COGEBANQUE 2016 ANNUAL REPORT

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COGEBANQUE AT A GLANCE

Compagnie Générale de Banque Limited (COGEBANQUE) is a broad based commercial Bank which is licensed and regulated by the National Bank of Rwanda (BNR). It started operations on the 17th July 1999. The Bank has 297 permanent staff, 22 branches and operational 350 Bank agents both in Kigali, the capital city of Rwanda and in the provinces. About 97% of Cogebanque's shareholders are Rwandan institutions and businessmen.

The Bank's rapid and consistent growth over the past few years has made it a force to reckon within the Banking sector in Rwanda. This growth is supported by a robust level of liquidity and profitability.
The Bank has a respectable representation in the Corporate, SME and Retail segments of the market. In line with the Bank's mission and vision, various initiatives are being pursued geared towards offering superior and unrivalled products to customers. Central to this strategy, is the use of technology to enhance efficiency and improve our delivery channels. Closely allied to this, is our commitment and drive to pursue Banking penetration through financial inclusion. To this end, the following initiatives will be pursued:

- Increase the number of bank agents throughout out the country. The bank has over 350 agents and the goal is to reach 600 by end of 2017.
- Promote the use of mobile financial services to give our customers easy access to banking services.

- Promote the use of online banking to enhance efficiency and offer convenience to our customers, especially institutional clients.

VISION

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

MISSION

Our overriding mission is to create, maintain and enhance shareholder value by providing unrivaled financial solutions to our customers.

VALUES

Integrity

We are honest and transparent in our business dealings and always act in an ethical and professional manner when dealing with our customers and business partners

Commitment

We have an insatiable commitment to achieve the vision of the bank through customer satisfaction

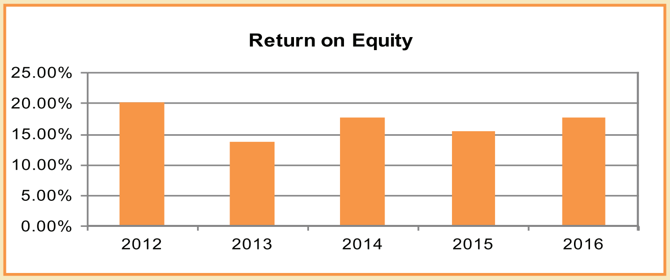
Customer orientation

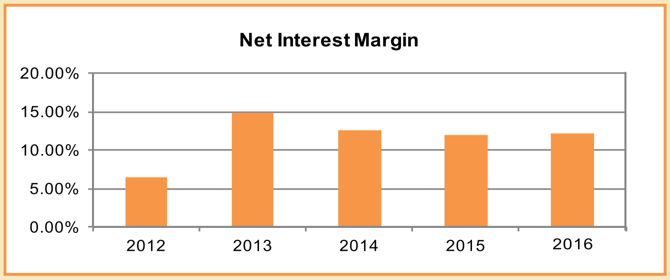
We are customer centric and go at all lengths to ensure that their needs are satisfied with our products and services

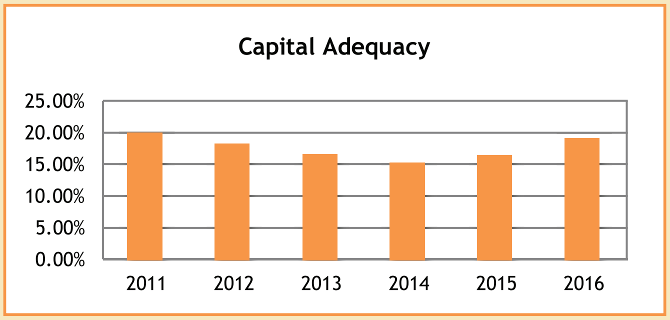
Quality

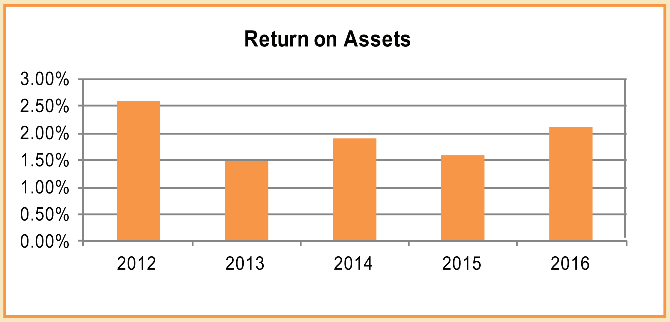
We are driven by quality and this is reflected in everything we do

