2016 ANNUAL REPORT

YEARS

CELEBRATING 50
TRANSFORMATIVE YEARS

BANK OF KIGALI
Financially transforming lives

#BKAT50

BK Awards

Best Bank in East Africa

Best Bank in Rwanda

Bank of the year

Fire Award

Celebrating 50 transformative years and committing to do more.

Bank of Kigali Limited is the largest bank in Rwanda by market share of total assets, loans, deposits and shareholders' funds. Since 2009, the Bank has been recognized for eight years running as the Best Bank in Rwanda by Emeafinance and for seven years running as Bank of the Year by The Banker magazine. In 2016, it was further bestowed as the Best Financial Reporting Company in Rwanda at the annual Financial Reporting Awards (FiRe). Bank of Kigali is the second domestic company to be listed on the Rwanda Stock Exchange in an IPO in which the Bank was recognized as the Best African Listing by Africa Investor (AI).

Bank of Kigali continues to transform lives across Rwanda and each year our commitment to this course has been recognised both at home and around the world. We are proud to be the Bank that is making Rwanda proud while transforming lives.

www.bk.rw @BankofKigali @BankofKigali @BankofKigali.Co T: (+250) 788 319 122

OUR VISION

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

OUR MISSION

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

OUR VALUES

- Customer focus
- Integrity
- Quality
- Excellence

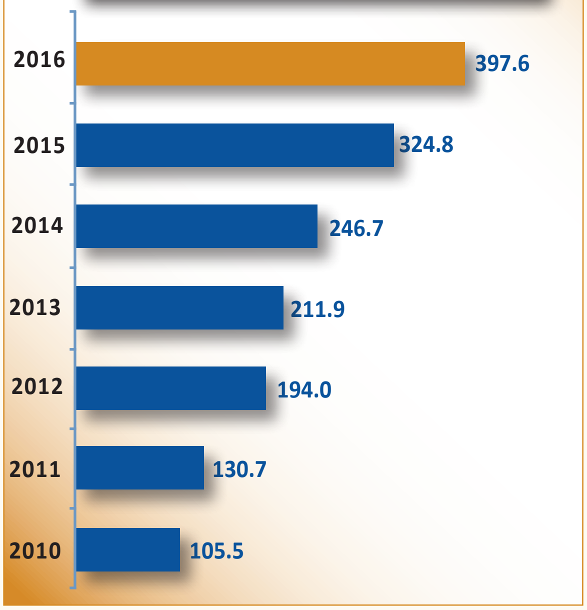
Table of Contents

Total Assets
FRw billion

CAGR 21.6%

Gross Loans
FRw billion

CAGR 24.7%

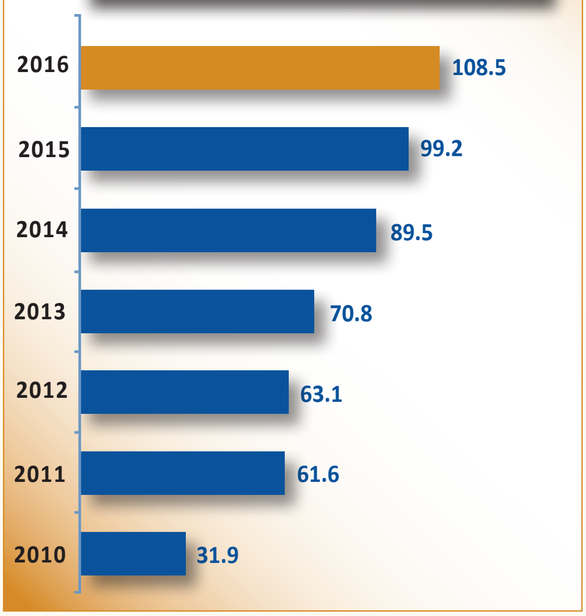


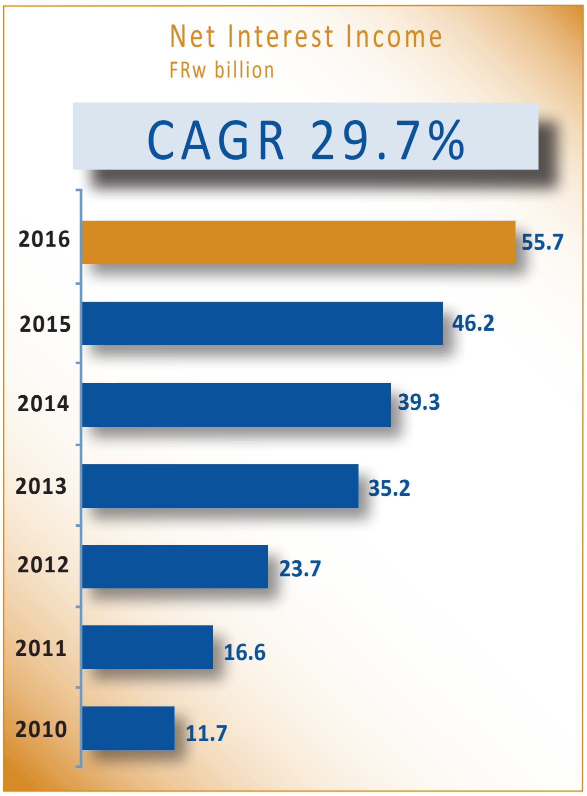
Customer Deposits
FRw billion

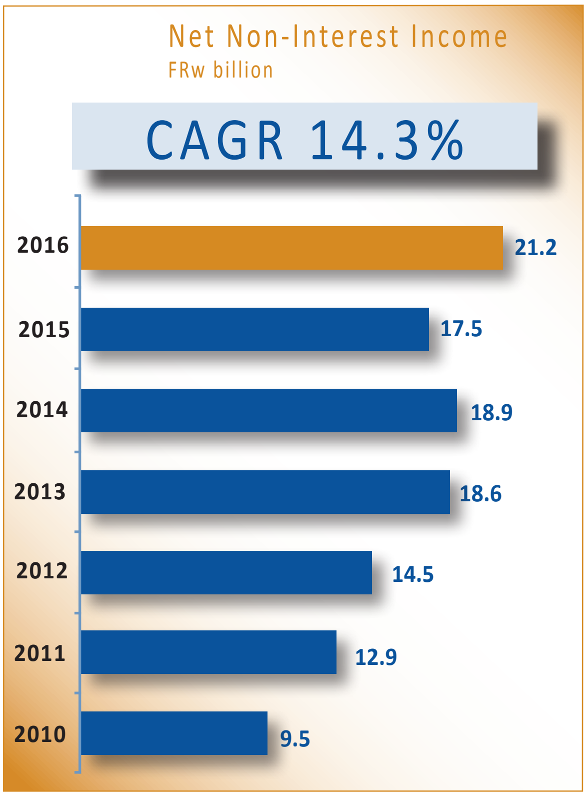
CAGR 20.7%

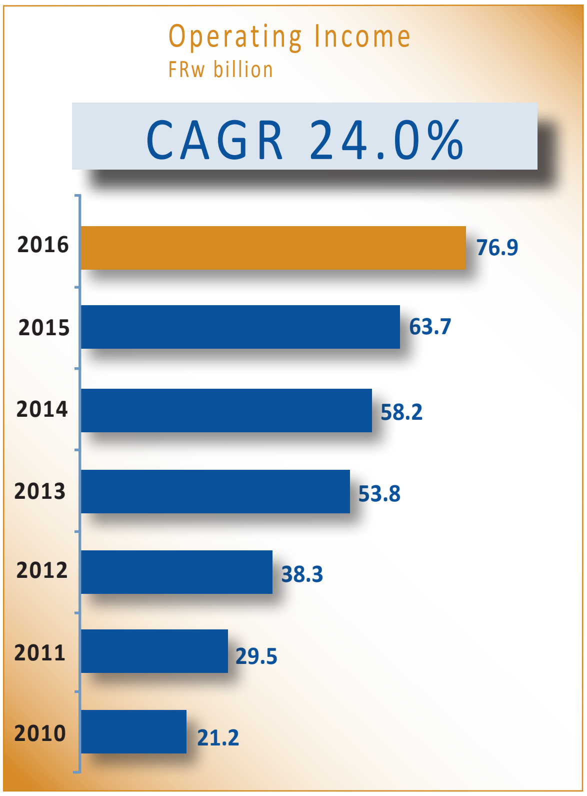
Shareholders Equity
FRw billion

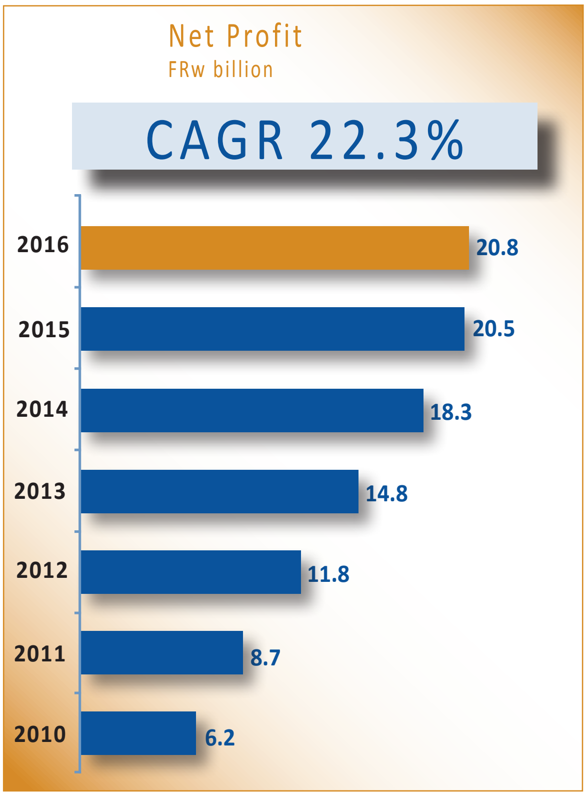
CAGR 22.6%




Net Interest Income
FRw billion
CAGR 29.7%
2016 55.7
2015 46.2
2014 39.3
2013 35.2
2012 23.7
2011 16.6
2010 11.7


Net Non-Interest Income
FRw billion
CAGR 14.3%
2016 21.2
2015 17.5
2014 18.9
2013 18.6
2012 14.5
2011 12.9
2010 9.5


Operating Income
FRw billion
CAGR 24.0%
2016 76.9
2015 63.7
2014 58.2
2013 53.8
2012 38.3
2011 29.5
2010 21.2


Net Profit
FRw billion
CAGR 22.3%
2016 20.8
2015 20.5
2014 18.3
2013 14.8
2012 11.8
2011 8.7
2010 6.2

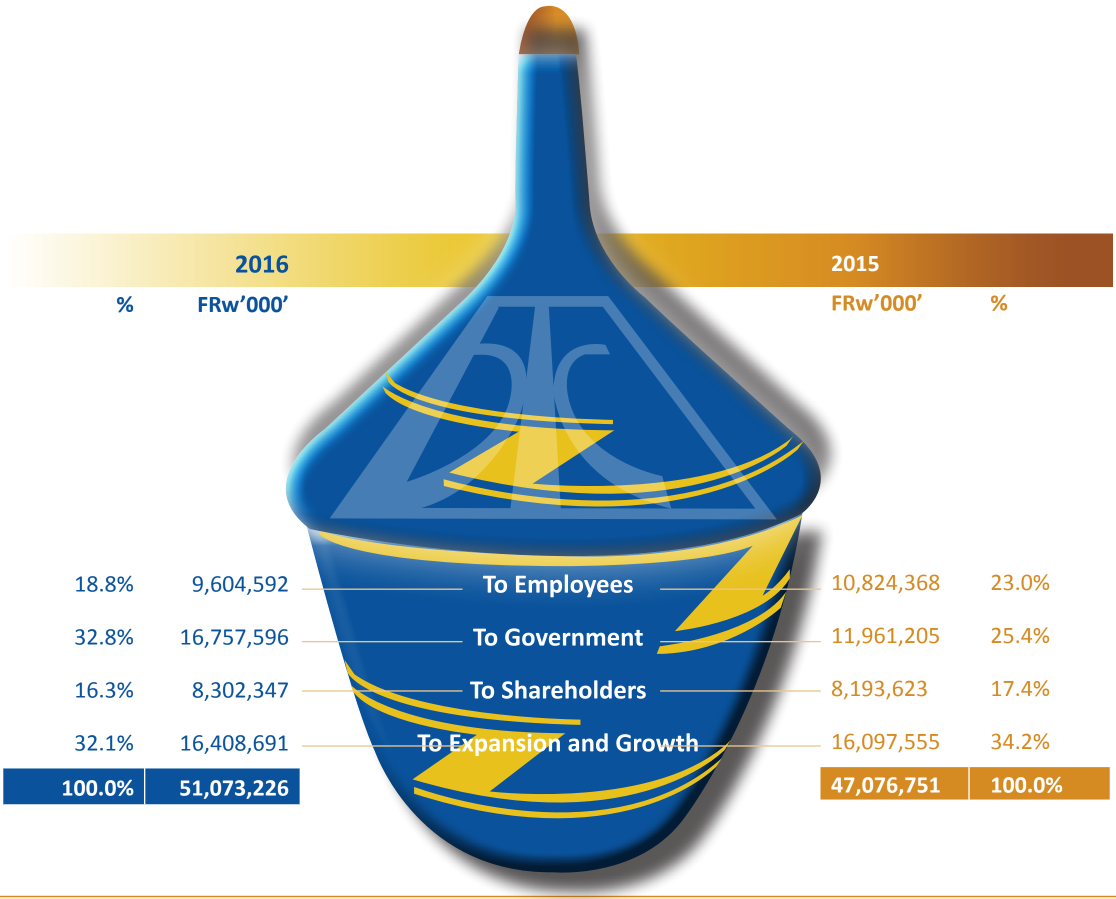
	2016	2015	2014	2013	2012	2011	2010
Profitability							
Return on Average Assets (ROAA), %	3.5%	3.9%	4.0%	4.0%	3.9%	3.6%	3.5%
Return on Average Equity (ROAE), %	20.0%	21.7%	22.9%	22.2%	18.9%	18.6%	24.5%
Net Interest Margin, %	10.5%	10.1%	9.9%	11.1%	9.6%	8.4%	8.3%
Loan Yield, %	17.6%	19.2%	20.5%	20.5%	17.0%	16.9%	15.8%
Interest Expense/Interest Income,%	22.9%	22.9%	24.4%	22.2%	26.0%	26.8%	25.6%
Cost of Funds, %	3.3%	3.2%	3.4%	3.3%	3.4%	3.1%	2.8%
Efficiency							
Cost/Income Ratio	47.5%	47.8%	47.9%	48.4%	52.8%	48.4%	47.5%
Costs/Average Assets, %	6.1%	5.8%	6.2%	7.0%	6.6%	5.9%	5.8%
