,030)**

30. DEFERRED INCOME TAX (continued)

	At 1 January 2017	Charge/(credit) to profit or loss	Charged to OCI	At 31 December 2017
	FRw'000	FRw'000	FRw'000	FRw'000
Revaluation of assets-property	5,841,693	(270,247)	-	5,571,446
Capital allowances	632,002	219,043		851,045
Other temporary differences	321,858	(4,392,547)	-	(4,070,689)
	6,795,553	**(4,443,751)**	**-**	**2,351,802**

31. DIVIDENDS PAYABLE

	2018	2017
	FRw'000	FRw'000
At 1 January	9,378,311	8,343,104
Dividends paid during the year	(9,246,928)	(8,304,345)
Dividend declared	10,946,646	9,339,552
At 31 December	**11,078,029**	**9,378,311**

During the Annual General Meeting held on 17 May 2018, the Shareholders approved a dividend pay-out of 40% of the Group's audited IFRS-based net income in respect of the year 2018-2020.

32. INSURANCE LIABILITIES

	2018	2017
	FRw'000	FRw'000
Unearned Premium reserves	2,549,477	1,162,911
Claims incurred but not reported(IBNR)	180,334	455,291
Claims reported and loss adjustment expenses	1,179,200	284,164
	3,909,011	**1,902,366**

33. OTHER LIABILITIES

	2018	2017
	FRw'000	FRw'000
Clearing accounts	6,842,010	1,592,415
Deferred revenue	404,956	6,380,328
Other payables	4,951,853	1,973,046
Accrued expenses	7,258,524	5,542,574
	19,457,343	**15,488,363**

34. LONG TERM FINANCE

2018	1 Jan 2018	Additional drawdown	Accrued Interest	Interest expense	Revaluation loss	Principal repayments	Interest repayments	31 December 2018
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000		FRw'000
EIB Loan (9.5% - 11.4%)	24,078,272	-	185,862	1,705,346	-	(5,620,356)	(1,806,728)	18,356,534
AFD Loan (Libor +3.74% pa)	7,508,156	-	22,599	167,532	238,463	(2,135,963)	(180,590)	5,597,598
AFDB Loan(Libor +4.15% pa)	5,244,710	-	112,017	438,952	175,772	(1,285,772)	(447,646)	4,126,016
EADB (Libor +6.65 pa)	2,146,776	-	-	128,270	48,584	(2,183,584)	(140,046)	-
PTA Loan (8% pa)	1,898,299	-	9,906	95,946	21,533	(1,423,756)	(86,561)	505,461
OFID Loan (Libor +4.0% pa)	17,714,041	-	179,034	972,871	552,952	(5,220,342)	(1,039,696)	12,979,826
SBM -USD 10M (+4.5%libor)	11,598,921	-	289,665	571,022	368,590	(3,214,840)	(671,528)	8,652,165
BRD-KFW EGF(8% p.a)	653,000	-	13,207	80,188	-	-	(66,982)	666,206
Total	**70,842,175**		**812,289**	**4,160,127**	**1,405,894**	**(21,084,613)**	**(4,439,777)**	**50,883,806**

2017	1 Jan 2017	Additional drawdown	Accrued Interest	Interest expense	Revaluation loss/(gain)	Principal repayments	Interest repayments	31 December 2017
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000		FRw'000
EIB Loan (9.5% - 11.4%)	8,771,347	17,899,073	287,245	1,418,103	(15,620)	(2,863,772)	(1,130,858)	24,078,272
AFD Loan (Libor +3.74% pa)	9,122,070	-	35,656	495,682	485,430	(2,135,000)	(460,026)	7,508,156
AFDB Loan(Libor +4.15% pa)	6,168,565	-	120,710	325,578	236,435	(1,281,000)	(204,868)	5,244,710
EADB (Libor +6.65 pa)	4,057,255	-	11,776	285,612	212,745	(2,135,000)	(273,836)	2,146,776
PTA Loan (8% pa)	3,587,455	-	521	241,645	208,101	(1,897,778)	(241,124)	1,898,299
OFID Loan (Libor +4.0% pa)	5,958,612	12,810,000	245,860	934,726	252,296	(1,552,727)	(688,866)	17,714,041
Shelter Afrique (6.44% pa)	7,366,764	-	-	102,051	-	(7,366,764)	(102,051)	-
SBM -USD 10M (+4.5%libor)	12,105,000	-	390,171	793,936	705,000	(1,601,250)	(403,765)	11,598,921
BRD-KFW EGF(8% p.a)	-	653,000		-	-	-	-	653,000
Total	**57,137,068**	**31,362,073**	**1,091,939**	**4,597,333**	**2,084,387**	**(20,833,291)**	**(3,505,394)**	**70,842,175**

34. LONG TERM FINANCE (continued)

The weighted average effective interest rate on Long term finance as at 31 December 2018 was 6.8% (2017: 7.2%).