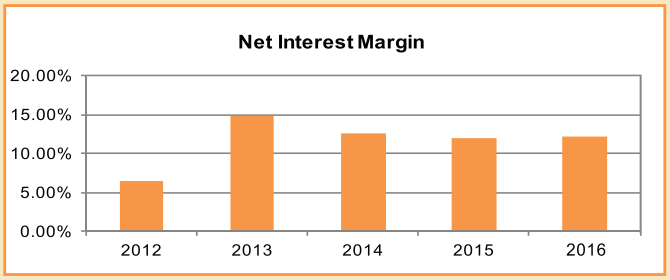
KEY PERFORMANCE INDICATORS

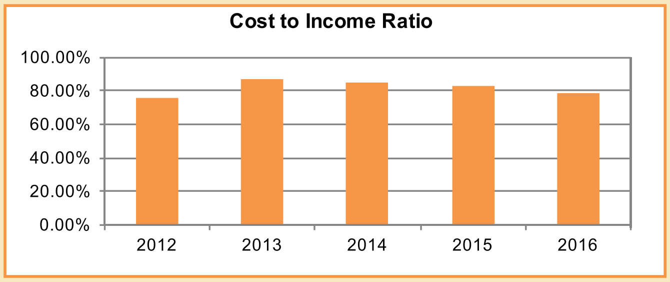


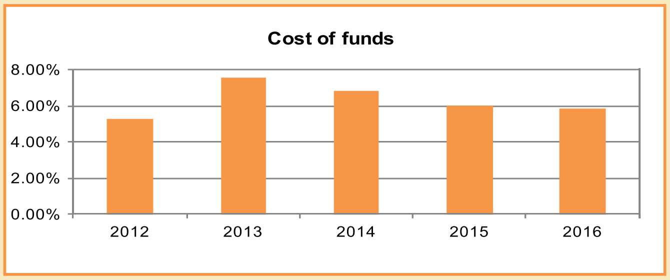


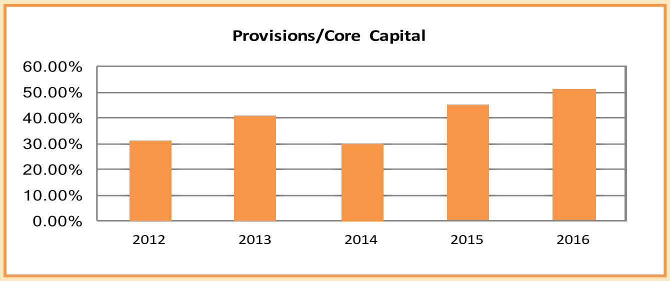












Total asset
Frw 176 billion

Total Deposits
Frw 151 billion

Total loans
Frw 107 billion

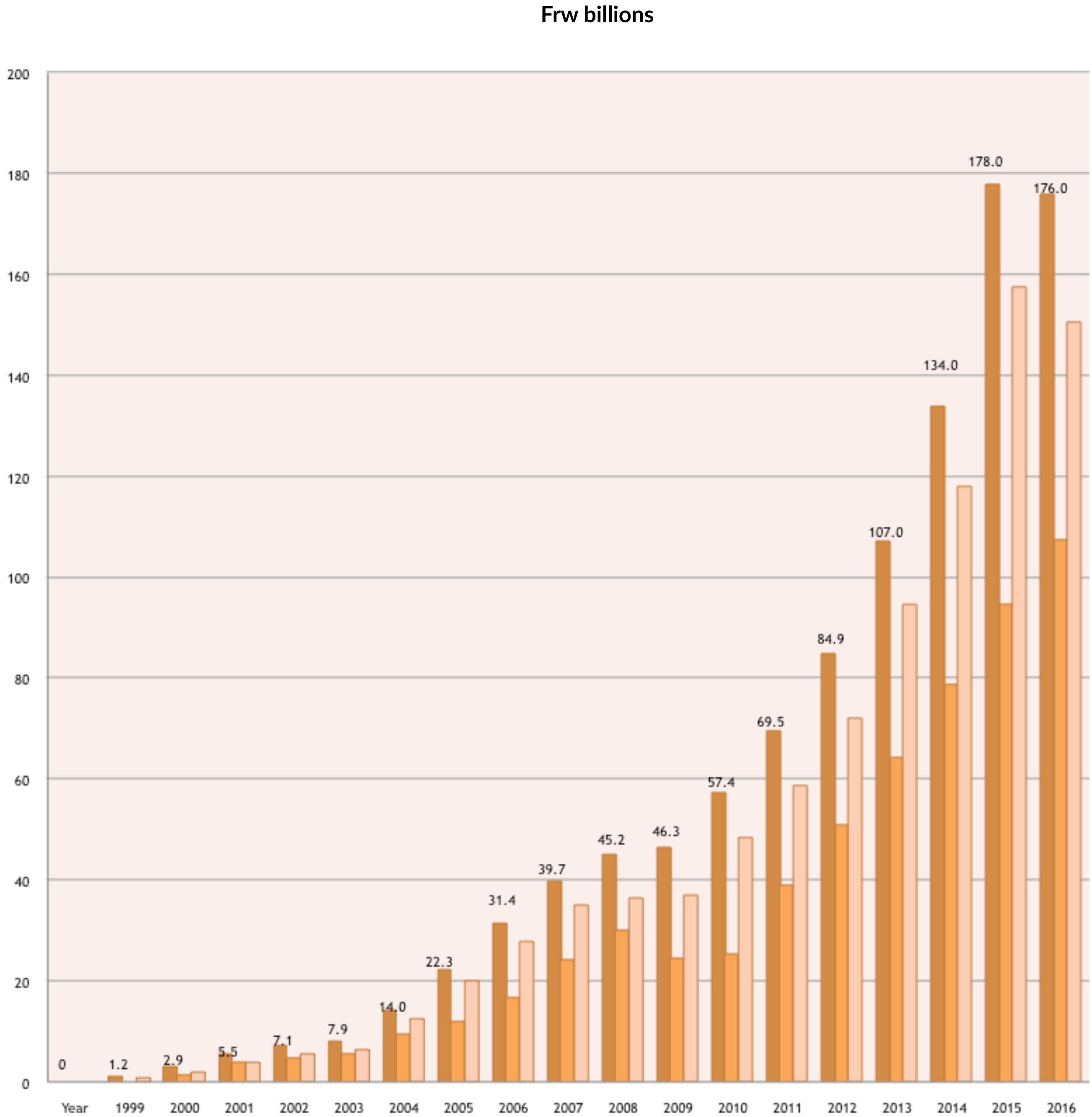
Net profit
Frw 3.6 billion

Branches
22

Bank agents
497

Employees
297

FINANCIAL HIGHLIGHTS



KEY

Total Assets Total Loans Total Liabilities

FINANCIAL HIGHLIGHTS

Frw'000	2011	2012	2013	2014	2015	2016	CAGR*
Net interest income	3,704,906	5,557,498	6,721,637	7,320,210	8,671,480	10,945,735	24.2%
Net fee income	1,236,274	1,311,969	1,500,346	2,273,453	2,374,362	2,560,945	15.7%
Other income	1,317,924	1,658,203	1,805,457	996,192	1,465,164	1,142,614	-2.8%
Total income	6,259,104	8,527,670	10,027,440	10,589,855	12,511,006	14,649,294	18.5%
Operating expenses	(4,400,323)	(5,468,335)	(8,441,982)	(7,266,295)	(7,784,684)	(8,646,123)	14.5%
Profit before tax	1,858,781	3,059,335	1,585,458	3,259,124	3,814,453	5,389,878	23.7%
Profit after tax	1,226,644	2,037,649	1,167,449	2,236,288	2,581,918	3,628,723	24.2%
Net loans and advances	38,812,632	50,996,611	62,926,038	78,807,542	94,671,109	107,327,363	22.6%
Total assets	69,460,000	84,930,000	107,048,000	134,000,000	177,958,000	175,970,372	20.4%
Customer deposits	58,673048	71,963,196	94,312,252	90,574,057	110,413,118	105,147,180	12.4%
Capital and reserves	9,576,702	11,114,351	11,481,799	13,718,087	18,285,005	21,913,728	18.0%
Capital adequacy ratio	20.10%	18.40%	16.70%	15.30%	17.90%	19.26%	
Liquidity ratio	28.20%	26.50%	48.80%	38.40%	42.50%	36.30%	
Cost to income ratio	81.00%	75.90%	87.10%	85.40%	83.50%	79.60%	
Cost of funds	4.10%	5.30%	7.61%	6.85%	6.02%	5.90%	
ROE	13.00%	20.10%	13.70%	17.70%	15.50%	17.60%	
Net interest margin	4.90%	6.60%	14.90%	12.70%	12.00%	12.30%	

* Compound Annual Growth Rate

FINANCIAL HIGHLIGHTS

Ratios

CAPITAL ADEQUACY	2012	2013	2014	2015	2016
Core capital/risk weighted assets	18.40%	16.70%	15.40%	17.90%	19.26%
Total qualifying capital/risk weighted assets	18.40%	16.70%	15.40%	17.90%	19.26%
Large exposures/core capital	66.10%	89.10%	120.30%	111.80%	135.30%
Provisions/core capital	31.50%	41.10%	30.30%	45.10%	51.50%
ASSET QUALITY					
Non-performing loans/gross loans	7.60%	8.10%	5.90%	8.30%	9.41%
Provisions/non-performing loans	27.30%	38.80%	51.50%	38.90%	39.40%
Earning assets/total asset	81.70%	87.70%	87.20%	87.60%	85.50%
Fixed assets/core capital	32.90%	35.70%	45.30%	48.70%	51.10%
Large exposures/gross loans	11.60%	9.20%	17.20%	17.70%	22.80%
PROFITABILITY & EFFICIENCY					
Return on average assets	2.60%	1.50%	1.90%	1.60%	2.10%
Return on average equity	20.10%	13.70%	17.70%	15.50%	17.60%
Net interest margin	6.60%	14.90%	12.70%	12.00%	12.30%
Yield on loans	14.80%	17.38%	16.70%	15.63%	15.00%
Cost of funds	5.30%	7.61%	6.85%	6.02%	5.90%
Cost to income ratio	75.90%	87.10%	85.40%	83.50%	79.60%
LIQUIDITY					
Short term gap/total assets	13.80%	21.60%	12.30%	-5.10%	-2.90%
Liquid assets/total customer deposits	26.50%	48.80%	38.40%	42.50%	36.30%
Interbank borrowing/total customer deposits	12.90%	28.50%	23.70%	30.90%	43.30%
Loan to deposits ratio*	82.40%	108.00%	74.30%	69.70%	106.20%
SENSITIVITY TO MARKET RISK					
Foreign currency exposure/core capital	-4.50%	-8.70%	-8.43%	-19.41%	-19.47%
Foreign currency loans / foreign currency deposits	0.07%	0.20%	21.50%	25.30%	34.30%
Foreign currency assets/foreign currency liabilities	53.40%	95.10%	90.20%	88.00%	74.80%

* Excludes deposits from financial institutions

STATEMENT BY THE CHAIRMAN OF THE BOARD

Philibert AFRIKA
Chairman of the Board of Directors

> We will continue to ensure that our service is ranked among the best in the market. We believe that good customer service is a *sine qua non* for sustainable financial performance

Performance

I take the opportunity once again to present the 2016 annual report of COGEBANQUE. You would no doubt be glad to know that 2016 was an exceptionally good year for the bank. It is rather satisfying to see that our various initiatives are positively impacting shareholder value.

The bank's net profit grew by 41% from RWF 2.5 billion in 2015 to RWF 3.6 billion as at 31st December 2016. This represents the bank's highest profitability both in relative and nominal terms. This was driven mainly by growth in risk weighted assets, growth in unfunded income and a modest growth in interest expense. Our cost to income ratio stood at 79.6% at year-end compared to 83.5% at the end of 2015. ROE also remained strong at 17.6%, which also compares favorably with 2015. It is fair to add that the bank's performance in 2016 is part of a bigger narrative. With a 10-year compound annual growth rate (CAGR) of 23% in total assets, Cogebanque is incontestably one of the fastest growing banks in the Rwanda. Whilst we take pride in these laudable achievements, we shall not rest on our laurels.

Last year, I talked about the challenges we face balancing the growth in risk weighted asset and setting aside enough capital to cater for possible losses. I am happy to report that the bank's capital adequacy ratio stood at 19.26% as at 31st December 2016 following the shareholders' decision to invest all earnings back. This is well above the regulatory norm of 15% and hence gives us some significant headroom to support the growth in risk weighted assets. The National Bank of Rwanda - BNR is adopting a new capital adequacy regime in 2017. Our goal will remain the same – to maintain a ratio that is sound and allows for healthy asset growth.

"The bank's net profit grew by 41% from RWF 2.5 billion to RWF 3.6 billion. This represents the bank's highest profitability both in relative and nominal terms."

The bank also recorded respectable accomplishments in other areas of the business. We will continue to ensure that our service is ranked among the best in the market. We believe that good customer service is a *sine qua non* for sustainable financial performance. We also conducted a Human Resources Study, the purpose of which was to assess the bank's positioning with respect to such variables as staff skills, remuneration levels as well as human resources tools and practices employed by the bank, with a view to consolidating best practices as well as identifying possible gaps. The process of implementing the report's recommendation will commence in 2017.

We have seen more expansion and diversification of our delivery channels. Our HQ project is still ongoing and we expect to move into the new building in the middle of 2017.

Outlook for 2017

COGEBANQUE remains a strong and valued brand in the market and we believe that this will continue to translate into positive performance going forward. Given the IMF's outlook for 2017, with world GDP projected to be 3.4% and BNR's positive outlook for the Rwandan economy and the financial sector in particular, we stand ready to position the bank to take advantage of these opportunities.

As the bank continues to grow from strength to strength and unlock its potential, our focus on asset quality and superior profitability will remain paramount. This will be anchored on a sound risk management and governance framework that is beyond reproach. We remain unforgiving about our belief in qualitative growth. We shall also be launching a five-year strategic plan during the year. The bank's mission, vision and strategic priorities, the various challenges posed by the external environment in which we operate as well as industry dynamics provide a firm underpinning for the strategic plan.

We are also expanding our delivery channels with more branches, ATMs, Agents and electronic channels. We plan to integrate with MTN for push and pull and also introduce a mobile wallet which should pave the way for micro loans and micro savings. We will be re- launching our internet banking platform in 2017 after enhancing it with more features to cater for our clients diverse needs. It will incorporate the needs of our clients especially in the corporate segment. These developments will help significantly increase mobile and internet banking users and transactions. Moreover, we expect to see even more improvements in customer service, efficiency and positive developments in our cost to income ratio.

In October 2016, the bank and its shareholders signed a Memorandum of Understanding (MOU) with Attijariwafa Bank, a leading banking group in Morocco. The due diligence process started in December 2016 and has now been completed. We are excited about the opportunities a new partner could bring and look forward to finalizing the transaction soonest.

"As the bank continues to grow from strength to strength and unlock its true potential, our focus on asset quality and superior profitability will remain paramount."

Challenges

Growth comes with its own challenges. Beside the fact that more capital needs to be set aside to build up a cushion against possible losses and also create lending headroom, competition can get intense especially as banks fight for market share and defend their turf. Also, the global economy could pose external shocks. As we continue to bolster our capacity to deal with these challenges, we continue to strengthen our team and ensure that key roles are filled with devoted and competent professionals to skillfully drive our strategy and vision forward

Governance and Community engagement

Our commitment to good governance and high ethical conduct means that we will continue to work closely with the regulators and strive to be a force for good in the financial sector and society at large.

As far as community engagement is concerned, the bank remained very active in 2016 and gracefully embarked on activities ranging from sponsorships to putting money into good causes and *pro bono* activities.

Conclusion

As we continue to pursue our mission and vision, the bank will continue to pursue strategies aimed at delivering sound business performance while meeting the diverse needs of our stakeholders who stand credited for the bank's achievements. We believe that this will continue to give us credibility in the market and make us the indomitable partner of choice for our stakeholders.

I express my special and profound gratitude and appreciation to the board, management and staff of the bank for their insatiable commitment, passion and selfless service. A big thank you goes to our customers for their trust and support. On behalf of the board of directors, we wish to appreciate the role of the government of Rwanda and the National Bank of Rwanda for their support and guidance. We profusely express our gratitude to the shareholders for their usual unwavering support and cooperation.

Philibert AFRIKA
Chairman of the Board of Directors

As the bank continues to grow from strength to strength and unlock its true potential, our focus on asset quality and superior profitability will remain paramount

ACTING MANAGING DIRECTOR'S REPORT

Vivian IGUNDUURA
Acting Managing Director

> We believe that the starting point of our business model is the need to understand our customers and ensure we work relentlessly to delight them and exceed their expectations

Dear stakeholders,

I am excited to be addressing you for the first time as Acting Managing Director of the bank. I joined the team in June 2016 and must say that I am honored to be part of this young and dynamic team at Cogebanque, a bank with such a strong and enviable legacy. Cogebanque remains a strong dynamo and continues to consolidate its position as a strong player in the industry.

