ANNUAL REPORT 2017

cogebanque

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CONTACT
KN 63 St. Cogebanque Building, Kigali - Rwanda
+250 788 155 500

cogebank@cogebank.com
www.cogebanque.co.rw

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FINANCIAL **HIGHLIGHTS**

Return on Equity

17.1%

Net Profit

16%

Business growth

7%

Total Loans

13.7%

Total Deposits

Net interest margin

7.9% 2017

7.3% 2016

Return on assets

2.2% 2017

2.1% 2016

14.2%

Total assets growth

23

Number of branches

ATM

27

Our aim is to be the commercial bank that earns the lasting loyalty of our diverse stakeholders

38%

Bank Agents

10%

Number of Staff /employees

CHAIRMAN'S STATEMENT

Philibert Afrika,
Chairman of the Board of Directors

Our building project has now been completed and the bank has relocated to the new premises. It is our fervent believe that, in addition to our promotional efforts, this development will give the bank more visibility and room for future growth and expansion.

The year in review

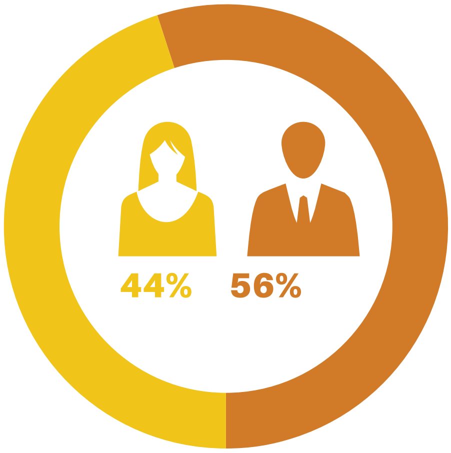
I am pleased to report that the bank is in a strong financial position as set out in the annual report. This is against the background of a rather mixed performance for the banking sector. In 2017, the bank registered the highest profitability in its entire history. Profit after tax grew by 16% to RWF 4.2 billion.

Total assets grew by 14%; net loans by 7%; total deposits by 13.7%; and total liabilities by 13.4%. Capital grew by 20%. Due to the early settlement of some big loans, growth in loans fell short of target.

During the year, the bank took a decisive step to reduce institutional deposits with a view to reducing cost of funds and grow deposits in tandem with loan growth.
The bank posted a return on equity of 17.1% compared to the 2017 industry average of 6.2%. Liquidity has been strong and remains well above the prudential norm throughout the year. I take the opportunity to recognize the contribution of the staff in achieving this remarkable performance.

327

Employees



The bank also closed the year with a capital adequacy ratio of 17.58% (19% based on the old capital standard), compared to the central bank norm of 15%.
In addition to ensuring that there is enough capital to support the healthy creation of risk weighted assets, we also ensure that there is adequate capital to withstand probable shocks. To this end, the board, will closely monitor developments in the bank's portfolio to ensure that the quality of the portfolio supports these goals.

With low inflation in 2017, BNR's policy stance was to maintain an accommodative monetary policy to help spur growth. In fact, the Central Bank dropped the key Repo rate from 6.25% at the beginning of the year to 5.5% by end of December 2017. Given the current inflation outlook, monetary policy will remain accommodative by supporting credit to the economy to help boost growth.

MAJOR DEVELOPMENTS IN 2017

The bank has hired a substantive Managing Director, in the person of Mr. Cherno Gaye. Mr. Gaye started work in late September 2017. Mr. Gaye brings on board relevant banking experience and perspective both nationally and internationally. I take the opportunity to thank the senior management team for holding the forte during the period the bank was without a substantive Managing Director.
In view of the current evolution of the bank and in preparation for future growth and expansion, the board adopted a new organization structure. The rationale for the change was to help achieve a lean structure that would allow for enhanced governance and facilitate faster decision making and execution across the bank; allow for career growth and progression; promote specialization and dedicated

focus on key areas; enhance focus on qualitative balance sheet and profit growth; promote proactive and efficient management of all facets of risks; facilitate cross-selling of products and provide effective support to the core activities of the bank.

> **The bank posted a return on equity of 17.1% compared to the 2017 industry average of 6.2%."**

Implementation of the structure will begin in 2018, with full guidance and oversight from the board. To support this process, the bank will invest in staff training and development to ensure it is implemented as desired. Capacity building will continue to be a key priority for us going forward.
Our building project has now been completed and the bank has relocated to the new premises. It is our fervent believe that, in addition to our promotional efforts, this development will give the bank more visibility and room for future growth and expansion.

During the year, the bank commissioned a portfolio review with a view to having an independent eye on the state of the portfolio. This is in keeping with the goal of ensuring that any issues affecting the portfolio are known and dealt with at the right time.
The bank also engaged in several corporate social responsibilities activities in areas such as public health, education and social wellbeing. We also collaborated with some of the districts on key projects.

OUTLOOK FOR 2018

The National Bank of Rwanda has announced the coming into force of new regulations, which will have a major impact on the way business is conducted going forward. The implementation of International Financial Reporting Standard - IFRS 9, new regulation on general provisions and the introduction of new capital and liquidity standards are all planned to take effect from 2018.
It is fair to say that whilst these represent major challenges to deal with in 2018, they are nonetheless the new reality and as such our priority is to ensure we are proactive in dealing with the implications and consequences.
We remain confident in the long-term outlook of the banking sector and the bank's ability to deliver superior long-term returns.
The truth is that change is a constant in the current financial services landscape, with competition galore. To that end, we see innovation and technology as key drivers of growth and productivity going forward. The bank will continue its drive to entrench its digital footprint and expand its bouquet of products to remain competitive in the market place.
The bank will also update its strategy during the year. The strategy will clarify the bank's new road map and strategic direction at a time when increasing competition, new regulations and an ever-changing business landscape make it necessary to fine tune our business model, explore new sources of growth and financing models for the real economy.
The bank will be commissioning an Information Technology audit in 2018. As the world goes more and more digital, and the National cashless drive continues to gather momentum, there is need to pay attention to the potential risks that come with going digital especially cyber risks.

GOVERNANCE

In a bid to strengthen governance and oversight, three new board members were appointed to the board in 2017. Given their respective backgrounds and experience, we believe their presence will give the board more depth and diversity.
We will continue to watch developments in the regulatory landscape and ensure that board composition reflects not only best practices but ongoing regulatory requirements.

CONCLUDING REMARKS

I deeply appreciate the support of customers, business partners and shareholders. I take the opportunity to wish you a prosperous 2018. I also take the opportunity to thank the directors and the management team and staff for their continued devotion and commitment.

Philibert Afrika,
Chairman of the Board of Directors

MANAGING DIRECTOR FOREWORD

Cherno GAYE
Managing Director

"Our people are central to our success. In line with this and given the trends that continue to shape the industry, our recruitment process will aim at identifying and attracting the right caliber of people who would live our dreams and advance the bank's agenda with passion and dedication."

Dear,
Esteemed stakeholders

I am very pleased and honored to address you for the first time as Managing Director of Cogebanque. As the bank continues the journey, and renews its commitment to delivering strong shareholder value, I am fully committed to being part of the journey.

The year 2017 was another good year, if not a breakthrough year, for the bank especially from a profitability perspective. The bank is strong, and its fundamentals are sound. Our goal is to build on these strengths as we aspire to entrench our position as a leading bank in Rwanda and eventually in the region.

The bank's profit for the year was Frw 4.2 billion compared to Frw 3.6 billion in 2016. The bank continues to observe a strong profitability trend and current results represent an increase of about 88% over 2014 levels. I take the opportunity to thank the staff profusely for the achievements of 2017. Suffice it to say that our collective efforts made these possible.

Average number of years with Cogebanque

7.4 5.4

Graduates

86.4% 88.6%

Average age (years)

35 37

Frw'000	2014	2015	2016	2017
Profit after tax	2,236,288	2,581,918	3,628,723	4,207,659
Total assets	134,000,000	177,958,000	175,970,372	201,003,150
Capital and reserves	13,718,087	18,285,005	21,913,728	26,307,160
Return on equity	17.7%	15.5%	17.6%	17.1%
Return on assets	1.9%	1.6%	2.1%	2.2%
Capital adequacy ratio	15.4%	16.6%	17.6%	19%
Cost of funds	6.9%	6.0%	5.9%	6.1%
Net interest margin	6.6%	6.3%	7.3%	7.9%
Liquidity ratio	38.40%	42.5%	36.3%	36.1%

The strong growth in profitability also explains the bank's ROE and ROA. The bank's capital adequacy ratio also remained strong at 19% at the year end. As part of the implementation of Basel II/III in 2018, the bank embarked on a parallel reporting exercise in 2017.