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

In 2011, the Group signed two ten year credit lines with Agence Francaise de Development (AFD) and the African Development Bank (AFDB) for USD 20 million and 12 million respectively. As 31 December 2018, both the AFD&AFDB credit lines were fully drawn down.

In 2013, the Group signed three 5-yearterm credit lines of USD 10m each with the East African Development Bank (EADB), Trade and Development Bank and OPEC Fund for International Development (OFID) respectively. As at year end 2017, the Bank had fully drawn down on the EADB, PTA and OFID credit lines.

In 2016, the Group signed a 3-year credit line with SBM Bank for USD 15 million. As at 31 December 2018, the credit line was fully drawn down.

In 2017, the Group signed a 3-year credit line with OFID/OPEC for USD 15 million and a 9-year credit line with BRD for FRw 653 million. As at 31 December 2018 both credit lines were fully drawn down.

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

35. CAPITAL & RESERVES

(i). Share Capital

	2018		2017	
	Shares	**FRw'000**	**Shares**	**FRw'000**
Authorised share capital of FRw 10 each	1,050,460,000	10,504,600	1,050,460,000	10,504,600
Issued and fully paid up				
At 1 January	674,537,000	6,745,370	672,442,800	6,724,428
New issued	222,222,204	2,222,222	2,094,200	20,942
At 31 December	**896,759,204**	**8,967,592**	**674,537,000**	**6,745,370**

(ii). Share premium

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

	2018	2017
	FRw'000	**FRw'000**
At 1 January	18,936,176	18,695,343
New issued at premium @ FRw 260 (2017 was FRw 115)each	57,777,773	240,833
Right issue expenses	(1,917,963)	-
At 31 December	**74,795,986**	**18,936,176**

(iii). Revaluation reserve

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

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

35. CAPITAL AND RESERVES (continued)

(iv). Retained earnings

	2018	2017
	FRw'000	FRw'000
Opening balance	84,068,437	69,435,204
Profit attributable to parent	27,278,184	23,342,309
Change on initial application of IFRS 9	(3,404,196)	-
Declared dividend 2018/2017	(10,946,646)	(9,339,552)
Transfer of revaluation on disposal	-	630,476
	96,995,779	**84,068,437**

36. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets analysed according to when they are expected to be recovered or settled as at 31 December 2018:

At 31 December 2018	**Less than 12 months**	**Over 12 months**	**Total**
ASSETS	**FRw'000**	**FRw'000**	**FRw'000**
Cash in hand	20,071,592	-	20,071,592
Balances with the National Bank of Rwanda	64,914,684	-	64,914,684
Balances held with other financial institutions	105,210,355	-	105,210,355
Held to maturity investments	47,150,243	26,444,555	73,594,798
Loans and advances to customers	116,779,941	451,324,783	568,104,724
Insurance receivable	2,877,789	-	2,877,789
Deferred income tax asset	-	672,030	672,030
Recoverable taxes	-	551,644	551,644
Other assets	5,631,328	3,870,791	9,502,119
Intangible assets	-	3,675,053	3,675,053
Property and equipment	-	28,226,576	28,226,576
Total assets	**362,635,932**	**514,765,432**	**877,401,364**

The table below shows an analysis of liabilities analysed according to when they are expected to be recovered or settled as at 31 December 2018:

At 31 December 2018	**Less than 12 months**	**Over 12 months**	**Total**
Liabilities	**FRw'000**	**FRw'000**	**FRw'000**
Due to banks	61,312,934	-	61,312,934
Deposits and balances from customers	528,077,092	3,882,253	531,959,345
Current income tax	4,095,815	-	4,095,815
Dividends payable	11,078,030	-	11,078,030
Insurance Liabilities	3,909,011	-	3,909,011
Other liabilities	19,298,148	159,195	19,457,343
Long-term finance	3,350,838	47,532,968	50,883,806
Shareholders' funds	-	194,705,081	194,705,081
Total Equity and Liabilities	**631,121,867**	**246,279,497**	**877,401,364**

36. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Continued)