Economic and business landscape

The world economy is at last showing signs of sustainable recovery and a general feeling that business confidence is rising in a rather synchronized manner across the globe. After a rather long spell of loose monetary policy to support growth, normal monetary policy is set to resume in advanced economies. In fact, the Federal Reserve Bank in the USA has already signaled that interest rate rises should be expected in 2017. It is against this back drop that the IMF projects the World Economy to grow by 3.4% in 2017 from 3.1% in 2016.

This recovery is also expected to benefit emerging market countries with growth expected to be 4.5% in 2017.

Despite this positive outlook, there are risks that could derail the recovery. Trade wars, China's growing debt pile, the premature termination of the European Central Bank's quantitative easing program, the Federal Reserve raising interest rates too quickly etc. are noteworthy risk factors.

On the home front, the National Bank of Rwanda's accommodative monetary policy geared towards striking a healthy balance between growth and inflation, supports lending to the private sector. Leading indicators point to a rise in economy activity. The economy is expected to grow by 6% in real terms in 2017.

With rising commodity prices and therefore export receipts, coupled with a focus on import substitution thanks to the 'Made in Rwanda' initiative, the country's trade deficit will likely improve in 2017 and this should benefit the Rwandan franc.

Liquidity in the banking sector was very tight according to The National Bank of Rwanda sources. The level of liquid assets held by banks dropped by 13% as at end of 2016 to Frw 263.6 billion compared to Frw 302.9 at the end of 2015. This was mainly ascribed to the general slow down in the level of economic activities as well as developments in the local foreign currency market. Money market interest rates increased in 2016, to reflect tightness in liquidity conditions, with Treasury bill, Repo and interbank rates all registering an increase from 2015 levels. BNR's desire to increase the correlation between short term interest rates and the key repo rate to encourage the development of the interbank market was also a key contributing factor and saw a surge in the level of interbank transactions. However, the weighted average deposit rate dropped to 7.9% (from 8.24% in 2015). Lending rates also dropped slightly from 17.33% in 2015 to 17.29% in 2016.

The Rwandan franc depreciated by about 9.7% in 2016 compared to 7.6% in 2015. A combination of high import bill demand posed by the need to avail USD and falling commodity prices explain the rise in the demand for USD and consequently its appreciation against the Rwandan Franc.

The financial services sector demonstrated resilience due mainly to the level of capitalization and liquidity conditions in the banking sector. According to The National Bank of Rwanda, total assets of the banking sector stood at Frw 2.4 trillion at end of 2016, an increase of 11.5% over 2015, a slower rate compared to 18.3% registered the previous year. Total loans stood at Frw 1.4 trillion as at

Frw'000	2015	2016	Growth
Net interest income	8,671,480	10,945,735	26.2%
Net fee income	2,374,362	2,560,945	7.9%
Other income	1,465,164	1,142,614	-22.0%
Total income	12,511,006	14,649,294	17.1%
Operating expenses	(7,784,684)	(8,646,123)	11.1%
Profit before tax	3,814,453	5,389,878	41.3%
Profit after tax	2,581,918	3,628,723	40.5%
Net loans and advances	94,671,109	107,327,363	13.4%
Total assets	177,958,000	175,970,372	-1.1%
Customer deposits	110,413,118	105,147,180	-4.8%
Capital and reserves	18,285,005	21,913,728	19.8%
Capital adequacy ratio	16.6%	19.26%	
Liquidity ratio	42.5%	36.3%	
Cost to income ratio	83.5%	79.6%	
Cost of funds	6.0%	5.9%	
ROE	15.5%	17.6%	
Net interest margin	12.0%	12.3%	

the end of 2016 compared to Frw 1.2 trillion at the end of 2015, an increase of 14.6% compared to a growth of 18.3% in 2015. Loans and advances growth was slower than in 2015 reflecting slow down in line with the slow down in the economic activities in the country. Deposits grew by 7.8% in 2016 to Frw 1.5 trillion down from a 15% growth in previous period.

The industry capital adequacy ratio stood at 21.8% at the end of 2016 compared to 22.5% in 2015. The liquidity tightness experienced in 2016 contributed to the increase in cost of funds of the sector from 3.2% to 3.7%. However, the level of liquidity still remained healthy and within the norm.

On the local scene, our net interest income rose by 26.2% due to a combination of a healthy growth in earning assets coupled with a marginal growth in interest expense. Our level of cost of funds increased by a modest 2.4% whilst interest income grew by 14.4%. In terms of ratio, our cost of funds also reduced compared to 2015. The volume effect as evidenced by a 4.8% reduction in the level of deposits was even bigger. This was necessitated by a strategic move to diversify our deposit base whilst at the same time increase our stock of interest free, stable deposits. We expect to see more gains in 2017 as we improve our digital banking presence and increase transaction related income flows.

The positive developments in our cost base also saw a lower increase in operating costs which translate to a cost to income ratio of 79.6% compared to 83.5% in 2015.

The reduction in other income was a reflection of the sharp increase in the demand for USD encountered during the year as explained earlier. In fact, The National Bank of Rwanda's timely intervention in the foreign currency market helped to ease the pressure. It sold a total of USD 327.5 million in 2016 compared to USD 273.5 million in 2015. Furthermore, the central bank also took strict measures to stem currency speculations.

In terms of bottom line, growth was 41% and profit after tax stood at Frw 3.6 billion. This is a record growth in the 17 years history of the bank. Consequently, our return on equity of 17.6% was well ahead that of the industry of 9.2% at the end of 2016. This growth also boosted our capital adequacy ratio and hence our capacity to create risk weighted assets going forward.

Lending activities

Cogebanque remains an important player in the financial services sector and our support to projects and businesses was manifested in such sectors as education, real estate, health, transport, energy and hospitality and across all our lines of business. In 2016, the bank disbursed a Frw 51.6 billion to these sectors. This is a clear indication of our commitment to supporting growth of the economy. This growth was a key contributor to the bank's profitability.

Just like any commercial bank, loans are the most significant component of the bank's risk weighted assets. Our strategy is to grow the book in line with the bank's risk appetite and in tandem with the bank's level of capitalization

Technology and Delivery channels

Our value proposition to customers is premised on four pillars: technology, products, delivery channels and excellent customer service. We believe that the starting point of our business model is the need to understand our customers and ensure we work relentlessly to delight and exceed their expectations. This continues to be a winning strategy as our customer service is ranked among the best and is well appreciated by the market. With more technologically driven banking solutions and initiatives planned for 2017 and beyond e.g. New internet banking platform, enhanced mobile banking platform, Push & Pull (with MTN, Tigo & Airtel) and a Mobile wallet, we expect more efficiency gains to come our way to the delight of our customers.

We believe that having a stable and efficient core banking system is critical to customer service. To that end, we are in the process of migrating our application server from Windows to Linux. The drive to diversify our channels and growth will continue in 2017. The branch network now standing at 22 will be increased by four in 2017. We aim to establish a presence in key districts in the country to support the country's agenda of increasing access to finance as well as our goal of mobilizing the much needed retail stable deposits, which will also go a long way in reducing our deposit concentration risk and improving our loan to deposit ratio. Our bank agents channel of 497 will be grown to 600 during the year. ATM network which now accept both Visa and MasterCard will be increased to 31 from 26.

In addition to enhancing operational efficiency, customer satisfaction, banking the unbanked we shall seek to leverage our IT infrastructure to further lower cost to serve. As we gain more and more digital momentum and enhance our digital penetration through the launch of a Mobile wallet, enhanced internet and mobile banking platforms, we believe that our profitability will be greatly enhanced. These initiatives will help contribute towards more financial inclusion, access to finance and contribute towards creating a 'cashless' economy.

> To win in the market place you must win in the workplace.

People

To win in the market place you must win in the workplace. Our employees are one of the most valuable assets we have and we pride in a pool of committed,talented and passionate people who relentlessly execute the bank's strategy. To further drive the bank's people agenda of being the employer of choice we recently concluded a Human Resource study aimed at enhancing our HR policies, practices and procedures. Implementing the recommendations will go a long way to help us better align our policies and as well as ensure that our HR strategy is in line with our priorities. We remain resolutely focused on creating an environment in which our staff feel enabled to fulfill their potential.

Community engagement

As a bank, we believe in community engagement, and investment in the community is part and parcel of our business. To ensure that our business remains relevant to communities where we operate we shall continue to invest and support their development and sustainability. During the year under review the bank supported several communities in providing health insurance for the less privileged (mutuelle de sante) in their areas. We supported sports, education, entrepreneurship initiatives, and various associations of genocide survivors. Other initiatives include sponsoring Miss Rwanda Beauty Pageant, Tour of Rwanda an International cycling event and Autisme Rwanda. Our engagement with the community was also manifested in the area of skills development in Rwanda, during the year, we provided internship opportunities to 23 professional interns and 13 academic interns.

Closing remarks

As I conclude, I would like to express my profound gratitude to the board for their support and guidance and the team for the excellent job done which enabled us to deliver unprecedented results in 2016, a year which had its share of challenges. I thank our shareholders for their usual support and cooperation. Lastly and by no means the least, our dear customers who continue to give us support and patronage.