Personnel Costs/Total Recurring Operating Costs	38.5%	49.4%	51.8%	45.0%	47.4%	51.8%	52.3%
Personnel Costs/Average Total Assets, Annualised	2.3%	2.9%	3.2%	3.1%	3.1%	2.9%	3.0%
Personnel Costs/Total Operating Income	18.3%	23.6%	24.8%	21.8%	25.0%	25.1%	25.0%
Net Income/Total Operating Income	27.0%	32.1%	31.5%	27.6%	30.7%	29.5%	29.2%
Total Operating Income/Average Assets %	12.8%	12.2%	12.9%	14.4%	12.6%	12.1%	12.1%
Liquidity							
Net Loans/Total Assets,%	60.4%	55.9%	48.4%	47.1%	57.3%	42.8%	51.3%
Liquid Assets / Total Assets	32.8%	38.4%	45.7%	46.0%	31.9%	45.1%	37.0%
Liquid Assets / Total Deposits	46.8%	52.9%	64.9%	65.2%	44.7%	64.9%	47.3%
Liquid Assets / Total Liabilities	39.5%	46.7%	56.1%	55.2%	39.6%	57.4%	44.1%
Total Deposits / Total Assets	70.0%	72.6%	70.4%	70.5%	71.3%	69.5%	78.2%
Total Deposits / Total Liabilities	84.4%	88.2%	86.5%	84.7%	88.7%	88.4%	93.2%
Interbank Borrowings / Total Deposits	6.3%	5.6%	4.5%	5.8%	8.0%	9.5%	12.2%
Gross Loans/Total Assets	62.3%	57.9%	51.1%	50.2%	60.1%	45.4%	53.4%
Gross Loans / Total Deposits	88.9%	79.7%	72.6%	71.1%	84.2%	65.3%	68.3%
Interest Earning Assets/Total Assets	88.9%	87.8%	87.7%	88.4%	80.5%	82.0%	81.6%
Leverage (Total Liabilities/Equity), Times	4.9	4.7	4.4	5.0	4.1	3.7	5.2
Asset Quality							
NPLs /Total Loans, %	4.5%	4.9%	6.6%	6.9%	6.5%	8.3%	8.5%
NPL Coverage Ratio	128.4%	110.2%	169.0%	134.6%	90.0%	94.0%	62.3%
Loan Loss reserve / Gross Loans ,%	3.0%	3.3%	5.4%	6.1%	4.6%	5.8%	3.9%
Average Loan Loss reserve / Average Gross Loans,%	3.1%	4.2%	5.7%	5.4%	5.1%	4.9%	4.3%
Large Exposures / Gross Loans	54.3%	24.1%	18.0%	5.4%	6.5%	8.8%	14.3%
Cost of Risk, Annualised	2.9%	2.6%	3.3%	4.4%	2.2%	3.8%	2.0%
Capital Adequacy							
Core Capital / Risk Weighted Assets	19.0%	22.1%	25.8%	23.1%	22.4%	28.1%	18.7%
Total Qualifying Capital / Risk Weighted Assets	19.6%	22.5%	26.3%	23.7%	23.2%	29.1%	20.1%
Off Balance Sheet Items / Total Qualifying Capital	469.1%	442.7%	428.4%	542.5%	524.3%	363.1%	351.2%
Large Exposures / Core Capital	227.5%	84.2%	53.5%	17.9%	22.6%	21.3%	61.1%
NPLs less Provisions / Core Capital	10.2%	8.7%	3.5%	2.9%	6.8%	6.2%	19.7%
Market Sensitivity							
Forex Exposure / Core Capital	(9.5%)	(20.4%)	(20.4%)	(9.1%)	(41.2%)	11.7%	11.5%
Forex Loans / Forex Deposits	68.9%	26.9%	8.4%	0.7%	1.0%	0.8%	1.0%
Forex Assets / Forex Liabilities	95.0%	86.4%	87.5%	93.8%	61.0%	105.3%	106.7%
Forex Loans / Gross Loans	21.3%	8.2%	3.3%	0.3%	0.3%	0.3%	0.4%
Forex Deposits/Total Deposits	27.5%	24.3%	39.9%	44.8%	25.3%	23.8%	27.4%
Selected Operating Data							
Full Time Employees	1,225	1,140	1,019	980	877	602	454
Assets per FTE (FRw in billion)	0.5	0.5	0.5	0.4	0.4	0.5	0.4
Number of Active Branches	79	75	70	65	59	44	33
Number of Mobibank	9	9	9	5	5	-	-
Number of ATMS	91	84	76	65	55	26	26
Number of POS Terminals	1,002	801	656	568	405	202	97
Number of Retail current accounts	198,067	312,369	266,239	231,409	191,632	124,248	50,073
Number of BK Yacu Agent	1,280	1,079	861	569	30	-	-

