ANNUAL REPORT

2018

cogebanque

simple & possible


SIRIMUKA
Move forward with Digital Banking
*505#
I. Liliane
MISS RWANDA
2018
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Cogebanque
cogebanque
simple & possible

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OUR BANK AT **A GLANCE**

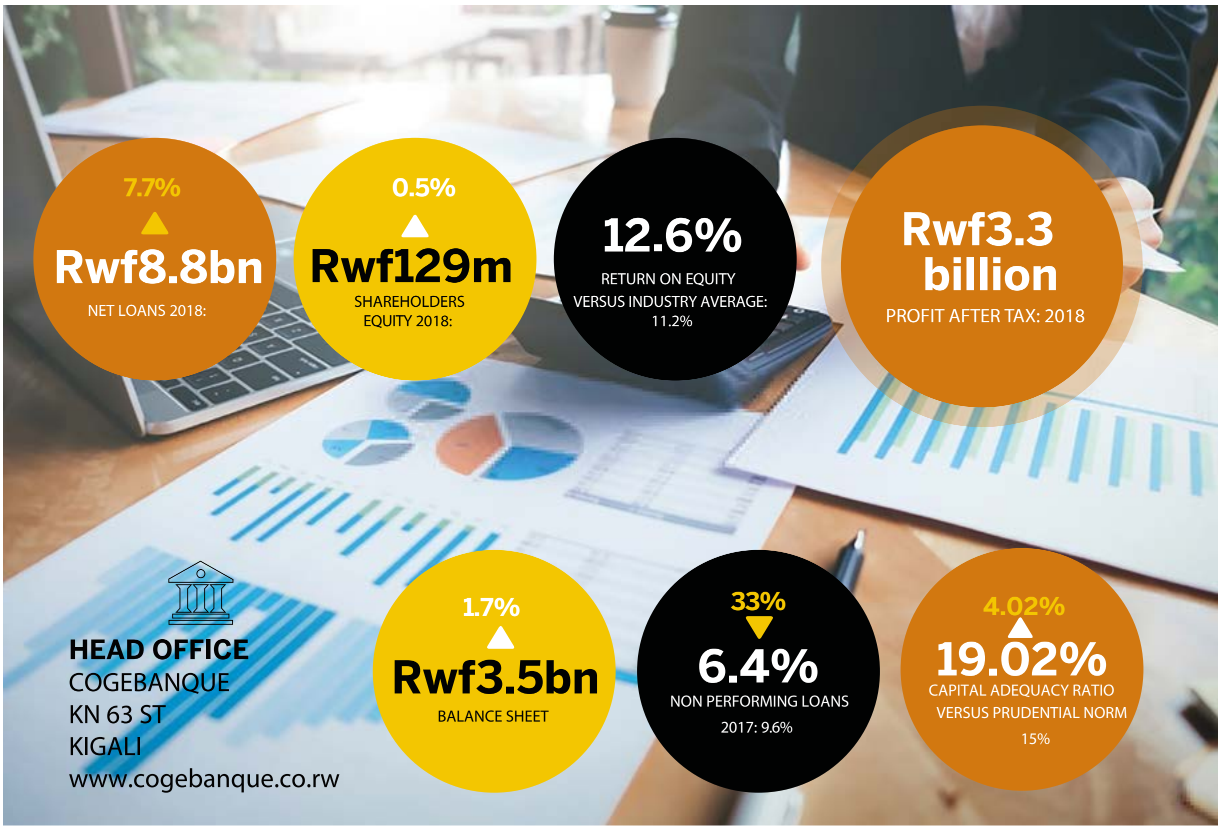
ATMs:

31 LOCATIONS

30%
Rwf
1,000,508,100
DIVIDEND PAID

NUMBER OF EMPLOYEES
331

BRANCHES: 26



CORPORATE **IDENTITY**

VISION

To be a financial center of excellence and a leading provider of innovative financial solutions in Rwanda

MISSION

To create, maintain, and enhance shareholder value by providing unrivaled financial solutions to our customers

VALUES

Values
Excellence
Integrity
Innovation
Teamwork
Flexibility
Open Communication
Accountability
Customer orientation

SPONSORSHIP & RECOGNITION

MISS RWANDA

2018

TOUR OF RWANDA

2018

TENNIS 3 YEARS OF PARTNERSHIP

2018

AFRICAN CONTINENTAL ROAD CHAMPIONSHIP

2018

RWANDA CYCLING CUP

2018

CHAIRMAN'S **STATEMENT**

PHILIBERT AFRIKA

Cogebanque's brand continues to grow from strength to strength and the bank is a respected player in the market. We will leverage this to propel the bank to even greater heights in the years to come.

Dear Shareholders,

On behalf of the board of directors of Cogebanque, I am delighted to present to you the bank's annual report for 2018.

The year 2018 was a rather busy year. However, I am glad we navigated the terrain very well and ended the year on a sound footing and with a strong performance.

Strategic focus

In 2018, the bank put in place a new strategic plan aimed at clarifying the bank's agenda and strategic direction for the next 5 years. The ultimate goal is to ensure that Cogebanque is well positioned to deliver superior long-term returns to shareholders, whilst remaining a bank that is financially sound. It seeks to create a platform to fuel continued growth by positioning the bank to benefit from market opportunities especially as we continue to explore new sources of growth as well as deal with a fast evolving and challenging competitive landscape.

The strategy communicates a clear sense of purpose and dedication to our values as a bank.

It must be emphasized that we are passionate about customer centricity at Cogebanque. Improving our services to customers will continue to take center stage. We will continue our relentless focus on meeting and exceeding customers' needs. To me, this is critical to achieving long term success and driving shareholder value.

The board will work closely with the management team to deliver the strategy, and therefore strong shareholder value. To that end, a new committee comprising of board members and the members of the management teams has been put in place.

Results

As noted, the BNR's Monetary Policy and Financial Stability Statement of 30th August 2018, growth in authorized loans was weak in the first half of 2018. In fact, a declined of 3.3% was registered even though monetary policy was accommodative. Suffice it to say that growth in the traditional sectors was weak at best explaining our strategic objective of exploring new sources of growth as a way of diversifying risk as well as reducing concentration.

The bank closed the year with a profit of Frw3.3bn. Profitability of the year was adversely impacted by the additional provisions mandated by International Financial Reporting Standard - IFRS 9 which came into effect at the beginning of 2018, and additional depreciation charges on the new building. These have had a disproportionate effect on the year's profitability.

Net loans increased by Frw8.8 billion (about 7.7%, after controlling for IFRS 9 effects) and the balance sheet grew by Frw3.57 billion (1.78%). Shareholders' equity increased by 0.5% and a return on equity (ROE) of 12.6% was registered, compared to the industry average of 11.2%.

The bank's non-performing loans - NPL ratio decreased from 9.6% at the end of 2017 to 6.4% at the end of 2018, an improvement of 33%. This is in keeping with our goal of enhancing asset quality to ensure qualitative growth especially as we implement our new strategy.

As far as capital adequacy is concerned, the bank closed the year with a capital adequacy ratio of 19.02%, versus a prudential norm of 15%. This enables the bank to support the creation of risk assets as well as absorb unexpected shocks. We are also working on strengthening the bank's capital base by adding tier II capital in the form of subordinated debt.

During the year, the bank signed a guarantee facility with the African Guarantee and Economic Cooperation Fund (FAGACE) and a project of about Frw2.4 billion has already benefitted from this guarantee.

CHAIRMAN'S **STATEMENT**

Cogebanque's brand continues to grow from strength to strength and the bank is a respected player in the market. We will leverage this to propel the bank to even greater heights in the years to come.

Delivery channels

New branches were opened in 2018 in strategic locations in Rwanda and some have been earmarked for 2019 as part of our drive to attract liabilities, lending assets and lower cost of funds. We are being careful as we seek to ensure that our delivery channels evolve to take into account the sophistication of our customers at any point in time.

Our Agency banking footprint continues to grow, and we now have over 600 agents country wide. The Agents will complement our other channels to ensure that our customers are served conveniently across the country.

Our digital channels have, not only been expanded but also enhanced. Our esteemed clients can conduct banking through Mobile and internet. Our payments platform is being rolled out across the country. These have brought about a great deal of convenience to customers.

In line with best practices and BNR regulations, we have invested heavily in cybersecurity. This will continue going forward.

Human capital

The board takes human capital development very seriously. Implementation of a new organizational structure started in 2018, following the approval by the board of a new structure. Staff were given the chance to compete for internal roles and for roles we could not fill internally, we resorted to external recruitment. Putting people in the right place and having the right caliber of human and technical resources are critical for the implementation of the new strategy. Investment in training and development will therefore be prioritized.

Dividend

The bank is committed to creating and distributing value to shareholders, whilst still maintaining a robust and sound bank. We recommend a dividend payout of 30% of the 2018 profits corresponding to Frw 1,000, 508, 100. The level of proposed payout that is consistent with the need to ensure that the bank remains resilient by ensuring that there is enough capital to absorb shocks as well as create enough room for the bank to grow its risk weighted assets.

Looking ahead

We do not expect 2019 to be less challenging than 2018 and accordingly therefore, our goal will be to place the business on a sound footing so that the bank is well poised to deliver on its strategic objectives and goals.

Relentless focus on the implementation of the new strategy will be critical going forward. To that end, we will prioritize the following:

1. Digital inclusion aimed at strengthening our digital positioning with a view to enriching customer experience across all the segments.
2. Optimal capital structure to enhance shareholder value whilst ensuring that the bank's is adequately capitalized to remain healthy and support our growth agenda. The bank is negotiating with Development Finance Institutions to source Tier II capital in the form of subordinated debt.
3. Driving efficiency and operational effectiveness
4. Staff training and development – capacity building
5. Promoting a culture of excellence and performance

Corporate Social Responsibility (CSR)

In line with our mission, the bank was also active in the CSR arena during the year and supported various initiatives and good causes as a way of contributing to welfare and wellbeing of respective communities. Support was directed in areas such as education (as a way of promoting innovation and excellence), housing for the vulnerable growth and health care.

Acknowledgement

During the course of the year, three longest serving directors, Mr. Egide Gatera, Mr. Ernest Rwagasana and Mr. John Bosco Sebabi who retired from the board. I take the opportunity to appreciate their long and dedicated service to the bank. On behalf of the board, I would like to thank them profusely for their service and wish them well in their future endeavors. I also extend my gratitude to fellow board members, the staff and management for their dedication and commitment.

We remain indebted to you, the shareholders for your confidence and trust. We are deeply and truly grateful.

In closing, I would like to appreciate our esteemed customers for their continued patronage and the regulator (the National Bank of Rwanda) for their support and guidance.

Finally, as Cogebanque celebrates its 20th Anniversary in July 2019, I take the opportunity to congratulate you on this important milestone. Long live Cogebanque!

Yours sincerely

Philibert Afrika

CHERNO GAYE

Esteemed shareholders,

I am delighted to address you after the completion of my first year as CEO of Cogebanque. I once again renew my commitment to guide the team to create and maintain shareholder value, whilst respecting and honoring our commitments to other important stakeholders.

The year 2018 was a rather challenging year for the banking sector in general and for Cogebanque in particular. As part of the country's financial sector reform program which paved by to a new Banking Law, the National Bank of Rwanda embarked on an intensive rollout of regulations to implement the new law.

In a bid to strengthen the resilience of the sector to shocks and the spillover effects such they could potentially create, the National Bank of Rwanda adopted Basel II/III. This was preceded by an impact study to assess the sector's preparedness and a period parallel reporting to prepare banks for the new regime. A new capital standard was subsequently enacted, and implementation started in 2018.

Suffice it to say that the bank grappled with these challenges well and we are ready to build on this to confront those that lie ahead.

#	Indicator	Banking Industry	Cogebanque
1	Return on equity (ROE)	11.20%	12.6%
2	LCR (norm 100%)	637%	115%
3	NSFR (norm 100%)	222%	115%
4	CAR (norm 15%)	25.50%	19.02%
5	NPL ratio (norm 5%)	6.40%	6.40%

Source: *Monetary Policy and Financial Stability Statement and Cogebanque computations*

Macroeconomic and business overview

The World Economy is expected to grow by 3.9% in 2018 and 3.7% in 2019 according to the International Monetary Fund - IMF. Leading economic indicators point to a positive outlook for growth. However, BREXIT and trade policy remain big risk factors for the global economy. Geopolitical risks also lurk in the horizon. If oil and prices drive inflation to unsustainable levels, maintaining an expansionary monetary policy will be challenging. Also, bad weather can also restrict supply which may be inflationary.

The Rwandan economy continues to deliver strong performance. According to BNR sources, GDP for 2018 is expected to exceed 7.2%, the initial projection. Strong performance is also expected in 2019, with GDP estimated at 7.8%. This is anchored on expectation of low inflation (3%) and benign pressure on the Rwandan franc.

Headline inflation (headline) decreased from 4.9% to 1.4% in 2018 and inflation is expected to be stable. BNR projects inflation to be 3% in 2019.

Interest rates have been on a downward trajectory, with lending rates declining from 17.17% at the end of 2017 to 16.96% at the end of 2018; deposit rate from 7.72% to 7.51% at the end of 2018.

In 2018, the Rwf depreciated by 4% compared 3.07% in 2017. Currency depreciation have moderated in the last two years following a high of 9.7% in 2016. The trade deficit increased from $1.197 million in 2017 to $1.324 million in 2018. BNR expects moderate depreciation in 2019.

Monetary policy was accommodative throughout the year based on expectation of low inflation and modest Rwf depreciation. With inflation expected to be low and franc to remain relatively strong (subdued pressure), monetary policy is expected to remain accommodative to support growth.

Monetary Policy and Financial Stability Statement, the industry registered a strong performance looking at measures such as return on equity, liquidity and capital adequacy.

Performance

The bank closed the year with a profit after tax – PAT of Frw 3.3bn against a profit after tax of Frw 4.2 in 2017. A number of factors account for the variance in performance including the effect of the implementation of international Financial Reporting Standard – IFRS 9 and additional depreciation charges taken in respect of the new HQ building. Growing the topline will go a long way in neutralizing these effects going forward.

The bank posted a Return On Equity – ROE of 12.6% versus and industry average of 11.2%. As far as this measure is concerned and in line with our strategy, our goal is to achieve a return that is well in excess of shareholders' cost of equity.

Given our asset-driven balance sheet which has a big bias towards SME and corporate accounts, we have been grappling with high cost of funds. We closed the year with 5.6% compared to 6.1% last year. Whilst this represents an improvement, our eventual goal is to be at or below industry average. Correcting this mismatch will be a priority going forward. This adjustment has the potential to significantly improve performance.

As far as capital adequacy is concerned, we closed the year at 19.02%, well above the prudential norm of 15%. This level adequately supports our growth ambitions. Moreover, the results of our stress tests confirm that the bank's level of capitalization can support potential shocks. That notwithstanding, we are also in discussion with some Development Finance Institutions to raise tier II capital in the form of subordinated debt. This move is in line with our strategic goal of achieving an optimal capital structure that supports our ROE target as well as provide adequate capital to support growth and ensure the bank remains resilient.

A new strategic plan has been developed and approved by the board. Implementation begins this year. Details about the new strategy are given below.

We see momentum being built in our digital products such as internet banking and payment products. In addition to their revenue enhancing potential, they are good retention tools. Most importantly, they play a pervasive role in helping to cement our ecosystem.

As pointed out earlier, the implementation of International Accounting Standard – IFRS 9 resulted in significant impairment charges in 2018. In fact, the difference between the impairment charges of the old standard (International Accounting Standard - IAS 39) and the new standard (IFRS 9) amounted to Rwf 3.2billion. Given this new reality, our focus on improving the top line cannot be overemphasized.

Strategy

The bank is in the process on implementing a new strategy. By and large the strategy aims to achieve the following:

I) Address current mismatches and internal challenges:

  a) The need to achieve an optimal capital structure comprising of tier I and tier II in line with our ROE goal and bearing in mind the need to be adequately capitalized

  b) A more balance business model and move away from a predominantly asset-driven balance sheet (lower cost of funds), funding structure. Digital has a massive role to play there.

II) Improve operational efficiency and effectiveness and therefore reduce cost to income ratio and also enhance process efficiency.

III) Explore new sources of growth to improve the top line and achieve more diversification. This will also require capacity building to develop capacity to create and exploit opportunities in these new areas.

IV) Focus on digital - whist technology is continuing to revolutionize our sector, suffice it to say that it will also create new opportunities for differentiation and operational efficiency.

At its core is the bank's vision, mission and values as stated before

Executing our strategy in a masterful way will be our main preoccupation in 2019 and beyond. The strategy recognizes that in addition to the competition coming from non-bank institutions, there are structural changes to be addressed for the bank to be competitive going forward. Also, within the sector itself, there are specific challenges to address. These have a lot of implications on the way commercial banking will be conducted going forward and our new strategy could not have come at a better time.

In this new world, there is need to have the right team in place and to invest in capacity building. This will enhance our capacity to identity, create and explore profitable opportunities. This will require investment in training, technology and technical assistance from strategic partners. Of equal importance is the need to understand and be able to manage the myriad of risks we face as a bank especially cyber related ones.

During the year, four (4) staff of the bank graduated as Certified Professional Banker under the auspices of RBA. This year, the bank nominated 5 people have been nominated to pursue the designation. Our IT team also received various IT related trainings and we have also invested in our risk management architecture to bolster our capacity to respond to these challenges.

Outlook and priorities for 2019

The fact is that our business continues to attract non-bank players and competition is getting wider in scope. A recent Mckinsey & Company article entitled: Remaking the bank for an ecosystem world cited that non-bank attackers are targeting segments that account for 65% of profit and ROE of 20%. The remaining 35% of profit generate a return on equity - ROE of only 4.4%. Suffice it to say that winning the digital battle is critical not only to protecting returns but survival as well.

Moreover, opportunities in commercial real estate and hospitality which have, until recently, been credited for the above average growth banks have been enjoying recently have started to wane, growing at a decreasing rate. These areas support big ticket sizes and are inherently good candidates for rapid portfolio growth. In the absence of new areas of growth, banks will struggle with big portfolio runoffs and lower than usual growth. Accordingly therefore, addressing these risks is a strategy priority for Cogebanque.

As explained above, our strategy seeks to address our current internal challenges as a bank, the threats we face as well as the opportunities we can capitalize on given the realities of the market and what we need to be competitive going forward. Masterfully Implementing the strategy will be our raison d'etre going forward. To that end, a Strategy Committee has been put I place to monitor and oversea the implementation of the strategy.

Other areas of epic importance include boosting our risk management capabilities especially those imposed by the new areas of growth or new market realities; implementing the requirements of new BNR regulations and ensuring that we are fully complying with the EDWH requirements

Vote of thanks

I once again thank you for support and assure you of our resolve to create and sustain shareholder value. To our esteemed customers, I thank them for their continued patronage. We will make good one of the key pillars of our strategy which is customer orientation.

On behalf of the team, I thank the board for their support and guidance and also thank the team for their hard work and dedication to the mission and vision of the bank.

Yours sincerely

Cherno Gaye

COGEBANQUE's corporate governance principles and framework are shaped by regulatory requirements of the National Bank of Rwanda (BNR) and the Office of the Registrar of Companies at Rwanda Development Board (RDB). In this context, Cogebanque is obliged to comply with the Companies Act of Rwanda as well as regulation number N° 01/2018 of 24/01/2018relating to corporate governance of banks.

To implement applicable laws, rules, regulations as well as best practices relating to corporate governance, the bank's corporate governance framework is comprised of the following governance structures:

(1) THE BOARD OF DIRECTORS

The Board of Directors of COGEBANQUE is currently comprised of nine (9) non-executive directors, six (6) of whom are independent including the Chairman. The Board of Directors is responsible for the overall leadership of the Bank. The Board's key role is to provide effective oversight and leadership, by creating a conducive environment for accountability, responsibility, equity and transparency to thrive. It also ensures that good corporate governance practices are reflected in the bank's interactions with its stakeholders.