Vivian IGUNDUURA
Acting Managing Director

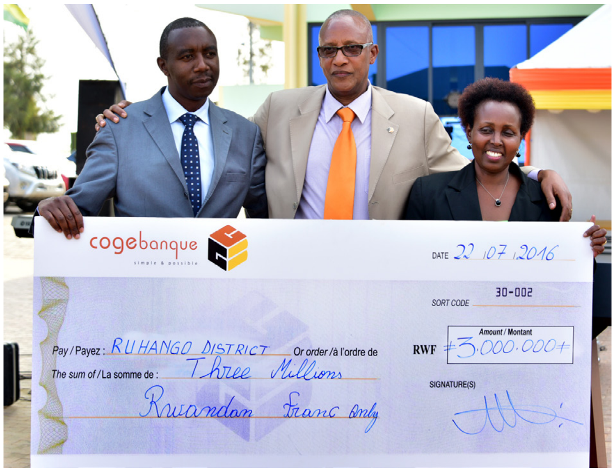
COMMUNITY ENGAGEMENT IN ACTION

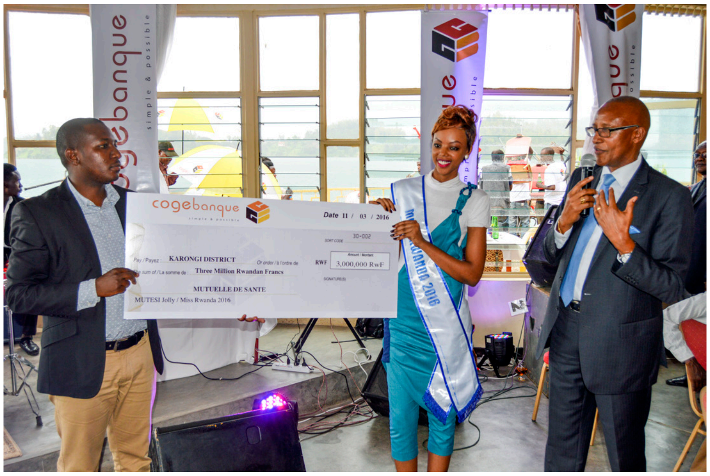
Education

"Our continent's wealth tomorrow, depends entirely on what we put in our children's heads today," HE Paul Kagame, President of the Republic of Rwanda. We fully agree and education is a key focus area for the bank. As a bank that is here to stay, we care a lot about education and therefore support initiatives aimed at promoting a well-educated society. We have participated in the rehabilitation of dormitories for Petit Seminaire de Nyundo, supported the rehabilitation of Maranyundo Girls' School, and other schools and universities such Lycée Notre Dame de Citeau, Kibogora Polytechnique, Independent Institute of Lay Adventists of Kigali (INILAK) & University of Kigali by awarding the best performing students with laptops in order to cultivate competition and educational excellence amongst the students.

Health

We provided financial assistance to Autisme Rwanda which is involved in supporting children suffering from autism. We have also been involved in initiatives aimed at improving access to medical services. We extended financial support to about 4,500 individuals to access medical insurance (MITUELLE DE SANTE), in the districts of Karongi, Gicumbi and Ruhango with the ultimate goal being to enable them access medical treatment in the event of need.



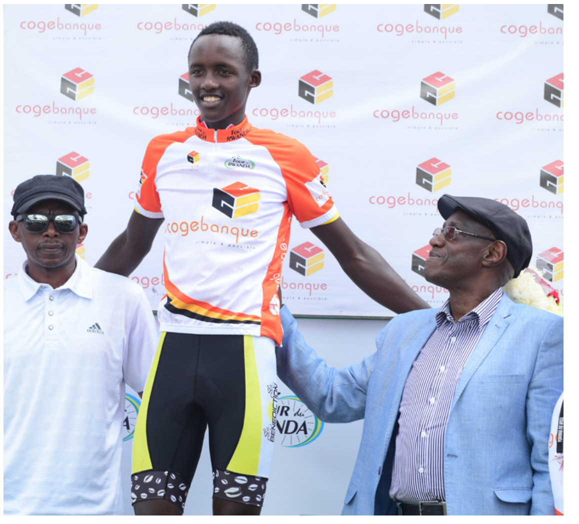


Sustainable Livelihood

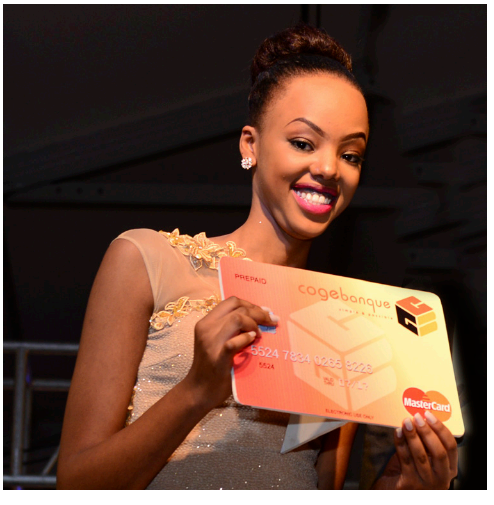
The bank offered support to various organisations involved in supporting genocide survivors and memorial activities. These include AERG – GAERG, IBUKA, AVEGA AGAHOZO and the Kigali Genocide Memorial.

BIG EVENTS SPONSORED

TOUR OF RWANDA 2016



MISS RWANDA 2016



TENNIS CHAMPIONSHIPS

CORPORATE GOVERNANCE

As a company as well as a regulated entity, COGEBANQUE's corporate governance principles and framework are shaped by regulatory requirements of BNR and the Registrar of Companies. Accordingly therefore, the bank is obliged to comply with the Companies Act of Rwanda and regulation number 06 of 2008 relating 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:

Board of Directors

The Board of COGEBANQUE is currently comprised of seven non-executive directors and a chairman, four 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 supported by sub-committees to assist the board in discharging its oversight role. These committees meet at least every quarter and report to the board after each sitting.

Board Committees

- Audit committee
- Risk committee
- Credit committee
- Asset and Liability Committee (ALCO)
- Human Resources Committee

Audit Committee

The Audit Committee is mainly in charge of overseeing the financial reporting process and enhancing the internal control environment.

The committee is in charge of the following:

- Assisting in the appointment external auditors and fixing their remuneration
- Ensuring that financial statements are prepared in accordance with applicable laws, rules and regulations including International Financial Reporting Standards – IFRS
- Ensuring that the bank's internal control environment is effective and adequate

The committee is in charge of appointing external auditors as well as reviewing their work on behalf of the Board. The committee is composed of independent non-executive directors.
Members of the committee include:

- Cisco KANYANDEKWE, Chairman
- Alphonsine RUBANGURA and
- Ernest RWAGASANA

Credit Committee

The committee is in charge of the following:

- Oversees the entire credit portfolio to ensure the following
  - *Lending policies and practices are sound and effective*
  - *Credit losses are kept in line with prudential norms*
  - *High asset quality*

- Review credit files that are over and above management's discretionary limits and make recommendations to the main board
- Ensuring that effective procedure are in place to maximize recoveries

Members of the committee include:

- Ernest RWAGASANA, Chairman
- Egide GATERA
- Jean Paul TUYISHIME and
- Alice MUSANIWABO
- Managing Director

Risk Management Committee

As a committee of the main Board, this committee is responsible for the bank's risk governance. It ensures 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. The committee is comprised of four directors. Members of the committee include:

- Alphonsine RUBANGURA, Chairperson
- Christian MAKUZA
- Désiré MUSONI wa RWIHIMBA
- Alice MUSANIWABO

Asset and Liability Management Committee (ALCO)

The Asset and Liability Management Committee (ALCO) is tasked with the responsibility of advising the Board on matters relating mainly to the management of capital, liquidity and market risk. The ultimate goal is to ensure that risks under its domain are monitored closed and are kept within limits set by the board and the National Bank of Rwanda.

Members of the committee include:
- Egide GATERA
- Christian MAKUZA
- Désiré MUSONI wa RWIHIMBA

Human Resources Committee

The Committee is responsible for attracting, remunerating the right caliber of human resources to drive the strategy of the bank. It advises the board on matters relating to organizational structure and design. It helps to ensure that appropriate policies, practices and procedures are in place in areas of recruitment, human development, remuneration and staff retention. Members of the committee include:
- Désiré MUSONI wa RWIHIMBA, Chairperson
- Cisco KANYANDEKWE and
- Alice MUSANIWABO

Management committees

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

- Executive Management Committee
- Asset and Liability management committee (ALCO)
- Procedures Validation Committee
- Credit Committee
- Recovery Committee
- Procurement Committee

BOARD MEMBERS

Left To Right: Ernest Rwagasana, Alphonsine Rubangura, Egide Gatera, Philibert Afrika, Désiré Musoni wa Rwihimba, Christian Makuza, Cisco Kanyandekwe

BOARD OF DIRECTORS' ACTIVITIES

COMPOSITION

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

The Board of Directors is composed of 8 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 chairman, Mr. AFRIKA Philibert.

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. He 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. Board's Members met 11 times during the year 2016. In addition to approving quarterly accounts for publication, it also approved policies and procedures such as:

1. Risk management charter;
2. Recovery policy;
3. Procurement Policy;

All Board committees were able to meet at least on a quarterly basis as required by the law.

The Board Credit Committee sits on a weekly basis to improve turn around times on credit files and to expedite the disbursements processes.

For more efficiency, the Board of Directors attended a 2 days' training to improve the board's effectiveness.

The Board also participated in new branches' opening and provided oversight to the head office construction project.

Board members also attended prudential meetings with the regulator, the National Bank of Rwanda. The Board attaches great importance to these meetings. Not only do they help enhance relations with the regulator, they also provide an opportunity for the Board to engage directly with the regulator on matters concerning the bank.

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-committee 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 first Board meeting of the following year as per the National Bank Regulations.
The board met eleven times during the year 2016 to deliberate on issues within its mandate.

BOARD OF DIRECTORS' PROFILES

Philibert AFRIKA - Chairman

Mr. 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.

Mr. Afrika currently manages the University of Kigali Center For Economic Governance and Leadership. He is a founding member and Chairman of the Board of the University of Kigali, a recently established Rwandan based university. Until recently, he sat on the Board of Access Bank Rwanda, a subsidiary of Access Bank Nigeria Plc.

Alphonsine RUBANGURA

Mrs Rubangura is currently the Managing Director of UPROTUR, a local company that deals in steel related products. She has occupied various roles in the company including Head of Imports and Exports, Head of Finance and Planning and Deputy Managing Director.

She was Chairperson of the board of COGEAR from 2005 to 2008. She also served as board member in COGEBANQUE from 2006 to 2008.

Mrs. Rubangura has a Bachelor's degree in Political Science (Administration) and is currently pursuing the ACCA designation.

Egide GATERA

Mr. Gatera is a successful Rwanda businessman with business interest in a numbers of sectors. He has a wealth of experience as a board member in notable financial and non-financial institutions.

He is among the founders of COGEBANQUE, which was created with a main aim of upholding/ enhancing social-economic situation of Rwandans in general after the 1994 genocide against Tutsis in Rwanda. Mr. Gatera is a shareholder in Rwanda Mountain Tea and Société Pétrolière - SP.

Christian MAKUZA

Mr. Makuza currently works as Project Manager for Market Shopping Center Limited in Rwanda.

He also worked as a Data Analyst at Telerx prior to his current role.

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

BOARD OF DIRECTORS' PROFILE

Ernest RWAGASANA

Mr. Rwagasana is currently the Managing Director of BUMAR and has been occupying that role since 2006. Prior to that, we was Managing Director of CIMERWA and Head of Internal Audit at Electrogaz.

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

Mr. Rwagasana holds a Masters Degree in Project Management.

Cisco KANYANDEKWE

Mr. Kanyandekwe is currently Administrator CEO at Dream House Rwanda and 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).

Mr Kanyandekwe holds a degree in technical teaching from Institut Normal Provincial de Brabant (Brussels, Belgium), a diploma in Enterprise Management and a Diploma in Accounting.