Value Added Statement

For the Year ended 31 December 2016

Value Added Statement	2016	%	2015	%
	FRw'000'		FRw'000'	
Interest, commissions and other revenues	93,463,520		77,445,030	
Interest paid to depositors and costs of services	(31,941,336)		(22,820,617)	
Net impairment loss on Financial assets	(10,448,958)		(7,547,662)	
Value added	**51,073,226**		**47,076,751**	

Distribution of Value Added	2016	%	2015	%
To Employees				
Salaries, wages and other benefits	**9,604,592**	**18.8%**	**10,824,368**	**23.0%**
To Government				
Corporation Tax	9,225,248	18.1%	5,253,174	11.2%
VAT	903,068	1.8%	827,200	1.8%
Withholding Tax	2,109,512	4.1%	1,630,272	3.5%
District Taxes	49,182	0.1%	44,936	0.1%
PAYE Tax	4,470,586	8.8%	4,205,623	8.9%
	16,757,596	**32.8%**	**11,961,205**	**25.4%**
To Shareholders				
Dividends allocated to shareholders	**8,302,347**	**16.3%**	**8,193,623**	**17.4%**
To Expansion and Growth				
Retained Income	12,453,520	24.4%	12,290,435	26.1%
Depreciation and amortisation	3,955,171	7.7%	3,807,120	8.1%
	16,408,691	**32.1%**	**16,097,555**	**34.2%**
Wealth distributed	**51,073,226**	**100.0%**	**47,076,751**	**100.0%**



We welcome your feedback

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You call, we serve

Dial 4455

Marc Holtzman, *Chairman of the Board*

Our future is indeed only limited by ourselves.

Dear fellow shareholders,

2016 was a highly successful year for the Bank and for our shareholders. The Bank continues to enjoy impressive and sustainable growth. Financial performance showed a strong net income of FRw 20.8 billion— an increase of 1.3% over the previous year. Our total assets grew by 13.7% year-on-year and our shareholder's equity grew by 9.3% since the prior year 2015. Our high profitability remained intact with ROAA and ROAE of 3.5% and 20.0%, respectively.

Our dominant footprint in Rwanda continues to grow as we expand our branch network in different areas of the country. The Bank can now proudly boast of a wide footprint of 79 branches which are supported by a growing network of agents and mobile vans. Our large and growing network allows us to reach a wider majority of Rwanda's population and helps us remain true to our promise of financially transforming lives and contributing to financial inclusion of all Rwandans.

We appreciate that to transform the lives of our fellow citizens, we must strive to go further than providing financial services; we must invest in the communities in which we operate. Consistent with our policy, last year your Bank invested 1% of our Net Operating Income in Corporate Social Responsibility programs.

Notwithstanding increased competition, Bank of Kigali still holds the largest market share of approximately 30% across key balance sheet metrics. The Bank continues to drive the universal financial service model strategy thanks to our dedicated staff, loyal customers and supportive stakeholders.

The Board proposes that the shareholders adopt a dividend pay-out ratio of 40% of net income. The pay-out ratio is within the same range as most other East African Banks. As a result, approximately FRw 8.3 billion would be paid in dividends this year, translating into an annual dividend of about FRw 12.3 (approximately US$ 0.02) per share.

This has been a year of considerable change at the Bank. This will be my eighth year of service on the Board and I am especially honored to serve as your Chairman. Our new CEO Dr. Diane Karusisi and her amazing executive team continue to inspire and lead the bank to new heights. In the coming year, you will hear more of our exciting and innovative digital banking products, our growing insurance business and our plans to more strongly support the many dynamic Rwandan small and medium size businesses. All of this is designed to best serve our customers, maintain our competitive advantage and continue to produce strong profitable results for our shareholders.

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

Sincerely,

Marc Holtzman

Marc Holtzman

> It is these relationships we have built over the last 50 years with our loyal customers, staff and the communities we serve that we are most proud of.

Dr. Diane Karusisi, *Chief Executive Officer*

Dear Shareholders,

On behalf of the Management team and staff, I would like to thank you for choosing to invest in Bank of Kigali. This year, we celebrate 50 years of existence. We got our banking license on the 22nd December 1966 and opened our doors for operations in February 1967. From our humble beginnings, we have become a strong and powerful brand on the Rwandan market. We have witnessed sustained growth over the years thanks to you our shareholders, loyal customers and dedicated staff.

We have dedicated the fifty years we have been in existence to financially transforming the lives of our customers by understanding their financial needs and working hard to meet and exceed their expectations. We have got closer to them, evolved with them and created strong relationships with them. It is these relationships we have built over the last 50 years with our loyal customers, staff and the communities we serve that we are most proud of.

Our Performance

This year, we would like to report yet another great year, evidenced by our steady and sustained growth. The Bank's profit after tax increased to FRw 20.8 billion from FRw 20.5 billion in 2015, reflecting a Return on Average Equity of 20.0%. The Bank's total assets also rose to FRw 638.3 billion from FRw 561.2 billion as at 31 December 2015, representing a growth of 13.7% year on year. This growth resulted from our strong liquidity position, strong credit book growth and investment in our staff.

We have continued to enjoy strong market positioning. Over the years, the number of commercial banks have increased from 12 in 2012 to 15 in 2016, the latest being Commercial Bank of Africa which entered the market in 2015. Despite the increase in the total number of commercial Banks, our market share at the end of 2016, stood at 33.9% of total assets, 35.0% of net loans and advances while deposits were 32.8%.

Operating environment

Real GDP growth increased to 5.9% from the projected 6.0% in 2016. The services sector share reached 48% of the GDP with trade and transport contributing to 12% and financial services contributing 3% to the total GDP. Agriculture contributed 30% and the industry sector contributed 13%.

On average, headline inflation accelerated from 4.4% in January 2016 to 7.3% in December 2016. The inflationary pressures were mainly attributed to food inflation due to poor performance in agriculture.

Money market interest rates remained stable in 2016. The key repo rate and T-bills rate as at December 2016 were 6.5% and 9.0% respectively, while the interbank rate increased to 6.6%. Commercial banks' deposit interest rates stood at around 8.0% in December 2016, whereas the lending interest rates remained stable at around 17.2%.

The banking sector in general did well in 2016, as at the year - end total CAR stood at 21.8% well above the regulatory minimum requirement of 15%. The sector's liquidity position stood at 42.5% against the regulatory requirement of 20% of deposits. The industry balance sheet measured by total assets grew by 11.5% to FRw 2.4 trillion in December 2016 up from FRw 2.13 trillion in December 2015.