The bank's capital adequacy ratio based on new standard as at 31st December 2017 stood at 17.58% against the norm of 15%. This ratio can support credit growth of Frw 22 billion, assuming a 100% credit risk weight for all assets.

The bank is looking at increasing its resilience to shocks and now exploring various possibilities, including of raising tier 2 capital in the form of subordinated debt from Development Finance Institutions.

As a bank that manages for the long term, focus on increasing return of equity and creating distributable returns will be a top priority going forward.

Customer experience has also been improved with an enhanced internet banking platform, cutting-edge innovations in digital, and we continue to deliver great and recognizable customer service. As a result, this has become a key differentiator for Cogebanque. Improving this positioning will continue to receive attention going forward.

As far as business was concerned, lending activities also received a big boost with loan approvals reaching Rwf 91.5 billion, representing 842 applications. The bank also made significant strides aimed at reducing deposit concentration. Deposits from institutions sources reduced by 20% whereas customer deposits (non-institutional) increased by 28%. Overall deposits increased by 14%.
Over the coming year, we will focus on growing assets, increasing asset quality, raising cheap and stable deposits as well as diversifying the bank's sources of income. The bank will continue to increase its footprint of branches, agencies as well as enrich our digital channels.

Our people are central to our success. In line with this and given the trends that continue to shape the industry, our recruitment process will aim at identifying and attracting the right caliber of people who would live our dreams and advance the bank's agenda with passion and dedication. We are strongly committed to staff training and development and will use our training budget in a targeted manner to fast track the achievement of the bank's strategic initiatives.

I must say that 2018 has a lot in store for us. Suffice it to say that it will not be devoid of interesting challenges.

- We moved to our new HQ building. This addressed our space constraints and also positioning us for future growth and expansion.

- Following the approval by the board of a new structure in 2017, implementation will start in 2018. The structure will help prepare the bank to adapt to an ever-changing banking landscape and the challenges that lie ahead.

- The bank will develop and start implementing a new corporate strategy. This will have a lot of ramifications for business going forward. It will help position us well on the market and define our approach to competition going forward.
- Implementation of a new International Financial Reporting Standard IFRS 9 (Financial Instruments) will start in 2018. This is new territory for us and will no doubt have massive implications going forward.

- The new new capital and liquidity standards - Basel II/III will come into force in 2018.

Whilst these developments will pose big challenges, they will also create a myriad of opportunities. I see them as opportunities to learn, grow and develop.

We continue to appreciate support of our esteemed customers, shareholders, board and staff and other stakeholders for making 2017 as successful year. We look forward to your support in 2018.

Cherno GAYE
Managing Director

COGEBANQUE AT A GLANCE

Compagnie Générale de Banque Limited (COGEBANQUE) is a commercial bank that is licensed and regulated by the National Bank of Rwanda (BNR). It was incorporated on July 17, 1999; and currently has 23 branches located across the country.

COQEBANQUE is proudly one of the leading indigenous banks with about 97% of its shareholders being Rwandese institutions and businessmen.

The Bank's rapid and consistent growth over the past few years has made it a force to reckon with in the banking sector in Rwanda. This growth is supported by a robust level of liquidity and profitability as well as significant clientele in corporate, SMEs, and retail segments of the market.

COGEBANQUE provides a comprehensive range of products and services targeted at corporate, SMEs and retail customers.

Today, the bank has many delivery channels such as branches, ATMS, internet banking, (including mobile internet), mobile banking and agency banking.

For more detailed information on our products and services, please contact us at our address below:

CONTACTS

KN 63 St
cogebank@cogebank.com
www.cogebanque.co.rw
Cogebanque

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 and of the bank and to satisfy our customers.

Customer Orientation

We are customer centric and go at any lengths to ensure that our customers are satisfied with our products and services.

Quality

We believe in quality and this is reflected in everything we do.

CORPORATE GOVERNANCE OVERVIEW

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

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

1. THE BOARD OF DIRECTORS

The Board of Directors of COGEBANQUE is currently comprised of ten (10) non-executive directors, six (6) of whom are independent including the Chairman. The Board's key role is to provide effective oversight and leadership, by creating a conducive environment for accountability, responsibility, equity and transparency to thrive. It also ensures that good corporate governance practices are reflected in the bank's interactions with its stakeholders.

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

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

THE AUDIT COMMITTEE

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

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

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

NAME OF DIRECTOR	ROLE
1. Cisco KANYANDEKWE	Chairperon
2. Ernest RWAGASANA	Member
3. Egide GATERA	Member
4. Jotham MAJYALIBU	Member
5. Francis NSENGIYUMVA	Member

THE CREDIT COMMITTEE

The committee oversees the following:

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

The committee is composed as follows:

NAME OF DIRECTOR	ROLE
1. Ernest RWAGASANA	Chairperson
2. Egide GATERA	Member
3. John Bosco SEBABI	Member
4. Jotham MAJYALIBU	Member
5. Cherno GAYE (Managing Director)	Member

THE RISK MANAGEMENT COMMITTEE

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

The committee is composed as follows:

NAME OF DIRECTOR	ROLE
1. Alphonsine RUBANGURA	Chairperson
2. Désiré MUSONI WA RWIHIMBA	Member
3. Christian MAKUZA	Member
4. Francis NSENGIYUMVA	Member

THE ASSET AND LIABILITY MANAGEMENT COMMITTEE (ALCO)

The Committee is tasked with the responsibility of:

1. Advising the Board on matters relating mainly to the

management of capital, liquidity and market risk; and

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

The committee is composed as follows:

NAME OF DIRECTOR	ROLE
1. Désiré MUSONI WA RWIHIMBA	Chairperson
2. Alphonsine RUBANGURA	Member
3. Christian MAKUZA	Member
4. John Bosco SEBABI	Member

THE HUMAN RESOURCES COMMITTEE

The Committee is responsible for:

1. Attracting and remunerating the right caliber of human resources to drive the bank's strategy;
2. Advises the board on matters relating to organizational structure and design; and
3. Ensuring that appropriate policies, practices and procedures are in place in areas of recruitment, human development, remuneration and staff retention.

The committee is composed as follows:

NAME OF DIRECTOR	ROLE
1. Jotham MAJYALIBU	Chairperson
2. Cisco KANYANDEKWE	Member
3. Christian MAKUZA	Member
4. Désiré MUSONI WA RWIHIMBA	Member

2. THE ACTIVITIES OF THE BOARD OF DIRECTORS

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

The Board of Directors is composed of ten (10) members, appointed based on their experience in varied background in different disciplines, which include banking, law, accounting and finance, investment analysis, apart from hands on experience in various industries.

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

In addition to Statutory and Extraordinary Board meetings to analyse and approve quarterly accounts for publication and to analyse other matters concerning the business such as growth, financial management, risk management etc, the board also approved the bank's Enterprise Risk Management Framework, and the Bank Procurement policy.

All Board committees were able to meet at least on a quarterly basis, as required by the law and the articles of association of the Bank. In a bid to improve turnaround time of credit files and to expedite the disbursement process, the Board Credit Committee sits weekly.

The Board also provided vital oversight to the Head Office Construction Project especially through the Board Ad hoc Committee. The board also participated in the relocation of Muhanga, Musanze and Kamembe Branches.

The Board was involved in negotiations with a Strategic Partner regarding the possibility of sale of Shares by some shareholders. This was being pursued as a way of giving the bank a wider pool of capitalization options to help the bank grow risk weighted assets and bolster its ability to withstand shocks.

In response to the need for a lean and agile structure that would position the bank for growth and expansion to drive the strategic agenda of the bank. The Board of Directors approved a new organizational Structure and set up a Task Force, charged with the responsibility of supporting management in the implementation process.

To enhance relations with the regulator and provide an opportunity for the Board to engage directly with the regulator on matters concerning the bank, Board members also attended prudential meetings with the regulator during the year under review.

The Board also participated in other CSR activities such as the Tour du Rwanda, the Miss Rwanda 2017.

3. BOARD MEETINGS

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

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

During the year 2017, the main Board met eight times.

4. THE BOARD EVALUATION

The corporate governance regulations of the National Bank of Rwanda require the Board to have a regular self-evaluation of its performance, including the performance of board sub-committees and individual directors.