The Board is assisted by six Sub-committees in discharging its oversight role. These committees meet at least every quarter and report to the Board after each sitting. The Board committees include:

1. Audit committee
2. Risk committee
3. Credit committee
4. Asset and Liability Committee (ALCO)
5. Human Resources Committee
6. IT committee

The Audit Committee

The Audit Committee is mainly in charge of overseeing the financial reporting process and enhancing the internal controls environment. The committee oversees the following:

a) Assisting in the appointment of external auditors and fixing their remuneration;

b) Ensuring that financial statements are prepared in accordance with applicable laws, rules and regulations including International Financial Reporting Standards (IFRS);

c) Ensuring that the bank's internal control environment is effective and adequate.

The committee is composed of independent non-executive directors as follows:

Name of Director		Role
1.	Cisco KANYANDEKWE	Chairperson
2.	Ernest RWAGASANA	Member (retired)
3.	Alphonsine RUBANGURA	Member
4.	Jotham MAJYALIBU	Member
5.	Francis NSENGIYUMVA	Member

The Credit Committee

The committee oversees the following:

a) The entire credit portfolio to ensure that: (i) Lending policies and practices are sound and effective; (ii) Credit losses are kept in line with prudential norms; and (iii) high asset quality;

b) Review credit files that are over and above management's discretionary limits and make recommendations to the main board; and

c) Ensuring that effective procedure is in place to maximize recoveries.

The committee is composed as follows:

Name of Director		**Role**
1.	Alphonsine RUBANGURA	Chairperson
2.	Egide GATERA	Member (retired)
3.	John Bosco SEBABI	Member (resigned)
4.	Jotham MAJYALIBU	Member
5.	Cherno GAYE (Managing Director)	Member

The Risk Management Committee

The committee is responsible for the bank's risk governance by ensuring that the bank's risk management policies, practices and procedures are designed to ensure that risks are effectively identified, tracked, measured, monitored, managed and reported.

CORPORATE GOVERNANCE OVERVIEW

The committee is composed as follows:

Name of Director	Role
1. Ernest RWAGASANA	Chairperson(retired)
2. Désiré MUSONI WA RWIHIMBA	Member
3. Christian MAKUZA	Member
4. Cisco KANYANDEKWE	Member
5. Francis NSENGIYUMVA	Member

The Asset and Liability Management Committee (ALCO)

The Committee is tasked with the responsibility of:

a) Advising the Board on matters relating mainly to the management of capital, liquidity and market risk; and

b) Ensuring that risks under its domain are monitored closed and are kept within limits set by the Board and the National Bank of Rwanda.

The committee is composed as follows:

Name of Director	Role
1. John Bosco SEBABI	Chairperson (resigned)
2. Désiré MUSONI WA RWIHIMBA	Member
3. Jotham MAJYALIBU	Member
4. Francis NSENGIYUMVA	Member
5. Christian MAKUZA	Member

- **The Nomination and Remuneration Committee**

The Committee is responsible for:

a) Attracting and remunerating the right caliber of human resources to drive the bank's strategy;

b) Advises the board on matters relating to organizational structure and design; and

c) Ensuring that appropriate policies, practices and procedures are in place in areas of recruitment, human development, remuneration and staff retention.

The committee is composed as follows:

Name of Director	Role
1. Désiré MUSONI WA RWIHIMBA	Chairperson
2. Cisco KANYANDEKWE	Member
3. Christian MAKUZA	Member
4. Jotham MAJYALIBU	Member
5. John Bosco SEBABI	Member (resigned)

- **The IT Committee**

The committee oversees the following:

a) perform oversight functions over the IT steering committee (at a senior management level);

b) Oversee the implementation of the requirements provided in the laws and regulations on cyber security

c) investigate activities within this scope

d) work in partnership with other board committees and senior management to provide input, review and amend the aligned corporate and IT strategies.

The committee is composed as follows:

Name of Director	Role
6. Christian MAKUZA	Chairperson
7. Désiré MUSONI WA RWIHIMBA	Member
8. John Bosco SEBABI	Member (resigned)
9. Egide GATERA	Member (retired)
10. Francis NSENGIYUMVA	Member

(2) THE ACTIVITIES OF THE BOARD OF DIRECTORS

The Directors are appointed by the Shareholders at the Annual General Meeting, and approved by the National Bank of Rwanda as a regulatory requirement.

In 2018, the Board of Directors was composed of nine (9) members, appointed based on their experience in varied background in different disciplines, which include banking, law, accounting, investment analysis, apart from hands on experience in various industries.

The Board is chaired by an independent director – who is currently Mr. AFRIKA Philibert.

(3) THE BOARD MEETINGS

The Board of Directors meets at least once every quarter for scheduled meetings, or more frequently, when required to deal with specific matters between scheduled meetings. The chairman ensures that the Board focuses on the right matters reserved for the Board by approving all Board agendas in collaboration with the Managing Director and the Company Secretary.

The Chairman also ensures that Board Members receive timely and relevant information before Board meetings and that they are kept informed of key developments in the bank.

During the year 2018, the Board met nine (9) times.

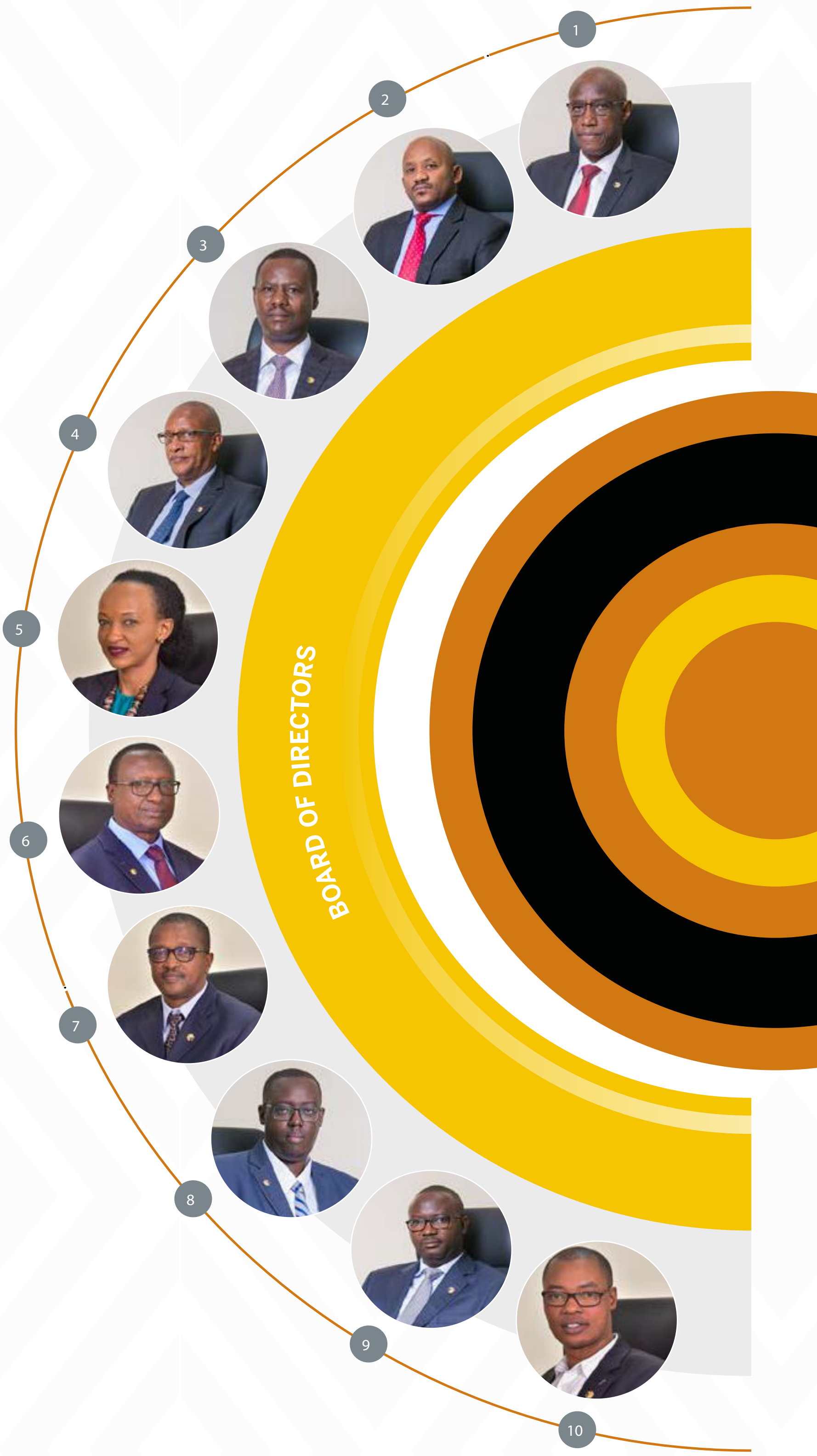
CORPORATE **GOVERNANCE** OVERVIEW

(4) THE BOARD EVALUATION

The corporate governance regulations of the National Bank of Rwanda require the Board to have a regular self-evaluation of its performance, including the performance of board sub-committees and individual directors. The Board established a system of self-evaluation of its own performance and the performance of its committees and individual directors. The results of the evaluation are submitted to the Central Bank before the 31st of March 2019 as per the National Bank Regulations.

BOARD OF DIRECTORS' Profiles

1. **Mr. Philibert AFRIKA**
   Chairman
2. **Mr. John Bosco SEBABI**
   Director / Vice Chairman (resigned)
3. **Mr. Egide GATERA**
   Director (retired)
4. **Mr. Ernest RWAGASANA**
   Director (retired)
5. **Mrs. Alphonsine RUBANGURA**
   Director
6. **Mr. Cisco KANYANDEKWE**
   Director
7. **Mr. Désiré MUSONI wa RWIHIMBA**
   Director
8. **Mr. Christian MAKUZA**
   Director
9. **Mr. Jotham MAJYALIBU**
   Director
10. **Mr. Francis NSENGIYUMVA**
    Director



BOARD OF DIRECTOR **PROFILES**

Mr. Philibert AFRIKA

Chairman

Afrika is a seasoned Development Economist and a Banker with a solid experience in the fields of Financing for Development, Project Management, Policy Formulation and Regional Integration.

He worked for 30 years with the African Development Bank (AfDB) and for 15 years, in senior management roles including Secretary General, Director of Policy and Resource Mobilization, Director of Operations and Director of NEPAD and Regional Integration. He retired from the Bank in December 2009. He is a founding member and Chairman of the Board of the University of Kigali, and currently manages the University's Center for Economic Governance and Leadership.

Prior to his appointment on the Cogebanque board, he was a board member of Access Bank Rwanda, a subsidiary of Access Bank Nigeria Plc.

Mr. John Bosco SEBABI

Director (Resigned)

Until recently, Sebabi was the Deputy Director General in charge of Funds Management at the Rwanda Social Security Board (RSSB).

Prior to this, he was the Director General of the Operations Directorate at the National Bank of Rwanda where he had a career spanning 13 year. He joined the Bank as a Foreign Exchange Analyst and later on progressed to Director, Payment Systems and to Director General, Operations. In this post, he was tasked with the responsibility of providing executive leadership over three functions: currency and Banking operations management; payment systems and financial markets.
Bosco holds a MSc in International Economics, Banking and Finance from Cardiff University, Cardiff, Wales (The United Kingdom), a BSc in Economics and an Associate degree in Economics both completed with distinction from the National University of Rwanda.

He is also a fellow of the Fletcher Leadership Program for Financial Inclusion of the Fletcher School, Tufts University. He also holds a post graduate degree of the Advanced Management Program (AMP), a sandwich program from Strathmore, Lagos and IESE business schools.

Mr. Egide GATERA

Director (retired)

Gatera is a successful Rwanda businessman with business interests in several sectors and industries. He sits on the boards of notable financial and non-financial institutions across the country.

He is among the founders of COGEBANQUE, which was created with the main aim of enhancing social-economic situation of Rwandans in general after the 1994 genocide against Tutsis in Rwanda.

He is a shareholder in Rwanda Mountain Tea and Société Pétrolière - SP.

Mr. Ernest RWAGASANA

Director (retired)

Rwagasana is currently the Managing Director of BUFMAR – a role he has been occupying since 2006.

Prior to that, he was the Managing Director of CAMERWA, and served as Head of Internal Audit at former Electrogaz (currently WASAC and REG).

His areas of expertise include Audit, Accounting and Finance and Project Management.

He holds a Master of Business Administration – MBA in Project Management.

Mrs. Alphonsine RUBANGURA

Director

Rubangura is currently the Deputy Managing Director of I KAY Inc ltd, a local company that deals in Real Estate management. Prior to joining I KAY inc ltd, she was in UPROTUR, a local company that deals in Steel and Related products, where she occupied various roles including Head of Imports and Exports, Head of Finance and Planning and Deputy Managing Director.

She is currently a board member of Prime insurance and previously served as the Chairperson of the Board of Directors at COGEAR Insurance Company from 2005 to 2008; She previously served as a Board member in COGEBANQUE from 2006 to 2008.

She holds a Bachelor's degree in Political Science (Administration), and is currently pursuing the Association of Chartered Certified Accountants (ACCA) designation.

Mr. Cisco KANYANDEKWE

Director

Kanyandekwe is currently Chief Executive Officer at Dream House Rwanda. He also works in BACISCO as a Consultant in Audit, Accounting and Real Estate.

He held various senior management roles in Bank of Kigali including Head of Finance. Prior to this, he was Director of Administration and Finance at NAHV in Kigali, Rwanda. He also worked as an external auditor with Price Waterhouse (PwC).

He holds a degree in technical teaching from Institute Normal Provincial de Brabant (Brussels, Belgium), and diplomas in Enterprise Management, and Accounting.

BOARD OF DIRECTOR **PROFILES**

Mr. Désiré MUSONI wa RWIHIMBA

Director

Musoni is currently a director at Multi-Sectoral Technical Assistance (MTA Ltd) based in Kigali where he provides management consultancy services.

He possesses over 30 years of banking experience in commercial banking mainly from Rwanda as well as Democratic Republic of Congo (DRC). He has served in various capacities including managing branches and supervising branch managers and regional branch managers.

Mr. Christian MAKUZA

Director

Makuza currently works as Managing Director of Market Shopping Center Limited in Rwanda.

Prior to his current role, he worked as a Data Analyst at Telerx.

He holds a Bachelor's degree in Computer Information Systems, and a Master of Business Administration (Finance) degree from Wilkes University.

Mr. Jotham MAJYALIBU

Director

MAJYALIBU joined the board in 2017. He is currently the Principal Advisor to the SP Group Chairman with an overall responsibility to coordinate and monitor the various Projects of the organization. Prior to this appointment, he was the General Manager of - RMT and held the role of the Finance Director as well in the same company. He also worked in the Accounting and Budget Department in charge of Accounts Reconciliation at the National Bank of Rwanda.

He currently serves on various Boards, including as the Chairperson of the Executive Committee at Rwanda Tea Association, Director at the East Africa Tea Trade Association (EATTA), and Chairman of the EATTA Finance and Administration Committee.

He holds a Master's in Business Administration (Finance) degree from the Maastricht School of Management; and Bachelor's degree in Accounting Sciences from the National University of Rwanda.

Mr. Francis NSENGIYUMVA

Director

Nsengiyumva is currently the Chief Finance Officer of SP Aviation Ltd. He is also the chairman of the board of directors of Prime. Prior to that, he was a manager at CVL subsidiaries, namely NPD Ltd and Real Contractors Ltd. He has over ten years' experience working in public sector institutional support projects that are externally funded by Rwanda's Development Partners.

During his time at the Ministry of Finance and Economic Planning, he managed portfolios that included the European Development Fund, Public Finance Management Basket and the UN funded projects. He is a Project Management specialist and has proven team leadership skills and experience of working with diverse teams of local and international consultants, government ministries/institutions, development partners, civil society organizations and communities with respect to project planning and implementation. He has served as a Member of Board of Directors in different companies in Rwanda that include, Horizon Group Limited, Ultimate Concept Limited (UCL) and FONERWA.He holds a Bachelor's degree in Accounting Sciences from the National University of Rwanda; and a Master of Science in Finance (Economic Policy) from the

Board Members

(5) THE MANAGEMENT COMMITTEES

The day to day management of the bank rests with the executive management team which is supported by senior management. The Management committees include:

- Executive Management Committee;
- Asset and Liability management committee (ALCO);
- Credit Committee;
- Recovery Committee;
- Procurement Committee;
- Enterprise and Risk Management Committee;
- IT Steering Committee;
- Product Development Committee and
- Process Re-engineering Committee

1. Mr. Cherno GAYE
   Chief Executive Officer (CEO)

2. Mr. Louis de Montfort MUJYAMBERE
   Director of Operations

3. Mr. Joel KAYONGA
   Director of Credit

4. Mr. Emmanuel MUGANDURA
   Chief Financial Officer

5. Mrs. Mary Ashimwe
   Director of Human Resources and Administration

6. Mr. Yvon Gilbert NISHIMWE
   Head of Digital Banking and Alternative Channels

7. Mrs. Claudine UWAMBAYINGABIRE
   Head of Operations

8. Mr. Songa RWAMUGIRE
   Head of Corporate Banking

9. Mrs. Francine MUTAMULIZA
   Head of Treasury

10. Mr. Georges NDIZIHIWE
    Head of Retail Banking Department

11. Mr. Vivien Fidence KATABARWA
    Head of IT

12. Mrs. Chantal MUKABATANGA – Head of Administration and General Services (Acting. Company Secretary)

13. Mr. Jean Damascene MUTABAZI
    Head of Risk and Internal Control

14. Mr. Pascal KARANI
    Head of Internal Audit

15. Mr. Jean Bosco RWELINYANGE
    Head of Human Resource

16. Mr. Antoine IYAMUREMYE
    Head of Marketing and Product Development

17. Mr. Polepole KAYUMBA
    Head of SME Banking

18. Mr. Tite KAJUKA KAHAMANI
    Head of Finance

EXECUTIVE MANAGEMENT TEAM

Mr. Cherno GAYE

Chief Executive Officer

Mr. Cherno is a Charter Certified Accountant and an Investment Professional. Most recently, Cherno was the CEO of FinCity Investment Advisory Limited, a company he founded in 2017. Prior to that he was CFO of BPR (part of Atlas Mara) and CFO and Deputy CEO of BRD Commercial Bank (a fully owned subsidiary of Atlas Mara which was later merged into BPR)

He was Chief Finance Officer of Banque Commerciale du Rwanda (BCR), now part of the I&M Group from 2005 to 2010. Before this assignment, He was Head of Finance/Finance Manager of Maersk (Gambia) Limited, a subsidiary of AP Moller Maersk A/S Group. Cherno also worked as an external auditor with both KPMG and Deloitte and Touche. He has also provided consultancy services to various companies in Rwanda.

He has over 18 years of post-qualification experience and has been exposed to many areas such as financial reporting, audit, corporate finance, asset and liability management, investment management, corporate strategy & business development and general company management.

He currently serves on the board of Crystal Telecom, a company listed on the Rwanda Stock Exchange and previously served on the board of Rwanda Energy Company – REC as vice chairman.

He is a CFA charter holder and a member of the CFA Institute in Charlottesville USA and the CFA Society of South Africa. He is a fellow member of the Association of Chartered Certified Accountants (ACCA). He is also a founding member of the Institute of Certified Public.