Financial performance in 2016

The Bank's net profit grew by 1.3% to FRw 20.8 billion in 2016 up from FRw 20.5 billion realized in 2015. The increase in profitability was mainly driven by a 20.5% growth in net interest income amounting to FRw 55.7 billion. Our cost to income ratio was 47.5% in 2016. The strong performance accounts for over 50% of the total commercial banking sector profits.

The Bank has sustained the growth in the balance sheet by 13.7% to FRw 638.3 billion. The loan book grew to FRw 385.8 billion from FRw 313.9 billion, a growth of 22.9% year on year. Deposits and balances from customers on the other hand were FRw 419.0 billion up from FRw 384.7 billion in 2015. Our liquid assets in the form of placements with correspondent banks increased significantly to FRw 79.3 billion.

Awards and recognitions

During the year, our dedication to promoting financial inclusion in Rwanda through innovative financial solutions was recognized by Euromoney which awarded the Bank with the Euromoney Award for Excellence as the Best Bank in Rwanda for the 4th year running. In addition, we were, for the seventh time, recognized as the Bank of the Year in Rwanda by The Banker Magazine and as the Best Bank in Rwanda by EmeaFinance for the eighth consecutive time. Bank of Kigali was the first bank in Rwanda to receive this prestigious award.

Customer Focus

The Bank's sustained growth and strong market positioning is anchored on the loyalty and confidence that our customers have in the Bank. This loyalty has seen the Bank grow at compounded annual growth rate of over 20% in the last six years in all the major metrics.

We have seen our customers grow from small to medium enterprises, students who opened their first student account return for their first mortgage and grown their businesses over the years. We have implemented strategies designed to meet and exceed the customers' growing needs.

These strategies include getting closer to our customers through expansion of the banking infrastructure where the existing branch network increased to 79; ATM network to 91 and increasing the deployment of Point of Sale terminals (PoS) to 1,002 in 2016 up from 801 in 2015. Our mobile vans offer full banking services to areas where the Bank does not have a physical presence and help with liquidity management for the increasing number of Banking Agents across the country.

The Bank has developed innovative technology-driven products to ensure that customers have access to their accounts 24/7 through our mobile banking and internet banking channels.

We have continued to upskill our staff through in-house class and on the job training to ensure that they are well equipped to serve our customers to the required nationally-promulgated customer service standards.

Diverse customer segment and business lines

We serve customers in broadly two main segments which include business and retail. In terms of loans and advances, the business segment represented 85.3% while the retail segment was 14.7% of the total loans and advances in 2016. For deposits, the corporate segment was 53.2% while the retail segment was 20.8% and banks and other financial institutions segment contributed 26.0% of the total deposits of the Bank.

Within the business segment, we served over 25,477 corporate customers as at 31 December 2016 with deposits held growing by 20.48%. At least 3,143 customers were served under the Non-Business Associations sub-segment while clients served under the Small and Medium Enterprises sub-segment rose by 1,555. The SME loan book rose to FRw 71.1 billion, making Bank of Kigali the largest lender to the SME segment in the market. Under our retail banking segment, we served 236,545 customers with loans and advances totaling FRw 58.9 billion and deposits held of FRw 92.2 billion.

Deploying technology driven alternative delivery channels

At Bank of Kigali, we recognize that we must adapt and change to the changing needs of our clients and of Rwandans as well. The unbanked population has responded well to our agency banking platform but they are also increasingly accessing financial services through digital channels.

In 2016, we set up our BK TecHouse Subsidiary, a technology company that will be BK Group's own Digital Innovative Power Arm with a primary mandate to help BK Group do more with the digital consumers. BK TecHouse aspires to be the regional number one customer choice in providing digital innovative solutions that delight and empower customers to reach their highest potential.

BK TecHouse is a strategic move by Bank of Kigali to be the disruptor; embracing the digital transformation disrupting many other industries, banking included. We understand that banks cannot respond to digital threats by just being "more digital"– closing down branches and rolling out new mobile apps and online banking; today, winning clients and retaining them hinges on creating value for them that enhances the convenience and quality of their everyday lives beyond mere transactions. BK Techouse will help us as a group to build a digital ecosystem in which we can play a greater role not just at the moment of the financial transaction, but before and afterwards, as well.

We have continued to grow our card acquiring and issuing business. Our Point of Sale terminals and ATMs accept all major international cards including MasterCard, Visa, American Express, Diners Club and China UnionPay (CUP). We currently issue VISA debit and credit cards to our customers. We have launched the issuing of MasterCard debit cards and are expected to start issuing MasterCard credit cards for our high net worth customers, SME credit cards and MasterCard mass market cards.

Our Insurance Business

In line with our universal Banking model, in 2016, we established an Insurance arm now known as BK General Insurance Company. With the insurance business at only 3% penetration in Rwanda, we knew that we must fill the gap to ensure that our customers have high quality insurance services under one roof. In addition to providing basic insurance products, we will also issue Banc Assurance products not only to our customers but also to customers of other banks while leveraging on the Bank's strength, reputation and extensive branch network. We also provide Micro Insurance Products such as Group Loan Protection insurance, Personal Accident Insurance Covers, Small Businesses Insurance Covers and Funeral Expenses Covers. In 2017, we will partner with our BK Techouse arm, we will develop insurance application and claim settlement through Mobile Phones. We are confident that BK General Insurance will become one of the most formidable and sustainable insurance companies in the region.

Participation in the capital markets financial services

BK Securities Limited, the Bank's wholly owned subsidiary, offers brokerage financial services in capital markets. The company has gained a good market share in its 4th year of operations. The company acted as the lead sponsoring broker for Crystal Telecom Limited with subscription rate of 124%. The company is currently the most profitable stock brokerage firm in Rwanda.

Risk and Compliance Management

Sustainable performance can only be achieved through disciplined risk management. It is part of our corporate culture that every employee at every level of the organization is accountable for risk management. This approach has enabled the Bank to overcome the challenges of a changing global, regional and domestic macroeconomic environment. Inherently, credit risk is the single most important risk facing banks. We continue to manage credit risk and make provision for any specific risk proactively. Our non-performing loans risk coverage was 128.4% compared to the market average of 42.0%. The market has continued to benefit from the reforms that have been made both in the regulatory framework as well as the land registry. These reforms have led to the fast tracking of provision of title deeds and foreclosures, with the electronic registration of collateral now possible. In addition, the Credit Reference Bureau is increasingly becoming an important tool in credit risk management.

Human capital development initiatives

We recognize that our staff are our most important resource and remain committed to developing and creating the best working environment for them. We currently have a staff compliment of 1,225 staff and continue to attract and retain some of the best talent in the market. The programme equips the graduates with the right functional and leadership capabilities that are essential in the early years of their careers.

In the implementation of the talent management policy, the Bank is currently sponsoring several staff for the Banking professional course. In time, we hope to equip majority of the staff with the necessary skills to develop the leadership potential of self-motivated top performers in the Bank.

Credit rating of the Bank

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

Outlook for 2017

We will continue to pursue the universal financial services model strategy and enhance innovation in our range of services and products. Looking forward, we expect our performance to maintain the double-digit performance in our net income and balance sheet.

The Bank has already taken significant steps in channel expansion and roll out of self-service products such as mobile-based banking products; card-based products as well as agency banking. We will continue to deploy our top of the range deposit-taking ATMs both in the branches and in high footfall locations with the aim of bringing convenient and flexible service to our customers.

The Bank will continue to strive towards providing superior customer service and will invest in continuous training and development of our staff in addition to upgrading our processes to gain efficiencies in cost management

Funding our growth strategies

The Bank has signed and continues to drawdown long term lines of credit from international development finance institutions to better manage the risks arising from maturity mismatch of the balance sheet.

Strategic partnership for growth

The East African financial markets continue to dominate the news with the successes of TELCO-led mobile banking financial services. In this arena, the Bank has partnered with the TELCO mobile money platforms to offer our customers the added flexibility that these platforms offer. We have also partnered with the TELCOs to offer small savers and borrowers the intermediation interplay.

Universal financial services model developments

In addition to banking services, BK offers capital market trading and advisory through BK Securities Limited.

The Bank has started short term insurance business through BK General Insurance Limited which received its license in March 2016 and started operations in July 2016. The insurance company looks to take advantage of the opportunities arising from the low penetration of insurance services in Rwanda

Harnessing our sustainable future growth

The banking sector has grown increasingly competitive following the entry of strong Pan African and regional banks. Nonetheless, there are also significant opportunities for up scaling banking services with the significant under banked population. Given our strength and the opportunities in the market, our focus is therefore in developing our banking infrastructure, innovative products and strategic partnerships to serve more customers.