The Board established a system of self-evaluation of its own performance and the performance of its committees and individual directors. The results of the evaluation are submitted to the Central Bank before 30th June of the following year as per the National Bank Regulations.

BOARD OF DIRECTORS PROFILES

Mr. Philibert AFRIKA Chairman

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

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

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

Mr. John Bosco SEBABI Director / Vice Chairman

Sebabi is currently the Deputy Director General in charge of Funds Management at the Rwanda Social Security Board (RSSB).

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

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

Mr. Egide GATERA Director

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

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

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

Mr. Ernest RWAGASANA

Director

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

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

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

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

Mrs. Alphonsine RUBANGURA

Director

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

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

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

Mr. Cisco KANYANDEKWE

Director

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

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

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

BOARD OF DIRECTORS PROFILES

Mr. Désiré MUSONI wa RWIHIMBA — Director

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

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

He holds a Bachelor's degree in Law.

Mr. Christian MAKUZA — Director

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

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

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

Mr. Jotham MAJYALIBU — Director

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

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

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

Mr. Francis NSENGIYUMVA Director

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

During his time at the Ministry of Finance and Economic Planning, he managed portfolios that included the European Development Fund, Public Finance Management Basket and the UN funded projects. He is a Project Management specialist and has proven team leadership skills and experience of working with diverse teams of local and international consultants, government ministries/institutions, development partners, civil society organizations and communities with respect to project planning and implementation.

He has served as a Member of Board of Directors in different companies in Rwanda that include, Horizon Group Limited, Ultimate Concept Limited (UCL) and FONERWA.

He holds a Bachelor's degree in Accounting Sciences from the National University of Rwanda; and a Master of Science in Finance (Economic Policy) from the School of Oriental and African Studies/University of London (UK).

5. THE MANAGEMENT COMMITTEES

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

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

The Board at Work

Board Members

EXECUTIVE MANAGEMENT PROFILES

EXECUTIVE MANAGEMENT TEAM

Mr. Cherno GAYE Managing Director

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

He was Chief Finance Officer of Banque Commerciale du Rwanda (BCR), now part of the I&M Group from 2005 to 2010. Before this assignment, He was Head of Finance/Finance Manager of Maersk (Gambia) Limited, a subsidiary of AP Moller Maersk A/S Group.

Cherno also worked as an external auditor with both KPMG and Deloitte and Touche. He has also provided consultancy services to various companies in Rwanda.

He has over 17 years of post-qualification experience and has been exposed to many areas such as financial reporting, audit, corporate finance, asset and liability management, investment management, corporate strategy & business development and general company management.

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

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

Mr. Mujyambere Louis de Montfort Director, Business Development

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

Starting as a Junior Credit Analyst, Montfort's rose through the ranks to become Chief Credit Analyst, and then Deputy Director of Credit, and eventually Director of Credit. He was later appointed Business Development and Commercial Director, a role he is the first to occupy in the bank.

Mujyambere holds a Master's Degree in Business Administration – (MBA) from Maastricht School of Business (Netherlands) and Bachelor in Business Administration with specialization in Finance from Kigali Institute of Science and Technology.

Mr. Emmanuel MUGANDURA

Chief Financial Officer

Prior to joining Cogebanque, Emmanuel was CFO of Urwego Opportunity Bank, where he also worked as head of Internal Audit, and Chief Risk Management Officer. He has over 12 years of professional experience, in which he held different responsibilities, and gained experience in Audit and risk management, Treasury, Accounting, strategic planning and managing different stakeholders.

Prior to joining the banking sector, he worked with Rwanda Auditor General's Office where he audited different public institutions; He also served at the National University of Rwanda as an accountant.

Mr. Mugandura is a Chartered Certified Accountant and a member of the Association of Chartered Certified Accountants (ACCA), He holds a Bachelor's degree in Accounting Science from the National University of Rwanda.

Mr. Joel KAYONGA

Director of Credit

Joel is the Director of Credit, having joined the Bank in 2015. He is primarily charged with the responsibility managing the Bank's credit portfolio through independent processes, development and coordination of implementation of risk strategies in line with the business plan, with adherence to internal and statutory guidelines.

Prior to assuming the current role, Joel served as the Deputy Director of Credit. He also served in various capacities in the Financial Sector Development Secretariat and then as Advisor to the Minister in the Ministry of Finance and Economic Development over a 3-year period.

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

SENIOR MANAGEMENT PROFILES

Mr. Yvon Gilbert NISHIMWE

Head of E-banking and Card business

Yvon has over 12 years of banking experience, primarily in Electronic Banking and over 9 years in managerial capacity. His prior experiences involved innovating and managing products around card business and digital banking. He implemented projects related to various alternative banking channels such as POS, ATMs, Cards, Internet banking, Mobile banking and Agency Banking.

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

Mrs. CLAUDINE UWAMBAYINGABIRE

Head of Commercial Department & Agency Banking

CLAUDINE Uwambayingabire- Head of Commercial Department & Agency Banking

Ms. Uwambayingabire has been with COGEBANQUE since 1999. She has over 18 years of experience in the banking sector and has served in various capacities in different Departments.

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

She holds a Bachelor's degree in Management and is currently pursuing an MBA at Jomo Kenyatta University.

Mr. Songa RWAMUGIRE

Head of Corporate

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

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

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

Mr. Georges NDIZIHIWE

Head of Western Branches

Georges is the Head of Western Branches Department and has been serving COGEBANQUE for over 16 years. He joined the bank in 2000.

He has been exposed to different areas of the bank's operations including banking operations, and business development.

He occupied different senior positions including Bank Legal Adviser, Head of Branch's Network, Head of operations Department which included the Electronic and Digital Channels, and International trade Finance etc.

He holds a bachelor's degree in Law, a Certified Professional Banker Course (CPB), and benefited from numerous trainings in banking and financial services offered by reputable institutions.

Mr. Vivien Fidence KATABARWA

Head of IT

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

Before assuming the role of Head of IT, Vivien was a System Engineer for 5 years and specialized in use of Linux and UNIX system for high end banking systems.

He managed Financial and Billing Systems Databases for both Oracle and SQL Server.

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

Mr. 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.

SENIOR MANAGEMENT PROFILES

Mrs. Chantal MUKABATANGA

Company Secretary and Head of Legal Services

Chantal has over 23 years of professional work experience in the banking industry.

She joined COGEBANQUE in 2010, after a 15 years stint at Bank of Kigali, where she occupied several positions. 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, she oversees legal services, including providing advisory services, dealing with litigations and, contracting and she also oversees the bank's Board of Directors' activities and shareholders' matters.

She holds a Bachelor's degree from the University of Kinshasa, Democratic Republic of Congo, and is now completing a Diploma in Legal Practice and Development at the Institute of Legal Practice and Development (ILPD).

Mr. 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.

He works closely with senior management to implement the HR policies and objectives, especially in attracting, motivating and developing the key talent staff to enable to Bank to maintain its remarkable growth.

Prior to his current role, he was Head of Human Resource Department of Rwanda Civil Aviation Authority.

He holds a Bachelor's degree in Administration from Kigali Independent University and has done various executive trainings on Human Resource Management and Strategy.

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

Mr. 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.

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

Mr. Jean Damascene MUTABAZI

Head of Risk and Compliance

Jean Damascene has spent the last 9 years in Risk and Compliance roles in the banking sector. He is a Certified Banker from Lagos School of Excellence, a certified Risk Manager and a Certified Compliance Professional from The International Academy of Financial Management.

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

Mr. Antoine IYAMUREMYE

Marketing Manager

Antoine is currently the Marketing Manager of Cogebanque having joined in August 2017.

He has 7 years' experience in brand development, marketing, communications, and related fields attained while working with reputable institutions.

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

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

COGEBANQUE COMMUNITY ENGAGEMENT

Cogebanque leads in supporting Rwanda's socio-economic development through corporate social responsibility

Throughout 2017, the bank focused on activities geared towards ensuring all stakeholders gain a common understanding of Cogebanque's brand through clear communication of the bank's positioning as a leading commercial bank in Rwanda.

Throughout the year, the bank invested in improvement of internal and external communications as an enabler of the bank being part of a number of activities that sought to capture the bank's overall economic development impact as well as enhancing its various corporate social responsibility (CSR) initiatives that focus on key thematic areas – including education, health, building sustainable livelihoods and sports and culture, playing a leading role in support of government efforts to position the country as a sports destination and achieving its social-economic developments goals.