Mr. Louis de Montfort MUJYAMBERE

Director of Operations

Mr. Montfort is currently the Director of Operations, and has been working with COGEBANQUE since 2002 soon after the Bank's establishment. He arrived at COGEBANQUE with a strong finance education, coupled with a keen desire towards business development teams.

Starting as a Junior Credit Analyst, Montfort's rose through the ranks to become Chief Credit Analyst, and then Deputy Director of Credit, later he was appointed as the Business Development and Commercial Director, Currently he serves as the Director of Operations.

Mujyambere holds a Master's Degree in Business Administration- MBA from Maastricht (the Netherlands) in collaboration with Esami (Tanzania).).

Mr. Joel KAYONGA

Director of Credit

Mr. Kayonga is currently the Director of Credit, having joined the Bank in 2015 and is primarily charged with the responsibility managing the Bank's credit portfolio.

Upon joining, he initially served as the Deputy Director of Credit, prior to assuming the new role late 2016. Prior to joining he served in the Financial Sector Development Secretariat and then as Advisor to the Minister in the Ministry of Finance and Economic Development.

He holds a Masters of Arts (Hons) in Economics and Finance from University of Aberdeen, in the UK, and a Masters of Arts in International Comparative and Commercial Law from School of Oriental and African Studies, University of London.

EXECUTIVE MANAGEMENT TEAM

Mr. Emmanuel MUGANDURA

Chief Financial Officer

Mr. Emmanuel is a Chartered Certified Account (ACCA) and a member of ICPAR, with MBA in Finance, and a Bachelor's degree in Accounting Science. Emmanuel is a certified microfinance expert, a qualification he acquired from the Frankfurt School of Finance and Management. Emmanuel has over 15 years of experience and he has been in senior managerial capacities within Rwandan banking industry for the last 12 years. Prior to Joining Cogebanque in 2017, Emmanuel was the CFO at Urwego Opportunity Bank (part of Opportunity International network) for 4 years. Prior to the role of CFO, he was the Chief Risk Management Officer for a period of 3 years and before that he was the Chief Internal Auditor for 3 years in the same bank. Through his career development, Emmanuel has gained immense experience from financial sector, ranging from financial planning and management, treasury management and strategic planning as well as Audit and risk management. Prior to banking sector, Mr. Emmanuel worked with Rwanda Auditor General's Office where he audited different public institutions for 2 years, which he joined after serving as an accountant at the National University of Rwanda.

Mrs. Mary ASHIMWE

Director of Human Resources and Administration

Mary Ashimwe is the Director of HR and Administration at Cogebank plc with over 23 years' practical experience and exposure in Human Capital Management, Leadership, Administration and Economic Development in both Corporate and Public Sector acquired during her 10 years in MTN Rwandacell as General Manager for Human Resources and Corporate Affairs Management and Sr. Manager for HR & Administration; 7 years as Deputy Executive Secretary-in charge of Administration, Human Resources and Finance Management at National Electoral Commission of Rwanda and 6 years at Kigali City as a Deputy Mayor in charge of Finance and Economic Development.

Mary is/has been a player in other civil and social responsibilities that include being a Councillor at Nyarutarama Cell in Remera Gasabo District, Kigali City and was a Women Councillor in Kimihurura Sector-Kacyiru District in Kigali City. Mary is also a Board Member for Horizon Group Limited & Chairperson for its Human Resources & Remuneration Board Committee for 10 years; Board Member for National Industrialization & Research Development Agency (NIRDA) since 2014, was a Board Chairperson for Genocide Survivors Fund (FARG) for 8 years & Board Member for Adventist Radio Voice of Hope for 4 years.

Mary is a Certified Human Resources Business Partner and holds a MBA degree from Maastricht School of Management in The Netherlands. She also has a Post-Graduate Diploma in Development Studies from Kimmage Manor Development Studies Center in the Republic of Ireland and a Bachelor of Social Sciences from Makerere University in the Republic of Uganda.

SENIOR MANAGEMENT TEAM

Mr. Yvon Gilbert NISHIMWE

Head of Digital Banking and Alternative Channels

Mr. Yvon has over 13 years of banking experience, primarily in Electronic Banking and over 9 years in managerial capacity. His prior experiences involved innovating and managing products around card business and digital banking. He implemented projects related to various alternative banking channels such as POS, ATMs, Cards, Internet banking, Mobile banking and Agency Banking.

He served in different positions such as Head, eBanking and Alternative channels at Cogebanque, Electronic Banking Manager at Bank of Kigali, Head of Transaction Banking at Ecobank Rwanda, System analyst & Programmer at Bank of Kigali, Database administrator and Software Engineer at SIMTEL and Web Designer & Developer at Rwanda Development Gateway.

Mrs. Claudine UWAMBAYINGABIRE

Head of Operations

Mrs. Claudine, has over 19 years of experience in the banking sector, and she has been with COGEBANQUE since 1999 and has served in various capacities.

Prior to her current position, she has occupied various positions in the bank including Branch Manager; Head of Kigali Branches and Head of Commercial Department.

She holds a Bachelor's degree in management and a Master's in Business Administration (MBA) from Jomo Kenyatta University. She has attended a number of trainings, workshops mainly relating to banking.

SENIOR MANAGEMENT TEAM

Mr. Songa RWAMUGIRE

Head of Corporate Banking

Mr. Songa joined COGEBANQUE as the Head of Corporate Banking in August 2017. Before assuming this role, he was Deputy Head of Corporate Banking at I&M Bank (Rwanda) Ltd.

He started his banking career in 2009 and has worked on many corporate deals whilst at I&M Bank, giving him profound knowledge of the Rwanda market.

He holds a Bachelor's Degree in Economics from the National University of Rwanda and has also received numerous trainings in areas such as corporate banking strategy, product development, project finance and trade finance.

Mrs. Francine MUTAMULIZA

Head of Treasury

Francine joined the banking industry in 1999. Her experience spans 19 years in treasury.

She worked for 8 years in GT Bank where she served in various responsibilities, such as Trade Finance Officer, Senior Dealer before joining COGEBANQUE in 2007.

Currently she is the head of Treasury. She holds a bachelor's degree in Management, a certified professional banker course (CPB) and benefited from numerous trainings in banking, treasury and trade finance offered by reputable institutions. Currently she is pursuing the ACI designation. Association Cambiste Internationale (ACI) is a body internationally recognized practitioners working in the Foreign Exchange and operations of the Money Market.

Mr. Georges NDIZIHIWE

Head of Retail Banking

Georges NDIZIHIWE is the Head of Retail Banking Department and has been serving COGEBANQUE for over 18 years; since almost its establishment in 2000.

Trained in both Law and professional banker course, Georges is also experienced with great and extensive technical and managerial background in different areas such as banking operations, business development, branches network and legal advisory.

He occupied different senior positions among them, Bank Legal Adviser, Head of Branch's Network, Head of operations which included the Electronic and Digital Channels, International trade Finance with various methods of settlement, (Import & Export, Trade Finance, International transfers, Lcs, etc.), local Settlement system with its all in-house and domestic transactions in different currencies, etc.

Georges holds a Bachelor's degree in Law, a Certified Professional Banker Course (CPB), and undergone numerous trainings in banking and financial services offered by reputable institutions.

Favorite quote: "85% of your financial success is due to your personality and ability to communicate, negotiate and lead. Shockingly, only 15% is due to technical knowledge." (Carnegie Institute of Technology)

SENIOR MANAGEMENT TEAM

Mr. Vivien Fidence KATABARWA

Head of IT

Mr. Vivien has 14 years of broad IT experience and over 5 years in a managerial capacity.

Before assuming the role of Head of IT, Vivien was a System Engineer for 5 years and specialized in use of Linux and UNIX system for high end banking systems. He managed Financial and Billing Systems Databases for both Oracle and SQL Server.

He holds a Bachelor's degree in Information Systems from Adventist University of Central Africa, and is an IBM Certified Specialist System Administration.

Mrs. Chantal MUKABATANGA

Head of Administration and General Service

Mrs Chantal joined COGEBANQUE in 2010, after 15 years at Bank of Kigali, where she occupied several positions. Chantal has over 22 years of professional work experience in the banking sector.

She oversaw the implementation of the Bancassurance in Bank of Kigali. As the lawyer of the Bank, she was also, at one time, the bank's attorney. Chantal was once a commissioner for the National Land Commission.

As Company Secretary, she oversees legal services, including providing advisory services, dealing with litigations, contracting and she also oversees the bank's shareholders matters.

She holds a Bachelor's degree from the University of Kinshasa, Democratic Republic of Congo.

Mr. Jean Damascene MUTABAZI

Head of Risk and Compliance

Mr. Jean Damascene has spent the last 10 years in Risk and Compliance roles in the banking sector. He is a Certified Banker from Lagos School of Excellence, a certified Risk Manager and a Certified Compliance Professional from The International Academy of Financial Management.

Prior to his current position, he occupied different managerial positions in two International Banks, first as Head Compliance and Internal Control at Access Bank Rwanda, then as Head of Compliance in Eco bank Rwanda.

SENIOR MANAGEMENT TEAM

Mr. Pascal KARANI

Head of Internal Audit

Mr. Pascal joined COGEBANQUE in January 2017 as Head of internal Audit. His career in the banking sector started at BNR in internal audit for a year. He then moved to bank examination where he spent 9 years. He joined the Financial Stability Department for a year prior to moving in the private sector.

In the private sector, he worked for 18 months as Head of Credit Risk at Access Bank and moved to BPR to manage Operational and Market Risks for 5 years.

He holds a Master of Commerce in Financial Management from the University of Cape Town.

Mr. Jean Bosco RWELINYANGE

Head of Human Resource

Mr. Jean Bosco joined the Bank in 2005 and has more than 20 years' experience in human resource management both in the public and private sector, with more than 10 years in banking. He works closely with senior management to implement the HR policies and objectives, especially in attracting, motivating and developing the key talent staff to enable to Bank to maintain its remarkable growth.

Prior to his current role, he was Head of Human Resource Department of Rwanda Civil Aviation Authority. He holds a Bachelor's degree in Administration from Kigali Independent University and has done various executive trainings on Human Resource Management and Strategy.

He has been a Member of Rwanda Human Resource Forum since 2003; and is also a Member of Rwanda Bankers Human Resource Forum.

Mr. Antoine IYAMUREMYE

Head of Marketing and Product Development

Mr. Antoine is currently the Head of Marketing and Product Development of Cogebanque having joined in August 2017 as the Marketing manager.

He has 8 years' experience in brand development, marketing, communications, and related fields attained while working with reputable institutions.

Previously, Antoine served in different positions including Trade Marketing, Brand Manager, and Media Coordinator at Skol Brewery Ltd.

He holds a bachelor's degree in Agro-Economics and Agri-Business from the National University of Rwanda and professional certifications in brand marketing, trade marketing, entrepreneurship and Business Development.

SENIOR MANAGEMENT TEAM

Mr. Polepole KAYUMBA

Head of SME Banking

Mr. Polepole is the Head of SME Banking. He has over 13 years of experience in the banking sector and has occupied different managerial positions. Prior to joining the SME Department, he was Head of Administration and General Services, developed the Agency Banking Network, and has served as Branch Manager. Mr. Polepole was part of the Core Team which implemented the new core banking software in Cogebanque.

He holds an MBA from Oklahoma Christian University (USA) and a Bachelor's Degree in Management obtained from Kigali Independent University (ULK). He also holds a certificate in Digital Money from Tufts University (USA), Certificate in Effective Branch Management, from Shore Cap Exchange, USA and a Certificate in Arbitration and Alternative Dispute resolution obtained from Chartered Institute of Arbitrators (CIArb, UK).

Mr. Tite KAJUKA KAHAMANI

Head of Finance

Tite joined the Bank in 2007.

In addition to acting as Chief Finance Officer, he is the bank's Head of Finance.

Prior to joining the bank, he worked as Chief Accountant in Ecobank. Tite has over 20 years of experience in the banking sector.

He holds a diploma in commerce (Specializing in Accounting and Financial Management) and Accounting (specializing in financial analysis).

COMMUNITY ENGAGEMENT ACTIVITIES

Cogebanque sponsors cycling events

Cogebanque partnered with the Rwanda Cycling Federation (Ferwacy) in 2018 in sponsoring cycling events.

The events included the African continental road championship 2018, Rwanda Cycling Cup, Tour du Rwanda and a drive to search for cycling talents in the Eastern Province in partnership with Les Amis Sportif club.

Cogebanque rewards best students at UTB & UoK graduation ceremonies

Last year, Cogebanque rewarded the best performers at the graduation ceremonies of the University of Tourism, Technology and Business (UTB) and University of Kigali (UoK).

The best students received laptops, and professional training as part of the bank's corporate social responsibility program to promote education by motivating students to excel in academics.

Cogebanque promotes Tennis

Cogebanque extended support towards the promotion of tennis in Rwanda as the 3rd edition of Cogebanque Tennis Open Tournament closed at Cercle Sportif de Kigali (CSK) last year.

It was organized by Cogebanque in partnership with CSK and featured singles and doubles matches in the category of amateurs and professionals.

The winners received cash prizes and trophies while all players who reached the quarter finals were also rewarded. Cogebanque also received a reward from CSK for three years of partnership in promoting tennis.

Cogebanque commemorates The 1994 Genocide Against the Tutsis

Staff of Cogebanque travelled to Bugesera District to visit the Nyamata and Ntarama Genocide Memorial sites as part of the 24th commemoration of the Genocide against the Tutsis last year. Later, the bank's staff held a night vigil at the Kigali Memorial site.

The delegation that visited Nyamata and Ntarama memorials consisted of board members, employees and stakeholders of the bank, as well as representatives from the National Commission for the Fight against Genocide (CNLG) and the then Miss Rwanda, Liliane Iradukunda.

Cogebanque launches Mobile Wallet for easy account management

At the finals of Miss Rwanda 2018 last year, Cogebanque, the main sponsor of the event, presented its Mobile Wallet app, 'Coge mBank'. The app runs on both iOS and Android mobile devices. With Coge mBank, customers can manage various accounts, pay bills, transfer money and conduct numerous other banking transactions.

The app is part of Cogebanque's digital banking strategy aimed at opening up opportunities to transact using multiple channels, especially digital ones, chief among which is mobile. The strategy helps the bank to expand its delivery channels and make banking more accessible and convenient for customers.

Cogebanque launches "Sirimuka" digital banking campaign

Cogebanque launched its 'Sirimuka' Digital Banking Campaign in line with the bank's drive to enhance customer experience and convenience. Through the campaign, the bank seeks to promote its digital products and channels namely internet banking, Mobile App "Coge mBank", Cards ("MasterCard" debit, Credit and Prepaid cards) and "Coge Mobile" for feature phones which is accessible by dialing *505#.

The campaign goes to support the Government of Rwanda's vision to promote a cashless economy.

cogebanque
simple & possible

AGENT

FUNGUZA KONTI ITEZIMBERE

IBIHEMBO BIRAGUTEGEREJE

OHEREZA, AKIRA AMAFARANGA HAMWE N'UMU AGENT WA COGEBANQUE , UKORE NIBINDI BYINSHI CYANE

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COMPAGNIE GENERALE DE BANQUE PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER

2018

STATUTORY INFORMATION

The directors submit their report together with the audited financial statements for the year ended 31 December 2018, which disclose the state of affairs of Compagnie Générale de Banque PLC ("the Bank").

PRINCIPAL ACTIVITIES

The Bank is engaged in the business of commercial banking and the provision of related services.

RESULTS

The net profit for the year was Frw 3,335 million and was less than Frw 4,203 million generated in 2017, and the latter was added to the retained earnings.

DIRECTORS

The directors that served during the period and the date of approval of these financial statements are shown below:

NAME	Date of Appointment	Date of resignation
Mr. Philibert AFRIKA	23rd Dec 2013	Still a member of the Board
Mr. Egide GATERA	2007	Retired after 2018
Mr. Cisco KANYANDEKWE	20th Dec 2013	Still a member of the Board
Mr. Ernest RWAGASANA	2007	Retired after 2018
Ms. Alphonsine RUBANGURA	2008	Still a member of the Board
Mr. Desire MUSONI WA RWIHIMBA	29th April 2015	Still a member of the Board
Mr. Christian MAKUZA	31st Aug 2015	Still a member of the Board
Mr. Jean Bosco SEBABI	19th April 2017	14th Nov 2018 (Resigned)
Mr. Jotham MAJYALIBU	24th May 2017	Still a member of the Board
Mr. Francis NSENGIYUMVA	6th Sept 2017	Still a member of the Board

SHAREHOLDERS

The shareholders of the bank as at 31 December 2018 were:

Name of shareholder	Number of shares	%
R.S.S.B	21,375	30.60%
Egide GATERA	17,463	25.00%
Judith MUGIRASONI	8,855	12.68%
Muriel DELFORGE	6,502	9.31%
SAHAM Assurance vie Rwanda	4,875	6.98%
Emmanuel MUGABOWINDEKWE	4,686	6.71%
Eduard RUTERANA	743	1.06%
Dismas NYAGATARE	713	1.02%
Philippe MURANGIRA	696	1.00%
Aloys KABERUKA	510	0.73%
Narcisse KALINIJABO	470	0.67%
Assinapol RWIGARA	456	0.65%
Victor UWIMANA	337	0.48%
Celestin RUZINDANA	285	0.41%
Andre KATABARWA	220	0.31%
Abraham NAYANDI	200	0.29%
Joseph NSENGIMANA	171	0.24%

Name of shareholder	Number of shares	%
Oreste INCIMATATA	171	0.24%
Succ. NKULIKIYIMFURA	171	0.24%
Jean Marie KAREKEZI	171	0.24%
Etienne GAKWAYA	150	0.21%
Tatien NDOLIMANA	150	0.21%
J.B MUTAGANA	130	0.19%
Others	350	0.51%
	69,850	**100%**

Registered office

The Bank is incorporated in Rwanda as a Public limited company, and is domiciled in Rwanda. The address of its registered office is:

Compagnie Générale de Banque Plc.
(COGEBANQUE)
KN 63 St Cogebanque Building
P.O.Box 5230
Kigali Rwanda

Auditor
KPMG Rwanda Limited.
Certified Public Accountants
5th Floor Grand Pension Plaza
Boulevard de la Révolution
PO Box 6755

Kigali-Rwanda

Correspondent banks

1. KBC Bank NV/BRUSSELS BE
   Havenlaan 2 - GCM
   B - 1080 Brussels

   Belgium

2. Mauritius Commercial Bank Limited
   11th floor, MCB Head office
   9-15, Sir William Newton Street,

   Port Louis, Mauritius

3. Babylos Bank Europe
   10 Rue Montoyer
   Bte3-1000 Brussels-Belgium

4. ING Belgium SA/NV
   Avenue Marnix 24
   B-1000 Brussels

CORPORATE GOVERNANCE OVERVIEW

COGEBANQUE's corporate governance principles and framework are shaped by the nature and scope of our business, industry best practices, and legal and regulatory requirements. As far as laws and regulations are concerned, Cogebanque is obliged to comply with the requirements of the Companies Act of Rwanda, the Banking Law and supporting regulations. Moreover, the requirements of Regulation no 6 of 2008 on Corporate Governance of Banks apply to all banks operating in Rwanda.

To implement applicable laws, rules, regulations as well as best practices relating to corporate governance, the bank's corporate governance framework is comprised of the following governance structures:

1. THE BOARD OF DIRECTORS

The Board of Directors of COGEBANQUE is currently comprised of ten (9) non-executive directors, six (6) of whom are independent including the Chairman. The Board's key role is to provide effective oversight and leadership, by creating a conducive environment for accountability, responsibility, equity and transparency to thrive. It also ensures that good corporate governance practices are reflected in the bank's interactions with its stakeholders. The Board is assisted by six Sub-committees in discharging its oversight role. These committees meet at least every quarter and report to the Board after each sitting.