We are dedicated to delivering above-average market returns for our shareholders and remain focused on executing our business model that does not sacrifice profitability for growth. We believe that this model will continue creating value for our customers and ultimately to our shareholders and other stakeholders.

Acknowledgement

On behalf of the management team, staff and on my own behalf, I extend my sincere appreciation to our customers for their loyalty and confidence in the Bank. This confidence has enabled us to sustain our leading market positioning in total assets, loans and deposits as well as equity.

I would like to appreciate our Board members for their continued commitment, direction and support to management.

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

Dr. Diane Karusisi

As the leading Bank in Rwanda with a market leadership position of over 30% across all major metrics including total assets, net loans, customer deposits and equity and as the best capitalized bank on the market with capacity to single-handedly finance projects that would otherwise take a syndicate of six local banks to finance, we recognize that growing with the communities we serve is not only a duty, but a responsibility. It is in that regard that the Bank has maintained a strong Corporate Social Responsibility (CSR) strategy that allows us to give back and help to financially transform the lives of the people in the communities we serve. The Bank's CSR Strategy is founded on four pillars of health, education, poverty reduction and environmental conservation. In 2016, the Bank supported several initiatives, within the realm of the four pillars.

Our Approach

We built our branch network to 79 branches by end December 2016 from 75 in 2015, our ATMs increased to 91 from 84 in 2015 and our POS grew from just 801 to 1,002 as of December 2016. This network is supported by our mobile vans and agency banking platform under the brand name *BK-YACU,* which has increased our outreach and ensuring that every Rwandan can access Bank of Kigali services almost anywhere in Rwanda

Although we have made significant investment in our branch network over the years, we believe that technology is the way of the future. We strongly encourage the use of our self-service channels such as our straight forward internet and our mobile banking platform, where a customer can check their account balance, send and receive money, buy cash power, pay TV subscription, buy airtime from any mobile network and will soon pay their water bill from the comfort of your home. Over the next five years, our branch network will be designed in such form in order to encourage self-service with fast internet.

Our Kigali Heights sample Branch which will open in the first Quarter of 2017.

In terms of product offering, we have continued to grow our card business giving our clients both Visa and MasterCard options. We are constantly looking for creative ways of expanding our loan portfolio to meet the needs of our retail, corporate and SME clientele. In 2017, we intend to introduce a mobile micro loan facility where customers would get a pre-approved small loan from the phone which will make access to loans easy and convenient.

Bank of Kigali also offers Premier Banking services to its high net-worth customers. The facilities are designed to host business meetings for our high net worth clients and offer life style benefits such as discounts on hotels, air tickets and insurance products. Our clients have access to high speed wireless internet, access to DSTV in a relaxed environment while being served. Each of our high net worth clients is assigned a personal banker who in addition to offering banking services can arrange flights, restaurant and hotel reservations. In 2017, we hope to relocate our Premier Banking Branch to Kigali Heights, a location that will give our members more serenity and exclusivity

Bank of Kigali has adopted a universal banking model where in addition to banking services, the Bank offers integrated products and services to customers including insurance business, telecom and asset management so that our customers have a comprehensive financial solution in a "one stop shop. In 2016, we were cleared to open two subsidiaries namely, BK General Insurance and BK TecHouse Our insurance business focuses on both traditional and banc assurance business.

The CEO Bank of Kigali (right) Dr Diane Karusisi and the Chairperson of BK General Insurance (left) Mrs Sandra Rwamushaija unveil the BK General insurance Logo.

BK TecHouse which also opened in 2016 has grown its product offering beyond offering fiber optic and 4GLTE internet connectivity services to providing high quality innovative technology products and services that empower our customers to strive in a fast-changing market. The subsidiary will position Bank of Kigali at the centre of the ecosystems to stay relevant for the digital consumer. Some of the services that will be offered in 2017 include financial and banking security solutions, real time car tracking, home security solutions and a school management system.

Launching BK TecHouse Left to right: The CEO of BK TecHouse Regis Regemanshuro, The Minister of ICT Jean Philbert Nsengimanaand Bank of Kigali CEO Dr Diane Karusisi.

Our Customers

Our customers are why we are here. The loyalty and confidence we enjoy from our customers is in part because we are a customer focused Bank who remain true to our Bank values of, customer focus, integrity, quality and excellence.

Every year, the Chief Executive Officer and members of the Senior Management team visit clients in all our 79 branches to understand their needs and together identify solutions to those issues. Despite our extensive branch network, the Bank management team regularly visits all the districts in Rwanda at least once a year. During such visits, the team visits some of the clients' projects, understand what they do and whether there are any problems they face and together find solutions. In addition, the management takes the opportunity to inform customers of the innovative products and services the Bank has come up with to service customers better.

CEO Diane Karusisi addressing clients during one of the branch visits.

Our Products/Services

We offer a wide range of commercial banking services to Corporate, SME and Retail clients. Our loan portfolio and segmentation is informed by our clients' needs. We offer mortgage loans, vehicle loans, agriculture loans and consumer loans such as school fees, medical, pension holiday or wedding loans to our retail segment; stock loans, overdraft facilities and business loans to our corporate and SME clients.

Our Employees

Bank of Kigali is the employer of choice in Rwanda. This allows us to attract and retain the best talent in the market. We offer an enabling working environment for our staff and provide competitive remuneration packages which include benefits and shared based bonus scheme.

We have employed dozens of fresh graduates developing them through regular class and on-the-job training with the aim of equipping them with the right functional and leadership capabilities that are essential in the early years of their careers.

We have trained a number of our staff in professional banking and leadership courses. The implementation of our talent management and succession planning policy has seen top performers rise to management positions. As such, our employees are well equipped to serve the needs of our clients.

At the start of each year, our Executive and Management teams hold a retreat to review the achievement of the previous year and discuss the performance required in the coming year's corporate objectives. After the retreat the corporate objectives are then cascaded to each staff through departmental and individual key performance indicators. At the end of the retreat, all managers are clear on how their department's targets contribute to the overall performance of the Bank. This is trickled down to all staff through individual Key Performance Indicators which is attached to our competitive bonus scheme.

In addition, every end of year the Bank staff meet to celebrate the achievements of the year and to review whether the targets set at the beginning of the year have been achieved. This is an opportunity for the staff to express their challenges during the year and to suggest on how these can be addressed in the forth coming year. This is also a moment for the staff to share a fun filled evening with the executives.

Dr Diane Karusisi CEO and Nathalie Mpaka CFO during End of Year Party.

Our Responsibility to the Community

Corporate Social Responsibility (CSR) is embedded in Bank of Kigali's company culture.

As Rwanda's leading Bank, we believe that we must be at the forefront of the country's social economic transformation not only through the banking business but also in giving back to the communities in which we work.

As such, we have a clear CSR strategy focusing on four pillars of education, poverty eradication, and environmental conservation and promoting community health. To successfully implement the strategy, we dedicate 1% of the bank's operating income to CSR activities.

We have a CSR Committee whose primary role is to implement the Banks CSR strategy. The Committee is composed of six members who sit at least once a month to evaluate project proposals brought to the Bank and how these projects enhance the Banks CSR Strategy. Through the CSR Committee, the Bank ensures that they engage projects which have minimal adverse impacts on the environment and that those with potentially major adverse environmental and social impact are accompanied by adequate mitigation measures.

Improving access to education

Bank of Kigali believes that for Rwanda to achieve sustainable growth and development, investing in human capital is paramount.

The Bank works through partnerships with institutions such as our long-standing Imbuto Foundation scholarship program which supports over 1,000 underprivileged students who perform well in secondary schools. For seven years now, the Bank has provided scholarships to 200 of these students. Below are examples of students who make us proud of this great partnership.

Meet Cynthia Muhoza, 17, a form 4-student at the United World College – Waterford Kamhlaba, Swaziland. Cynthia was raised by a single mother who struggled to meet her basic needs including school fees and scholastic materials. Cynthia enrolled in the Imbuto Foundation scholarship program in 2015 when her mother had failed to send her back to school because she had so many outstanding school fees bills. With the school fees problem solved, Cynthia excelled in her studies and won a highly competitive scholarship at the prestigious United World college-Swaziland.

Marthe Uwizera 22 (Centre) is a second-year Student of Medicine. As one of six children of a single mother, she struggled to meet her school fees requirements only managing to make part payments whenever possible. At 18, she lost her mother. The school administration, having identified her potential, successfully applied for support from Imbuto Foundation on her behalf. Martha went on to become the best performing student in her sector.

In 2016, the Bank signed a five-year partnership with Imbuto Foundation to further commit to the amazing work they do.