Highlights of initiatives undertaken in 2017

BEAUTIFICATION OF CITIES:

Cogebanque undertook to beautify different cities and towns in the country. In Kigali, going by the 'build and sustain a city of character' theme, Cogebanque decorated the Kisimenti round about in Kigali and the palm trees on the road from Hotel Chez Lando to Gishushu with Christmas decorations in a bid to get city dwellers into the festive mood.

In Rubavu Town in the Western Province, the bank beautified the town's main roundabout with a sculpture symbolizing the area's tourism heritage. Whereas in Muhanga town, another sculpture was erected in the town's roundabout, symbolizing the town as the main source of Rwanda's mineral resources and in Nyagatare and Rwamagana Districts in the Eastern Province, similar roundabouts were decorated, this time showing the districts' strength in agricultural farming.

DONATIONS

Cogebanque continued its annual programs of supporting education, identifying and awarding best performing students in different educational institutions as it continues to motivate students all around the country to excel in their academic affairs. The best performing students were awarded different prizes that included laptops and internships in the bank as part of our contribution to societal development.

While in health, the bank financially supported the Autism in Rwanda Project, enabling more people to be trained and to create awareness on the sickness in the country; and portray ways of taking care of people ailing from the disease.

GENOCIDE COMMEMORATION

As part of the 23rd commemoration activities of the 1994 Genocide against the Tutsi, Cogebanque's staff took part in a Walk to Remember parade to Nyanza Genocide Memorial in Kicukiro District to pay their respects to the victims that lost their lives during the tragic three-month period and contributed towards spreading the message that such acts should never happen again in the country and worldwide.

MISS RWANDA & WORLD 2017

As has become the norm over the past few years, Cogebanque was the main sponsor of Miss Rwanda 2017, As part of the quest to crown a new Miss Rwanda who would also serve as the bank's brand ambassador; and the winner was awarded a brand-new Suzuki Swift and a monthly salary amounting to Rwf 800,000.

SPORTS

Cogebanque sponsored many sporting activities during 2017 that included cycling and tennis.

In cycling, the bank financially supported a team "LES AMIES SPORTIF", comprising of boys and girls to develop their talents. The team is well known for unearthing the renowned Joseph ARERUYA, who came first in the year's Tour du Rwanda competition. In line with the government initiative of developing the sport, Cogebanque is proud to be a part of it.

The bank was also among the main sponsors of the Tour du Rwanda and Rwanda Cycling Cup events that took place during the year. The bank commits to sponsoring the sport until its Rwandan participants grow to levels they can compete internationally.

In tennis, the bank sponsored the Intsinzi Cogebank Open Tournament where corporate clients of the bank actively competed in.

WAY FORWARD 2018

In 2018, Cogebanque will focus on rebranding itself – particularly in communicating its new corporate image and respective products offered by the various business units especially digital banking and retail products. Cogebanque came up with a digital banking strategy aimed at opening up opportunities to transact using multiple channels, especially digital ones' amongst which is mobile.

As customers continue to embrace digital channels around the globe, Cogebanque continues to be an active pioneer of digital banking solutions, and provide digital financial services and solutions to customers, in line with the country's drive to create a cashless economy. This is in line with the bank's digital aspirations and a manifestation of the bank's commitment to bring banking services closer to the clients. In addition, the bank will continue its robust corporate social responsibility (CSR) programs to appropriately align with the bank's strategic priorities by investing and supporting the communities in the country to drive economic development and sustainability.

ANNUAL REPORT AND **FINANCIAL STATEMENTS**

COGEBANQUE LTD
AUDIT REPORT FOR THE PERIOD ENDED 31st DECEMBER 2017

cogebanque
simple & possible

INTRODUCTION

The directors submit their report together with the audited financial statements for the year ended 31 December 2017, which disclose the state of affairs of Compagnie Générale de Banque Limited ("the Bank").

PRINCIPAL ACTIVITIES

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

RESULTS

The net profit for the year of Frw 4,203 million, which is higher than Frw 3,683 million generated in 2016, and the latter was added to retained earnings.

SHAREHOLDERS

The shareholders of the bank as at 31 December 2017 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%
SAHAM Assurance vie Rwanda	4,875	6.98%
MUGABOWINDEKWE Emmanuel	4,686	6.71%
Diocèse Catholique de Butare	4,115	5.89%
DELFORGE Muriel	2,107	3.02%
RUTERANA Eduard	743	1.06%
NYAGATARE Dismas	713	1.02%
MURANGIRA Philippe	696	1.00%
Others	4,222	6.02%
	69,850	**100%**

DIRECTORS

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

AFRIKA Philibert	Chairman	Status
SEBABI Jean Bosco	Vice Chairman	Appointed: 19th April, 2017
GATERA Egide	Member	
KANYANDEKWE Cisco	Member	
RWAGASANA Ernest	Member	
RUBANGURA Alphonsine	Member	
MUSONI WA RWIHIMBA Désire	Member	
MAKUZA Christian	Member	
MUSANIWABO Alice	Member	Resigned: 2nd February, 2017
MAJYALIBU Jotham	Member	Appointed: 24th May, 2017
NSENGIYUMVA Francis	Member	Appointed: 6th Sept. 2017

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

KN 63 St

Cogebanque Building

P.O. Box 5230

Kigali, Rwanda

AUDITOR

The term of the bank's current auditor, GPO Partners Rwanda Limited, has come to an end in accordance with Law Governing Companies No. 27/2017 of 31/05/2017. The bank is in the process of appointing another auditor.

By order of the Board

SECRETARY 27...3.........2018

STATEMENT OF DIRECTOR'S 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
Date: 27/03/2018

Director
Date: 27/03/2018

GPO Partners

Tel. + 250 78 830 08 32
Tel. + 250 252 58 79 33
Fax + 250 252 58 79 34
gporw@gpopartners.com
www.gpopartners.com

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, 2017, 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, 2017, 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

As required by the Law Governing Companies No. 27/2017 of 31/05/2017 we report to you, based on our audit, that:

i. There are no circumstances that may create threat to our independence as auditor of compagnie générale de Banque limited;

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 compagnie générale de Banque limited, so far as appears from our examination of those books; and

iv. We have no relationship, interest or debt with compagnie générale de Banque limited

v. 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.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF

COMPAGNIE GÉNÉRALE DE BANQUE LIMITED (continued.)

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

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,

Patrick GASHAGAZA
Partner

Kigali, 28/03/2018

GPO Partners Rwanda Ltd
KG 7 Ave. - Aurore Building - Kacyiru
P.O. Box 1902 - Kigali – Rwanda
Company Code / V.A.T. : 100161492
Audit - Accounting - Tax – Consulting

STATEMENT OF COMPREHENSIVE INCOME

		For the Year ended 31 December:	
	Notes	**2017**	**2016**
		Frw'000	**Frw'000**
Interest income	1	22,341,510	19,714,267
Interest expense	2	(9,782,494)	(8,967,528)
Net interest income		**12,559,016**	**10,746,739**
Fees and commissions income	3(a)	3,152,469	3,033,494
Fees and commissions expense	3(b)	(531,126)	(472,549)
Net fees and commissions income		**2,621,343**	**2,560,945**
Net foreign exchange income		1,086,279	1,084,143
Other operating income	4	68,143	58,471
		1,154,422	**1,142,614**
Total operating income		**16,334,781**	**14,450,298**
Net impairment charge on loans and advances	5	(803,377)	(611,935)
Operating income after loan impairment		**15,531,404**	**13,838,363**
Personnel expenses	6	(4,781,833)	(4,090,878)
Depreciation and Amortisation	7	(703,722)	(719,388)
Other operating expenses	8	(3,766,105)	(3,638,219)
Total operating expenses		**(9,251,660)**	**(8,448,485)**
Profit before income tax		**6,279,744**	**5,389,878**
Income tax expense	9	(2,076,722)	(1,761,155)
Profit for the year		**4,203,022**	**3,628,723**
Other comprehensive income		-	-
Total comprehensive income for the year		**4,203,022**	**3,628,723**
Basic and diluted earnings per share		**60,172**	**51,950**

The notes on pages 39 to 76 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

		At 31 December:	
	Notes	2017	2016
		Frw'000	Frw'000
Assets			
Cash and balances with the National Bank of Rwanda	10	15,126,796	14,978,528
Amounts due from other banks	11	12,858,284	8,529,354
Government securities and other bonds	12	41,213,151	34,639,174
Loans and advances to customers	13	115,006,967	107,327,363
Other assets	14 (a)	1,083,103	245,960
Noncurrent asset held for sale	14 (b)	1,023,515	34,715
Property and equipment	15 (a)	13,453,477	8,956,924
Intangible assets	16	1,122,874	1,112,035
Deferred tax asset	17	108,358	146,319
Total assets		**200,996,525**	**175,970,372**
Liabilities			
Customer deposits	18	134,746,568	105,147,180
Deposits from other banks	19	36,538,823	45,494,109
Current income tax payable		745,327	722,197
Other liabilities	20	2,658,647	2,647,137
Total liabilities		**174,689,365**	**154,010,623**
Provision for contingent liabilities	21	-	46,020
Shareholders' equity			
Share capital	22	6,985,000	6,985,000
Share premium	22	1,373,437	1,373,437
Statutory reserve		190,410	-
Retained earnings		13,555,291	9,926,568
Profit for the year		4,203,022	3,628,723
Total shareholders' equity		**26,307,160**	**21,913,728**
Total equity and liabilities		**200,996,525**	**175,970,372**

The notes on pages 39 to 76 are an integral part of these financial statements.