Désiré MUSONI wa RWIHIMBA

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

Desire possesses over 30 years of banking experience in commercial banking in DRC and Rwanda mainly. He has served in in various capacities including managing branches and supervising branch managers and regional branch managers

Desire holds a Bachelor's degree in law.

Alice MUSANIWABO

Alice joined the board in April 2016. She is currently the Director of Fixed Income Investments at Rwanda Social Security Board - RSSB. Prior to that, she served as Director of non-fixed Income Investments and Investment Analysis.

Alice holds a BBA (Accounting) from the Adventist University of Central Africa an MBA (Finance) from Oklahoma Christian University. She also attended professional courses on topics relating to investment analysis and investment management.

EXECUTIVE MANAGEMENT TEAM

Vivian IGUNDUURA
Acting Managing Director

Vivian is a self-motivated, success-oriented and astute banker with over 25 years' experience from leading financial institutions.

Vivian joined COGEBANQUE in June 2016 as Deputy Managing Director. Prior roles include Chief Commercial Officer at Banque Populaire du Rwanda – BPR, Executive Director at Barclays Bank Uganda and various senior management roles at the same bank.

Vivian holds a Bachelor of Science Degree from Makerere University and an MBA (Corporate Strategy & Financial Management) from Cambridge University (UK). She also attended numerous professional courses on diverse topics relating mainly to banking.

Louis de Montfort MUJYAMBERE
Director of Business Development

Montfort has been working with COGEBANQUE since 2002 soon after the Bank's establishment. He arrived at COGEBANQUE with a background in finance coupled with keenness to grow.

Starting as Junior Credit Analyst, Montfort rose through the ranks, eventually becoming Chief Credit Analyst, Deputy Director of Credit, Director of Credit and lastly Business Development and Commercial Director.

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

Joel KAYONGA
Director of Credit

Joel is 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.

Joel 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

SENIOR MANAGEMENT TEAM

Claudine UWAMBAYINGABIRE

Head of Commercial Department

Claudine heads the Commercial Department of the bank. She has been with COGEBANQUE for the past 17 years and has served in various capacities.

She has occupied various roles in the bank including Branch Manager, Head of Kigali Branches Department before assuming the role of Head of Commercial Department.

Tite KAJUKA KAHAMANI

Chief Accountant and Acting CFO

Tite joined the Bank in 2007. In addition to acting as Chief Finance Officer, he is the bank's Chief Accountant.
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 (specialising in Accounting and Financial Management) and Accounting (specialising in financial analysis)

Jean Bosco RWELINYANGE

Head of Human Resource

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.

Jean Bosco 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.

Jean Bosco 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. He is also a Member of Rwanda Bankers Human Resource Forum.

Vianney BIZIMANA

Head, Corporate & Institutional Banking

Vianney became the Head of Corporate and Institutional Banking with effect from September 2015. He has over 12 years of experience in the banking sector where he occupied various positions including Head of Corporate & Agribusiness for Banque Populaire du Rwanda for three years.

Prior to Banque Populaire du Rwanda, Vianney Bizimana worked for I&M (Rwanda.) Ltd, formerly BCR Ltd for over 9 years where he held various positions ranging from Cashier, Branch Operations Manager, Branch Manager, SME Manager Senior Corporate Portfolio Manager and to the Deputy Head of Corporate position

He holds a Master's degree in Accounting and Finance (2013) from Mount Kenya University. He has attended numbers of trainings, workshops, seminars and conferences both locally and internationally covering various areas of interest.

SENIOR MANAGEMENT TEAM

Georges NDIZIHIWE

Head of Western Branches

Georges is the Head of Western Branches Department and served COGEBANQUE for over 15 years, where he started one year after its establishment in 2000. Georges held various responsibilities in the Bank including Branch Network Manager, Bank Legal Adviser, Head of Operations Department including Clearing operations, International Trade Finance, Electronic banking, etc.

Pascal KARANI

Head of Internal Audit

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. Pascal KARANI is a Holder of a Master of Commerce in Financial Management from the University of Cape Town (UCT).

Bonaventure NTABWOBA

Head of Eastern Branches

Bonaventure has been with the bank since 2001. He has served in various capacities and in various departments and positions at the branch network, from Front Office Manager, Deputy Branch Manager, Branch Manager to the Head of Branches Department.

He holds a Bachelor's degree in Management with two years of specialization in banking activities from CFPB (Centre de Formation Professionnelle Bancaire de Paris) with ITB diploma.

Vivien Fidence KATABARWA

Head of IT

Vivien has 13 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.

Vivien holds a Bachelor's degree in Information Systems from Adventist University of Central Africa. He is currently pursuing the MBA designation. Vivien is an IBM Certified Specialist System Administration.

SENIOR MANAGEMENT TEAM

Chantal MUKABATANGA

Company Secretary and Head of Legal Services.

Chantal joined COGEBANQUE in 2010, after a 15 years spell at Bank of Kigali, where she occupied several positions. Chantal has over 21 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 the bank's attorney before the implementation of the Bar Association. Chantal was once a commissioner for the National Land Commission.

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

Chantal holds a Bachelor's degree from the University of Kinshasa – DRC

Jean Damascene MUTABAZI

Head of Risk and Compliance

Jean Damascene has spent the last 8 years in Risk and Compliance roles in the banking sector. He is a Certified Banker from Lagos School of Excellence and a Certified Compliance Professional from The International Academy of Financial Management.

Prior to his current position, Jean Damascene occupied different managerial positions in two International Bank, first as Head Compliance and Internal Control at Access Bank Rwanda, then as Head of Compliance in Eco bank Rwanda. He chairs the Compliance Forum in Rwanda Bankers Association.

Jean Damascene holds a BBA in Finance and is currently completing an MBA with Mount Kenya University

Yvon Gilbert Nishimwe

Head of E Banking and Card Business

Yvon Gilbert Nishimwe joined Cogebanque in August 2016 as Head of Electronic Banking and Card Business. He has spent more than 10 years in the banking industry primarily in Electronic Banking and over 7 years in managerial capacity. His prior experiences involved innovating products around card business and digital banking.

He served in different positons such as Electronic Banking Manager at Bank of Kigali, Head of Transaction on Banking at Ecobank Rwanda, System analyst & Programmer at Bank of Kigali, Database administrator and So ware Engineer at SIMTEL and Web Designer & Developer at Rwanda Development Gateway.

Yvon holds an MBA in Management from University of St. Mark & St John (UK) and Bachelor's Degree in Computer Science from National University of Rwanda. He is currently pursuing specialization in Digital Money at Digital Frontiers Institute (South Africa).

ADDITION TO THE NETWORK

Ruhango Branch Opening

Karongi Branch - After official opening

ADDITION TO THE NETWORK

CHIC Branch Opening

Gicumbi Branch

DRIVING YOUR **BUSINESS** AHEAD

COMPAGNIE GENERALE DE BANQUE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

cogebanque

simple & possible

INTRODUCTION

The directors submit their report together with the audited financial statements for the year ended 31 December 2016, which disclose the state of affairs of Compagnie Générale de Banque Limited ("the Bank").

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDEND

The net profit for the year of 3,683 Frw million (2015: FRW 2,582million) has been added to retained earnings. The directors do not recommend for payment of a dividend for the year (2015: nil).

SHAREHOLDERS

The shareholders of the bank as at 31 December 2016 were:

Name of shareholder	Number of shares	%
R.S.S.B	21,375	30.60%
GATERA Egide	17,463	25.00%
MAKUZA Bertin	8,855	12.68%
Diocèse Catholique de Butare	5,556	7.95%
SAHAM	4,875	6.98%
MUGABOWINDEKWE Emmanuel	2533	3.63%
DELFORGE Muriel.	2107	3.02%
Others	5,126	10.14%
	69,850	100%

DIRECTORS

The directors who held office during the year and to the date of this report were:

Philibert Afrika	President
Egide GATERA	Member
Cisco KANYANDEKWE	Member
Ernest RWAGASANA	Member
Alphonsine RUBANGURA	Member
Jean Paul TUYISHIME	Member (Resigned on February 23, 2016)
MUSONI WA RWIHIMBA Désire	Member
Christian MAKUZA	Member
MUSANIWABO Alice	Member (Appointed on April 14, 2016)

INCORPORATION

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

Compagnie Générale de Banque Limited
Centenary House
P O Box 5230
Kigali, Rwanda

AUDITOR

The Bank's auditor, GPO Partners Rwanda Limited, was appointed during the year and continues in office in accordance with Law No. 7/2009 relating to companies.

By order of the Board

SECRETARY.......................................2017

STATEMENT OF DIRECTORS' RESPONSIBILITY

Law No. 7/2009 relating to companies and Law No. 7/2008 concerning organisation of banking require the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Law No. 7/2009 relating to companies and Law No. 7/2008 concerning organisation of banking . The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its profit in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Nothing has come to the attention of the directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of this statement.

....	....
Director 27/03/2017	Director 27/03/2017

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF COMPAGNIE GÉNÉRALE DE BANQUE LIMITED

Opinion

We have audited the financial statements of Compagnie Générale de Banque Limited, which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance 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.

Report on other legal requirements

Law No. 7/2009 relating to companies requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i. There are no circumstances that may create threat to our independence as auditor of the Bank;
ii. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
iii. In our opinion proper books of account have been kept by the Bank, so far as appears from our examination of those books; and
iv. We have communicated to the Bank's Board of Directors, through a separate management letter, internal control matters identified in the course of our audit including our recommendations in relation to those matters.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and the requirement of the Law No. 7/2009 relating to companies and Law No 7/2008 concerning organisation of Banking, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s responsibility

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

For GPO Partners Rwanda Limited,Kigali

For GPO Partners Rwanda Limited,

GPO Partners RWANDA Ltd
Tel: (250) 587933/Fax:(250) 587934
B.P: 1902 KIGALI
Audit - Accounting - Tax - Consulting

Patrick GASHAGAZA
Partner

Kigali, 27 March 2017

STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the year ended 31 December: 2016 Frw'000	2015 Frw'000
Interest income	1	19,714,267	17,231,213
Interest expense	2	(8,768,533)	(8,559,733)
Net interest income		**10,945,735**	**8,671,480**
Fee and commission income	3(a)	3,033,494	2,610,979
Fee and commission expense	3(b)	(472,549)	(236,617)
Net fee and commission income		**2,560,945**	**2,374,362**
Net foreign exchange income		1,084,143	1,355,626
Other operating income	4	58,471	109,538
		1,142,614	**1,465,164**
Total operating income		**14,649,294**	**12,511,006**
Net impairment charge on loans and advances		(611,935)	(911,869)
Net Operating Income		**14,037,359**	**11,599,137**
Personnel expenses		(4,090,878)	(3,928,651)
Depreciation and Amortisation		(719,388)	(759,738)
Other operating expenses		(3,837,215)	(3,096,295)
Total operating expenses	6	**(8,647,481)**	**(7,784,684)**
Profit before income tax		**5,389,878**	**3,814,453**
Income tax expense	8	(1,761,155)	(1,232,536)
Profit for the year		**3,628,723**	**2,581,918**
Other comprehensive income		-	-
Total comprehensive income for the year		**3,628,723**	**2,581,918**
Basic and diluted earnings par share		**51,950**	**36,964**