To promote self-employment and boost confidence in the youth, the Bank for several years, has been the main sponsor of the Young Entrepreneurs Debate Championship organized by Rwanda Inspiration Back-Up Ltd, whose aim is to bring schools and universities from all over the country to debate and share ideas on self-employment.

High School students participate in the Bank of Kigali sponsored Young Entrepreneurs Debate Championship in 2016.

A student emphasises a point during the Bank of Kigali sponsored Young Entrepreneurs Debate Championship in 2016.

Health

In recognition of the increasing incidents of breast cancer in Rwanda and the urgent need to develop awareness of the disease, the Bank was among the main sponsors of the annual Ulinzi Walk and fundraising dinner in 2016, whose aim is to create public awareness about breast cancer, emphasizing that early detection is the best protection. The initiative also encouraged solidarity in facing cancer; further demonstrating public awareness of the cancer burden to stimulate intervention of the needed changes.

As a Bank, we believe that women should be supported to favourably compete in all forms of competitions. To promote sports especially among women, the Bank was among the main sponsors of the 2016 Peace Marathon in which we sponsored the winner's prize for the best female runner.

Environmental sustainability

The Bank is mindful of its environmental obligations both internally and externally and as such, has strategically integrated environmental and social considerations into its business operations. We ensure that there are guidelines and procedures in place to assess the environmental impact of all projects before financing them and that compliance to these procedures and guidelines are adhered to. We also encourage staff to use less paper in their daily activities.

We believe that digitalisation of our banking services will support us to use less paper thereby saving the environment. We encourage the use of electronic-based bank statements and other electronic channels such as mobile and internet banking for customers to access their accounts without printing statements. These initiatives are designed to save paper hence ensuring that Rwanda's environment is kept clean and reduce the cutting down of trees. We have set up a state of the art digital branch at Kigali Heights which showcases what Bank of Kigali branches will look like in the future. At this branch, we encourage customers to use online services to circumvent papers. A customer can open an account, check their bank statement, transfer money online without using paper.

In 2016, the Bank signed a three-year Memorandum of understanding with Compagnie Agricole Environment (CAE) to plant 150,000 trees in Nyagatare district over the next three years**.** We believe that practical actions such as planting trees can support some of the Bank's other policy initiatives to save paper and conserve the environment. We also believe that as a leading company in our industry, our actions can inspire other players to follow suit in the long-term effort of conserving our environment.

The CEO Bank of Kigali Dr Diane Karusisi together with the Minister of Environment Dr Vincent Biruta plant a tree in Nyagatare district, in 2016. The Bank aims at planting over 150, 000 trees over the next three years in partnership with local initiatives.

Poverty Eradication

The Bank partnered with Unity club in 2016 to support their efforts in building houses for elderly genocide survivors who lost their children during the 1994 Rwandan Genocide against the Tutsi.

In April 2016, we in partnership with Kobil Oil, one of our major customers donated 21 cows and built kraals as well as providing medicine for each of the cows donated in Kamonyi District. Cows in Rwanda are an asset, a source of food and income. From a cultural perspective, when one gives another a cow, it symbolises a connection or deep friendship. Recognising both the symbolic and financial significance of cows in the Rwandan culture, Bank of Kigali has for the last three years donated about 50 cows to the poor.

Below, some of the cows that members of the Bank of Kigali management donated to beneficiaries in Kayonza, last year.

The CEO Diane Karusisi hands over one of the cows donated to survivors in Kamonyi District in 2016

Conclusion

In 2017, we will shift our focus to supporting the youth who have innovative ideas. The Bank intends to partner with Inkomoko Entrepreneur Development, to support business innovations that will grow into industry front runners and drive Rwanda's growth over the next 50 years. We shall be looking for ideas or existing businesses that are pushing technology solutions to solve Rwanda's most pressing challenges. The initiative to be launched in the first quarter of 2017, shall in part, be a response to the well-known challenge of limitations in access to finance that most start-ups face. The initiative, once launched in 2017, shall see up to 50 winners selected to receive business support services for 7 months at Inkomoko and benefit from a pool of 60 Million FRw in 0% loans that will be availed to 3 - 8 of the best businesses courtesy of Bank of Kigali.

Bank of Kigali endeavors to continue practicing the highest level of corporate governance across all our business functions. We believe that good corporate govern
ance is the cornerstone of the Bank's success. The Bank strives to create and enhance long-term sustainable value for shareholders through ethically driven business practices. Through the Board, the Bank has put in place systems to ensure that the highest standards of corporate governance are maintained at all levels and ensure compliance with the National Bank of Rwanda's (BNR) Regulations on Corporate Governance. Rwanda's Law Relating to Companies, the Law Relating to Banking together with the BNR's Guidelines as well as the Capital Markets Authority laws and regulations.

Board of Directors

The Board of Directors is responsible for the overall leadership of the Bank through oversight and guidance on key strategic and risk issues. It plays a pivotal role in setting up the system of corporate governance within the Bank to ensure safe guard of policies and procedures, ensuring that Management conducts its business operations with integrity and in accordance with best corporate governance practices. It ensures that in carrying out its duties, Management complies with relevant laws and regulation and risk management while balancing the interests of the various stakeholders.

The Board of Directors is chaired by an independent non-executive Chairman and is composed of seven non-executive members who have a wide range of skills, experience and independent judgment. Their skills, competencies and academic qualifications can be found on this Annual Report. The Chairman, who has overall responsibility for the Board, ensures overall leadership and long term success of the Bank.

The Board has delegated the authority for day-to-day management of the Bank to the Chief Executive Officer of the Bank. The Chief Executive Officer has overall responsibility for the performance of the business and provides leadership to facilitate successful planning and execution of the objectives and strategies agreed by the Board.

For the successful management of the Board and their functions, the Board is guided by a Board Charter which sets out their powers, roles and responsibilities. The Board meets on a quarterly basis or more frequently as the business demands. In addition to the quarterly meetings, the Board has appointed five subcommittees to assist in achieving its mandate as per the BNR requirements.

Composition of the Board of Directors and its Committees

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

The Board comprises of two non-resident independent non-executive directors with extensive expertise in international banking practices as well as five resident non-executive directors including a financial consultant, practicing lawyers, and other private sector and government representatives with extensive business acumen. The wide array of skills, knowledge and experiences is a major contribution to the proper functioning of the Board and its committees and enriches the decision-making processes.

Board Meetings

The Board of Directors meets at least once every quarter and has a formal schedule of matters reserved for it. Board members are provided with detailed board materials well in advance to facilitate the meetings. In line with the Bank's environmental friendly strategy, board materials are circulated to board members' IPADs through a board book software.

The following is the list of Board Members who served in 2016 and their board attendance

Board Members	Category	Board	Audit	Risk	Credit	ALCO	HR
Marc Holtzman	Chairman	5/5					3/4
Jonathan Gatera	Vice Chairman	4/5		4/4	8/9		4/4
Reuben Karemera	Non- Executive Member	5/5			8/9	4/4	4/4
Lillian Igihozo	Non- Executive Member	5/5	4/4		9/9	4/4	
Alphonsine Niyigena	Non-Executive Member	5/5	4/4	4/4		4/4	
Julien Kavaruganda	Non -Executive Member	5/5	4/4	4/4		4/4	
Kenneth Ofori-Atta	Non- Executive Member	3/5					3/4

In 2016, a total of 7 board members attended the board meetings.

Changes in the Executive team

Desire Rumanyika was appointed as the Chief Operating Officer of Bank of Kigali on the 14th November 2016 following the resignation of Lawson Naibo.

On the 14th November 2016, Vincent Gatete was appointed as the Chief Commercial Officer and Eddy Kayihura as the Chief IT officer.

Board Committees

To ensure efficiency within the governance structure and to assist carry out its independent oversight function, the Board has delegated certain responsibilities to Board's Committees. In line with the BNR guidelines 06/2008 on Corporate Governance, the Board has five Board Committees, each with terms of reference to support the Board in performing its functions. These guidelines have been adopted and form part of the Board Charter of the Bank. The Chairman of the Board is also the Chairman of the Nominations and Remunerations committee. The Board is kept up to date on the deliberations and recommendations of the Committees through reports from each of the Committee Chair at Board meetings. All Directors have access to the services of the Company Secretary in relation to discharging their duties as a director, or as a member of any Board Committee.