The Board committees include:

- Audit committee
- Risk committee
- Credit committee
- Nomination and Remuneration Committee
- Assets and Liabilities committee (ALCO)
- IT committee

a) Audit committee

The Audit Committee is mainly in charge of overseeing the financial reporting process and enhancing the internal controls environment. The committee oversees the following:

1. Assisting in the appointment external auditors and fixing their remuneration. The committee also review the work on the external auditor on behalf of the board
2. Ensuring that financial statements are prepared in accordance with applicable laws, rules and regulations including International Financial Reporting Standards (IFRS);
3. Ensuring that the bank's internal control environment is effective and adequate; and

b) Credit Committee

The committee oversees the following:

1. The entire credit portfolio to ensure that: (i) Lending policies and practices are sound and effective; (ii) Credit losses are kept in line with prudential norms; and (iii) high asset quality;
2. Review credit files that are over and above management's discretionary limits and make recommendations to the main board; and
3. Ensuring that effective procedure is in place to maximize recoveries.

CORPORATE GOVERNANCE OVERVIEW Continued

c) **The risk management committee**

The committee is responsible for the bank's risk governance by ensuring that the bank's risk management policies, practices and procedures are designed to ensure that risks are effectively identified, tracked, measured, monitored, managed and reported on a timely basis.

d) **The asset and liability management committee (ALCO)**

The Committee is tasked with the responsibility of:

1. Advising the Board on matters relating mainly to the management of capital, liquidity and market risk; and
2. Ensuring that risks under its domain are monitored closely and is kept within limits set by the Board and the National Bank of Rwanda.

e) **Nomination and Remuneration Committee**

1 Review and approve guidelines for the remuneration system's design and operation, ensuring that remuneration is appropriate and consistent with the bank's culture, long-term business and risk appetite, performance and control environment as well as with any legal or regulatory requirements;

2 Exercise competent and independent judgment on compensation policies and practices and the incentives they create;

3 Work closely with the bank's risk committee in evaluating the incentives created by the remuneration system and ensure that the Risk Committee has access to any information it requires to fulfil its responsibilities

4 Provide recommendations to the board for new board members and members of senior management;

5 Analyse the role and responsibilities of the board member and the knowledge, experience and competence which the role requires; and

6 Strive to ensure that the board is not dominated by any individual or group of individuals in a manner that is detrimental to the interests of the bank as a whole

The compensation and nomination committee may be involved in assessment of board and senior management effectiveness and may be involved in overseeing the bank's personnel or human resource policies.

f) **IT committee**

The IT Committee shall have the following powers and responsibilities:

1. Perform oversight functions over the IT steering committee (at a senior management level);
2. Oversee the implementation of the requirements provided in the laws and regulations on cyber security;
3. Investigate activities within this scope; and
4. Work in partnership with other board committees and senior management to provide input, review and amend the aligned corporate and IT strategies.

2. BOARD MEETINGS

The Board of Directors meets at least once every quarter for scheduled meetings, or more frequently, when required to deal with specific matters between scheduled meetings. The chairman ensures that the Board focuses on the right matters reserved for the Board by approving all Board agendas in collaboration with the Managing Director and the Company Secretary. The Chairman also ensures that Board Members receive timely all, relevant information before Board meetings and that they are kept informed of key developments in the bank.

During the year 2018, the main Board met 4 times.

The following is the list of Board Members who served in 2018 and their board attendance.

Board Member	Category	Board	Audit	Risk	Credit	ALCO	HR	IT
Mr. Philibert Afrika	Chairman	4/4	-	-	-	-	-	-
Mr. Egide Gatera	Non-executive	1/4	-	-	-	-	-	-
Mr. Cisco Kanyandekwe	Non-executive	4/4	4/4	3/3	-	-	3/3	-
Mr. Ernest Rwagasana	Non-executive	4/4	3/4	3/3	4/4	-	-	-
Ms. Alphonsine Rubangura	Non-executive	3/4	1/1	1/1	3/3	1/1	-	-
Mr. Desire Musoni wa Rwihimba	Non-executive	4/4	-	3/4	-	4/4	3/3	3/3
Mr. Christian Makuza	Non-executive	4/4	-	4/4	-	4/4	3/3	3/3
Mr. Jean Bosco Sebabi	Non-executive	3/4	-	-	3/3	3/3	2/3	1/2
Mr. Jotham Majyalibu	Non-executive	4/4	4/4	-	4/4	3/3	3/3	-
Mr. Francis Nsengiyumva	Non-executive	4/4	4/4	4/4	-	3/3	-	3/3

In 2018, 7/10 board members attended all the board meetings

REPORT OF THE DIRECTORS

The directors have the pleasure of submitting their report together with the reviewed Annual financial statements for the year ended 31 December 2018 which disclose the state of affairs of the Bank.

1. Principal activities

The principal activity of Compagnie Générale de Banque Plc. (COGEBANQUE) is provision of retail and corporate banking services.

2. Results

The results for the year ended 31 December 2018 are set out in the Annual financial statements on pages 43 to 107.

3. Directors

The Directors who served during the period and up to the date of this report are set out on page 33.

4. Dividends

Shareholders have reinvested their dividends during the past 6 years in order to strengthen the bank's capital base. The directors propose to pay out 30% of the 2018 annual profit as dividends to the shareholders.

5. Auditors

The auditors, KPMG Rwanda Limited, were appointed in 2018 in accordance with Law No. 27/2017 of 31/05/2017 Governing companies and Regulation N°14/2017 of 23/11/2017 on accreditation requirements and other conditions for external auditors for financial institutions and have expressed their willingness to continue in office

6. Approval of the Annual financial statements

The Annual financial statements were approved by the Directors on 26th -03- 2019.

BY ORDER OF THE BOARD

....
Company Secretary

Date: 29-03-2019

STATEMENT OF DIRECTOR'S RESPONSIBILITY

The Bank's directors are responsible for the preparation of financial statements, set out on pages 43 to 107, which give a true and fair view of Compagnie Générale de Banque PLC. (COGEBANQUE) which comprise the statement of financial position as at 31 December 2018 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory note as in accordance with International Financial reporting standards , in the manner required by Law No. 17/2018 of 13/04/2018 governing companies (the Rwandan Companies Act) and Regulation No. 03/2016 of 24/06/2016 on publication by banks of financial statements and other disclosures in Rwanda.

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

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

The independent auditors are responsible for reporting, on whether, based on their audit the financial statements give a true and fair view of the banks financial position as at 31st December 2018 and of its performance and cash flow for the year ended in accordance with the International Financial Reporting Standards, in the manner required by Law No. 17/2018 of 13/04/2018 governing companies (the Rwandan Companies Act), and Regulation No. 03/2016 of 24/06/2016 on publication by banks of financial statements and other disclosures in Rwanda.

Approval of financial statements

The financial statements of Compagnie Générale de Banque Plc. (COGEBANQUE), as identified in the first paragraph, were approved by the Board of Directors on ....26th -03-.........../2019 and were signed on its behalf by:

....

Managing Director **Chairperson of the Board**

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF COMPAGNIE GENERALE DE BANQUE PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Compagnie Générale de Banque plc ("the Bank"), set out on pages 43 to 107 which comprise the statement of financial position as at 31 December 2018, the statements comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Compagnie Générale de Banque plc as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), the Law No. 17/2018 of 13/04/2018 Governing Companies (the Rwandan Companies Act) and Regulation No. 03/2016 of 24/06/2016 on publication by Banks of financial statements and other disclosures in Rwanda.

Basis of Opinion

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

Other Matter relating to comparative information

The financial statements of the Company for the year ended December 31 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on 28 March 2018.

Other Information

The directors are responsible for the other information. The other information comprises the Directors and Statutory Information, Report of the Director's and Statement of Directors' Responsibilities, but does not include the financial statements and our auditors' report thereon.

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

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

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF COMPAGNIE GENERALE DE BANQUE PLC

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, the Law No. 17/2018 of 13/04/2018 Governing Companies (the Rwandan Companies Act) and Regulation No. 03/2016 of 24/06/2016 on publication by Banks of financial statements and other disclosures in Rwanda, and for such internal control as Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank'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 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.

KPMG

Report on Other Legal and Regulatory Requirements

As required by the provisions of Article 132 of Law No. 17/2018 of 13/04/2018 governing companies (the Rwandan Companies Act) and the reporting requirements under Regulation No. 03/2016 of 24/06/2016 on publication by Banks of financial statements and other disclosures in Rwanda, as amended, we report to you based on our audit, that:

(i) We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;

(ii) Proper accounting records have been kept by the company, so far as appears from our examination;

(iii) We have no relationship, interest or debt with Compagnie Générale de Banque plc. As indicated in our report on the financial statements, we comply with ethical requirements. These are the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), which includes comprehensive independence and other requirements.

(iv) We have reported internal control matters together with our recommendations to management in a separate management letter.

(v) According to the best of the information and the explanations given to us as auditors, as shown by the accounting and other documents of the company, the annual accounts comply with Article 123 of Law No. 17/2018 of 13/04/2018 Governing Companies in Rwanda.

Stephen Ineget [CPA/PC0293/0067]
KPMG Rwanda Limited
Certified Public Accountants
P. O. Box 6755
Kigali, Rwanda

KPMG RWA... 01 APR 2019

Date: 1 April 2019

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2018	2017
		Frw'000	Frw'000
Interest income	1	22,481,412	22,341,510
Interest expense	2	(9,655,167)	(9,782,494)
Net interest income		**12,826,245**	**12,559,016**
Fees and commissions income	3(a)	3,317,918	3,152,469
Fees and commissions expense	3(b)	(741,156)	(531,126)
Net fees and commissions income		**2,576,762**	**2,621,343**
Net foreign exchange income		1,303,682	1,086,279
Other operating income	4	581,623	350,368
		1,885,305	**1,436,647**
Total operating Income		**17,288,312**	**16,617,006**
Net impairment charge on financial assets	5	(1,860,770)	(1,085,602)
Net operating Income		**15,427,542**	**15,531,403**
Personnel expenses	6	(5,168,646)	(4,781,833)
Depreciation and Amortisation	7	(1,412,194)	(703,722)
Other operating expenses	8	(4,052,856)	(3,766,105)
Total operating expenses		**(10,633,696)**	**(9,251,660)**
Profit before income tax		**4,793,846**	**6,279,744**
Income tax expense	9	(1,458,818)	(2,076,722)
Profit for the year		**3,335,028**	**4,203,022**
Other comprehensive income		-	-
Total comprehensive income for the year		**3,335,028**	**4,203,022**
Basic and diluted earnings per share		**47,746**	**60,172**

STATEMENT OF FINANCIAL POSITION

	Notes	2018	2017
		Frw'000	Frw'000
Assets			
Cash and balances with the National Bank of Rwanda	10	20,828,422	15,126,796
Amounts due from other banks	11	6,091,095	12,858,284
Government securities and other bonds	12	34,453,709	41,213,151
Loans and advances to customers	13	123,818,397	115,006,967
Other assets	14(a)	2,687,795	1,083,103
Noncurrent Asset held for sale	14(b)	1,229,800	1,023,515
Property and equipment	15	14,335,097	13,453,477
Intangible assets	16	1,014,351	1,122,874
Deferred tax asset	17	114,966	108,358
Total assets		**204,573,632**	**200,996,525**
Liabilities			
Customer deposits	18	139,222,551	134,746,568
Deposits from other banks	19	32,989,430	36,538,823
Current income tax payable		-	745,327
Deferred tax liabilities	17	1,597,629	-
Other liabilitieS	20	4,315,726	2,658,647
Provisions for off balance sheet commitments	21	11,463	-
Total liabilities		**178,136,799**	**174,689,365**
Shareholders' equity			
Share capital	22	6,985,000	6,985,000
Share premium	22	1,373,437	1,373,437
Statutory reserve	23	190,411	190,411
Proposed dividends	24	1,000,508	-
Retained earnings	24	16,887,477	17,758,312
Total shareholders' equity		**26,436,833**	**26,307,160**
Total equity and liabilities		**204,573,632**	**200,996,525**

The financial statements on pages were approved for issue by the Board of Directors on 26th March 2019 and signed on its behalf by:

…………………………

Managing Director

…………………………

Chairperson of the Board

The notes on pages 47 to 107 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Proposed dividend	Statutory credit risk reserve	Retained earnings	Total
	Frw '000	Frw '000	Frw '000	Frw'000	Frw '000	Frw '000
Year ended 31 December 2017						
At start of year	6,985,000	1,373,437	-	-	13,555,290	21,913,727
Total Comprehensive income						
Movement in statutory credit risk reserve	-	-	-	190,411	-	190,411
Profit for the year	-	-	-		4,203,022	4,203,022
Total Comprehensive income	**-**	**-**	**-**	**190,411**	**4,203,022**	**4,203,022**
At end of year	**6,985,000**	**1,373,437**	**-**	**190,411**	**17,758,312**	**26,307,160**

	Share capital	Share pre-mium	Proposed dividend	Statutory credit risk reserve	Retained earnings	Total
	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000
Year ended 31 December 2018						
At 1 January 2018	6,985,000	1,373,437	-	190,411	17,758,312	26,307,160
IFRS 9 transition adjustment	-	-	-	-	(3,205,355)	(3,205,355)
As adjusted at 1 January 2018	**6,985,000**	**1,373,437**	**-**	**190,411**	**14,552,957**	**23,101,805**
Total Comprehensive income						
Profit for the year	-	-	-	-	3,335,028	3,335,028
Total Comprehensive income	-	-	-	-	-	-
Transactions with owners						
Proposed dividends	-	-	1,000,508	-	(1,000,508)	-
Total transactions with owners	**-**	**-**	**1,000,508**	**-**	**(1,000,508)**	**-**
At end of year	**6,985,000**	**1,373,437**	**1,000,508**	**190,411**	**16,887,477**	**26,436,833**

The notes on pages 47 -107 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Notes	2018	2017
		Frw '000	Frw '000
Cash flows from operating activities			
Profit before income tax		4,793,846	6,279,744
Adjustments for:			
Impairment of financial assets		1,860,770	757,357
Depreciation on property and equipment	15	1,229,760	471,546
Amortisation of intangible assets	16	182,434	232,176
Gain on disposal of fixed assets		(36,720)	(1,459)
Write-offs of intangible assets		104,129	-
Write-offs of property and equipment		206,415	-
Cash flows from operating activities before changes in operating assets and liabilities		**8,340,634**	**7,739,364**
Changes in operating assets and liabilities:			
- loans and advances		(14,072,376)	(9,281,371)
- Government securities and other bonds		(2,172,377)	(3,636,913)
- other assets		56,582	(837,143)
- customer deposits		4,475,983	29,599,389
- other liabilities		1,657,078	11,509
-income tax paid		(2,274,398)	(2,015,631
Movement in cash reserve requirement		(221,905)	(1,337,173)
Net cash from/ (used in) operations		**(4,210,779)**	**20,242,031**
Cash flows from investing activities			
Purchase of property and equipment	15	(2,317,795)	(5,035,971)
Purchase of intangible assets	16	(178,040)	(243,014)
Proceeds from disposal of plant and equipment		36,720	69,330
Net cash used in investing activities		**(2,459,115)**	**(5,209,655)**
Net increase/(decrease) in cash and cash equivalents		**(6,669,894)**	**15,032,376**
Cash and cash equivalents at start of year	26	(5,250,702)	(20,283,078)
Cash and cash equivalents at end of year	26	**(11,920,596)**	**(5,250,702)**

NOTES TO THE FINANCIAL STATEMENT

	1. **Interest income**	**2018**	**2017**
		Frw '000	**Frw '000**
	Loans and advances	17,905,723	18,031,852
	Government securities	4,366,576	4,201,951
	Placements with other banks	209,113	107,707
		22,481,412	**22,341,510**

	2. **Interest expense**	**2018**	**2017**
		Frw '000	**Frw '000**
	Customer deposits	7,186,754	6,994,515
	Placements from other banks	2,468,412	2,787,979
		9,655,167	**9,782,494**

	3. **Fees and commissions**	**2018**	**2017**
		Frw '000	**Frw '000**
(a)	***Fee and commission income***		
	Credit related fees and commissions	1,743,608	1,593,187
	Current account ledger fees	407,910	513,457
	Local and international cash transfers	428,074	353,503
	MasterCard product	187,319	194,523
	Other Electronic banking product	255,900	204,589
	Other fees and commissions	295,107	293,210
		3,317,918	**3,152,469**
(b)	*Fee and commission expense*		
	MasterCard product	(455,941)	(386,220)
	Other Electronic banking product	(134,767)	(48,306)
	Fees on cheque book request	(78,857)	(77,466)
	Fees paid to bank agent	(71,591)	(19,134)
		(741,156)	**(531,126)**
	Net fee and commission income	**2,576,762**	**2,621,343**

NOTES TO THE FINANCIAL STATEMENT (continued)

4. **Other operating income**	**2018**	**2017**
	Frw' 000	**Frw' 000**
Gains on disposal of property and equipment	36,720	1,459
Rent income	41,963	-
Recoveries on amounts previously written off	387,562	282,224
Other income	115,378	66,685
	581,623	**350,368**

5. **Impairment losses on loans and advances**		
	2018	**2017**
	Frw' 000	**Frw' 000**
Impairment on loans and advances during the year	(6,795,201)	(1,403,252)
Impairment of off balance sheet items and other assets	(5,892)	-
Impairment on government securities	-	-
Reductions in provisions due to improvement in performance status	4,940,323	317,650
Net (losses)/recoveries	**(1,860,770)**	**(1,085,602)**

6. **Personnel Expenses**	**2018**	**2017**
	Frw'000	**Frw'000**
Salary and wages	3,835,545	3,354,289
Contribution to staff solidarity fund	34,092	80,348
Employer's contributions to RSSB	198,994	181,809
Mileage allowances	50,643	78,919
Personnel Costs	37,423	10,844
Other staff allowance	391,278	381,376
Staff leave entitlement	242,910	238,620
Staff life insurance	15,917	11,796
Staff meals	127,008	125,029
Staff medical costs	144,675	181,829
Terminal benefits	4,282	58,845
Training costs	85,880	78,129
Total Personnel Expenses	**5,168,646**	**4,781,833**

NOTES TO THE FINANCIAL STATEMENT (continued)

7.	Depreciation and Amortisation	2018	2017
		Frw'000'	Frw'000
	Amortisation of intangible assets [Note 16(a)]	182,434	232,176
	Depreciation charge on property and equipment [Note 15(a)]	1,229,760	471,546
		1,412,194	**703,722**

8.	Other operating expenses	2018	2017
		Frw' 000	Frw' 000
	Advertising costs	484,211	382,449
	ATM maintenance costs	67,241	38,176
	Auditors' remuneration	39,576	23,600
	Cleaning expenses	101,719	51,406
	Computer maintenance costs	220,094	190,365
	Costs of service provision mortgage	13,075	24,423
	Directors fees and allowances	161,612	93,098
	Donations and gifts	14,670	133,653
	Equipment repairs and maintenance costs	65,152	55,101
	Fuel and oil costs	68,530	68,187
	Insurance expenses	123,356	98,953
	Mission expenses	76,378	91,993
	Other administrative expenses	613,236	506,862
	Printing and office supplies	122,900	92,919
	Professional fees	303,106	390,014
	Rental costs	648,272	781,384
	Security costs	341,307	259,639
	Swift fees and leased line	206,871	194,955
	Telephone call fees	113,772	86,590
	Vehicle maintenance costs	29,110	40,772
	Water and electricity	238,667	161,565
		4,052,856	**3,766,105**

NOTES TO THE FINANCIAL STATEMENT (continued)

9. **Income tax expense**	**2018**	**2017**
	Frw' 000	**Frw' 000**
Current income tax	-	2,038,761
Deferred income tax charge (Note 17)	1,591,021	37,961
Prior year overprovision	(132,203)	-
	1,458,818	**2,076,722**

The tax on the Bank's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	Effective rate	**2018**	**Effective rate**	**2017**
		Frw '000		**Frw '000**
Profit before income tax		4,793,845		6,279,743
Tax calculated at the statutory income tax rate of 30%	30%	1,438,154	**30%**	1,883,923
Tax effect of:				
Expenses not deductible for tax purposes	10.63%	152,867	**10.23%**	192,799
Under / (over) provision of deferred tax in prior years	(9.19%)	(132,203)	**-**	-
Income tax expense	**31.44%**	**1,458,818**	**40.23%**	**2,076,722**

10. **Cash and balances with National Bank of Rwanda**	**2018**	**2017**
	Frw '000	**Frw '000**
Cash in hand	5,728,917	3,810,532
Balances with National Bank of Rwanda	15,099,505	11,316,264
	20,828,422	**15,126,796**

Cash in hand balances and balances with the National Bank of Rwanda are classified as current assets. Balances with the National Bank of Rwanda are non-interest earning.