The table below shows an analysis of assets analysed according to when they are expected to be recovered or settled as at 31 December 2017:

At 31 December 2017	Less than 12 months	Over 12 months	Total
ASSETS	**FRw'000**	**FRw'000**	**FRw'000**
Cash in hand	19,731,699	-	19,731,699
Balances with the National Bank of Rwanda	42,583,327	-	42,583,327
Balances held with other financial institutions	53,055,021	-	53,055,021
Investment securities	69,125,176	25,123,747	94,248,923
Loans and advances to customers	153,483,721	318,220,594	471,704,315
Other assets	11,426,112	25,897	11,452,009
Equity investments	-	221,425	221,425
Intangible assets	-	678,355	678,355
Property and equipment	-	33,529,626	33,529,626
Total Assets	**349,405,056**	**377,799,644**	**727,204,700**

The table below shows an analysis of liabilities analysed according to when they are expected to be recovered or settled as at 31 December 2017:

At 31 December 2017	Less than 12 months	Over 12 months	Total
Liabilities	**FRw'000**	**FRw'000**	**FRw'000**
Balances from other Financial Institutions	42,377,460	-	42,377,460
Customer deposits	454,405,348	808,045	455,213,393
Current income tax	6,900,698	-	6,900,698
Deferred tax liability	219,042	2,132,760	2,351,802
Dividends payables	9,378,311	-	9,378,311
Other liabilities	17,390,729	-	17,390,729
Long-term Finance	20,416,853	50,425,322	70,842,175
Shareholders' funds	-	122,750,132	122,750,132
Total Equity and Liabilities	**551,088,441**	**176,116,259**	**727,204,700**

37.FAIR VALUE

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities carried at amortised cost as at 31 December 2018:

		Fair value measurement using		
	Carrying amount	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
		(Level 1)	(Level 2)	(Level 3)
Assets	**FRw'000**	**FRw'000**	**FRw'000**	**FRw'000**
Balances with the National Bank of Rwanda	64,914,684	64,914,684	-	-
Due from banks	105,210,355	105,210,355	-	-
Investment securities	73,594,798	-	73,594,798	-
Loans and advances to customers	568,104,724	-	-	568,104,724
Insurance receivables	2,877,789	-	-	2,877,789
Other assets	9,502,119	-	-	9,502,119
Total assets	**824,204,469**	**170,125,039**	**73,594,798**	**580,484,632**

37. FAIR VALUE (continued)

		Fair value measurement using		
	Carrying amount	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
		(Level 1)	(Level 2)	(Level 3)
Liabilities				
Due to banks	61,312,934	-	-	61,312,934
Deposits and balances from customers	31,959,345	-	-	531,959,345
Dividends payable	11,078,029	-	-	11,078,030
Insurance liabilities	3,909,011	-	-	3,909,011
Other liabilities	19,457,343	-	-	19,457,341
Long-term finance	50,883,806	-	-	50,883,806
Total liabilities	**678,600,468**	**-**	**-**	**678,600,467**

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities carried at amortised cost as at 31 December 2017:

		Fair value measurement using		
	Carrying amount	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
		(Level 1)	(Level 2)	(Level 3)
Assets	**FRw'000**	**FRw'000**	**FRw'000**	**FRw'000**
Balances with the National Bank of Rwanda	42,583,327	42,583,327	-	-
Due from banks	53,055,021	53,055,021	-	53,055,021
Investment securities	94,248,923	-	94,248,923	-
Loans and advances to customers	471,704,315	-	-	471,704,315
Insurance receivables	1,147,644	-	-	1,147,644
Other assets	10,304,365	-	-	10,304,365
Total assets	**673,043,595**	**95,638,348**	**94,248,923**	**536,211,345**
Liabilities				
Due to banks	42,377,460	-	-	42,377,460
Deposits and balances from customers	455,213,393	-	-	455,213,393
Dividends payable	9,378,311	-	-	9,378,311
Insurance liabilities	2,339,653	-	-	2,339,653
Other liabilities	15,051,076	-	-	15,051,076
Long-term finance	70,842,175	-	-	70,842,175
	595,202,068	**-**	**-**	**595,202,068**

38. LEASING ARRANGEMENTS

The table below represents the lease commitments entered into by the Group:

	2018 FRw'000	2017 FRw'000
Commitments for future minimum lease payments		
Due within 1 year	1,098,987	3,045
Due within 1 year and 5 years	2,241,020	63,462
Due after 5 years	-	-

Operating lease commitments represents rental for vehicles, office machines and office space.