The notes on pages 36 to 71 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December: 2016 Frw'000	2015 Frw'000
Assets			
Cash and balances with the National Bank of Rwanda	9	14,978,528	12,297,836
Amounts due from other financial institutions	10	8,529,354	10,861,916
Government securities and other bonds	11	34,639,174	50,877,370
Loans and advances to customers	12	107,327,363	94,671,109
Current income tax recoverable		-	-
Other assets	13	280,675	846,503
Property and equipment	14	8,956,924	7,014,563
Intangible assets	15	1,112,035	1,164,901
Deferred tax asset	16	146,319	224,526
Total assets		**175,970,372**	**177,958,724**
Liabilities			
Customer deposits	17	105,147,180	110,413,118
Deposits from other financial institutions	18	45,494,109	47,105,741
Current income tax payable		722,197	461,605
Other liabilities	20	2,647,137	1,693,254
Total liabilities		**154,010,624**	**159,673,719**
Provisions for contingent liabilities		46,021	-
Shareholders' equity			
Share capital	21	6,985,000	6,985,000
Share premium	21	1,373,437	1,373,437
Retained earnings		9,926,568	9,926,568
Profit for the year		3,628,723	-
Total shareholders' equity		**21,913,728**	**18,285,005**
Total equity and liabilities		**175,970,372**	**177,958,724**

The notes on pages 36 to 71 are an integral part of these financial statements.

The financial statements on pages 32 to 71 were approved for issue by the Board of Directors on March 2017 and signed on its behalf by:

Director 27/03/2017

Director 27/03/2017

STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital Frw '000	Share premium Frw '000	Proposed dividend Frw '000	Retained earnings Frw '000	Total Frw '000
Year ended 31 December 2015						
At start of year		5,000,000	1,373,437	-	7,344,650	13,718,087
Comprehensive income:						
Profit and total comprehensive income for the year		-	-	-	2,581,918	2,581,918
Transactions with owners		1,985,000	-	-	-	1,985,000
At end of year		**6,985,000**	**1,373,437**	-	**9,926,568**	**18,285,005**

	Notes	Share capital Frw '000	Share premium Frw '000	Proposed dividend Frw '000	Retained earnings Frw '000	Total Frw '000
Year ended 31 December 2016						
At start of year		6,985,000	1,373,437	-	9,926,568	18,285,005
Comprehensive income:						
Profit and total comprehensive income for the year		-	-	-	3,628,723	3,628,723
Transactions with owners:						
At end of year		**6,985,000**	**1,373,437**	-	**13,555,291**	**21,913,728**

The notes on pages 36 to 71 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Notes	2016	2015
		Year ended 31 December:	
		Frw '000	Frw '000
Cash flows from operating activities			
Profit before income tax		5,389,878	3,814,453
Adjustments for:			
Depreciation on pr operty and equipment	14	532,698	531,764
Amortisation of intangible assets	15	186,690	227,974
Cash flows from operating activities before changes in operating assets and liabilities		**6,109,266**	**4,574,191**
Changes in operating assets and liabilities:			
- loans and advances		(12,656,254)	(15,863,567)
- Government securities and other bonds		16,238,196	(20,646,423)
- other assets		565,828	184,743
- customer deposits		(6,877,570)	19,839,061
- other liabilities		953,883	(271,302)
- income tax paid		(722,197)	(461,605)
Net cash from/ (used in) operations		**3,611,152**	**(12,644,902)**
Cash flows from investing activities			
Purchase of property and equipment	14	(2,747,909)	(2,566,114)
Purchase of intangible assets	15	(158,770)	(274,779)
Proceeds from sale of property and equipment		-	-
Net cash used in investing activities		**(2,906,680)**	**(2,840,893)**
Cash flows from financing activities			
Dividends paid		-	-
Increase in share capital		-	1,985,000
Net cash flows used in financing activities			**1,985,000**
Net increase/(decrease) in cash and cash equivalents		**704,473**	**(13,500,795)**
Cash and cash equivalents at start of year	23	(20,987,551)	(7,486,756)
Cash and cash equivalents at end of year	**23**	**(20,283,078)**	**(20,987,551)**

The notes on pages 36 to 71 are an integral part of these financial statements.

NOTES

1	Interest income	2016	2015
		Frw '000	Frw '000
	Loans and advances	15,894,705	14,314,431
	Government securities	3,709,279	2,845,941
	Placements with other financial institutions	110,283	70,841
		19,714,267	**17,231,213**
2	Interest expense		
	Customer deposits	5,995,839	6,264,684
	Placements from other financial institutions	2,772,694	2,295,049
		8,768,533	**8,559,733**
3	Fees and commissions		
(a)	Fee and commission income		
	Credit related fees and commissions	1,676,094	1,542,262
	Current account ledger fees	1,140,302	867,498
	Local and international cash transfers	217,098	201,220
	Other	-	-
		3,033,494	**2,610,979**
(b)	Fee and commission expense		
	Banking services	(472,549)	(236,617)
		(472,549)	**(236,617)**
	Net fee and commission income	**2,560,945**	**2,374,362**
4	Other operating income		
	Other income	58,471	109,538
		58,471	**109,538**

5 Impairment losses on loans and advances

	2016 Frw '000	2015 Frw '000
Impairment on loans and advances during the year	(1,287,134)	(2,307,249)
Recoveries on amounts previously provided for	290,104	822,784
Recoveries on amounts previously written off	385,095	572,596
Net (losses)/recoveries	**(611,935)**	**(911,869)**

6 Operating expenses

Employee benefits expense (Note 7)	4,090,878	3,928,651
Amortisation of intangible assets (Note 15)	186,690	227,974
Depreciation charge on property and equipment (Note 14)	532,698	531,764
Directors fees and allowances	91,751	88,196
Donations and gifts	60,035	50,002
Auditors' remuneration	53,986	23,600
Other operating expenses	3,631,443	2,934,498
	8,647,481	**7,784,684**

7 Employee benefits expense

	2016 Frw '000	2015 Frw '000
Salaries and wages	3,058,979	2,902,506
Retirement benefit costs:		
- Contributions to Rwanda Social Security Board	152,588	145,231
Staff leave entitlement	172,845	146,173
Mileage allowances	43,512	42,164
Others	662,954	692,577
	4,090,878	**3,928,651**

		2016	2015
		Frw '000	Frw '000
8	Income tax expense		
	Current income tax	1,682,947	1,266,218
	Deferred income tax charge (Note 16)	78,208	(33,683)
		1,761,155	**1,232,535**

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:

	2016	2015
Profit before income tax	5,389,878	3,814,453
Tax calculated at the statutory income tax rate of 30%	1,616,963	1,144,335
Tax effect of:		
- Expenses not deductible for tax purposes	65,984	94,926
- Income not subject to tax	-	(6,726)
Income tax expense	**1,682,947**	**1,232,535**

		2016	2015
9	Cash and balances with National Bank of Rwanda		
	Cash on hand	2,924,092	5,217,512
	Balances with National Bank of Rwanda	12,054,436	7,080,324
		14,978,528	**12,297,836**

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.

		2016	2015
10	Amounts due from other financial institutions		
	Current accounts with other financial institutions	2,184,980	6,215,136
	Placements with other financial institutions	6,344,374	4,646,780
		8,529,354	**10,861,916**

All amounts due from other financial institutions are classified as current assets. All placements with other financial institutions are interest earning.

	2016	2015
	Frw '000	Frw '000
11 Government securities and other bonds		
Treasury bills issued by the Government of Rwanda	14,249,456	31,870,628
Treasury bonds issued by the Government of Rwanda	17,090,498	15,709,711
Treasury bonds by IFC	3,299,219	3,297,031
At 31 December:	**34,639,174**	**50,877,370**
Treasury bills maturing:		
- within 90 days from date of acquisition	8,639,031	10,412,223
- 91 days and above from date of acquisition	5,610,425	21,732,306
	14,249,456	**32,144,529**
Maturing later than 1 year:		
- Treasury bonds issued by the Government of Rwanda	17,090,498	15,435,810
- International Finance Corporation Bond	3,299,219	3,297,031
	20,389,717	**18,732,841**
	34,639,174	**50,877,370**
12 Loans and advances to customers		
(a) Mortgages	50,755,064	34,331,669
Equipment loans	7,456,102	9,790,606
Overdrafts	16,150,265	16,946,998
Consumer loans	1,755,770	3,454,700
Treasury loan	22,130,193	22,888,386
Others	13,386,065	10,885,018
Gross loans and advances	**111,633,460**	**98,297,377**
Less: provision for impairment of loans and advances		
- Individually assessed	(4,306,096)	(3,626,268)
- Collectively assessed	-	-
	107,327,363	**94,671,109**

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

All loans are carried at their estimated recoverable amount. The Bank accrues interest on impaired loans and records it under interest in suspense. Accrued interest is only computed for specific loans when the Bank is negotiating restructuring terms with defaulting customers.