NOTES TO THE FINANCIAL STATEMENT (continued)

11. Amounts due from other banks

	2018	2017
	Frw '000	Frw '000
Current accounts with other banks	2,802,457	3,341,512
Placements with other banks	3,288,638	9,516,772
Expected credit loss	-	-
	6,091,095	**12,858,284**

All amounts due from other financial institution are classified as current assets.

12. Government securities and other bonds

	2018	2017
	Frw '000	Frw '000
Treasury bills issued by the Government of Rwanda	15,639,314	18,504,929
Treasury bonds issued by the Government of Rwanda	15,512,989	19,407,909
Treasury bonds by IFC	3,301,406	3,300,313
Expected credit loss	-	-
At 31 December:	**34,453,709**	**41,213,151**

Treasury bills maturing:		
- within 90 days from date of acquisition	2,644,277	11,576,096
- 91 days and above from date of acquisition	12,995,037	6,928,833
	15,639,314	**18,504,929**

Maturing later than 1 year:		
- Treasury bonds issued by the Government of Rwanda	15,512,989	19,407,909
- International Finance Corporation Bond	3,301,406	3,300,313
	18,814,395	**22,708,222**
	34,453,709	**41,213,151**

NOTES TO THE FINANCIAL STATEMENT (continued)

13 Loans and advances

All loans are carried at their estimated recoverable amount.

The Bank accrues interest on impaired loans and records it under interest in suspense.

The impairment published in financial statements as at 31 December 2017 was calculated basing on IAS 39.

With the implementation of IFRS 9 regarding new standard adoption with effect January, 2018.

After computation of loans impairment by IFRS 9model; we found the extra additional provision was equivalent to Frw 3,205,354 amount in thousands. Interest on stage 3 facilities is not recognised in income until cash is received in accordance with banking regulations of the National Bank of Rwanda.

13(a) Loans and advances to customers

		2018	2017
		Frw '000	**Frw '000**
	Mortgage loans	68,377,738	58,953,852
	Equipment loans	14,303,950	14,705,381
	Consumer loans	1,527,824	1,331,597
	Treasury loans	22,852,022	20,941,281
	Other loans and advances	20,041,783	20,132,192
	Gross loans and advances	**127,103,318**	**116,064,303**
	Accrued interests	2,501,714	2,275,204
	Interest-in-suspense	(2,262,759)	(2,375,206)
		127,342,273	**115,964,301**
	Allowances for impairment	(3,523,875)	(957,334)
	Net loans and advances to customers	**123,818,397**	**115,006,967**

13(b) Movements in provisions for impairment of loans and advances are as follows:

	2018	2017
	Frw' 000	**Frw' 000**
Year ended 31 December 2018		
At start of year	**3,332,540**	**4,306,096**
IFRS 9 transition adjustment	3,199,783	-
Additional provision(Note 5)	6,795,201	1,403,252
Recoveries on provisions (Note 5)	(4,940,323)	(317,650)
Decrease in interest in suspense	(2,600,567)	(2,059,158)
At end of year	**5,786,634**	**3,332,540**
Analysed as:		
IFRS impairment	(3,523,875)	(957,334)
Suspended interest	(2,262,759)	(2,375,206)

NOTES TO THE FINANCIAL STATEMENT (continued)

At end of year	**5,786,634**	**3,332,540**

14(a)	**Other assets**	**2018**	**2017**
		Frw '000	**Frw '000**
	Prepayments	172,025	124,999
	Office consumables	54,329	15,461
	Push and Pull product and Others E-banking product	427,393	617,357
	Tax prepayments	1,766,988	-
	Other debtors	284,468	325,285
		2,687,795	**1,083,103**

14 (b) Non-current Assets held for sale		
	2018	**2017**
	Frw '000	**Frw '000**
Mortgage acquired by realisation of guarantee	1,229,800	1,023,515

These assets (two houses and one plot) were purchased by the bank during auction as part of the recovery process.

15. Property and equipment

	Land, Building and leasehold improvements	Furniture & equipment	Motor vehicles	Computer hardware	Work in progress	Total
	Frw '000	**Frw '000**	**Frw '000**	**Frw '000**	**Frw '000**	**Frw '000**
At 1 January 2018						
Opening net book value	**3,609,775**	**384,312**	**71,006**	**40,871**	**9,347,514**	**13,453,477**
Additions	854,661	565,646	283,028	128,080	486,380	2,317,795
Transfers from WIP	7,845,658	1,432,465	-	43,000	(9,321,124)	-
Asset retirements/write offs	(206,415)	-	-		-	(206,415)
Disposals	-	(147,484)	(136,103)	(695,683)	-	(979,270)
Depreciation	(566,545)	(547,885)	(61,025)	(54,305)	-	(1,229,760)
Depreciation eliminated on disposal	-	147,484	136,103	695,683		979,270
Closing net book amount	**11,537,134**	**1,834,538**	**293,008**	**157,646**	**512,771**	**14,335,097**
As at 31 December 2018						
Cost	12,777,245	4,079,985	835,603	702,183	512,771	18,907,786
Accumulated Depreciation	(1,240,111)	(2,245,446)	(542,594)	(544,537)	-	(4,572,689)
Net book amount	**11,537,134**	**1,834,538**	**293,008**	**157,646**	**512,771**	**14,335,097**

NOTES TO THE FINANCIAL STATEMENT (continued)

	Land and leasehold improvements	Furniture & equipment	Motor vehicles	Computer hardware	Work in progress	Total
	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000
At 1 January 2017						
Opening net book amount	**3,081,381**	**355,895**	**124,810**	**86,227**	**5,308,611**	**8,956,924**
Additions	341,030	112,248	-	24,014	4,558,679	5,035,971
Transfers from WIP	429,952	89,824	-	-	(519,776)	-
Disposals	(112,314)	(6,320)	(19,622)	-	-	(138,256)
Depreciation	(174,717)	(173,655)	(53,804)	(69,370)	-	(471,546)
Depreciation on disposal	44,443	6,320	19,622	-	-	70,385
Closing net book amount	**3,609,775**	**384,312**	**71,006**	**40,871**	**9,347,514**	**13,453,477**
As at 31 December 2017						
Cost or valuation	4,586,769	2,229,357	688,678	1,226,786	9,347,514	18,079,104
Accumulated Depreciation	(976,994)	(1,845,045)	(617,672)	(1,185,915)	-	(4,625,627)
Net book value	**3,609,775**	**384,312**	**71,006**	**40,871**	**9,347,514**	**13,453,477**

16 Intangible assets

2018	Core banking system	Other software	Work in progress	Total
	Frw '000	Frw '000	Frw '000	Frw '000
Net book value at 1 January 2018	**634,588**	**66,639**	**421,647**	**1,122,874**
Additions	23,754	141,707	12,579	178,040
Reclassification to Expenses	-	(31,722)	(72,407)	(104,129)
Transfer from WIP	-	70,262	(70,261)	-
Amortisation charge	(147,942)	(34,492)	-	(182,434)
Net book value at 31 December 2018	**510,400**	**212,393**	**291,558**	**1,014,351**
At 31 December 2018:				
Cost	1,397,861	856,659	291,558	2,546,078
Accumulated amortisation	(887,461)	(644,266)	-	(1,531,727)
Net book value	**510,400**	**212,393**	**291,558**	**1,014,351**

NOTES TO THE FINANCIAL STATEMENT (continued)

2017	**Core banking system**	**Other software**	**Work in progress**	**Total**
	Frw '000	**Frw '000**	**Frw '000**	**Frw '000**
Net book value at 1 January 2017	**771,999**	**161,285**	**178,752**	**1,112,035**
Additions	-	119	242,895	243,014
Transfer from WIP	-	-	-	-
Amortisation charge	(137,411)	(94,765)	-	(232,176)
Net book value at 31 December 2017	**634,588**	**66,639**	**421,647**	**1,122,874**
At 31 December 2017				
Cost	1,374,107	676,413	421,647	2,472,167
Accumulated amortisation	(739,519)	(609,774)	-	(1,349,293)
Net book value	**634,588**	**66,639**	**421,647**	**1,122,874**
Intangible assets relate to computer software licenses and the bank software relates to core-banking software and other related applications				

17. Deferred Tax

	(a). Deferred Tax (Assets)/Liabilities	
	2018	**2017**
	Frw' 000	**Frw' 000**
At start of year	(108,358)	(146,319)
Credit/ (charge) to the Statement of Comprehensive Income	1,591,021	37,961
At end of year – Deferred tax liability/(asset)	**1,482,663**	**(108,358)**

31 December 2018 **Frw '000**	**At 1 January 2018**	**Charge /credit to Profit/loss**	**31 December 2018 Net**	**Asset**	**Liability**
Property and Equipment	(108,358)	1,705,987	1,597,629	-	1,597,629
Tax losses	-	(114,966)	(114,966)	(114,966)	-
	(108,358)	1,591,021	**1,482,663**	(114,966)	1,597,629

NOTES TO THE FINANCIAL STATEMENT (continued)

31 December 2017 Frw '000	At 1 January 2018	Charge/credit to Profit/loss	31 December 2017 Net	Asset	Liability
Property and Equipment	(146,319)	37,961	**(108,358)**	(108,358)	-
					-
	(70,397)	37,961	**(108,358)**	(108,358)	-

Based on the law nº 06/2015 of 28/03/2015 relating to investment promotion and facilitation there are incentives for registered investors depending on the types and level of investment done. Annexed to this law; there is point VIII which refer to the Construction projects worth at least one million eight hundred thousand United States dollars (USD 1,800,000) done by a registered investor who shall be entitled to a flat accelerated depreciation rate of fifty per cent (50%) for the first year the property is put at use. The bank has taken this into account in 2018 from the investment of building housing the bank's headquarters a premium of 50% related to accelerated depreciation which totals to FRW 4.9 billion.

18. Customer deposits

	2018	2017
	Frw '000	**Frw '000**
Current and demand deposits	70,201,403	68,045,121
Term deposits	46,636,497	48,070,117
Savings accounts & others	22,384,650	18,631,330
	139,222,551	**134,746,568**

Customer deposits only include financial instruments classified as liabilities at amortised cost.

19. Deposits from other banks

	2018	2017
	Frw '000	**Frw '000**
Demand, savings term deposits from banks	32,989,430	36,538,823
Demand, savings and term deposits from National Bank of Rwanda	-	-
	32,989,430	**36,538,823**

Deposits from other banks only include financial instruments classified as liabilities at amortised cost and are at fixed interest rates.

NOTES TO THE FINANCIAL STATEMENT (continued)

20. Other liabilities

	2018	2017
	Frw '000	Frw '000
Cheque clearing accounts & Others	2,837,171	608,246
Staff leave accruals	232,328	206,280
Bonus	293,337	216,576
Bill payable	424,156	503,562
Accruals on capital Expenditure	124,559	771,609
Withholding tax payable	92,892	72,041
VAT Collected payable	65,270	27,322
PAYE payable	161,745	148,752
RSSB Contribution	42,821	39,302
Directors benefit	41,447	25,658
	4,315,726	**2,658,647**

21. Provision for off balance sheet commitments

	2018	2017
	Frw '000	Frw '000
IFRS 9 transition adjustment – 1 January 2018	5,571	-
Additional provision taken for the year	5,892	-
	11,463	**-**

22. Share capital and share premium

a) Share capital	2018	2017
	Frw'000	Frw'000
Authorised share capital of Frw 100,000 each	7,000,000	7,000,000
Issued and fully paid up		
At 1 January	6,985,000	6,985,000
Issue of shares	-	-
Balance at 31 December	**6,985,000**	**6,985,000**

NOTES TO THE FINANCIAL STATEMENT (continued)

The shareholding structure of the bank is as follows:

	No. of Shares	Par Value - Frw	Value- Frw	%
Individual shareholders (Local)	48,475	100,000	4,847,500,000	69,4%
Rwanda Social Security Board (RSSB)	21,375	100,000	2,137,500,000	30.6%
TOTAL	**69,850**	100,000	**6,985,000,000**	**100.00%**

The total authorized number of ordinary shares is 70,000 with a par value of Frw 100,000. The numbers of shares fully paid for at the year ended are 69,850.

b) Share premium

The share premium arose from the purchase of shares in excess of the nominal value.

23. Statutory reserve

This reserve records the excess of impairment provision required by Regulation N°12/2017 of 23/11/2017 on credit classification and provisioning and those are also required by the International Financial Reporting Standards (IFRS)

24. Retained earnings

		2018	2017
		Frw'000	**Frw'000**
	At start of the year	17,758,312	13,555,290
	IFRS 9 transition adjustment	(3,205,355)	-
	Profit and total comprehensive income for the year	3,335,028	4,203,022
	Proposed dividends	(1,000,508)	-
	At year end	**16,887,477**	**17,758,312**

25. Related party transactions

The bank's shareholders are listed on page 33. There are other companies which are related to Compagnie Générale de Banque plc through common shareholdings or common directorships.

The bank enters into transactions, arrangements, and agreements involving directors, senior management and their related parties in the ordinary course of business. Related-party transactions during the year, outstanding balances at the year-end, and relating expense and income recognised during the year are as follows:

		2018	2017
		Frw '000	**Frw '000**
(a)	Deposits from related parties		
	Deposits from employees	299,085	236,762
	Deposits from inside & outside directors	526,891	628,872
	Shareholder and other related Parties	39,955,932	48,199,406
	Cash collateral (deposits)	4,441,544	919,236
		45,223,452	**49,984,276**

NOTES TO THE FINANCIAL STATEMENT (continued)

The deposits are secured through deposit guarantee funds except government and financial institutions deposits. Platform was introduced in 2017 and premium is paid on quarterly basis , carry variable interest rates and are repayable on demand

(b)	Loans and advances to related parties	2018	2018
		Frw'000	Frw'000
	Loans and advances to employees	2,863,550	2,539,231
	Loans and advances to directors and their related companies	5,197,934	5,122,546
		8,061,484	**7,661,777**

(a) **Loans and advances to related parties (continued)**

Loans and advances to staff were issued at an interest rate of between 7.5% and 10.5% and were all performing as at 31 December 2018.

Loans and advances to directors and related companies were issued at an interest rate of between 16% and 18% and were all performing as at 31 December 2018 and 2017, except 0ne minority shareholder who has non-performing loans totalling to Frw 100 million.

No provisions have been recognised in respect of loans given to related parties (2017: nil) as the collaterals pledged cover all outstanding obligation.

The loans and advances to directors and their related companies are broken down as shown in the table below:

		2018	2017
		Frw'000	Frw'000
	On balance sheet	5,057,122	4,585,787
	Off balance sheet	140,812	536,759
		5,197,934	**5,122,546**

(c)	Key management compensation		
		2018	**2017**
		Frw'000	Frw'000
	Salaries and other short-term employment benefits	**554,864**	**367,133**

NOTES TO THE FINANCIAL STATEMENT (continued)

(d)	Directors' remuneration	2018	2017
		Frw'000	Frw'000
	Sitting allowances	120,165	67,440
	Other payments	41,447	25,658
		161,611	**93,098**

26. Analysis of cash and cash equivalents as shown in the statement of cash flows

		2018	2017
		Frw'000	Frw'000
	Cash and balances with National Bank of Rwanda (Note 10)	20,828,422	15,126,796
	Less: cash reserve requirement	(8,494,960)	(8,273,055)
			-
		12,333,462	**6,853,741**
	Placements with other banks (Note 11)	6,091,095	12,858,284
	Treasury bills maturing within 91 days (Note 12)	2,644,277	11,576,096
	Deposits from other banks (Note 19)	(32,989,430)	(36,538,823)
		(11,920,596)	**(5,250,702)**

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash and balances with Banks, treasury bills and other eligible bills, and amounts due from other banks.

Cash and cash equivalents exclude the cash reserve requirement held with the National Bank of Rwanda; the amount is determined as 5 % of the average outstanding customer deposits over a cash reserve cycle period of one month.

27. Off balance sheet financial instruments, contingent liabilities and commitments

In common with other banks, the Company conducts business involving acceptances, letters of credit, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

		2018	2017
		Frw '000	Frw '000
	Contingent liabilities		
	Acceptances and letters of credit	214,035	1,223,607
	Guarantees	5,359,779	4,666,204
		5,573,814	**5,889,811**

NOTES TO THE FINANCIAL STATEMENT (continued)

Nature of contingent liabilities

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The bank expects most acceptances to be presented, and reimbursement by the customer is normally immediate. Letters of credit commit the bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

Guarantees are generally written by a bank to support performance by a customer to third parties. The bank will only be required to meet these obligations in the event of the customer's default.

Nature of commitments

Commitments to lend are agreements to lend to a customer in future subject to certain conditions. Such commitments are normally made for a fixed period. The bank may withdraw from its contractual obligation for the undrawn portion of agreed overdraft limits by giving reasonable notice to the customer.

Legal proceedings

There were no provisions balances as at 31st December 2018. The balance carried forward was fully paid in the year.

28. Financial risk management

The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors. As such, the core functions of the Bank's risk management function are to identify the significant risks that the Bank is exposed to, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The overall goal of the Bank's risk management policies is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

Risk management is carried out by the bank's Head of Risk, under the supervision of the Board Risk committee and the Managing Director ("the parties"). The parties execute their risk management roles under policies approved by the Board of Directors. The parties identify, evaluate and manages financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk. In addition, the internal audit department is responsible for the independent review of risk management and the control environment.

The risks arising from financial instruments to which the Bank is exposed to are credit risk, liquidity risk, market risk (which are discussed below) and operational risk.

NOTES TO THE FINANCIAL STATEMENT (continued)

28 Financial risk management (continued)

(a) Credit risk

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

The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures'), including settlement balances with market counterparties and reverse repurchase loans.

Credit risk is the single largest risk for the Bank's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team, which reports to the Board of Directors through the Managing Director and head of each business unit regularly.

(i) Credit risk measurement

a. *Loans and advances (including commitments and guarantees)*

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, 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.

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Bank derives the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

Probability of default

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty.

For regulatory purposes and for internal monitoring of the quality of the loan portfolio, all the customers are segmented into five rating classes as shown below:

The Bank's internal ratings scale

Regulatory rating	Bank's rating	Description of the grade
I	I	Performing
II	II	Watch
III	III	Substandard
IV	IV	Doubtful
V	V	Loss

Exposure at default

Exposure at default is based on the amounts the Bank expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

NOTES TO THE FINANCIAL STATEMENT (continued)

28 Financial risk management (continued)

Loss given default

Loss given default or loss severity represents the Bank's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure. It typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

b. *Credit related commitments*

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(ii) Risk limit control and mitigation policies

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent review. Limits on the level of credit risk by product, and industry sector are approved annually by the Board of Directors. The Board of Directors also approves individual borrower limits above specified amounts.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, plant and equipment;
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured.