The financial statements on pages 34 to 76 were approved for issue by the Board of Directors on

27th March 2018 and signed on its behalf by:

Director	Director
Date: 27/03/2018	Date: 27/03/2018

STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share premium	Proposed dividend	Statutory credit risk reserve	Retained earnings	Total
		Frw '000	Frw '000	Frw '000		Frw '000	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:							
Statutory credit risk reserve							
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**

	Notes	Share capital	Share premium	Proposed dividend	Statutory credit risk reserve	Retained earnings	Total
		Frw '000	Frw '000	Frw '000		Frw '000	Frw '000
Year ended 31 December 2017							
At start of year		6,985,000	1,373,437	-	-	13,555,291	21,913,728
Comprehensive income:							
Statutory credit risk reserve					190,410	-	190,410
Profit and total comprehensive income for the year		-	-	-	-	4,203,022	4,203,022
Transactions with owners:							
At end of year		**6,985,000**	**1,373,437**	-	**190,410**	**17,758,313**	**26,307,160**

STATEMENT OF CASH FLOWS

		Year ended 31 December:	
	Notes	2017	2016
		Frw '000	Frw '000
Cash flows from operating activities			
Profit before income tax		6,279,743	5,389,878
Adjustments for:			
Depreciation on property and equipment	15 (a)	471,546	532,698
Amortisation of intangible assets	16(a)	232,176	186,690
Gain on disposal of fixed assets	4	(1,459)	-
Cash flows from operating activities before changes in operating assets and liabilities		**6,982,006**	**6,109,266**
Changes in operating assets and liabilities:			
- Loans and advances		(7,679,604)	(12,656,254)
- Government securities and other bonds		(6,573,977)	16,238,196
- Other assets		(1,825,943)	565,828
- Customer deposits		29,599,388	(6,877,570)
- Other liabilities		11,510	953,883
-Income tax paid		(745,327)	(722,197)
Net cash from/ (used in) operations		**19,768,054**	**3,611,152**
Cash flows from investing activities			
Purchase of property and equipment	15 (b)	(4,604,361)	(2,747,909)
Purchase of intangible assets	16(b)	(132,776)	(158,770)
Proceeds from sale of property and equipment		1,459	-
Net cash used in investing activities		**(4,735,678)**	**(2,906,680)**
Net increase/(decrease) in cash and cash equivalents		**15,032,376**	**704,473**
Cash and cash equivalents at start of year	24	(20,283,078)	(20,987,551)
Cash and cash equivalents at end of year	**24**	**(5,250,702)**	**(20,283,078)**

Notes to the Financial statement

1	Interest income	2017	2016
		Frw '000	Frw '000
	Loans and advances	18,031,853	15,894,705
	Government securities	4,201,951	3,709,279
	Placements with other banks	107,707	110,283
		22,341,510	**19,714,267**

2	Interest expense	2017	2016
		Frw '000	Frw '000
	Customer deposits	6,994,515	5,995,838
	Placements from other banks	2,787,979	2,971,690
		9,782,494	**8,967,528**

3	Fees and commissions	2017	2016
		Frw '000	Frw '000
(a)	***Fee and commission income***		
	Credit related and commission fees	1,490,807	1,617,967
	Current account ledger fees	300,796	320,615
	Local and international cash transfers	288,550	276,302
	EMP & MasterCard fees	187,560	78,677
	Other Electronic banking related fees	211,552	141,296
	Other fees and commissions	672,883	598,634
		3,152,469	**3,033,494**
(b)	*Fee and commission expense*		
	EMP & MasterCard related costs	(386,220)	(335,099)
	Other electronic banking related charges	(48,306)	(20,402)
	Fees on cheque book request	(77,465)	(91,343)
	Fees paid to bank agents	(19,135)	(25,705)
		(531,126)	**(472,549)**
	Net fee and commission income	**2,621,343**	**2,560,945**

4	Other operating income	2017	2016
		Frw' 000	Frw' 000
	Gains on disposal of property and equipment	1,459	-
	Write back of provision for certified cheques	-	-
	Other income	66,684	58,471
		68,143	**58,471**

5	Impairment losses on loans and advances	2017	2016
		Frw' 000	Frw' 000
	Impairment on loans and advances during the year	(1,403,252)	(1,287,134)
	Recoveries on amounts previously provided for	317,650	290,104
	Recoveries on amounts previously written off	282,224	385,095
	Net (losses)/recoveries	**(803,377)**	**(611,935)**

6	Personnel expenses	2017	2016
		Frw' 000	Frw' 000
	Salaries and wages	3,354,289	2,909,859
	Other Staff allowances	381,376	338,348
	Employers' contributions to RSSB	181,809	152,588
	Staff leave entitlement	238,620	209,868
	Mileage allowances	78,919	73,768
	Staff medical costs	181,829	156,231
	Training costs	78,129	60,062
	Staff meals	125,029	109,135
	Terminal benefits	58,845	24,327
	Contribution to staff solidarity fund	80,348	25,581
	Staff life insurance	11,796	12,421
	Other HR costs	10,844	18,690
	Total personnel expenses	**4,781,833**	**4,090,878**

7	Depreciation and amortisation	2017	2016
		Frw' 000	Frw' 000
	Amortisation of intangible assets (Note 16)	232,176	186,690
	Depreciation charge on property and equipment (Note 15)	471,546	532,698
		703,722	**719,388**

8	Other operating expenses	2017	2016
		Frw' 000	Frw' 000
	Rental costs	781,384	711,211
	Advertising costs	382,449	468,938
	Professional fees	390,014	446,368
	Security costs	259,639	252,643
	Swift fees and leased line	194,955	211,161
	Telephone call fees	86,590	107,022
	Fuel and oil costs	68,187	72,082
	Printing and office supplies	92,919	91,981
	Water and electricity	161,565	157,478
	Computer maintenance costs	190,365	139,219
	Costs of service provision mortgage	24,423	32,249
	ATM maintenance costs	38,176	23,361
	Insurance expenses	98,953	42,976
	Equipment repairs and maintenance costs	55,101	66,302
	Vehicle maintenance costs	40,772	40,116
	Directors fees and allowances	93,098	91,751
	Mission expenses	91,993	152,793
	Cleaning expenses	51,406	48,936
	Donations and gifts	133,653	60,035
	Auditors' remuneration	23,600	53,986
	Other administrative expenses	506,863	367,611
		3,766,105	**3,638,219**

9	Income tax expense	2017	2016
		Frw' 000	Frw' 000
	Current income tax	2,038,761	1,682,947
	Deferred income tax charge (Note 17)	37,961	78,208
		2,076,722	**1,761,155**

Notes (continued)

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:

		2017	2016
		Frw '000	Frw '000
	Profit before income tax	6,279,743	5,389,878
	Tax calculated at the statutory income tax rate of 30%	1,833,923	1,616,963
	Tax effect of:		
	Expenses not deductible for tax purposes	154,838	65,984
	Income not subject to tax	-	-
	Under / (over) provision of deferred tax in prior years	-	-
	Income tax expense	**2,038,761**	**1,682,947**

10	Cash and balances with National Bank of Rwanda	2017	2016
		Frw '000	Frw '000
	Cash in hand	3,810,532	2,924,091
	Balances with National Bank of Rwanda	11,316,264	12,054,436
		15,126,796	**14,978,528**

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.