	Individually assessed	Collectively Assessed	Total
	Frw '000	Frw '000	Frw '000
Year ended 31 December 2016			
At start of year	3,626,268	-	3,626,268
Additional provision(Note 5)	1,287,134	-	1,287,134
Recoveries on provisions (Note 5)	(290,104)	-	(290,104)
Decrease in interest in suspense	(317,201)	-	(317,201)
At end of year	**4,306,096**	**-**	**4,306,096**
Year ended 31 December 2015			
At start of year	2,648,627	-	2,648,627
Additional provision(Note 5)	2,307,249	-	2,307,249
Recoveries on provisions (Note 5)	(822,784)	-	(822,784)
Increase in interest in suspense	(506,824)	-	(506,824)
At end of year	**3,626,268**	**-**	**3,626,268**

13 Other assets

	2016	2015
	Frw '000	Frw '000
Prepayments	72,689	140,978
Office consumables	36,111	31,399
Mortgage acquired by realisation of guarantee	34,715	496,365
Other debtors	137,160	177,761
	280,675	**846,503**

14 Property and equipment

	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 2015						
Opening net book amount	**1,084,383**	**1,850,966**	**128,156**	**11,807**	**1,492,363**	**4,567,675**
Additions	101,714	299,829	-	139,970	2,024,601	2,566,114
Transfers from WIP	108,608	108,010	-	-	(216,618)	-
Accrual Fixed Asset	-	-	-	-	(351,032)	(351,032)
Adjustments					763,571	763,571
Disposals	-	-	-	-	-	-
Depreciation	(148,893)	(246,028)	(58,496)	(78,347)	-	(531,764)
Closing net book amount	**1,145,811**	**2,012,777**	**69,660**	**73,431**	**3,712,885**	**7,014,563**
As at 31 December 2015						
Cost or valuation	3,474,585	1,879,280	568,929	1,070,653	3,712,883	10,706,330
Accumulated Depreciation	(681,629)	(1,485,973)	(526,945)	(997,221)	-	(3,691,767)
Net book amount	**2,792,957**	**393,307**	**41,985**	**73,432**	**3,712,883**	**7,014,563**
Year ended 31 December 2016						
Opening net book amount	**2,792,957**	**393,307**	**41,985**	**73,432**	**3,712,883**	**7,014,563**
Additions	448,701	154,324	125,871	132,119	1,886,894	2,747,909
Transfers from WIP	4,815	-	13,500	-	(18,315)	-
Accrual fixed assets	-	-	-	-	(297,796)	(297,796)
Adjusments	-	-	-	-	24,946	24,946
Depreciation	(165,091)	(191,737)	(56,546)	(119,324)	-	(532,698)
Closing net book amount	**3,081,381**	**355,895**	**124,810**	**86,227**	**5,308,611**	**8,956,924**
As at 31 December 2016						
Cost or valuation	3,928,101	2,033,604	708,300	1,202,772	5,308,611	13,181,389
Accumulated Depreciation	(846,720)	(1,677,710)	(583,490)	(1,116,545)	-	(4,224,465)
Net book amount	**3,081,381**	**355,895**	**124,810**	**86,227**	**5,308,611**	**8,956,924**

15 Intangible assets

-	2016 Frw '000	2015 Frw '000
Net book value at 1 January:	1,164,901	1,118,096
Additions	158,770	274,779
Adjustments to WIP tangible Asset	(24,946)	-
Amortisation charge	(186,690)	(227,974)
Net book value at 31 December:	**1,136,981**	**1,164,901**
At 31 December:		
Cost	2,229,152	2,095,328
Accumulated amortisation	(1,117,117)	(930,427)
	1,112,035	**1,164,901**

Intangible assets relate to computer software licenses.

16 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2016: 30%). The movement on the deferred income tax account is as follows:

	2016 Frw '000	2015 Frw '000
At start of year	224,526	190,844
Credit/ (charge) to the Statement of Comprehensive Income	(78,207)	33,682
At end of year	146,319	224,526

The deferred income tax asset and deferred income tax charge/(credit) to the Statement of Comprehensive Income are attributable to the following items:

Year ended 31 December 2016	1 January 2016 Frw ’000	Current year (charged)/ credited to SOCI Frw ’000	31 December 2016 Frw ’000
Property and equipment	224,526	(64,401)	160,125
Provisions for litigation		(13,806)	(13,806)
Net deferred income tax asset	**224,526**	**(78,207)**	**146,319**
Property and equipment	190,844	33,683	224,527
Net deferred income tax asset	**190,844**	**33,683**	**224,527**

17 Customer deposits

	2016 Frw’ 000	2015 Frw’ 000
Current and demand deposits	44,915,400	49,772,124
Term deposits	47,168,777	49,917,026
Savings accounts & others	13,063,003	10,723,968
	105,147,180	**110,413,118**

Customer deposits only include financial instruments classified as liabilities at amortised cost. Interest earning fixed and demand deposits are at fixed and variable interest rates respectively.

18 Deposits from other financial institutions

Demand, savings term deposits from banks	45,494,109	47,105,741
	45,494,109	**47,105,741**

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

19 Provision for litigation

	2016 Frw '000	2015 Frw '000
At 1 January:		
Charged to statement of comprehensive income:		
– Additional provision	46,021	-
	46,021	-

20 Other liabilities

Cheque clearing accounts	1,126,929	533,686
Staff leave accruals	168,494	159,864
Target bonus	187,256	139,354
bills payable	475,526	383,679
Accruals on capital expenditure	442,176	221,270
Other taxes payable	218,292	222,754
Other amount due to Directors	29,163	32,647
	2,647,137	**1,693,254**

21 Share capital

	Number of shares	Ordinary shares Frw '000	Share premium Frw '000
Balance at January 2016 and 31 December 2016	69,850	6,985,000	1,373,437

The total authorised number of ordinary shares is 70,000 with a par value of Frw 100,000 per share. All issued but not fully paid. The numbers of shares fully paid at the year ended are 69,850.

22 Related party transactions

The bank's shareholders are listed on page 28. There are other companies which are related to Compagnie Générale de Banque Limited through common shareholdings or common directorships.

The Bank enters into transactions, arrangements, and agreements involving directors, senior management and their related concerns in the ordinary course of business. These transactions are at arm's length basis. Related-party transactions during the year, outstanding balances at the year-end, and relating expense and income recognised during the year are as follows:

		2016	2015
		Frw '000	Frw '000
(a)	**Deposits from related parties**		
	Deposits from employees	217,606	158,066
	Deposits from directors	912,802	317,606
	Deposits from shareholders	35,962,910	30,848,433
		37,093,318	**31,324,105**

The deposits are unsecured, carry variable interest rates and are repayable on demand.

		2016	2015
(b)	**Loans and advances to related parties**		
	Loans and advances to employees	2,167,387	2,090,802
	Loans and advances to directors and related companies	3,077,409	1,306,961
		5,244,795	**3,397,764**

Loans and advances to staff were issued at an interest rate of between 8.5% and 10.5% and were all performing as at 31 December 2016 and 2015.

Loans and advances to directors and related companies were issued at an interest rate of between16% and 18% and were all performing as at 31 December 2016 and 2015. Except one with shares 0.65% who was reported in class 4 with a balance of frw 534 million. Currently the remaining balance is Frw 523 millions.

No provisions have been recognised in respect of loans given to related parties (2016: nil).

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

	2016	2015
On balance sheet	3,182,884	3,420,018
Off balance sheet	99,355	27,461
Cash collateral (deposits)	(204,830)	(2,140,517)
	3,077,409	**1,306,961**

		2016	2015
(c)	**Key management compensation**		
	Salaries and other short-term employment benefits	**321,377**	**464,328**
(d)	**Directors' remuneration**		
	Seating allowances	62,588	55,549
	Other payments	29,163	32,647
		91,751	**88,196**

23 Analysis of cash and cash equivalents as shown in the statement of cash flows

	2016 Frw'000	2015 Frw'000
Cash and balances with National Bank of Rwanda (Note 9)	14,978,528	12,297,836
Less: cash reserve requirement	(6,935,882)	(7,453,784)
	8,042,646	**4,844,052**
Placements with other financial institutions (Note 10)	8,529,354	10,861,916
Treasury bills maturing within 91 days (Note 11)	8,639,032	10,412,223
Deposits from other financial institutions (Note 18)	(45,494,109)	(47,105,741)
	(20,283,078)	**(20,987,551)**

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 financial institutions. 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.

24 Off balance sheet financial instruments, contingent liabilities and commitments

In common with other financial institutions, 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.

Contingent liabilities

	2016	2015
Acceptances and letters of credit	238,427	1,516,416
Guarantees	5,149,208	6,306,673
	5,387,635	**7,823,090**

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.

Capital commitments

At 31 December 2016, the bank had capital commitments of Rwandan Francs equivalent of Frw million 6,323 (2015: Frw 4,280 million) in respect of the new head office building. The Bank's management is confident that future net revenues and funding will be sufficient to cover this commitment

Legal proceedings

There were a number of legal proceedings outstanding against the Bank at 31 December 2016.
As indicated Note 19, there is only a provision of Frw 46 million that has been made in the financial statements in relation to the pending litigations as the directors are of the opinion that, based on independent legal advice, the liabilities will not crystallise except to the extent disclosed.

25 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.

(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.

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.

(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.

(b) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct lending.

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

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.

	2016 Frw '000	2015 Frw '000
Balances with National Bank of Rwanda	12,054,436	7,080,324
Current accounts and placements with other financial institutions	8,529,354	10,861,916
Loans and advances to customers	107,327,363	94,671,109
Government securities other bonds	34,639,174	50,877,370
Other assets	280,675	846,503
Credit risk exposures relating to off-balance sheet items:		
- Acceptances and letters of credit	238,427	1,516,416
- Guarantees	5,149,208	6,306,673
	168,218,638	**172,160,312**

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2016 and 2015, 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:

	2016	2015
	Frw '000	Frw '000
Neither past due nor impaired	85,808,218	82,862,891
Past due but not impaired	14,941,040	6,636,849
Individually impaired	10,884,202	8,797,637
Gross	111,633,459	98,297,377
Less: allowance for impairment	(4,306,096)	(3,626,268)
Net	**107,327,363**	**94,671,109**

No other financial assets are either past due or impaired.

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:

Standard	85,861,819	82,862,891

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:

Past due 31 – 90 days	**14,941,040**	**6,636,849**

Loans and advances individually impaired

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

Individually assessed impaired loans and advances	10,884,202	8,797,637
Fair value of collateral held	19,048,145	10,315,717

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	-	11,296,430	3,150,967	370,153	1,332,715	16,150,265
Term Loans	798,053	20,211,394	3,440,787	1,905,838	3,230,223	29,586,296
Mortgages	46,883,710	-	1,298,406	-	2,572,949	50,755,064
Leases	-	2,555,464	-	-	1,755,770	4,311,234
Other	-	11,296,430	3,150,967	370,153	1,332,715	16,150,265
At 31 December 2016	**47,681,763**	**34,063,288**	**7,890,160**	**2,275,991**	**8,891,657**	**100,802,859**

	Construction	Wholesale and retail trade	Manufacturing	Agriculture	Other industries	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
Overdrafts	-	11,305,699	3,841,195	873,274	926,830	16,946,998
Term Loans	-	27,391,803	727,839	2,066,840	2,492,510	32,678,992
Mortgages	31,639,403	-	-	-	2,692,267	34,331,669
Leases	-	-	-	-	-	-
Others	-	2,087,381	-	-	3,454,700	5,542,081
At 31 December 2015	**31,639,403**	**40,784,883**	**4,569,034**	**2,940,113**	**9,566,307**	**89,499,739**

(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.