(iii) Impairment and provisioning policies

The impairment allowance shown in the balance sheet at year end is derived from each of the five internal rating grades. The bank determines the impairment provision on loans and advances to customers as the difference between the carrying amount of a loan balance and the present value of estimated future cash flows, discounted at the loan's effective interest rate.

Bank are in process also of provisioning basing on IFRS9; the model has been putted in place and will be used during this 2018.

(iv) Maximum exposure to credit risk before collateral held or other credit enhancements

NOTES TO THE FINANCIAL STATEMENT (continued)

28 Financial risk management (continued)

Maximum exposure to credit risk before collateral held

	2018	2017
	Frw '000	**Frw '000**
Balances with National Bank of Rwanda	20,815,000	11,316,264
Current accounts and placements with other banks	6,091,094	12,858,284
Loans and advances to customers	123,818,397	115,006,967
Government securities other bonds	34,453,709	41,213,151
Other assets	3,785,392	2,106,618
Credit risk exposures relating to off-balance sheet items:		
- Acceptances and letters of credit	214,035	1,223,607
- Guarantees	5,359,779	4,666,204
	194,550,828	**188,391,095**

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2018 and 2017, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on carrying amounts as reported on the balance sheet.

Loans and advances to customers, are secured by collateral in the form of charges over land and buildings and/or plant and machinery or corporate guarantees.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loan and advances portfolio and debt securities as the Bank exercises stringent controls over the granting of new loans.

Financial assets that are past due or impaired

Loans and advances are summarised as follows:

	2018	2017
	Frw '000	**Frw '000**
Neither past due nor impaired	114,748,222	90,967,831
Past due but not impaired	6,617,632	14,665,087
Individually impaired	5,737,464	10,431,385
Gross loans and advances	**127,103,318**	**116,064,303**
Accrued interests	2,501,714	2,275,206
Allowances for impairment	(3,523,875)	(957,334)
Interest In Suspense	(2,262,760)	(2,375,204)
Net loans	**123,818,397**	**115,006,967**

NOTES TO THE FINANCIAL STATEMENT (continued)

No other financial assets are either past due or impaired.

(iv) Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system recommended by the central bank:

	2018	**2017**
	Frw '000	**Frw '000**
Normal loans (0-30 days)	114,748,222	90,967,831

Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. The gross amounts of loans and advances that were past due but not impaired were as follows:

	2018	**2017**
	Frw '000	**Frw '000**
Past due 31 – 90 days	6,617,632	14,665,087

Loans and advances individually impaired

Of the total gross amount of impaired loans, the following amounts have been individually assessed:

	2018	2017
	Frw '000	Frw '000
Individually assessed impaired loans and advances	5,737,464	10,431,385
	2018	2017
	Frw '000	Frw '000
Fair value of collateral held (for NPL)	14,551,699	17,944,925

NOTES TO THE FINANCIAL STATEMENT (continued)

28 Financial risk management (continued)

vi) Concentrations of risk of financial assets with credit risk exposure.

Economic sector risk concentrations within the customer loan portfolios were as follows:

	Construction	Wholesale and retail trade	Manufacturing	Agriculture	Other industries	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
Overdrafts	1,830,612	6,520,918	3,279,354	2,761,380	1,929,998	16,322,262
Term Loans	855,914	26,889,208	2,129,682	1,052,221	3,895,560	34,822,586
Mortgages	53,110,421	77,987	4,537,112	144,801	9,064,989	66,935,311
Leases	-	-	-	-	-	-
Other	-	1,445,255	-	-	1,240,244	2,685,499
At 31 December 2018	**55,796,947**	**34,933,368**	**9,946,149**	**3,958,402**	**16,130,792**	**120,765,658**

	Construction	Wholesale and retail trade	Manufacturing	Agriculture	Other industries	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
Overdrafts	2,055,528	- 5,464,037	4,136,880	2,122,774	2,014,008	15,793,227
Term Loans	1,356,331	24,412,283	708,534	1,414,569	2,754,944	30,646,661
Mortgages	41,946,110	-	5,224,781	144,282	9,239,648	56,554,820
Leases	-	-	-	-	-	-
Other	-	2,000,583	-	-	1,331,597	3,332,180
At 31 December 2017	**45,357,969**	**31,876,903**	**10,070,196**	**3,681,625**	**15,340,196**	**106,326,889**

(b) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The National Bank of Rwanda requires that the Bank maintains a cash reserve ratio. In addition, the Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The Treasury department monitors liquidity ratios on a daily basis. Sources of liquidity are regularly reviewed by a separate team in the Treasury department to maintain a wide diversification by provider, product and term.

NOTES TO THE FINANCIAL STATEMENT (continued)

28 Financial risk management (continued)

(b) Liquidity risk (continued)

The table below presents the undiscounted cash flows payable by the Bank under financial liabilities by remaining contractual maturities at the balance sheet date and from financial assets by expected maturity dates.

At 31 December 2018	Less than 1 month	1-3 months	3-12 months	1-5 Years	Over 5 Years	Total
	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000
Liabilities						
Customer deposits	64,959,064	29,545,015	41,799,515	2,918,957	-	139,222,551
Deposits from other banks	4,199,315	-	26,199,114	2,591,001	-	32,989,430
Other liabilities	1,609,954	1,453,487	1,252,285	-	-	4,315,726
Total financial liabilities	**70,768,333**	**30,998,502**	**69,250,914**	**5,509,958**	**-**	**176,527,707**
Assets						
Cash and balances with balances with National Bank of Rwanda	20,828,422	-	-	-	-	20,828,422
Amounts due from other banks	3,289,329	-	2,801,765	-	-	6,091,094
Loans and advances to customers	3,339,462	67,674	19,089,143	48,554,075	52,768,043	123,818,397
Government securities held to maturity	6,429,857	3,957,331	8,224,421	15,842,099	-	34,453,709
Other assets	29,807	127,503	2,530,485	-	-	2,687,795
Total financial assets	**33,916,877**	**4,152,508**	**32,645,814**	**64,396,174**	**52,768,043**	**187,879,416**
Net liquidity gap	**(36,851,456)**	**(26,845,994)**	**(36,605,100)**	**58,886,216**	**52,768,043**	**11,351,709**

NOTES TO THE FINANCIAL STATEMENT (continued)

28 Financial risk management (continued)

(b) Liquidity risk (continued)

At 31 December 2017	Less than 1 month	1-3 months	3-12 months	1-5 Years	Over 5 Years	Total
	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000
Liabilities						
Customer deposits	87,516,700	7,464,653	39,610,429	154,786	-	134,746,568
Deposits from other banks	2,874,770	1,556,500	32,107,553	-	-	36,538,823
Other liabilities	3,403,974	-	-	-	-	3,403,974
Total financial liabilities	**93,795,444**	**9,021,153**	**71,717,982**	**154,786**	**-**	**174,689,365**
Assets						
Cash and balances with balances with National Bank of Rwanda	15,126,796	-	-	-	-	15,126,796
Amounts due from other banks	10,799,001	1,689,994	-	369,289	-	12,858,284
Loans and advances to customers	1,495,639	4,486,915	12,656,992	44,968,588	51,398,833	115,006,967
Government securities held to maturity	6,343,478	5,230,630	10,308,485	19,330,558	-	41,213,151
Other assets	1,083,103	-	-	-	-	1,083,103
Total financial assets	**34,848,017**	**11,407,539**	**22,965,477**	**64,668,435**	**51,398,833**	**185,288,301**
Net liquidity gap	**(58,947,427)**	**2,386,386**	**(48,752,506)**	**64,513,649**	**51,398,833**	**10,598,936**

(c) Market risk

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimising the return on risk. Overall responsibility for managing market risk rests with the Assets and Liabilities Committee (ALCO). The Treasury department is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day to day implementation of those policies.

NOTES TO THE FINANCIAL STATEMENT (continued)

28 Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily. The tables below summarise the Bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Bank does not bear an interest rate risk on off balance sheet items. All figures are in thousands of Rwandan Francs.

2018	Less than 1 month	1-3 months	3-12 months	1-5 Years	Over 5 Years	Non-interest bearing	Total Interest bearing assets
	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000
Liabilities							
Customer deposits	13,061,946	29,545,015	41,799,515	2,918,956	-	51,897,118	87,325,432
Deposits from other banks	1,285,982	-	26,111,822	2,591,001	-	3,000,625	29,988,805
Other liabilities	-	-	-	-	-	4,315,726	-
Total financial liabilities	**14,347,928**	**29,545,015**	**67,911,337**	**5,509,957**		**59,213,469**	**117,314,237**
Assets							
Cash and balances with balances with National Bank of Rwanda	-	-	-	-	-	20,828,422	-
Placements with other banks	3,000,000	288,638	-	-	-	2,802,456	3,288,638
Loans and advances to customers	3,339,462	67,674	19,089,143	50,108,797	51,213,321	-	123,818,397
Government securities held to maturity	6,429,857	3,957,331	8,224,421	15,842,099	-	-	34,453,708
Other assets	-	-	-	-	-	2,687,795	-
Total financial assets	**12,769,319**	**4,313,643**	**27,313,564**	**65,950,896**	**51,213,321**	**26,318,673**	
Interest sensitivity gap	**(1,578,609)**	**(25,231,372)**	**(40,597,773)**	**60,440,939**	**51,213,321**	**-**	**44,246,506**

NOTES TO THE FINANCIAL STATEMENT (continued)

28 Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

2017	Less than 1 month	1-3 months	3-12 months	1-5 Years	Over 5 Years	Non-interest bearing	Total
	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000
Liabilities							
Customer deposits	15,537,954	2,729,403	53,817,090	12,464,960	-	50,197,161	84,549,407
Deposits from other banks	587,601	1,556,500	32,107,553	-	-	2,287,168	34,251,654
Other liabilities	-	-	-	-	-	3,403,974	-
Total financial liabilities	**16,125,555**	**4,285,903**	**85,924,643**	**12,464,960**	-	**55,888,303**	**118,801,061**
Assets							
Cash and balances with balances with National Bank of Rwanda		-	-	-	-	15,126,796	-
Placements with other banks	4,500,000	5,026,335	-	-	-	3,331,949	9,526,335
Loans and advances to customers	1,495,639	4,486,915	12,656,992	44,968,588	51,398,833	-	115,006,967
Government securities held to maturity	6,343,478	5,230,630	10,308,485	19,330,558	-	-	41,213,151
Other assets	-	-	-	-	-	16,791,328	-
Total financial assets	**12,339,117**	**14,743,880**	**22,965,477**	**64,299,146**	**51,398,833**	**35,250,073**	**165,746,453**
Interest sensitivity gap	**(3,786,438)**	**10,457,977**	**(62,959,166)**	**51,834,186**	**51,398,833**	-	**46,945,392**

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

(ii) Currency risk

The Bank takes on exposure to the 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.

NOTES TO THE FINANCIAL STATEMENT (continued)

28 Financial risk management (continued)

(ii) Currency risk (continued)

The tables below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2018 and 2017. Included in the table are the Bank's financial instruments, categorised by currency:

At 31 December 2018	USD	Euro	GBP	Other	Total
	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000
Assets					
Cash and balances with BNR	2,530,583	770,644	27,578	-	3,328,805
Placements with other banks	2,260,952	785,202	44,272	-	3,090,426
Loans and advances to customers	6,514,273	2,094	-	-	6,516,366
Others assets	493,906	(25,868)	-	-	468,038
Total assets	**11,799,713**	**1,532,072**	**71,851**	**-**	**13,403,635**
Liabilities					
Customer deposits	14,860,377	1,747,907	25,262	-	16,633,546
Deposits from other banks	223,488	5	-	-	223,493
Total liabilities	**15,083,865**	**1,747,912**	**25,262**	**-**	**16,857,039**
Net on-balance sheet position	**(3,284,152)**	**(215,840)**	**46,588**	**-**	**(3,453,404)**

At 31 December 2017	USD	Euro	GBP	Other	Total
	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000
Assets					
Cash and balances with BNR	2,070,967	837,845	3,066	-	2,911,878
Placements with other banks	7,610,605	705,631	32,507	-	8,348,743
Loans and advances to customers	5,511,194	1,375	-	-	5,512,569
Others assets	194,252	-	-	-	194,252
Total assets	**15,387,018**	**1,544,851**	**35,573**	**-**	**16,967,442**
Liabilities					
Customer deposits	15,827,597	1,517,529	3,652	-	17,348,778
Deposits from other banks	28,553	1,710	-	-	30,263
Total liabilities	**15,856,150**	**1,519,239**	**3,652**	**-**	**17,379,041**
Net on-balance sheet position	**(469,132)**	**25,612**	**31,921**	**-**	**(411,599)**

NOTES TO THE FINANCIAL STATEMENT (continued)

28 Financial risk management (continued)

(d) Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the balance sheet, are:

- to comply with the capital requirements set by the National Bank of Rwanda;
- to safeguard the Bank's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain a strong capital base to support the development of its business.

The Bank's regulator National Bank of Rwanda (BNR) sets and monitors capital requirements for the

Bank as a whole. In implementing current capital requirements, BNR, requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital consists only of Tier 1 capital, which includes ordinary share capital, retained earnings, revaluation reserves and statutory reserves.

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 Tier 1 capital expressed as a percentage of risk-weighted assets is set out on the next page. The regulatory capital met the minimum required ratio of 10% and the bank has complied with all externally imposed capital requirements throughout the period.

	2018	2017
	Frw'000	Frw'000
Ordinary share capital	6,985,000	6,985,000
Share premium	1,373,437	1,373,437
Reserves:		
Statutory reserves	190,410	190,410
Retained earnings	16,956,973	13,555,291
Profit for the year (50%)	1,667,514	2,101,510
Less dividend declared	(1,000,508)	
Total tier 1 capital	**26,172,826**	**24,205,648**
Regulatory adjustments applied in the calculation of CET1 Capital	(1,014,351)	(488,286)
Total Tier 1 Capital	**25,158,475**	**23,717,362**
Loan/financing loss provision(include Max 1.25% of RWA)	1,639,738	-
Total Capital	26,798,213	23,717,363
Risk-weighted assets	140,871,211	124,815,942
Capital adequacy ratio (Tier 1)	**17.859%**	**19.00%**
Capital adequacy ratio (Total capital)	**19.023%**	**19.00%**

Tier 1 capital expressed as a percentage of risk-weighted assets Based on BNR regulation n°11/2009 on capital adequacy ratio, the bank's CAR is 19.023% against 15% required.

NOTES TO THE FINANCIAL STATEMENT (continued)

28 Financial risk management (continued)

(e) Financial instrument by category

	Loans and receivables
At 31 December 2018	**Frw'000**
Financial assets	
Cash and balances with the National Bank of Rwanda	20,815,000
Amounts due from other banks	6,091,094
Government securities held to maturity	34,453,709
Loans and advances to customers	124,003,910
Other assets	427,393
	185,619,015

At 31 December 2018	**Deposits and**
Financial liabilities - at amortised cost	**Payables**
	Frw'000
Customer deposits	139,222,551
Deposits from other banks	32,989,430
Other liabilities	2,837,171
	175,049,152

	Loans and receivables
At 31 December 2017	**Frw'000**
Financial assets	
Cash and balances with the National Bank of Rwanda	15,126,796
Amounts due from other banks	12,858,284
Government securities held to maturity	41,213,151
Loans and advances to customers	115,006,967
Other assets	629,097
	184,834,295

At 31 December 2017	**Deposits and**
Financial liabilities - at amortised cost	**Payables**
	Frw'000
Customer deposits	134,746,568
Deposits from other banks	36,538,823
Other liabilities	647,548
	171,932,939

NOTES TO THE FINANCIAL STATEMENT (continued)

29. Critical accounting estimates and judgements in applying accounting policies

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

(c) Tax expenses

Judgement is required in determining the Bank's provision for tax expenses. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Changes on Depreciation of Fixed assets

Based on the management judgement the useful lives for some assets were modified in 2018. In the past, the bank was applying the useful life given by the tax administrators (RRA) as the limits that work for the tax computations. However, after analysing the bank's experience for the last 19 years, the change in the useful lives and hence the depreciation rates for different assets was proposed and the board of directors approval was secured.

NOTES TO THE FINANCIAL STATEMENT (continued)

29. Critical accounting estimates and judgements in applying accounting policies (continued)

The table below indicates the changes presented to, and approved by the board of Directors:

Assets category	Assets subcategories	Useful life	Rate	RRA rates (applied before 2018)
Other Equipment	ATMs	5 Years	20%	
	ACs	5 years	20%	
	Safe	10 years	10%	
	Generators	5 years	20%	
	Notes counting machines	2 years	50%	25%
	POS devices	3 years	33.33%	As other equip-ment/
	Security Equipment (cameras, walk through, scanners detectors etc.)	4 years	25%	assets
Software and other intangibles	Core banking system	5years	20%	10%
	Interface for core system	5years	20%	Not specified
	Other software	5years	20%	
Land		Infinite	NA	NA
Building & its improvement		50years	2%	5%
Leasehold		10years	10%	NA
Furniture and fittings	All chairs	3 year	33.33%	25%
	Tables, desks and filing cabinets	7 years	14.29%	25%
	Wooden shelves	7years	14.29%	25%
	Metal shelves and cabinets	7years	14.29%	25%
Motor vehicle		5 years	20%	25%
IT Equipment	Laptops	3 years	33.33%	
	Desktops	3years	33.33%	
	Servers	3years	33.33%	
	Printers/copiers	3years	33.33%	
	UPS	3 years	33.33%	50%
	Routers	3years	33.33%	As IT equipment
	Scanners	3years	33.33%	
	Projectors	3 years	33.33%	
	Firewalls	3 years	33.33%	
	RAC	7 years	14.29%	

NOTES TO THE FINANCIAL STATEMENT (continued)

29. Critical accounting estimates and judgements in applying accounting policies (continued)

(e) Valuation hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data.

The table below sets out the carrying amounts of each class of financial assets and liabilities. The carrying amounts are reflected at the approximate fair value. None of the financial assets and liabilities is measured at fair value.

2018	Level 1	Level 2	Level 3	Financial assets at amortised cost	Other financial liabilities
	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000
Assets					
Cash and balances with the National Bank of Rwanda	-	20,828,422	-	20,828,422	-
Amounts due from other banks	-	6,091,095	-	6,091,095	-
Government securities and other bonds	-	34,453,709	-	34,453,709	-
Loans and advances to customers	-	123,818,397	-	123,818,397	-
Other assets	-	2,687,795	-	2,687,795	-
Total financial assets	**-**	**187,879,418**	**-**	**187,879,418**	**-**
2017					
Assets					
Cash and balances with the National Bank of Rwanda	-	15,126,796	-	15,126,796	-
Amounts due from other banks	-	12,858,284	-	12,858,284	-
Government securities and other bonds	-	41,213,151	-	41,213,151	-
Loans and advances to customers		115,006,967	-	115,006,967	-
Other assets	-	1,083,103	-	1,083,103	-
Total financial assets	**-**	**185,288,301**	**-**	**185,288,301**	**-**

NOTES TO THE FINANCIAL STATEMENT (continued)

29. Critical accounting estimates and judgements in applying accounting policies (continued)

2018	Level 1	Level 2	Level 3	Financial assets at amortised cost	Other financial liabilities
	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000
Customer deposits		139,222,551	-	-	139,222,551
Deposits from other banks		32,989,430	-	-	32,989,430
Current income tax payable		-	-	-	-
Other liabilities		4,315,726	-	-	4,315,726
Total financial liabilities		**176,527,707**	**-**	**-**	**176,527,707**
2017					
Liabilities					
Customer deposits	-	134,746,568	-	-	134,746,568
Deposits from other banks	-	36,538,823	-	-	36,538,823
Current income tax payable	-	745,327	-	-	745,327
Other liabilities	-	2,658,647	-	-	2,658,647
Total financial liabilities	**-**	**174,689,365**	**-**	**-**	**174,689,365**

NOTES TO THE FINANCIAL STATEMENT (continued)

30. Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Rwandan Francs (Frw), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 26 above.