11	Amounts due from other banks	2017	2016
		Frw '000	Frw '000
	Current accounts with other banks	3,341,512	2,184,980
	Placements with other banks	9,516,772	6,344,374
		12,858,284	**8,529,354**

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

12	Government securities and other bonds	2017	2016
		Frw '000	Frw '000
	Treasury bills issued by the Government of Rwanda	18,504,929	14,249,456
	Treasury bonds issued by the Government of Rwanda	19,407,909	17,090,498
	International Finance Corporation Bond	3,300,313	3,299,219
	At 31 December:	**41,213,151**	**34,639,174**
	Treasury bills maturing:		
	- within 90 days from date of acquisition	11,576,096	8,639,031
	- 91 days and above from date of acquisition	6,928,833	5,610,425
		18,504,929	**14,249,456**
	Maturing later than 1 year:		
	- Treasury bonds issued by the Government of Rwanda	19,407,909	17,090,498
	- International Finance Corporation Bond	3,300,313	3,299,219
		22,708,222	**20,389,717**
		41,213,151	**34,639,174**

13 (a)	Loans and advances to customers	2017	2016
		Frw '000	Frw '000
	Mortgages	56,554,820	50,755,064
	Equipment loans	9,705,381	7,456,102
	Overdrafts	15,793,227	16,150,265
	Consumer loans	1,331,597	1,755,770
	Treasury loan	20,941,281	22,130,193
	Others	15,132,192	13,386,065
	Gross loans and advances	119,458,498	111,633,459
	Less: provision for impairment of loans and advances		
	- Individually assessed	(4,451,531)	(4,306,096)
	- Collectively assessed	-	-
		115,006,967	**107,327,363**

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

		Individually assessed	Collectively assessed	Total
		Frw' 000	Frw' 000	Frw' 000
	Year ended 31 December 2017			
	At start of year	4,306,096	-	4,306,096
	Additional provisions (Note 5)	1,403,252	-	1,403,252
	Recoveries (Note 5)	(317,650)	-	(317,650)
	Decrease in interest in suspense	(940,167)	-	(940,167)
	At end of year	**4,451,531**	-	**4,451,532**

		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 (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**

All loans are carried at their estimated recoverable amounts.

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

14(a)	Other assets	2017	2016
		Frw '000	Frw '000
	Prepayments	124,999	72,689
	Office consumables	15,462	36,111
	Other balances linked to ebanking products	617,357	-
	Other debtors	325,285	137,160
		1,083,103	**245,960**

14 (b) Non-current assets held for sale

These are the mortgage acquired by realisation of guarantee

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

15 (b) Property and equipment (cash movement)

	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
Additional 2017	112,332	112,248	-	24,014	4,355,767	**4,604,361**
Additional 2016	448,701	154,324	125,871	132,119	1,886,894	**2,747,909**

15 (c) 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 2016						
Opening net book value	**2,792,957**	**393,307**	**41,985**	**73,432**	**3,712,883**	**7,014,563**
Additions	448,701	154,324	125,871	132,119	1,614,044	2,475,059
Transfers from WIP	4,815	-	13,500	-	(18,315)	-
Disposals	-	-	-	-	-	-
Depreciation	(165,091)	(191,737)	(56,546)	(119,324)	-	(532,698)
Closing net book value	**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 value	**3,081,381**	**355,895**	**124,810**	**86,227**	**5,308,611**	**8,956,924**

16 (a) Intangible assets

	Core banking system	Other software	Work in progress	Total
	Rwf '000	Rwf '000	Rwf '000	Rwf '000
Net book value at 1 January 2017	**771,999**	**161,285**	**178,752**	**1,112,035**
Additions	-	119	242,895	243,014
Amortisation charge	(137,411)	(94,765)	-	(232,176)
Net book value at 31 December 2017	**634,588**	**66,639**	**421,647**	**1,122,874**
At 31 December 2017				
Cost	1,374,107	676,413	421,647	2,472,167
Accumulated amortisation	(739,519)	(609,774)	-	(1,349,293)
Net book value	**634,588**	**66,639**	**421,647**	**1,122,874**

16 (b) Intangible assets (cash movements)

	Core banking system	Other software	Work in progress	Total
	Rwf '000	**Rwf '000**	**Rwf '000**	**Rwf '000**
Additions in 2017	-	119	132,657	132,776
Additions in 2016	-	10,924	147,846	158,770

16 (c) Intangible assets

	Core banking system	Other software	Work in progress	Total
	Rwf '000	**Rwf '000**	**Rwf '000**	**Rwf '000**
Net book value at 1 January 2016	909,786	29,722	225,393	1,164,901
Additions	-	10,924	122,900	133,824
Transfer from WIP	-	169,541	(169,541)	-
Amortisation charge	(137,787)	(48,903)	-	(186,690)
Net book value at 31 December 2016	**771,999**	**161,285**	**178,752**	**1,112,035**
At 31 December 2016				
Cost	1,374,107	676,294	178,752	2,229,152
Accumulated amortisation	(602,108)	(515,009)	-	(1,117,117)
Net book value	**771,999**	**161,285**	**178,752**	**1,112,035**

Intangible assets relate to computer software licenses.

17 Deferred income tax

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

	2017	**2016**
	Frw' 000	**Frw' 000**
At start of year	146,319	224,526
Credit/ (charge) to the Statement of Comprehensive Income	(37,961)	(78,207)
At end of year	**108,358**	**146,319**

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

17 Deferred income tax (continued)

Year ended 31 December 2017	1 January 2016	Current year (charged)/ credited to SOCI	31 December 2016
	Frw '000	Frw '000	Frw '000
Deferred tax asset	146,319	(37,961)	108,358
Provision for litigations	-	-	-
Net deferred income tax asset	**146,319**	**(37,961)**	**108,358**

Year ended 31 December 2016	1 January 2016	Current year (charged)/ credited to SOCI	31 December 2016
	Frw '000	Frw '000	Frw '000
Deferred tax asset	224,526	(64,401)	160,125
Provision for litigations	-	(13,806)	(13,806)
Net deferred income tax asset	**224,526**	**(78,207)**	**146,319**

18 Customer deposits

Customer deposits	2017	2016
	Frw '000	Frw '000
Current and demand deposits	68,045,121	44,915,400
Term deposits	48,070,117	47,168,777
Savings accounts & others	18,631,330	13,063,003
	134,746,568	**105,147,180**

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

19	Deposits from other banks	2017	2016
		Frw '000	Frw '000
	Demand, savings term deposits from banks	36,538,823	45,494,109
	Demand, savings and term deposits from National Bank of Rwanda	-	-
		36,538,823	**45,494,109**

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

20	Other liabilities	2017	2016
		Frw '000	Frw '000
	Cheque clearing accounts	647,548	1,126,929
	Staff leave accruals	206,280	168,494
	Staff incentive provision	216,576	187,256
	Bills payable	626,566	475,526
	Accruals on capital expenditure	648,603	442,176
	Other taxes payable	287,417	218,292
	Other payables	25,658	29,163
		2,658,647	**2,647,137**

21	Provision for contingent liabilities	2017	2016
		Frw '000	Frw '000
	At 1 January:	46,020	-
	Charged to statement of comprehensive income:		
	- Additional provisions	-	46,020
	- Payment made	(46,020)	-
		-	**46,020**

Notes (continued)

22	Share capital	Number of shares	Ordinary shares	Share premium
			Frw '000	Frw '000
	Balance at January 2017 and 31 December 2017	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. The numbers of shares fully paid for at the year ended are 69,850.

23 Related party transactions

The bank's shareholders are listed on page 29. 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 parties 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:

		2017	2016
		Frw '000	Frw '000
(a)	**Deposits from related parties**		
	Deposits from employees	236,762	217,606
	Deposits from inside & outside directors	628,872	912,802
	Shareholders and other related Parties	48,199,406	35,962,910
		49,065,040	**37,093,318**

The deposits are secured through a deposit guarantee scheme, except for deposits from government and financial institutions. The scheme started in 2017 and premium is paid on quarterly basis. It carries variable interest rates and are repayable on demand.

23 Related party transactions (continued)

(b)

Loans and advances to related parties	2017	2016
	Frw'000	Frw'000
Loans and advances to employees	2,539,231	2,167,387
Loans and advances to directors and related companies	4,203,309	3,077,409
	6,742,540	**5,244,795**

Loans and advances to staff were issued at an interest rate of between 7.5% and 10.5% and were all performing as at 31 December 2017.