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 2016	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	61,333,155	6,022,817	36,964,810	826,398	-	105,147,180
Deposits from other financial institutions	5,609,250	720,000	39,164,860	-	-	45,494,109
Other liabilities	3,369,333	-	-	-	-	3,369,333
Provision for contingent			46,021			46,021
Total financial liabilities	**70,311,738**	**6,742,817**	**76,175,691**	**826,398**	**-**	**154,056,644**
Assets						
Cash and balances with balances with National Bank of Rwanda	14,978,528	-	-	-	-	14,978,528
Amounts due from other financial institutions	6,683,415	1,845,939	-	-	-	8,529,354
Loans and advances to customers	5,480,073	7,828,675	5,474,938	43,860,586	44,683,091	107,327,363
Government securities						
held to maturity	6,650,518	4,295,547	3,303,391	20,389,717	-	34,639,174
Other assets	280,675	-	-	10,068,959	146,319	10,495,954
Total financial assets	**34,073,208**	**13,970,161**	**8,778,329**	**74,319,263**	**44,829,411**	**175,970,372**
Net liquidity gap	**(36,238,529)**	**7,227,344**	**(67,397,362)**	**73,492,864**	**44,829,411**	**21,913,728**

At 31 December 2015	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	65,846,431	13,086,590	27,729,873	3,750,223	-	110,413,118
Deposits from other financial institutions	6,863,042	1,040,000	39,202,699	-	-	47,105,741
Other liabilities	2,154,860	-	-	-	-	2,154,860
Provision of contingent	-	-	-	-	-	-
Total financial liabilities	**74,864,333**	**14,126,590**	**66,932,572**	**3,750,223**	**-**	**159,673,719**
Assets						
Cash and balances with balances with National Bank of Rwanda	12,297,836	-	-	-	-	12,297,836
Amounts due from other financial institutions	10,615,136	246,780	-	-	-	10,861,916
Loans and advances to customers	5,378,934	7,684,192	5,648,780	49,286,966	26,672,236	94,671,109
Government securities held to maturity	7,371,780	3,897,400	21,306,713	18,301,477	-	50,877,370
Other assets	846,503	-	-	8,179,462	224,527	9,250,493
Total financial assets	**36,510,189**	**11,828,372**	**26,955,493**	**75,767,906**	**26,896,763**	**177,958,723**
Net liquidity gap	**(38,354,144)**	**(2,298,218)**	**(39,977,079)**	**72,017,682**	**26,896,763**	**18,285,005**

(c) (i) 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.

(ii) 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.

At 31 December 2016	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	13,307,897	1,342,941	30,595,599	11,818,729	-	48,082,015	105,147,180
Deposits from other financial institutions	3,000,000	720,000	39,164,860	-	-	2,609,250	45,494,109
Other liabilities	-	-	-	-	-	3,369,333	3,369,333
Provision for contingent	-	-	-	-	-	46,021	46,021
Total financial liabilities	**16,307,897**	**2,062,941**	**69,760,459**	**11,818,729**	**-**	**54,106,619**	**154,056,644**

Assets							
Cash and balances with balances with National Bank of Rwanda	-	-	-	-	-	14,978,528	14,978,528
Placements with other financial institutions	4,500,000	1,845,939	-	-	-	2,183,415	8,529,354
Loans and advances to customers	5,480,073	7,828,675	5,474,938	43,860,586	44,683,091	-	107,327,363
Government securities held to maturity	6,650,518	4,295,547	3,303,391	20,389,717	-	-	34,639,174
Other assets	-	-	-	-	-	10,495,954	10,495,954
Total financial assets	**16,630,591**	**13,970,162**	**8,778,329**	**64,250,303**	**44,683,091**	**27,657,896**	**175,970,372**
Interest sensitivity gap	**322,694**	**11,907,221**	**(60,982,129)**	**52,431,575**	**44,683,091**	**(26,448,723)**	**21,913,728**

	Less than 1 month	1-3 months	3-12 months	1-5 Years	Over 5 Years	Non-interest bearing	Total
At 31 December 2015	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000
Liabilities							
Customer deposits	12,997,343	8,082,640	27,741,505	8,703,651	-	52,887,979	110,413,118
Deposits from other financial institutions	4,040,000	1,040,000	39,202,699	-	-	2,823,042	47,105,741
Other liabilities	-	-	-	-	-	2,154,860	2,154,860
Total financial liabilities	**17,037,343**	**9,122,640**	**66,944,204**	**8,703,651**	**-**	**57,865,881**	**159,673,719**

Assets							
Cash and balances with balances with National Bank of Rwanda	-	-	-	-	-	12,297,836	12,297,836
Placements with other financial institutions	4,400,000	246,780	-	-	-	6,215,136	10,861,916
Loans and advances to customers	5,378,934	3,842,096	9,490,876	43,250,409	32,708,794	-	94,671,109
Government securities held to maturity	8,461,378	1,956,750	1,940,650	24,592,402	13,926,190	-	50,877,370
Other assets	-	-	-	-	-	9,250,494	9,205,494
Total financial assets	**18,240,312**	**6,045,626**	**11,431,526**	**67,842,811**	**46,634,984**	**27,763,466**	**177,913,725**
Interest sensitivity gap	**1,202,969**	**(3,077,014)**	**(55,512,678)**	**59,139,160**	**46,634,984**	**(30,102,416)**	**18,285,005**

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.

Currency risk

The Bank is exposed to the risk that the fair value or future value of cash flows will flactuate because of changes in foreign exchange rates. The bank's exposure to the changes in foreign exchange rates relates primarily to the bank's operating actrivities. 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.

The tables below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2016 and 2015. Included in the table are the Bank's financial instruments, categorised by currency:

At 31 December 2016	USD Frw '000	Euro Frw '000	GBP Frw '000	Other Frw '000	Total Frw '000
Assets					
Cash and balances with BNR	1,838,710	326,395	4,574	-	2,169,679
Placements with other financial institutions	2,511,899	1,515,398	491	-	4,027,788
Loans and advances to customers	5,253,463	1,382	-	-	5,254,845
Total assets	**9,604,072**	**1,843,175**	**5,065**	**-**	**11,452,312**
Liabilities					
Customer deposits	13,247,433	1,942,861	151	-	15,190,446
Total liabilities	**13,247,433**	**1,942,861**	**151**	**-**	**15,190,446**
Net on-balance sheet position	(3,643,361)	(99,687)	4,914	-	(3,738,134)
At 31 December 2015					
Assets					
Cash and balances with BNR	2,502,563	1,208,813	5,570	-	3,716,946
Placements with other financial institutions	6,298,420	121,491	41,400	-	6,461,312
Loans and advances to customers	4,119,381	3,159	-	-	4,122,540
Total assets	**12,920,365**	**1,333,463**	**46,970**	**-**	**14,300,798**
Liabilities					
Customer deposits	14,879,111	1,277,432	33,383	-	16,189,926
Deposits from other financial institutions	-	-	-	-	-
Total liabilities	**14,879,111**	**1,277,432**	**33,383**	**-**	**16,189,926**
Net on-balance sheet position	**(1,958,746)**	**56,031**	**13,587**	**-**	**(1,889,127)**

(e) 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.

	2016	2015
	Frw'000	Frw'000
Ordinary share capital	6,985,000	6,985,000
Reserves:		
Retained earnings	13,555,291	9,926,568
Share premium	1,373,437	1,373,437
Total tier 1 capital	**21,913,728**	**18,285,005**
Goodwill and other intangible assets	(386,058)	(255,115)
Total Core capital "Tier 1"	21,527,670	18,029,889
Risk-weighted assets	**111,791,864**	**100,855,725**
Tier 1 capital expressed as a percentage of risk-weighted assets	19.26%	17.90%

Based on BNR regulation n°11/2009 on capital adequacy ratio, and after considering 100% of the year's profits, the bank's CAR is 19.26% against 15% required.

(d) Financial instrument by category

At 31 December 2016	Loans and receivables Frw'000	Total Frw'000
Financial assets		
Cash and balances with the National Bank of Rwanda	14,978,528	14,978,528
Amounts due from other financial institutions	8,529,354	8,529,354
Government securities held to maturity	34,639,174	34,639,174
Loans and advances to customers	107,327,363	107,327,363
Other assets	280,675	280,675
	165,755,094	**165,755,094**

At 31 December 2016 Financial liabilities - at amortised cost	Deposits and Payables Frw'000	Total Frw'000
Customer deposits	105,147,180	105,147,180
Deposits from other financial institutions	45,494,109	45,494,109
Other liabilities	2,479,342	2,479,342
	153,120,631	**153,120,631**

At 31 December 2015	Loans and receivables Frw'000	Total Frw'000
Financial assets		
Cash and balances with the National Bank of Rwanda	12,297,836	12,297,836
Amounts due from other financial institutions	10,861,916	10,861,916
Government securities held to maturity	50,877,370	50,877,370
Loans and advances to customers	94,671,109	94,671,109
Other assets	177,761	177,761
	168,885,992	**168,885,992**

At 31 December 2015 Financial liabilities - at amortised cost	Deposits and Payables Frw'000	Total Frw'000
Customer deposits	110,413,118	110,413,118
Deposits from other financial institutions	47,105,741	47,105,741
Other liabilities	1,533,390	1,533,390
	159,052,249	**159,052,249**

26 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.

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.

27 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.

(i) New and amended standards adopted by the Bank

The following standards have been adopted by the Bank for the first time for the financial year beginning on or after 1 January 2015:

Amendment to IAS 32, 'Financial instrument: presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as I the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have significance effect on the company's financial statement.

Amendment to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removes certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

Amendment to IAS39, 'Financial instrument: Recognition and measures' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 innovative of the derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The company has applied the amendment and there has been no significant impact on the Bank any financial statement as a result.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS37 'Provisions'. The interpretation addresses what the obligating event is that gives rises to pay a levy and when a liability should be recognised. The bank is not currently subjected to significant levies so the impact on the Bank is not material.

Other standards, amendment and interpretation which are effective for the financial year beginning on 1 January 2014 are not material to the Bank.

(ii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Bank, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets:amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of financial assets. Investment in equity instrument are required to be measured at a fair value through profit or loss with the irrevocable option at inception to present changes in a fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurements except for the recognition changes in own credit risk in other in other comprehensive income, for liabilities designated at fair value through profit and loss. IFRS 9 relaxes the requirement of hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management purposes. Contemporaneousdocumentation is still required but is different to that currently prepared under IAS39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Bank is yet to assess IFRS 9's full impact.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Bank.

(b) Interest & income 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.

(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 financial institutions 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.

(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 arederecognised 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.

(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.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally 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 are no longer considered to be past due but are treated as new loans. In subsequent years, the renegotiated terms apply in determining whether the asset is considered to be past due.

(h) Property and equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, 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 revalued 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:

Buildings	-	5%
Refurbishments	-	5%
Fixtures, fittings and equipment	-	25 %
Motor vehicles	-	25 %
Computer equipment	-	50%

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

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 (three 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.

(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.

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 original 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 financial institutions. 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.

(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'.