International Accounting Standards Board (IASB) issued IFRS 16 Leases in January 2016. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). IFRS 16 is effective from 1 January 2019. A company1 can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 Revenue from Contracts with Customers. IFRS 16 completes the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations.

IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

Following the IASB announcement on the effective date of implementing this standard, in order to be proactive in the preparations, and do the assimilation on the impact of this standard would have on our financials as well capital adequacy ratios.

COGEBANQUE management has done the computation of the impact based on the following assumptions:

Lease contracts

For the purpose of this exercise, all leased premises for the bank's operations are considered as lease contracts. These include leased premises for branches, standalone ATMs and archives. The rationally is that, behaviourally, the bank has never leased any premises for a period less than or equal to 12 months.

Lease term

All lease contracts for COGEBANQUE are normally 5 years, and also when management forecasts for its near future operations, there are no signals of intending to close any branch or terminate the internal lease contract within the next five years. It is on this basis that the bank has determined the lease term to be five years, for the purpose of these calculations.

Monthly payment for all existing contracts as at 31st December 2018

Based on the current lease contracts' terms and conditions, all the future monthly rental payments were determined to be Frw 57,449,275 which is FRW 689,392,295 on annual basis. This is assumed to be unchanged for the next five years which is taken to be the lease term.

Discount factor

The rate considered as a discounting factor for this exercise is the risk free rate which is the 3 year bod rate recently issued by the central bank (BNR) and this is 11.5%.

Recognition of assets and liabilities

Following the requirement of the standard, the present values (PV) for the future rental payments are recognized as Assets and liability, equally at the inception date i.e. December 31th 2018. In the computations done, the PV was FRW 2,633,197,675

NOTES TO THE FINANCIAL STATEMENT (continued)

30 Summary of significant accounting policies (continued)

Recognition of expenses in profit and loss account

At the inception date, this exercise has not caused any change on profit and loss account. The year-to-date rental expenses have not been reversed or changed in anywhere, neither has there been any change on depreciation or finance costs on December figures.

	2018
	Frw'000
Total asset (before IFRS16 Impact)	204,286,219
Right to use assets	2,633,198
Accumulated depreciation	-
Cash outflow(payments)	-
Total asset After adjustment	**206,919,416**
Total liabilities(before IFRS16 Impact)	177,544,057
Liabilities lease	2,633,198
Lease amortization	-
Total Liabilities after Adjustment	180,177,255
EQUITY	26,742,162
Deduct lease depreciation	-
Deduct lease finance cost	-
Total asset After adjustment	**206,919,416**

Adoption date The adoption date is taken to be the end of December 2018.

Application of the results to CAR The discounted amount of the future cash flows (rental charges) is considered as other assets in the computation of Capital Adequacy Ratio at the inception date.

Assigned Risk Weight The Risk weighted assets for the determined value of these assets is considered to be 100% respecting the classification of other assets Basel II and III on CAR computation.

	Before IFRS 16 impact	After IFRS 16 Impact
	2018	2018
	Frw'000	Frw'000
Total RWA	143,851,343	143,851,343
Other assets (risk weight 100%)	-	2,633,198
Total RWA	**143,851,343**	**146,484,540**
CET1 Capital	26,041,455	26,041,455
Tier 1 Capital	26,041,455	26,041,455
Total Capital	26,231,866	26,231,866
Capital Adequacy ratio		
CET1 Capital	18.103%	17.778%
Tier 1 Capital	18.103%	17.778%
Total Capital	18.235%	17.908%

NOTES TO THE FINANCIAL STATEMENT (continued)

30. Summary of significant accounting policies (continued)

However, we have come up with the impact it would have if the risk weighted asset up to 100% Basing on the Basel computation template provided central bank (BNR).

The real risk weighted assets for the determined value of these assets is considered to be 5% because the only unavoidable cash flow is the 3/60 months which is equivalent to the notice period we give to our landlords.

During the implementation of these standards; banks will discuss with central bank to update their CAR calculation template to reflect the real risk weighted average.

	Before IFRS 16 impact	After IFRS 16 Impact
	2018	**2018**
	Frw'000	**Frw'000**
Total RWA	143,851,343	143,851,343
Other assets (risk weight 5%)	-	131,660
Total RWA	**143,851,343**	**143,983,003**
CET1 Capital	26,041,455	26,041,455
Tier 1 Capital	26,041,455	26,041,455
Total Capital	26,231,866	26,231,866
Capital Adequacy ratio		
CET1 Capital	18.103%	18.086%
Tier 1 Capital	18.103%	18.086%
Total Capital	18.235%	18.219%

(b) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' or 'interest expense' in the statement of comprehensive income using the effective interest method.
The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.

(c) Fees and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

NOTES TO THE FINANCIAL STATEMENT (continued)

30. Summary of significant accounting policies (continued)

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Rwanda Francs ("Frw") which is the Bank's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(e) Financial assets

The Bank classifies its financial assets into the following categories: financial assets at fair value through profit or loss; loans and advances; held-to-maturity financial assets and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading. Financial assets are designated at fair value through profit or loss when:

- Doing so significantly reduces or eliminates a measurement inconsistency; or
- They form part of a group of financial assets that is managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis.

(ii) Loans, advances and receivables

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those classified as held for trading and those that the Bank on initial recognition designates as at fair value through profit and loss;
- those that the Bank upon initial recognition designates as available-for-sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and advances to customers, cash and other placements with the National Bank of Rwanda and other banks and other receivables are classified under this category.

(iii) Held-to maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Were the Bank to sell more than an insignificant amount of held-to-maturity assets, the entire category would have to be reclassified as available for sale.

NOTES TO THE FINANCIAL STATEMENT (continued)

30. Summary of significant accounting policies (continued)

(iv) Available-for-sale

Available-for-sale assets are non-derivatives that are either designated in this category or not classified in any other categories.

(v)Recognition and measurement

Purchases and sales of financial assets are recognised on the trade date, which is the date on which the Bank commits to purchase or sell the asset. Financial assets are initially recognised at fair value, plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the statement of comprehensive income in the period in which they arise. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income as "gains and losses from investment securities".

(vi)Determination of fair value

For financial assets traded in active markets, the determination of fair values is based on quoted market prices or dealer price quotations. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions. The Bank did not hold any financial assets quoted in an active market during the year

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the statement of financial position. The Bank uses widely recognized valuation models for determining fair values of its available for sale government securities.

((f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENT (continued)

30. Summary of significant accounting policies (continued)

(g) Impairment of financial assets

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

(a) significant financial difficulty of the issuer or obligor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio; and

(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

(i) Assets carried at amortised cost

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial instrument's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account. If a loan or held-to-maturity asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

NOTES TO THE FINANCIAL STATEMENT (continued)

30. Summary of significant accounting policies (continued)

Estimates of changes in future cash flows for groups of assets should reflect and be consistent with changes in related observable data from period to period (e.g. changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and advances to customers are classified in loan impairment charges whilst impairment charges relating to investment securities are classified in 'Net gains/ (losses) on investment securities'. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

(ii) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated always considered being past due until the probation time has been performed well to move forward in Normal loans

(h) Property and equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent values, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalue amount of the asset. All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the statement of comprehensive income.

Freehold land is not depreciated. Depreciation on other assets is calculated on the straight line basis to allocate their cost less their residual values over their estimated useful lives, as follows:

Asset Category	Useful life	Rate
Building & its improvement	50 years	2.00%
Leasehold	10 years	10.00%
Furniture and fittings	7 years	14.29 %
-All chairs	3 years	33.33%
Motor vehicles	5 years	20.00%
IT Equipment	3 years	33.33%
Other Equipment	5 years	20.00%
-Safe	10 years	10.00%
-Note counting Machine	2 year	50.00%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

NOTES TO THE FINANCIAL STATEMENT (continued)

30. Summary of significant accounting policies (continued)

The Bank assesses at each reporting date whether there is any indication that any item of property and equipment is impaired. If any such indication exists, the Bank estimates the recoverable amount of the relevant assets. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining profit.

(i) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (commonly five years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank, are recognised as intangible assets, when the following criteria have been met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use it;
- There is an ability to use the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, not exceeding five years for other software and ten years for core banking system.

(j) Income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the profit and loss account 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.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Rwandan Income Tax Act.

NOTES TO THE FINANCIAL STATEMENT (continued)

30. Summary of significant accounting policies (continued)

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the 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, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

(k) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases by the lessee. All other leases are classified as finance leases by the lessee.

(i) With the Bank as lessee

Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(ii) With the Bank as lessor

Leases of assets where the Bank has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in deposits from banks or deposits from customers depending on the counter party. The interest element of the finance cost is charged to the profit and loss account 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 investment properties acquired under finance leases are measured subsequently at their fair value.

(l) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with residual maturities of three months or less, including: cash and non-restricted balances with the National Bank of Rwanda, Treasury and other eligible bills, and amounts due from other banks. Cash and cash equivalents excludes the cash reserve requirement held with the National Bank of Rwanda.

(m) Employee benefits

(i) Retirement benefit obligations

The Bank and all its employees also contribute to the Social Security Fund of Rwanda, which is a defined contribution scheme. A defined contribution plan is a retirement benefit plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Bank's contributions to the defined contribution schemes are charged to the statement of comprehensive income in the year in which they fall due.

(ii) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

NOTES TO THE FINANCIAL STATEMENT (continued)

30. Summary of significant accounting policies (continued)

(n) Deposits

Deposits from customers are measured at amortised cost using the effective interest rate method.

(o) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(p) Dividends payable

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

(q) Fiduciary activities

The Bank commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Bank.

(r) Acceptances and letters of credit

Acceptances and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

(s) Repossessed properties

In certain circumstances, property is repossessed following the foreclosure on loans that are in default. Repossessed properties are measured at the lower of carrying amount and fair value less costs to sell and reported within 'Other assets'.

NOTES TO THE FINANCIAL STATEMENT (continued)

31. New standards, interpretations and amendments adopted by the Bank

1. **IFRS 9 Financial Instruments**

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

i. **Classification and measurement of financial assets and financial liabilities**

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Bank's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

NOTES TO THE FINANCIAL STATEMENT (continued)

31. New standards, interpretations and amendments adopted by the Bank (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

On initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

i. Classification and measurement of financial assets and financial liabilities (continued)

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOC	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENT (continued)

31. New standards, interpretations and amendments adopted by the Bank (continued)

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Bank's financial assets as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9
Financial assets		
Sovereign debt securities	Held-for-trading	Mandatorily at FVTPL
Corporate debt securities instrument	Available-for-sale	FVOCI-debt instrument
Equity securities	Available-for-sale	FVOCI - equity instrument
Equity securities	Designated as at FVTPL	Mandatorily at FVTPL
Trade and other receivables	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost
Corporate debt securities	Held to maturity	Amortised cos

i. Classification and measurement of financial assets and financial liabilities (continued)

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of trade receivables, cash and cash equivalents, and corporate debt securities. Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Bank measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.
- The Bank has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and informed credit assessment and including forward-looking information. The Bank assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

NOTES TO THE FINANCIAL STATEMENT (continued)

31. New standards, interpretations and amendments adopted by the Bank (continued)

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank considers this to be B+ per Rating Agency Fitch.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset. Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss and OCI.

Impairment losses on other financial assets are presented under 'finance costs', similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

ii. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The Bank has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Difference in the carrying amounts of financial assets and financial liability resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirement of IFRS 9 but rather those of IAS 39.
- The following assessments have been made on the basis of the facts and circumstance that existed at the date of initial application. The determination of the business model within which a financial assets is held.
- The designation and revocation of previous designation of certain financial assets and financial liabilities are measured at FVTPL; The designation of certain investment in equity instrument not held for trading as at FVOCI.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, the bank has assumed that the credit risk on the assets had not increased significantly since its initial recognition.

NOTES TO THE FINANCIAL STATEMENT (continued)

31. New standards, interpretations and amendments adopted by the Bank (continued)

1) IFRS 9 Financial Instruments

iii. Transition

a) Banks ratings		
		2018
	Loans & advances %	**Impairment provision %**
Stage 1 & 2	96%	53%
Stage 3	4%	47%
	100%	**100%**

b) Credit risk exposures relating to on-balance sheet assets are as follows:		
	2018	**2017**
	Frw' 000	**Frw' 000**
Balances with National Bank of Rwanda	20,815,000	15,126,796
Amount due from other banks	6,091,094	12,858,284
Investment securities		
Treasury bonds - at maturity	18,815,361	22,708,222
Treasury bills - at maturity	15,639,314	18,504,929
Loans and advances to customers		
Loans to individuals		
Mortgage loans	68,377,738	58,953,852
Equipment loans	14,303,950	14,705,381
Consumer loans	1,527,824	1,331,597
Treasury loans	22,852,022	20,941,281
Other loans and advances	22,543,497	22,407,396
Loans to corporate entities		
Large corporate entities	-	-
Small & medium size entities	-	-
Trading assets		
Treasury bonds and bills	-	-
Derivative assets	-	-
Other	238,063	629,097
	191,203,863	**188,166,835**

NOTES TO THE FINANCIAL STATEMENT (continued)

31. New standards, interpretations and amendments adopted by the Bank (continued)

1) IFRS 9 Financial Instruments

iii. Transition

c)Impairment charge for credit losses		
	2018	2017
	Frw' 000	Frw' 000
Net credit impairment raised and reversed for		
loans and advances to customers (Note 5)	(1,860,770)	(1,085,602)
loans and advances to Banks	-	-
Financial Investments	-	-
Off balance sheet	-	-
Recoveries on loans and advances previously written off	387,562	282,224
Modification gains and losses	-	-
	(1,473,208)	**(803,378)**

d) **Government securities**	**2018**	**2017**
	Frw' 000	**Frw' 000**
Government securities - At maturity		
Treasury bills		
At start of the year	**15,639,314**	18,504,929
Additions	-	-
Disposals	-	-
MTM adjustments	-	-
At end of the year	**15,639,314**	**18,504,929**
Treasury bonds		
At start of the year	**18,815,361**	22,708,222
Additions	-	-
Disposals	-	-
MTM adjustments	-	-
At end of the year	**18,815,361**	**22,708,222**
Total at end of year	**34,454,675**	41,213,151
Government securities - FVTPL		
Treasury bills	-	-
At start of the year	-	-
Additions	-	-
Disposals	-	-
MTM adjustments	-	-
At end of the year	-	-
Treasury bonds	-	-
At start of the year	-	-
Additions	-	-
Disposals	-	-
MTM adjustments	-	-
At end of the year	-	-
	34,454,675	**41,213,151**

NOTES TO THE FINANCIAL STATEMENT (continued)

31. New standards, interpretations and amendments adopted by the Bank (continued)

1) IFRS 9 Financial Instruments

iii. Transition

e) Reconciliation of expected credit losses for loans and advances measured at amortised cost

	Opening ECL	Total transfers between stages	Income statement movements				Net impairments raised/ (released)[1]	Impaired accounts written-off	Exchange and other movements	Closing ECL
			ECL on new exposures raised	Change in ECL due to modifications	Subsequent changes in ECL	Change in ECL due to derecognition				
Loan product by type										
Mortgage loans										
Stage 1	630,373	-	735,260	-	(570,201)	(67,009)	**98,050**	-	-	728,423
Stage 2	224,280	-	63,913	-	(963)	(11,995)	**50,956**	-	-	275,236
Stage 3	407,708	-	5,426	-	3,506	71,439	**80,371**	(119,388)	-	368,690
Equipment loans										
Stage 1	285,521	-	38,288	-	(223,595)	(823)	**(186,131)**	-	-	99,391
Stage 2	82,724	-	1,265	-	-	(82,724)	**(81,459)**	-	-	1,265
Stage 3	350,988	-	-	-	291,620	(59,448)	**232,172**	(32,295)	-	550,865
Consumer loans										
Stage 1	48,878	-	510	-	(16,321)	(10,388)	**(26,199)**	-	-	22,679
Stage 2	451	-	4	-	(13)	(322)	**(331)**	-	-	119
Stage 3	14,969	-	707	-	2,375	38,071	**41,153**	(48,546)	-	7,577
Treasury loans										
Stage 1	368,662	-	65,311	-	(194,515)	(53,604)	**(182,809)**	-	-	185,854
Stage 2	47,740	-	720	-	46,468	(24)	**47,163**	-	-	94,904
Stage 3	65,962	-	2,196	-	(3,532)	(11,914)	**(13,250)**	(216,161)	-	(163,449)
Overdraft loans										
Stage 1	394,539	-	25,977	-	7,398	(87,154)	**(53,779)**	-	-	340,760
Stage 2	8,526	-	4,525	-	106,471	(746)	**110,250**	-	-	118,776
Stage 3	1,225,796	-	25,251	-	1,050,978	662,491	**1,738,720**	(2,071,731)	-	892,785
Total	**4,157,117**	**-**	**969,351**	**-**	**499,676**	**385,850**	**1,854,877**	**(2,488,120)**	**-**	**3,523,873**

NOTES TO THE FINANCIAL STATEMENT (continued)

31. New standards, interpretations and amendments adopted by the Bank (continued)

1) IFRS 9 Financial Instruments

iii. Transition

f) Non-performing loans	Mortgage lending	Equipement loans	Other loans & Advances	Treasury loans	Total
	Frw' 000	Frw' 000	Frw' 000	Frw' 000	Frw' 000
At 1 January 2018					
Impaired accounts written off	(119,388)	(32,295)	(2,071,731)	(303,859)	(2,527,272)
Net provisions raised/(released)	80,371	232,172	1,779,873	25,902	2,118,318
Effects of foreign exchange movements	-	-	-	-	-
At 31 December 2018	(39,017)	199,877	(291,858)	(277,957)	(408,955)
Performing loans					
At 1 January 2018					
Net impairments raised	149,006	(267,590)	29,940	(135,645)	(224,289)
At 31 December 2018	149,006	(267,590)	29,940	(135,645)	(224,289)
Total	**109,989**	**(67,713)**	**(261,917)**	**(413,602)**	**(633,244)**

31. New standards, interpretations and amendments adopted by the Bank (continued)

1) IFRS 9 Financial Instruments

iii. Transition

g) Reconciliation of expected credit losses for off-balance sheet exposures

	Opening ECL	Total transfers between stages	Income statement movements				Net impairments raised/ (released)[1]	Exchange and other movements	Closing ECL
			ECL on new exposures raised	Change in ECL due to modifications	Subsequent changes in ECL	Change in ECL due to derecognition			
Off BS Committed Facilities									
Stage 1	-	-	-	-	-	-	-	-	-
Letters of credit and bank acceptances									
Stage 1	3,010	-	825	-	-	(3,010)	(2,185)		825
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-
Guarantees									
Stage 1	1,892	-	7,548	-	1,729	(1,195)	8,082		9,975
Stage 2	436	-	-	-	-	-	-	-	436
Stage 3	232	-	-	-	(3)	-	(3)	-	229
Total	**5,571**	**-**	**8,373**	**-**	**1,726**	**(4,205)**	**5,894**	**-**	**11,463**

NOTES TO THE FINANCIAL STATEMENT (continued)

31. New standards, interpretations and amendments adopted by the Bank (continued)

1) IFRS 9 Financial Instruments

iv) Impact of Adopting IFRS 9

IFRS 9 was issues by the IASB in July 2014 with an effective date of 1 Jan 2018. The Bank adopted the standard on 1 Jan 2018 resulting in a change in its accounting policies and adjustment to amounts previously recognised in the financial statements.