Audit Committee

This is the principal Board Committee charged with overseeing the Bank's financial reporting policies and disclosures to ensure that they are produced in accordance with International Financial Reporting Standards and meet all the necessary regulatory requirements. The Audit Committee is responsible for ensuring that the Bank's internal controls and procedures are adequate and adhered to, making recommendations where necessary. It is also charged with the appointment and review of the work of the external auditors. The Committee comprises of three independent non-executive board members who meet on a quarterly basis or more frequently as its business demands. The Committee is chaired by Alphonsine Niyigena, a financial consultant. Other members Include: Lillian Igihozo and Julien Kavaruganda

Credit Committee

The Committee oversees the Bank's loan portfolio credit risk management. The Committee is charged with reviewing credit facility applications that are beyond the discretionary limits of the Management Credit Committee. The Committee also oversees the Bank's lending policies and procedures to ensure that there is adequate risk management in addition to monitoring the loan portfolio to maintain high asset quality.

The committee comprises of three non-executive directors who meet monthly or more frequently as its business demands. The Committee was chaired by Reuben Karemera. Other Committee Members include: Lillian Igihozo and Jonathan Gatera.

Risk Management Committee

The mandate of the Risk Management Committee is to ensure that the Bank's enterprise risk management policies and procedures are updated to ensure that the risks are properly tackled, effectively controlled and managed. This Committee comprises of three non-executive board members and meets on quarterly basis or more frequently as its business demands. The Committee is chaired by Jonathan Gatera. Other members include: Julien Kavaruganda and Alphonsine Niyigena.

Assets-Liability Management Committee

The committee is responsible for monitoring and managing the Bank's balance sheet to ensure that various business risks such as liquidity, capital, market and currency risks are monitored and mitigated in compliance with the Bank's policies and Central Bank guidelines. The Board Asset-Liability Management Committee, Chaired by Julien Kavaruganda comprises of four non-executive directors including Reuben Karemera, Lillian Igihozo and Alphonsine Niyigena who meet on quarterly basis or more frequently as its business demands.

Nominations and Remuneration Committee

The Committee is responsible for the appointment of and remuneration of the Management and also ensuring that the Bank's human resources are able to support the development and implementation of the Bank's strategy. This entails reviewing the Human Resources policies and procedures, organisational structure, senior management composition as well as remuneration.

The Nominations and Remunerations Committee, chaired by Marc Holtzman is composed of four independent non- executive directors, including Jonathan Gatera, Reuben Karemera and Kenneth Ofori-Atta who meet once every quarter or more frequently as its business demands.

Board Evaluation

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

Management Committees

The Bank also has various Management Committees in place to assist in the day to day implementation of the bank's strategy. These include:

- Executive Management Committee
- Credit Committee
- Treasury /Assets-Liability Committee
- Human Resources Committee
- Recovery Committee
- Corporate Social Responsibility
- Product Development Committee
- Branch and Agency Expansion Committee
- Marketing and Communication Committee
- Procurement Committee

Investor Categorization	Total number of shares	%
Government of Rwanda	198,534,600	29.5%
Rwanda Social Security Board	168,454,000	25.1%
International Institutional Investors	111,916,900	16.6%
Retail Investors	75,529,600	11.2%
Local Institutional Investors	59,804,700	8.9%
Regional Institutional Investors	51,249,200	7.6%
Employees and Directors	6,265,900	0.9%
Other State Owned Entities	687,900	0.1%
Grand Total	**672,442,800**	**100.0%**


BK Internet Banking

OUR BOARD

50 YEARS
CELEBRATING 50
TRANSFORMATIVE YEARS

Marc Holtzman, *Chairman of the Board*

Marc is the Chairman of Bank of Kigali and has served as a member of the Bank's Board of Directors since 2009. He is also Chairman of Kazkommertsbank (LSE: KKB:LI), Kazakhstan's largest private bank with a total market share of 24%. Previously, Mr. Holtzman was Chairman of Meridian Capital HK, a private equity firm with investments in natural resources, real estate, food, agriculture and transportation. Prior to joining Meridian, Mr. Holtzman served as Vice Chairman of Barclays Capital and as Vice Chairman of ABN Amro Bank. Previously, as co-founder and President of MeesPiersonEurAmerica (a firm which was acquired by ABN Amro) and as Senior Adviser to Salomon Brothers, he lived and worked in Eastern Europe and Russia from September 1989 until October 1998.

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

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

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

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

Jonathan S. Gatera, *Director*

Jonathan is the Director General of Rwanda Social Security Board (RSSB). Prior to this, he spent most of his career at the Central Bank of Rwanda. He joined the Central Bank in June 2000 as Financial Market Analyst and by 2008 he had become the Manager responsible for the investment of the Official Foreign Exchange Reserves. In 2010, Jonathan was promoted to head the Department of Financial Markets, a position he held until late 2013 when he was appointed as the Director General in charge of Financial Sector Stability. As Director General at the Central Bank, he was responsible for the supervision of Commercial Banks, Microfinance Institutions, Savings & Credit Cooperatives (SACCOs), Insurance Companies, Pension Schemes and the oversight of Payment Systems. He was also in charge of Financial Stability Analysis, Policy and Licensing.

Mr. Gatera holds MSc and BSc in Economics from the National University of Rwanda. He is also a Graduate of Macroeconomic & Financial Management Institute (MEFMI) of Eastern and Southern Africa based in Harare – Zimbabwe where he specialised in the Management of Domestic Financial Markets.

Kenneth Ofori-Atta, *Director*

Ken is Co-Founder and former Chairman of the Databank Group (an investment banking firm) in Ghana. He was the Executive Chairman from 1990 until his retirement on February 14, 2012. Databank is a financial services firm that has over the last 25 years been influential in the development of Ghana's capital market and award winning retail mutual funded investment products and stock exchange transactions.

Ken is currently Chairman of Family Ventures and Offices in Ghana; Chairman of Trust Bank Ltd in The Gambia; and Chairman of Databank Agrifund Manager Ltd, a US$ 36 million pan-African Databank Private Equity Fund for SME Agribusiness with investments in Madagascar, Cameroun, Zimbabwe, Zambia, South Africa, Burkina Faso, Nigeria and Ethiopia. Prior to co-founding Databank, Ken worked at Morgan Stanley and Salomon Brothers on Wall Street in New York.

Ken has business interests in Insurance, Retail Banking, Private Equity, Microfinance, Pharmaceuticals and Real Estate. As part of his halftime trajectory, Ken is fully engaged with civil society in nation building and human capital development. His deep passion is to help develop a just and prosperous society with a robust private sector. He went to Achimota School in Ghana; received a BA in Economics from Columbia University in New York and an MBA from the Yale School of Management.

Ken was honoured as a Donaldson Fellow at Yale University in 2010 and a John Jay Fellow at Columbia University in 2011. He is a Henry Crown Fellow of the Aspen Institute and a Co-Founder of the African Leadership Initiative of the Aspen Global Leadership Network He was twice honoured by PWC Ghana as one of the Top 5 Most Respected CEOs in Ghana.

Alphonsine Niyigena, *Director*

Alphonsine is a business woman with investments in education and real estate in Rwanda. She has extensive experience and exposure in trade, entrepreneurship and investment from having been actively involved in regional and international business. She served for two consecutive mandates as the Vice Chairperson of the Rwanda Private Sector Federation and as the Vice Chairperson of East African Business Council, umbrella organizations representing the business community in Rwanda and in the East African Countries. Alphonsine has conducted national and international consultancies as an independent consultant in the areas of Finance, Economic Planning and Audit. Prior to joining the private sector, Alphonsine served in the Office of Auditor General for 5 years as Senior Auditor and team leader and conducted several audit missions in the Government institutions including Ministries, Government agencies, bilateral and multilateral projects, local governments and Rwandan embassies. She is currently the Chairperson of Medical Military Insurance Company (MMI); and a Board member of New Forests Company (NFCR) and Impact Policy Analysis and Research Institute (IPAR).

Alphonsine holds a Master's Degree in Business Administration where she majored in Finance from Maastricht University, Netherlands; a Bachelor's Degree in Economic Studies and an associated degree in taxation.

Julien Kavaruganda, *Director*

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

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

Liliane Igihozo Uwera, *Director*

Liliane has of recent lunched her own business in F&B, besides she is a Partner at FreddyN Consulting, an international consulting company active in Strategic, Financial and Operational Advisory Services. Prior to that, she was the Vice Rector in charge of Administration and Finance at the School of Finance and Banking (SFB).

She also worked as the Chief Executive Officer of the Rwanda Investment Group (RIG ltd.), one of the largest private venture capital firms in Rwanda. Liliane has project management experience in private and public sectors and in various industries such as railways/high speed train engineering, construction projects, energy, cement manufacturing, education and retail.

She holds a Master's degree in Financial Risk Management and a Bachelor's in Business Administration from the Catholic University of Louvain, Belgium. She is a Certified International Professional Associate in Project Management of the International Project Management Institute (PMI).