39. CONTINGENT LIABILITIES AND COMMITMENTS

Legal claims

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

At period end, the Group is party to various legal proceedings for a total amount of FRw 1.0Bln (2017: FRw63.2m). Having regarded the legal advice received, the directors are of the opinion that these legal proceedings will not give rise to significant liabilities.

Commitments

As at 31 December 2018, the Group had no contractual commitments (2017: nil) relating to operational contracts that had not yet been delivered.

40. RELATED PARTIES DISCLOSURES

The government of Rwanda is the majority shareholder through Rwanda Social Security Board and Agaciro Development Fund. Based on the exemption under accounting standards, limited transactions and balances with government and government related parties have been disclosed.

	2018 FRw'000	2017 FRw'000
Compensation of key management personnel of the Group		
Short term employee benefits	1,316,404	1,116,220
Post-employment pension (defined contribution)	36,542	27,451
Terminal benefit	57,317	11,939
	1,410,263	1,155,610
Directors emoluments	398,167	415,368
	1,808,430	**1,570,978**

31 December 2018	**Sitting /remuneration allowance** **FRw'000**	**Other fees** **FRw'000**	**Total** **FRw'000**	**ESOP Shares** **FRw'000**	**Loans** **FRw'000**
Mr Marc Holtzman	204,055	49,314	253,369	218,700	-
Mr.Richard Tusabe	5,011	-	5,011	27,000	54,649
Mr.Jonathan Gatera	20,379	-	20,379	-	-
Ms Alline Akintore Kabbatende	8,821	-	8,821	18,900	-
Mr.Julien Kagaruganda	25,396	-	25,396	27,000	10,485
Ms.Lilian kyatengwa	6,259	-	6,259	29,970	-
Ms.Liliane Igihozo	19,592	-	19,592	-	-
Mr Reuben Karemera	30,359	-	30,359	67,500	147,572
Subsidiaries Directors	28,981	-	28,981	-	131,876
	348,853	**49,314**	**398,167**	**389,070**	**344,581**

40. RELATED PARTIES DISCLOSURES (continued)

31 December 2017	Sitting /remuneration allowance	Other fees	Total	ESOP Shares	Loans
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Mr Marc Holtzman	196,913	45,273	242,186	-	-
Mr Jonathan Gatera	24,569	-	24,569	-	1,710
Mr Julien Kagaruganda	19,072	-	19,072	-	15,507
Ms Liliane igihozo	23,243	-	23,243	-	33,998
Mr Reuben Karemera	12,543	-	12,543	-	70,383
Ms Alphonsine Niyigena	11,556	-	11,556	-	-
Mr Kenneth Ofori Atta	82,200	-	82,200	-	-
	370,095	**45,273**	**415,368**	**-**	**121,597**

Non-executive directors do not receive pension entitlements from the Group.

Transaction with key management personnel of the Group

The Group enters into transactions, arrangements and agreements involving directors, senior management and their related party concerns in the ordinary course of business at commercial interest and commission rates.
The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year.

	2018 (FRw'000)			2017 (FRw'000)		
	Maximum balance during	Balance as at 31 December	Income/ Expense	Maximum balance during	Balance as at 31 December	Income/ Expense
Residential mortgages	679,870	643,209	71,721	1,305,950	1,305,950	158,014
Credit cards and other loans	75,735	39,174	1,690	252,217	252,217	10,686
Deposits	269,847	208,334	4,452	250,441	250,441	3,452

The amounts above relate to key management personnel.
Transaction with other related parties

In addition to transactions with key management, the Group enters into transactions with entities with significant influence over the Group. The following table shows the outstanding deposits and investment in securities balance and the corresponding interest during the period.

	31 December 2018		31 December 2017	
Investment in securities	Balance as at	Interest from	Balance as at	Interest from
	FRw '000	FRw '000	FRw '000	FRw '000
Government T-bills and bonds	73,594,798	8,284,700	94,248,923	8,287,118

	31 December 2018		31 December 2017	
Deposits from major shareholders	Balance as at	Interest paid to	Balance as at	Interest paid to
	FRw '000	FRw '000	FRw '000	FRw '000
Rwanda Social Security Board	72,403,317	6,091,907	70,662,861	6,468,303
Agaciro Development Board	2,405,594	49,890	2,931	101,479
Total Balances	**74,808,912**	**6,141,797**	**70,665,791**	**6,569,782**

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 2018, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2017: Nil).