Loans and advances to directors and related companies were issued at an interest rate of between 16% and 18% and were all performing as at 31 December 2017 and 2016, except two minority shareholders who have non-performing loans totalling to frw 799 million.

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

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

	2017	2016
	Frw'000	Frw'000
On balance sheet	4,585,787	3,182,884
Off balance sheet	536,759	99,355
Cash collateral (deposits)	(919,237)	(204,830)
	4,203,309	**3,077,409**

(c)

Key management compensation	2017	2016
	Frw'000	Frw'000
Salaries and other short-term employment benefits	**367,133**	**321,377**

(d)

Directors' remuneration	2017	2016
	Frw'000	Frw'000
Sitting allowances	67,440	62,588
Other payments	25,658	29,613
	93,098	**91,751**

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

	2017	2016
	Frw'000	**Frw'000**
Cash and balances with National Bank of Rwanda (Note 10)	15,126,796	14,978,528
Less: cash reserve requirement	(8,273,055)	(6,935,882)
	6,853,741	**8,042,646**
Placements with other banks (Note 11)	12,858,284	8,529,354
Treasury bills maturing within 91 days (Note 12)	11,576,096	8,639,032
Deposits from other banks (Note 19)	(36,538,823)	(45,494,109)
	(5,250,702)	**(20,283,078)**

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

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

25 Off balance sheet financial instruments, contingent liabilities and commitments

The bank 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.

	2017	2016
	Frw '000	**Frw '000**
Contingent liabilities		
Acceptances and letters of credit	1,223,607	238,427
Guarantees	4,666,204	5,149,208
	5,889,811	**5,387,635**

Nature of contingent liabilities

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

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

Nature of commitments

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

Legal proceedings

There were no provisions balances as at 31st December 2017. The balance carried forward was fully paid in the year.

26 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 (continued)**

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.

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.

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

(ii) Risk limit control and mitigation policies

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

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

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

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

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

(iii) Impairment and provisioning policies

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

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

26 Financial risk management (continued)

(a) Credit risk (continued)

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

Maximum exposure to credit risk before collateral held	2017	2016
	Frw '000	Frw '000
Balances with National Bank of Rwanda	11,316,264	12,054,436
Current accounts and placements with other banks	12,858,284	8,529,354
Loans and advances to customers	115,006,967	107,327,363
Government securities other bonds	41,213,151	34,639,174
Other assets	2,106,618	280,675
Credit risk exposures relating to off-balance sheet items:		
- Acceptances and letters of credit	1,223,607	238,427
- Guarantees	4,666,204	5,149,208
	188,391,094	**168,218,638**

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2017 and 2016, 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:

	2017	2016
	Frw '000	Frw '000
Neither past due nor impaired	90,967,831	85,808,218
Past due but not impaired	16,342,725	14,941,040
Individually impaired	12,147,943	10,884,202
Gross	119,458,498	111,633,459
Less: allowance for impairment	(4,451,532)	(4,306,096)
Net	**115,006,967**	**107,327,363**

No other financial assets are either past due or impaired.

Notes (continued)

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

Loans and advances neither past due nor impaired

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

	2017	2016
	Frw '000	Frw '000
Normal loans (0-30 days)	90,967,831	85,808,218

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:

	2017	2016
	Frw '000	Frw '000
Past due 31 – 90 days	16,342,725	14,941,040

Loans and advances individually impaired

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

	2017	2016
	Frw '000	Frw '000
Individually assessed impaired loans and advances	12,147,943	10,884,202
Fair value of collateral held (NPL)	17,944,925	19,048,145

Notes (continued)

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

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

	Construction	Wholesale and retail trade	Manufacturing	Agriculture	Other industries	Total
	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000	Frw'000
Overdrafts	2,055,528	5,464,037	4,136,880	2,122,774	2,014,008	15,793,227
Term Loans	1,356,331	24,412,283	708,534	1,414,569	2,754,944	30,646,661
Mortgages	41,946,110	-	5,224,781	144,282	9,239,648	56,554,820
Leases	-	-	-	-	-	-
Other	-	2,000,583	-	-	1,331,597	3,332,180
At 31 December 2017	**45,357,969**	**32,876,903**	**10,070,196**	**3,681,625**	**15,340,196**	**106,326,889**

	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	-	-	-	-	-	-
Others	-	2,555,464	-	-	1,755,770	4,311,234
At 31 December 2016	**47,681,763**	**34,063,288**	**7,890,160**	**2,275,991**	**8,891,657**	**100,802,859**

(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 2017	Less than 1 month	1-3 months	3-12 months	1-5 Years	Over 5 Years	Total
	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000
Liabilities						
Customer deposits	87,516,700	7,464,653	39,610,429	154,786	-	134,746,568
Deposits from other banks	2,874,769	1,556,500	32,107,553	-	-	36,538,823
Other liabilities	3,403,974	-	-	-	-	3,403,974
Total financial liabilities	**93,795,444**	**9,021,153**	**71,717,982**	**154,786**	-	**174,689,365**
Assets						
Cash and balances with balances with National Bank of Rwanda	15,126,796	-	-	-	-	15,126,796
Amounts due from other banks	10,799,001	1,689,994	-	369,288	-	12,858,283
Loans and advances to customers	1,495,639	4,486,915	12,656,992	44,968,588	51,398,834	115,006,967
Government securities held to maturity	6,343,478	5,230,630	10,308,485	19,330,558	-	41,213,151
Other assets	1,083,103	-	1,023,515	14,576,351	108,358	16,791,327
Total financial assets	**34,848,016**	**11,407,540**	**23,988,942**	**79,244,786**	**51,507,192**	**200,996,525**
Net liquidity gap	**(58,947,427)**	**2,386,386**	**(47,728,991)**	**79,089,999**	**51,507,192**	**26,307,160**

Notes (continued)

26 Financial risk management (continued)

(b) Liquidity risk (continued)

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 banks	5,609,250	720,000	39,164,860	-	-	45,494,109
Other liabilities	3,369,333	-	-	-	-	3,369,333
Other provisions	-	-	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 banks	6,683,415	1,845,939	-	-	-	8,529,354
Loans and advances to customers	1,240,671	3,722,013	9,925,368	43,860,586	48,578,725	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	**29,833,807**	**9,863,499**	**13,228,759**	**74,319,263**	**48,725,044**	**175,970,372**
Net liquidity gap	**(40,477,931)**	**3,120,682**	**(62,900,911)**	**73,492,864**	**48,725,044**	**21,913,728**

(c) Market risk

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

26 Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk

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

At 31 December 2017	Less than 1 month	1-3 months	3-12 months	1-5 Years	Over 5 Years	Non-interest bearing	Total
	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000
Liabilities							
Customer deposits	15,537,954	2,729,403	32,002,026	12,464,960	-	72,012,225	134,746,568
Deposits from other banks	587,601	1,556,500	32,107,553	-	-	2,287,168	36,538,823
Other liabilities	-	-	-	-	-	3,403,974	3,403,974
Total financial liabilities	**16,125,555**	**4,285,903**	**64,109,579**	**12,464,960**	-	**77,703,367**	**174,689,365**
Assets							
Cash and balances with balances with National Bank of Rwanda	-	-	-	-	-	15,126,796	15,126,796
Placements with other banks	4,500,000	5,026,335	-	-	-	3,331,949	12,858,283
Loans and advances to customers	1,495,638	4,486,915	12,656,992	44,968,588	51,398,834	-	115,006,967
Government securities held to maturity	6,343,478	5,230,630	10,308,485	19,330,558	-	-	41,213,151
Other assets	-	-	-	-	-	16,791,327	16,791,327
Total financial assets	**12,339,117**	**14,743,880**	**22,965,477**	**64,299,146**	**51,398,834**	**35,250,071**	**200,996,525**
Interest sensitivity gap	**(3,786,438)**	**10,457,977**	**(41,144,103)**	**51,834,186**	**51,398,834**	**(42,453,296)**	**26,307,160**

26 Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

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 banks	3,000,000	720,000	39,164,860	-	-	2,609,250	45,494,109
Other liabilities	-	-	-	-	-	3,369,333	3,369,333
Other provisions	-	-	-	-	-	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 banks	4,500,000	1,845,939	-	-	-	2,183,415	8,529,354
Loans and advances to customers	1,240,671	3,722,013	9,925,368	43,860,586	48,578,725	-	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	**12,391,189**	**9,863,499**	**13,228,759**	**64,250,303**	**48,578,725**	**27,657,896**	**175,970,372**
Interest sensitivity gap	**(3,916,708)**	**7,800,558**	**(56,531,700)**	**52,431,575**	**48,578,725**	**(26,448,723)**	**21,913,728**