Below is the impact of the adoption of IFRS 9 on the statement of financial position, and retained earnings including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs.

A Classification and measurement of financial instruments

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

		IAS 39		IFRS 9	
	Financial Assets	**Measurement category**	**Carrying amount**	**Measurement category**	**Carrying amount**
	Cash & balances with BNR	Amortised costs (Loans and receivables)	15,126,796	Amortised costs	15,126,796
	Derivative assets	FVPL (Hedged instruments)	-	FVPL	-
	Government securities - held for trading	FVPL (Held for trading)	-	FVPL	-
	Government securities - (held at maturity)	Amortised costs (held at maturity)	41,213,151	Amortised costs	41,213,151
	Other investment	FVPL (share investments)	-	FVPL	-
	Current income tax recoverable	Amortised costs (Loans and receivables)	-	Amortised costs	-
	Amount due from other banks	Amortised costs (Loans and receivables)	12,858,284	Amortised costs	12,858,284
	Amounts due from group companies	Amortised costs (Loans and receivables)	-	Amortised costs	-
	Loans and advances to customers	Amortised costs (Loans and receivables)	115,006,967	Amortised costs	111,807,184
	Other assets	Amortised costs (Loans and receivables)	16,791,327	Amortised costs	16,791,327
			200,996,525		**197,796,742**

B) The impact of the transition to IFRS 9 on the retained earnings.

Retained Earnings	**Amounts**
Closing balance under IAS 39 (31 December 2017)	26,307,160
Recognition of IFRS 9 ECL	-3,205,354
Deferred tax relating to IFRS 9 above	-
Opening balance under IFRS 9 (1 January 2018)	**23,101,806**
Total change in equity due to adoption of IFRS 9	**3,205,354**

NOTES TO THE FINANCIAL STATEMENT (continued)

31. New standards, interpretations and amendments adopted by the Bank (continued)

1) IFRS 9 Financial Instruments

iv) Impact of Adopting IFRS 9

C) The following table provides a reconciliation of the impairment allowances measured in accordance with IAS 39 incurred loss model and IFRS 9 expected loss model at 1st January 2018.

Financial Assets	Loan Loss Allowances under IAS 39/ provisions under IAS 37	measurement	Loan Loss Allowances under IFRS 9
Financial investments	-	-	-
Loans and advances to banks	-	-	-
Loans and advances to customers	957,334	3,199,783	4,157,117
	957,334	**3,199,783**	**4,157,117**
Loan contracts and financial guarantee contracts	-		
Loans and advances to customers (Loan commitments)	-	5,571	5,571
Provisions (financial guarantees)	-	-	-
	957,334	**3,205,354**	**4,162,688**

NOTES TO THE FINANCIAL STATEMENT (continued)

31. New standards, interpretations and amendments adopted by the Bank (continued)

1) IFRS 9 Financial Instruments

iv) Impact of Adopting IFRS 9

D) The table below shows the ECL charges on the financial instruments on the date of transition.

	Stage 1 Frw' 000	Stage 2 Frw' 000	Stage 3 Frw' 000	Total Frw' 000
Financial investments	-	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to customers	1,727,973	363,721	2,065,423	4,157,117
Loans and advances to customers (Loan commitments)	4,903	436	232	5,571
Provisions (financial guarantees)	-	-	-	-
	1,732,876	**364,157**	**2,065,655**	**4,162,688**

E) The table below shows the impairment comparisons between local regulatory requirements and IFRS 9 as at 1 January 2018

	Frw' 000
Specific Provisions (Regulatory)	**1,147,745**
General Provisions (Regulatory)	**-**
Total regulatory provisions	**1,147,745**
Less impairment in accordance with IFRS 9	
Stage 1	1,732,876
Stage 2	364,157
Stage 3	2,065,655
Extra provisions held against regulatory requirements	**3,014,943**

NOTES TO THE FINANCIAL STATEMENT (continued)

31. New standards, interpretations and amendments adopted by the Bank (continued)

1) IFRS 9 Financial Instruments

iv) Impact of Adopting IFRS 9

F) Transition from IAS 39 to IFRS 9's impairments by segment assets class

	IAS 39- 31 December 2017					IFRS 9- 1 January 2018				IFRS 9- transition adjustment- 1 January 2018		
	Performing portfolio provision Frw' 000	Specific debt Provision Frw' 000	Total IAS 39 provision (excluding IIS) Frw' 000	IIS Frw' 000	Total IAS 39 provision (including IIS) Frw' 000	Stage 1 Frw' 000	Stage 2 Frw' 000	Stage 3 Frw' 000	Total IFRS 9 provision (including IIS) Frw' 000	Gross Frw' 000	Tax Frw' 000	Net Frw' 000
Retail & SMEs	-	830,112	830,112	1,301,806	**2,131,918**	401,162	28,109	1,538,461	**3,269,538**	1,137,620	-	1,137,620
Corporate Banking	-	127,222	127,222	1,073,398	**1,200,621**	1,331,714	336,048	527,194	**3,268,355**	2,067,734	-	2,067,734
Total	**-**	**957,334**	**957,334**	**2,375,204**	**3,332,539**	**1,732,876**	**364,157**	**2,065,655**	**6,537,892**	**3,205,354**	**-**	**3,205,354**

NOTES TO THE FINANCIAL STATEMENT (continued)

31. New standards, interpretations and amendments adopted by the Bank (continued)

1) IFRS 9 Financial Instruments

iv) Impact of Adopting IFRS 9

G) Reconciliation of expected credit losses for loans and advances measured at amortised cost

A reconciliation of the expected credit loss for loans and advances, by class:

	Opening ECL 2018/01/01	Total transfers between stages	Income statement movements Frw'000 Frw'000 Frw'000				Net impairments raised /(released)	Impaired accounts written-off	Exchange and other movements	Closing ECL 2018/12/31
	Frw'000	Frw'000					Frw'000			
			ECL on new exposures raised	Change in ECL due to modifications	Subsequent changes in ECL	Change in ECL due to derecognition				Frw'000
			Frw'000	Frw'000	Frw'000	Frw'000				
Corporate & Investment Banking (CIB)										
Mortgage loans										1000
Stage 1	456,643	-	702,607	-	(441,742)	(52,310)	**208,555**	-	-	**665,197**
Stage 2	198,369	-	63,913	-	-	(11,995)	**51,918**	-	-	**250,287**
Stage 3	43,133	-	-	-	(10,594)	76,255	**65,661**	(119,388)	-	**(10,594)**
Equipment laons										
Stage 1	272,523	-	21,814	-	(211,702)	(820)	**(190,708)**	-	-	**81,815**
Stage 2	82,724	-	-	-	-	(82,724)	**(82,724)**	-	-	**-**
Stage 3	344,514	-	-	-	295,885	(91,235)	**204,649**	-	-	**549,163**
Consumer loans										
Stage 1	387	-	-	-	-	(387)	**(387)**		-	**-**
Stage 2	-	-	-	-	-		**-**	-	-	**-**
Stage 3	-	-	-	-	-		**-**	-	-	**-**
Treasury loans										
Stage 1	269,270	-	40,537	-	(150,391)	(33,796)	**(143,649)**	-	-	**125,621**
Stage 2	47,696	-	-	-	16,561	-	**16,561**	-	-	**64,257**
Stage 3	46,221	-	-	-	-	(10,981)	**(10,981)**	(211,300)	-	**(176,060)**

31. New standards, interpretations and amendments adopted by the Bank (continued)

G) Reconciliation of expected credit losses for loans and advances measured at amortised cost

Other Loans & Advances										
Stage 1	328,319	-	22,211	-	(2,331)	(60,486)	**(40,606)**	-	-	**287,713**
Stage 2	7,259	-	125	-	175,015	(9)	**175,131**	-	-	**182,390**
Stage 3	93,327	-	1,201	-	784,225	140,120	**925,546**	(141,287)	-	**877,587**
Off balance sheet										
Stage 1	4,571	-	7,104	-	1,720	(3,901)	**4,924**	-	-	**9,495**
Stage 3	-	-	-	-	(2)		**(2)**	-	-	**(2)**
Personal & Business Banking (PBB)										
Mortgage loans										
Stage 1	173,730	-	32,653	-	(128,459)	(14,699)	**(110,505)**	-	-	**63,226**
Stage 2	25,911	-	-	-	(963)	-	**(963)**	-	-	**24,948**
Stage 3	364,574	-	5,426	-	14,099	(4,816)	**14,710**	-	-	**379,284**
Equipment loans										
Stage 1	12,998	-	16,473	-	(11,893)	(3)	**4,577**	-	-	**17,575**
Stage 2	-	-	1,265	-	-	-	**1,265**	-	-	**1,265**
Stage 3	6,475	-	-	-	(4,265)	31,787	**27,522**	(32,295)	-	**1,702**
Consumer loans										
Stage 1	48,491	-	510	-	(16,321)	(10,001)	**(25,812)**	-	-	**22,679**
Stage 2	451	-	4	-	(13)	(322)	**(331)**	-	-	**119**
Stage 3	14,969	-	707	-	2,375	38,071	**41,153**	(48,546)	-	**7,577**
Treasury loans										
Stage 1	99,392	-	24,773	-	(44,124)	(19,808)	**(39,159)**	-	-	**60,233**
Stage 2	44	-	720	-	29,906	(24)	**30,602**	-	-	**30,647**
Stage 3	19,741	-	2,196	-	(3,532)	(933)	**(2,269)**	(4,861)	-	**12,611**
Other Loans & Advances										
Stage 1	66,220	-	3,766	-	9,729	(26,668)	**(13,173)**	-	-	**53,046**
Stage 2	1,267	-	4,400	-	(68,544)	(737)	**(64,880)**	-	-	**(63,614)**
Stage 3	1,132,469	-	24,050	-	266,753	522,371	**813,173**	(1,930,444)	-	**15,198**
Off balance sheet										
Stage 1	331	-	1,269	-	9	(121)	**1,157**	-	-	**1,489**
Stage 2	436	-				(184)	**(184)**		-	**252**
Stage 3	232	-			(1)		**(1)**	-	-	**231**
Total	**4,162,688**	**-**	**977,724**	**-**	**501,401**	**381,645**	**1,860,770**	**(2,488,120)**	**-**	**3,535,338**

NOTES TO THE FINANCIAL STATEMENT (continued)

31. New standards, interpretations and amendments adopted by the Bank (continued)

1) IFRS 9 Financial Instruments

iv) Impact of Adopting IFRS 9

H) Modifications on loans and advances measured at amortised cost

	Stage 1		Stage 2		Stage 3		Purchased/originated credit impairment	
	Gross amortised cost before modification	Net modification gain or loss	Gross amortised cost before modification	Net modification gain or loss	Gross amortised cost before modification	Net modification gain or loss	Gross amortised cost before modification	Net modification gain or loss
	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000
As at 31 December 2018								
Mortgage loans	65,317,220	-	2,478,131	-	582,386	-	68,377,738	-
Equipment loans	13,364,050	-	21,619	-	918,281	-	14,303,950	-
Consumer loans	1,203,825	-	208,505	-	115,493	-	1,527,824	-
Treasury loans	21,748,490	-	930,474	-	173,058	-	22,852,022	-
Other loans and advances	13,114,636	-	2,978,902	-	3,948,245	-	20,041,783	-
Bank	-	-	-	-	-	-	-	-
Total	**114,748,222**	-	**6,617,632**	-	**5,737,464**	-	**127,103,317**	-

I) Impact on the Cogabanque's extracted statement of financial position on 1 January 2018

		IFRS9 transition adjustment at 1 January 2018			
	IAS 39 at 31 December 2017 Frw' 000	IFRS 9 ECL Frw' 000	IFRS 9 classification and measurement Frw' 000	Total Frw' 000	IFRS 9 at 1 January 2018 Frw' 000
Assets					
Financial Instruments	41,213,151	-	-	41,213,151	41,213,151
Amount due from other banks	12,858,284	-	-	12,858,284	12,858,284
Loans and advances to Customers	115,006,967	(3,199,783)	-	111,807,184	111,807,184
Other Financial and non-financial assets	31,918,123	-	-	31,918,123	31,918,123
Total Assets	**200,996,525**	**(3,199,783)**	-	**197,796,742**	**197,796,742**
Equity and Liabilities					
Equity					
Equity attributable to the ordinary shareholder	**26,307,159**	**(3,205,354)**	-	**23,101,805**	**23,101,805**
Equity attributable to other equity holders	-		-	-	
Equity attributable to non-controlling interest	-		-	-	
Liabilities	**174,689,366**	**5,571**	-	**174,694,937**	**174,694,937**
Total Equity and liabilities	**200,996,525**	**(3,199,783)**	-	**197,796,742**	**197,796,742**

NOTES TO THE FINANCIAL STATEMENT (continued)

31.	New standards, interpretations and amendments adopted by the Bank (continued)

1) IFRS 9 Financial Instruments

iv) Impact of Adopting IFRS 9

J) Impact on the Cogabanque's statement of Changes in Equity on 1 January 2018

COGEBANQUE	IAS 39 at 31 December 2017 Frw' 000	IFRS 9 transition adjustment at 1 January 2018 Frw' 000	IFRS 9 at 1 January 2018 Frw' 000
Ordinary Share Capital and Share Premium	21,913,728	(3,205,354)	18,708,374
Retained earnings	4,203,022	-	4,203,022
Other	190,410	-	190,410
Total Ordinary shareholder's equity	26,307,160	(3,205,354)	23,101,806
Total Equity and Liabilities	**26,307,160**	**(3,205,354)**	**23,101,806**

K) Impact on financial instrument classification (excluding impact of IFRS 9 ECL)

IFRS 9 transition adjustment at 1 January 2018								
COGEBANQUE	**IAS 39 at 31 December 2017 Frw' 000**	**Held-for-trading Frw' 000**	**Designated at Fair Value Frw' 000**	**Fair value through profit or loss default Frw' 000**	**Amortised Cost Frw' 000**	**Fair value through OCI**	**IFRS 9 1 January 2018 Frw' 000**	**Transitional adjustment Frw' 000**
Financial assets								
Held for Trading	-							
Designated at fair value	-							
Loans and receivables	115,006,967	-	-		115,006,967		111,807,184	3,199,783
Held to Maturity	41,213,151		-		41,213,151	-	41,213,151	-
Other assets at amortised cost	44,776,407				44,776,407		44,776,407	-
Total Financial assets	**200,996,525**	**-**	**-**	**-**	**156,220,118**	**-**	**153,020,335**	**3,199,783**
Financial liabilities								
Held for trading	-		-		-		-	-
Designated at fair value	-		-		-		-	-
Other amortised cost	174,689,366		-		174,689,366		174,694,937	5,571
Total Financial liabilities	**174,689,366**		**-**		**174,689,366**		**174,689,366**	**5,571**

NOTES TO THE FINANCIAL STATEMENT (continued)

31. New standards, interpretations and amendments adopted by the Bank (continued)

1) IFRS 9 Financial Instruments

iv) Impact of Adopting IFRS 9

L) Transition from IAS 39 to IFRS 9's impairments by segment and assets class

	IAS 39- 31 December 2017					IFRS 9- 1 January 2018				IFRS 9- transition adjustment- 1 January 2018		
	Performing portfolio provision Frw' 000	Specific debt Provision Frw' 000	Total IAS 39 provision (excluding IIS) Frw' 000	IIS Frw' 000	Total IAS 39 provision (including IIS) Frw' 000	Stage 1 Frw' 000	Stage 2 Frw' 000	Stage 3 Frw' 000	Total IFRS 9 provision (including IIS) Frw' 000	Gross Frw' 000	Tax Frw' 000	Net Frw' 000
Personal & Business Banking (PBB)	830,112	830,112	1,301,806	**2,131,918**	401,162	28,109	1,538,461	**3,269,538**	1,137,620	-	1,137,620	830,112
Corporate & Investment Banking (CIB)	127,222	127,222	1,073,398	**1,200,621**	1,331,714	336,048	527,194	**3,268,355**	2,067,734	-	2,067,734	127,222
Total	**957,334**	**957,334**	**2,375,204**	**3,332,539**	**1,732,876**	**364,157**	**2,065,655**	**6,537,892**	**3,205,354**	**-**	**3,205,354**	**957,334**

	Stage 1		Stage 2		Stage 3		Purchased/originated credit impairment		Total	
	Gross amortised cost before modification	Net modification gain or loss	Gross amortised cost before modification	Net modification gain or loss	Gross amortised cost before modification	Net modification gain or loss	Gross amortised cost before modification	Net modification gain or loss	Gross amortised cost before modification	Net modification gain or loss
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
2018										
Mortgage loans	65,317,220	-	2,478,131	-	582,386	-	-	-	**68,377,738**	-
Equipment loans	13,364,050	-	21,619	-	918,281	-	-	-	**14,303,950**	-
Consumer loans	1,203,825	-	208,505	-	115,493	-	-	-	**1,527,824**	-
Treasury loans	21,748,490	-	930,474	-	173,058	-	-	-	**22,852,022**	-
Other loans and advances	13,114,636	-	2,978,902	-	3,948,245	-	-	-	**20,041,783**	-
Bank	-	-	-	-	-	-	-	-	**-**	-
Total	**114,748,222**	**-**	**6,617,632**	**-**	**5,737,464**	**-**	**-**	**-**	**127,103,317**	**-**

NOTES TO THE FINANCIAL STATEMENT (continued)

31. New standards, interpretations and amendments adopted by the Bank (continued)

1) IFRS 9 Financial Instruments

iv) Impact of Adopting IFRS 9

M) Reconciliation of expected credit losses for off-balance sheet exposureS

	Opening ECL 01 January 2018	Total transfers between stages	Income statement movements Frw'000 Frw'000 Frw'000				Net impairments raised/ (released)[1]	Exchange and other movements	Closing ECL 31 January 2018
	Frw'000	Frw'000							
			ECL on new exposures raised	Change in ECL due to modifications	Subsequent changes in ECL	Change in ECL due to derecognition			
			Frw'000	Frw'000	Frw'000	Frw'000			
Off BS Committed Facilities									
Stage 1	-	-		-	-	-	-		
Letters of credit and bank acceptances									
Stage 1	3,010	-	825	-	-	(3,010)	(2,185)	-	825
Stage 2	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-
Guarantees							-		
Stage 1	1,892	-	7,548	-	1,729	(1,195)	8,082	-	9,975
Stage 2	436	-	-	-		-	-		436
Stage 3	232	-	-	-	(3)	-	(3)		229
Total	**5,571**	**-**	**8,373**	**-**	**1,726**	**(4,205)**	**5,894**		**11,463**

NOTES TO THE FINANCIAL STATEMENT (continued)

ADDITIONAL DISCLOSURES

Item	Amount (Frw'000)
1. Off-balance sheet items	5,573,814
2.Non-performing loans indicators	
(a) Non-performing loans (NPL)	8,589,722
(b) NPL ratio	6.36%
3.Capital Strength	
a. Core capital (Tier 1)	25,158,475
b. Supplementary capital (Tier 2)	1,639,738
c. Total Capital	26,798,213
d. Total risk weighted assets	140,871,211
e. Core capital/Total risk weighted assets ratio	17.86%
f. Tier 1 ratio	17.86%
g. Total capital/total risk weighted assets ratio	19.02%
h. Tier 2 ratio	1.16%
4. Liquidity	
a. Liquidity coverage ratio	115%
5.Insider lending	
a. Loans to directors, shareholders and subsidiaries	7,784,172
b. Loan to employees	2,863,550
6. Management and Board composition	
a. Number of Board members	9
b. Number of executive directors	0
c. Number of non-executive directors	9
d. Number of female directors	1
e. Number of male directors	8
f. Number of Executive committee	5
g. Number of females in the Executive committee	1
h. Number of males in the Executive committee	4