41. SUBSIDIARIES

Bank of Kigali Plc

The Bank was incorporated at the end of 2017 following reorganisation of the former bank into a holding company. It is a wholly owned subsidiary of the Group. Its principal place of office is in the BK Group PLC head office. It offers corporate and retail banking services.

BK General Insurance Company Limited

The Group opened a wholly owned subsidiary, BK General Insurance Company Limited on the 16 September 2015. Its principal place of office is in the BK Group PLC head office. The company offers Non-Life Insurance Services. The issued and paid up capital is FRw 2,857,143,000 During the year, Swan Group bought a 30% stake in BK General Insurance Ltd with BK Group owning 70%.

BK Capital Limited

The Group opened a wholly owned subsidiary, BK Securities Ltd on the 10 December 2013. In 2018, this has been incorporated into BK Capital Ltd. Its principal place of office is in the BK Group PLC head office. The main activity of the Company is to hold assets for Custody clients, as well offering of brokerage and advisory services. The issued and paid up capital is FRw 200,000,000.

BK Tec-House Limited

The Group opened a wholly owned subsidiary, BK Tec-House Ltd on the 10 August 2015. Its principal place of office is in the BK Group PLC head office. The company offers Internet and digital Services to customers. The issued and paid up capital is FRw 1,000,000,000.

Non-controlling interests (NCI)

Set out below is summarised financial information for BK General Insurance Company Limited that are material to the group. The amounts disclosed are before inter-company eliminations.

Summarised Statement of financial position	**2018 FRw'000**	**2017 FRw'000**
Total assets	8,746,051	4,473,246
Total liabilities	4,732,536	2,201,190
Net assets	**4,013,515**	**2,272,056**

Summarised statement of profit or loss and other comprehensive income	**2018 FRw'000**	**2017 FRw'000**
Net premium income	3,932,651	2,104,762
Profit for the year	884,316	264,419
Other comprehensive income	-	-
Total comprehensive income	**884,316**	**264,419**

Summarised Statement of cash flows	**2018 FRw'000**	**2017 FRw'000**
Cashflows from operating activities	1,131,930	858,878
Cashflows utilised in investing activities	(2,325,012)	(1,266,606)
Cashflows from financing activities	857,143	1,000,000
Net (decrease)/increase in cash and cash equivalents	**(335,939)**	**592,272**

42. SHARE BASED PAYMENTS

Employee Option Plan

During this year's capital raise, the Group issued shares equal to 7,200,000 under the Employee Share Ownership Plan "ESOP" that was subscribed for by Directors and Employees. Under the ESOP scheme, directors and employees have the option to acquire additional number of shares after the vesting period (3 years) and before end of November 2022.

The Board in October 2018 approved the establishment of the BK Group Employee Option Plan. The Employee Option Plan is designed to provide long-term incentives for directors and eligible employees to deliver long-term shareholder returns. Under the plan, participants are granted options, which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Each beneficiary shall be entitled to purchase from the Company, from the listing date of the new shares up to the third anniversary (the "Vesting Date") and thereafter, entitled to buy options under the scheme not later than the fifth anniversary from the listing date, for the cash consideration equal to the Offer Price and payable in full. On the fifth anniversary, as part of the Group's executive management retention scheme, the executive management team shall be entitled to bonus shares equivalent to 50% of their individual holding under the scheme, if the Group's share price shall have doubled by the final year of the scheme.

The beneficiaries shall continue to serve as Directors or be employed by the Bank, as the case may be, until the vesting date. The Board shall have the final discretion in the allotment, operations and vesting of the ESOP shares.

All eligible Employee are entitled to purchase the ESOP shares from the ESOP for 100% of the purchase price and have the option to either pay the full amount upfront by cash or otherwise through deductions as set up and managed by the HR department.

Options are granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. The exercise price of options is based on the weighted average price at which the company's shares are traded on the Rwanda Stock Exchange and Cross-listed in the Nairobi Securities during the week up to and including the date of the grant.

	2018		2017	
	Av exercise price per share option (Frw)	**Number of options**	**Av exercise price per share option (Frw)**	**Number of options**
As at 1 Jan				
Granted during the year	270	7,200,000	-	-
Exercised during the year	-	-	-	-
Forfeited during the year	-	-	-	-
As at 31 December	-	7,200,000	-	-
Vested and exercisable as at 31 Dec	-	-	-	-

No options expired during the period covered by the above tables.
Share options outstanding at the end of the year have the following expiry date and exercise prices.