Notes (continued)

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

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

(ii) Currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

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

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

26 Financial risk management (continued)

(ii) **Currency risk (continued)**

At 31 December 2016	USD	Euro	GBP	Other	Total
	Frw '000	Frw '000	Frw '000	Frw '000	Frw '000
Assets					
Cash and balances with BNR	1,838,710	326,395	4,574		2,169,679
Placements with other banks	2,511,899	1,515,398	491		4,027,788
Loans and advances to customers	5,253,463	1,382			5,254,845
Others assets	-	-	-	-	-
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
Deposits from other banks	-	-	-	-	-
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)**

(d) Capital management

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

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

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

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

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

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

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

Notes (continued)

(d) Capital management (continued)

	2017	2016
	Frw'000	Frw'000
Ordinary share capital	6,985,000	6,985,000
Share premium	1,373,437	1,373,437
Reserves:		
Statutory reserves	190,410	-
Retained earnings	13,555,291	9,926,568
Profit for the year (50%)	2,101,510	1,814,362
Total tier 1 capital	**24,205,648**	**20,099,367**
{a} Goodwill and other intangible assets	(488,286)	(386,058)
Total core capital "Tier 1" (less {a})	**23,717,362**	**19,713,309**
Risk-weighted assets	124,815,942	111,791,866
Tier 1 capital expressed as a percentage of risk-weighted assets	**19.0%**	**17.6%**

Based on BNR regulation n°11/2009 on capital adequacy ratio, the bank's CAR is 19% against 15% required.

(e) Financial instrument by category

	Loans and receivables	Total
At 31 December 2017	**Frw'000**	**Frw'000**
Financial assets		
Cash and balances with the National Bank of Rwanda	15,126,796	15,126,796
Amounts due from other banks	12,858,284	12,858,284
Government securities held to maturity	41,213,151	41,213,151
Loans and advances to customers	115,006,967	115,013,592
Other assets	629,097	629,097
	184,834,294	**184,907,154**

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

Notes (continued)

26 Financial risk management (continued)

(d) Financial instrument by category

	Loans and receivables	Total
At 31 December 2016	**Frw'000**	**Frw'000**
Financial assets		
Cash and balances with the National Bank of Rwanda	14,978,528	14,978,528
Amounts due from other banks	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	Deposits and	Total
Financial liabilities - at amortised cost	**Payables**	
	Frw'000	**Frw'000**
Customer deposits	105,147,180	105,147,180
Deposits from other banks	45,494,109	45,494,109
Other liabilities	1,126,230	1,126,230
	151,767,519	**151,767,519**

27 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.

Changes in accounting policy and disclosures (continued)

(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.

28 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.

(ii) New standards and interpretations not yet adopted

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 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. Contemporaneous documentation 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. The bank has developed the model that will be used for implementation of the standard.

28 Summary of significant accounting policies (continued)

(a) **Basis of preparation (continued)**

Changes in accounting policy and disclosures (continued)

(b) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' or 'interest expense' in the statement of comprehensive income using the effective interest method.

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

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

(c) Fees and commission income

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

(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

Notes (continued)

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

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

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

(ii) Loans, advances and receivables

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

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

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

(iii) Held-to maturity

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

(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

Notes (continued)

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

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

(vi) Determination of fair value

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

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

((f) Offsetting financial instruments

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

(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.

Notes (continued)

28 Summary of significant accounting policies (continued)

(g) Impairment of financial assets (continued)

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.

(iii) 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.

28 Summary of significant accounting policies (continued)

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

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

(i) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (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 for other software and ten years for core banking system.

(j) Income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.

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

Notes (continued)

28 Summary of significant accounting policies (continued)

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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 banks. Cash and cash equivalents excludes the cash reserve requirement held with the National Bank of Rwanda.

28 Summary of significant accounting policies (continued)

(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'.

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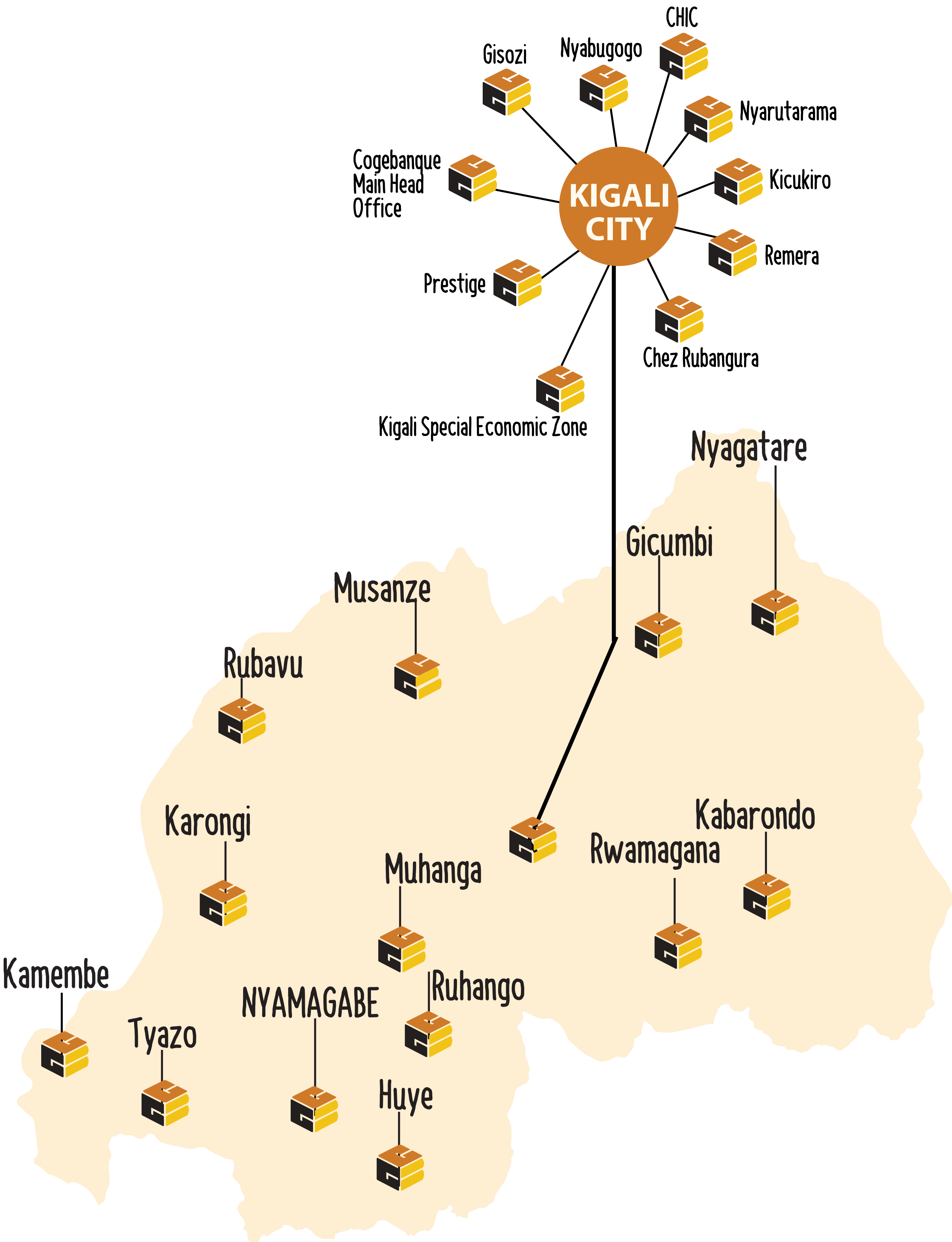
RECOGNITIONS & AWARDS

2017

OUR FOOTPRINTS



KONTI ZO KUZIGAMA

1 KONTI TEGANYA

Gahunda yo kwizigamira buri kwezi kandi ibungukira bishimishije

2 KONTI NTEGANYIRIZA MINUZE

Zigamira amashuri y'abana buri kwezi wungukirwe bishimishije

3 KONTI IYUBAKIRE

Kubaka ni ukugereka ibuye ku rindi. Zigamira inyubako wifuza kandi wungukirwe ku bwizigame bwawe.

4 KONTI SHOBORA

Gushaka ni ugushobora! Vana umushinga wawe mu nzozi utangira kuwuzigamira kuri **konti Shobora** maze wungukirwe ku bwizigame bwawe.

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