Grant date	Expiry date	Share options 31 Dec 2018
Nov 18	October 2023	7,200,000

43. Post period end events

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

- NOTICE OF ANNUAL GENERAL MEETING
- BK GROUP PROXY FORM
- DIVIDEND REINVESTMENT FORM

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting (AGM) of BK Group Plc will be held on Wednesday 8 May 2019, at Marriot Hotel Kigali Rwanda at 10:00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To determine whether quorum is present;
2. To receive, consider and if thought fit, adopt the Annual Report and Audited Financial Statements of BK Group Plc for the year ended 31 December 2018 together with the Chairman's, Directors' and Auditors' reports thereon;
3. To declare a first and final dividend for the year ended 31 December 2018, of FRw 12.2 payable on or about 1 July 2019, net of with-holding tax to shareholders on the register of members of the Company as of close of business on 14 June 2019;
4. To approve the dividend re-investment plan (DRIP) at 5% discounted share price 3 days before the AGM;
5. To elect new Directors for BK Group Plc;
6. To approve Directors remuneration;
7. Any other business of which notice will have been duly received.

By Order of the Board,

Emmanuel Nkusi B.
Company Secretary

PROXY

A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company. To be valid, a proxy form (available at Head Office, Company Secretary), must be duly completed by the member and lodged with the Company Secretary at BK Group Plc. Head Office, KN 4 Avenue No 12 Plot No 790, Kigali, Rwanda not later than 3rd May 2019 at 5 pm. In the case of a corporate body the proxy must be under its common seal.

BK GROUP PLC PROXY FORM

I/We ____CSD A/C No_______________
of (address) ___________________________________being a member(s) of BK GROUP Plc,
hereby appoint:

____

of (address) ___________________________________ or, failing him, the duly appointed Chairman of the meeting to be my/our proxy, to vote on my/our behalf at the Annual General Meeting ("AGM") of the Company to be held on Wednesday May 8th, 2019 at 10 a.m., or at any adjournment thereof.

As witness to my/our hands this _________ day of _______________________ 2018

Signature(s) ____

Notes:

1. In case of corporate shareholders and individual shareholders who would like to be represented at the AGM, please tear this page carefully and complete as appropriate.

2. This proxy form is to be delivered to the Company Secretary at BK Group Plc Head Office KN 4 Avenue n 12 Plot No 790, Kigali, Rwanda not later than 5.00 p.m. on Friday May 3rd, 2019.

3. A proxy form must be in writing and in the case of an individual shall be signed by the shareholder or by his attorney, and in the case of a corporation the proxy must be either under its common seal or signed by its attorney or by an officer of the corporation.

<table>
<tr>
<td rowspan="2">PLEASE ADMIT ____________________ ______________

_____________________ to the Annual General Meeting
of BK Group Plc which will be held at the Marriott Hotel, Kigali, Rwanda on Wednesday May 8th, 2019 at 10.00 a.m.

This admission card must be produced by the shareholder or his proxy in order to obtain entrance to the Annual General Meeting.

Emmanuel Nkusi
Company Secretary</td>
<td>sNumber of ordinary shares held:</td>
</tr>
<tr>
<td>Name of Shareholder:

Address of Shareholder:

CDS Account Number:</td>
</tr>
</table>

DIVIDEND REINVESTMENT FORM

BK Group Plc

P.O. Box 175

Kigali, Rwanda

Client Name:

Client ID/Passport No:

CSD Number

Broker:

Dear Esteemed Investor,

RE: Dividend Reinvestment Form

Your Investment has generated a dividend of FRw 12.20 per share ($0.014). You can decide to receive cash payments deposited to your account or reinvest them to provide the opportunity to help build the value of your investments by filling this form.

I / We hereby request that Dividends due to me/us from BK Group Plc be treated as follows:

Full dividend Reinvestment

Please mark this box if you wish to reinvest all dividends that become payable on this account

Via Broker for reinvestment

Bank Name: _______________

Bank Branch: ______________

Account Name: ____________

Account Number: __________

I/we hereby agree to indemnify BK Registrars against all claims, demands, moneys, losses, damages, costs or expenses which may be brought against, or to be paid, incurred or sustained by BK Registrars by reason or in consequence of BK Registrars honoring my/our above instructions.

Sincerely,

Client Name and Signature

NOTES

BK GROUP PLC

CONTACT US

KN4 Ave No12 Plot No 790
P.O. Box 175 , Kigali, Rwanda

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web: www.bk.rw