Reuben Karemera, *Director*

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

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

Executive Management

50 YEARS
CELEBRATING 50
TRANSFORMATIVE YEARS





Senior Management












Dr. Diane Karusisi, *Chief Executive Officer*

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

Before she moved back to Rwanda, Diane worked as a Fixed Income Portfolio Engineer at Credit Suisse in Zurich and taught Statistics at the University of Fribourg in Switzerland. She studied Economics majoring in Econometrics and holds a PhD in Economics from the University of Fribourg. Her research areas mainly concentrated on Risk Modeling and Measurement. Her doctoral thesis entitled "Dependency in credit portfolios: Modeling with Copula Functions" was published in 2009.

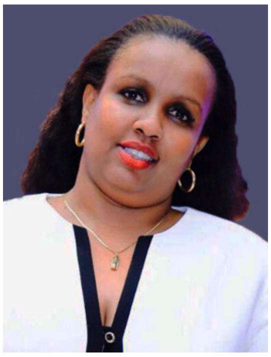
Diane currently serves as non-executive director on several boards including the University of Rwanda and Rwanda Development Board.

Désiré Rumanyika, *Chief Operating Officer*

Desire has an extensive banking experience in the fields of Development Finance, commercial banking, project financing garnered from national, regional and international financial institutions. He worked for the 'Banque Continentale Africaine' (BCA) for 2 years, the Rwanda Development Bank (BRD) as Director for Corporate Affairs for 8 years and CEO of BDF for 3 years. In 2009 Rumanyika joined the Project Finance Department at the London offices of the global Law Firm of Milbank Tweed Hadley McCloy LLP, specialized in project financing and other financial services. He served as Board Director for Banque Populaire du Rwanda (BPR) for 7 years, the Rwanda Housing Bank (RHB) for 4 years, Rwanda Enterprise Investment company (REIC) for 2 years, the Business Development Fund (BDF) for 2 years and AADFIs for 3 years. Prior to joining Bank of Kigali (BK) Rumanyika was the Country Manager for Rwanda Office of the East African Development Bank (EADB), a regional Development Finance Institution (DFI) with operations in all East Africa Community (EAC)'s Member States.

In November 2016 Rumanyika was appointed Chief Operating Officer and member of Executive Committee of Bank of Kigali. He is responsible for the Bank's daily operations, ensuring stable and efficient services across the Bank's expansive branch network and other delivery services.

Rumanyika holds an MBA with specialization in Banking from the Maastricht School of Management, Netherlands (MSM) and a Masters of Laws, LL.M in International Financial Services and Banking granted by the University of Liverpool (UoL) in UK.



Flora Nsinga, *Chief Human Resource*

Flora is the Chief Human Resource of Bank of Kigali and has been with the Bank since 2008. Prior to this, she was Head of Human Resources and Administration. Flora joined the Bank with about ten years' experience from the telecommunication industry. She has been responsible for the growth in branch network and the staff of the Bank since then. She was instrumental in leading the Bank through various organizational reforms in 2009. She oversaw the Bank's strategic human resource restructuring, transforming it from a product-driven to a customer-focused structure.

Flora holds a Bachelor's degree in Business Administration with specialization in Human Resources from Kigali Institute of Science, Technology and Management (KIST). She also holds a Master's in Management, majoring in Leadership and Human Resources from Cambridge College Boston, Massachusetts – USA.

Vincent Gatete, *Chief Commercial Officer.*

Vincent is the Chief Commercial Officer. He joined Bank of Kigali from ISCO Intersec Security where he was the Managing Director for over 2 years, overseeing over 6000 employees. Mr. Gatete was also Chief Executive Officer of Crystal Telecom, a fully listed company on the Rwanda Stock Exchange. Prior to that, Mr. Gatete was Company Secretary for Crystal Ventures Ltd where he provided general legal advice to management and board of Crystal Ventures in addition to being the lead project manager on a couple of mergers, acquisitions and disposals; before Crystal Ventures, Vincent was at Rwanda Revenue Authority where he held a number of roles in the areas of Legal advisory, customs, regional integration and International affairs coordination. Vincent has also served as a non-executive Director in a number of companies including MTN Rwanda, Ultimate Concepts Ltd, Akagera Aviation Ltd and CVL developers Ltd. Vincent holds a Bachelor's degree in Law, from the National University of Rwanda, and is currently completing his MBA thesis at Strathmore Business School, Strathmore University.

Nathalie Mpaka, *Chief Finance Officer*

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

Nathalie is ultimately responsible for providing high quality accounting and financial services to the Bank, model strategic leadership and professional guidance to both the Finance and Treasury team. She leads the design and implementation of financial risk management, continuously implement control systems to monitor the performance of the Bank, its flow of funds, adherence to budgets, and assess credit risk.

Nathalie is an ACCA qualified finance professional and also a member of the Certified Public Accountants in Rwanda (ICPAR) where she is currently serving as Governing Council Member. She holds a first class Bachelor's degree in Accounting and Finance from the University of Birmingham in the U.K.

Eddy Mabano Kayihura, *Chief Information Technology Officer*

Eddy is the Chief IT Officer. He joined the Bank of Kigali in December 2016 from Broadband Systems Corporation, an Internet Service Provider where he has been CEO for more than 3 years. He oversees the IT and Digital strategy of the Bank. He has 17 years of high level experience in Information Technology related including broadband, data centers, telecom services as well as software. He is also involved in ICT community driven initiatives locally and on the continent. Eddy holds a Bachelor's degree in Information Technology from the University of Rwanda and is currently pursuing an online MBA in International Business at Oklahoma Christian University.

Dr. Shivon Byamukama, *Company Secretary*

Shivon is the Company Secretary and Head of Corporate Affairs at Bank of Kigali. She is in charge of Legal Contracting, providing legal advisory services and implementing good Corporate Governance practices for the Bank. Shivon is also at the helm of implementing the Bank's Corporate Social Responsibility strategy.

Prior to joining Bank of Kigali, she was the Company Secretary and Chief Legal Officer for RwandAir, Rwanda's national carrier. Shivon was an instrumental member of the team that transformed the airline which began operating its own aircrafts in 2009. She played a central role in the negotiations of all major aircraft transactions for the company including; the acquisition contracts of the aircrafts, aircraft financing and insurance arrangements, aircraft maintenance and technical support contracts, corporation agreements with other airlines, and Bi-lateral agreements. Shivon also serves as a Director on the Board of Rwanda Development Board and Victoria Motors-Rwanda. She was Awarded the Eisenhower Fellowship 2016.

Shivon holds a PhD in Law from Glasgow Caledonian University-UK a Bachelor of Laws Degree from Makerere University-Uganda, and a Diploma in Legal Practice from the Law Development Centre, Kampala, Uganda.

Patrick Masumbuko, *Chief Representative Officer - Nairobi*

Patrick is the Chief Representative Officer of Bank of Kigali in Nairobi, Kenya. Prior to this role, he was the Head of Corporate Banking Department within the bank based in Kigali, Rwanda, having joined the bank in 2011. Patrick is responsible for managing the Bank's Representative office in Nairobi, Kenya and establishing the contact center for existing and potential clients in Kenya. He is also in charge of business development through promotion and establishment of relationships with Investors, Regional corporates and entities which are targeting investments in the Rwandan market.

Patrick is a seasoned banking professional with extensive experience spanning over ten years. He has also previously led and managed corporate banking, Branding, Communication and Public Sector portfolios at Ecobank Rwanda and Bank of Commerce Industry and Development. Prior to joining the banking sector, he worked in the Private sector and Non-Governmental Organizations.

Patrick holds a Bachelor of Commerce Degree from Kigali Institute of Science Technology and Management and a Diploma in Business Studies from National College of Business Studies Nakawa- Uganda.

He has completed his MBA course work at the University of Nairobi (currently working on thesis).

Enock K. Luyenzi, *Head of Human Resources & Administration*

Enock is the Head of Human Resources and Administration. His areas of responsibility include Human Resource Strategy, administration and logistics management. He is also in charge of all administrative matters of the Bank including the procurement function. Enock has wide experience in strategy implementation processes and has been at the helm of implementing the Bank's expansion strategy since 2009. He also developed the overall HR Strategies and Performance Management System that deliver employee productivityin support of the Bank's business objectives.

He has worked with senior management to implement HR and Administration Policies and objectives, especially in attracting, retaining, motivating, developing key talents and cost effective strategy. Prior to that, he served as the General Services Manager at the Bank. He joined the Bank with over seven years 'experience in supply chain management, logistics and administration at various senior and responsible levels in the public sector.

Enock is a Chartered Human Resources Analyst (CHRA). He holds a Bachelors' Degree in Management from the National University of Rwanda and has done various executive trainings on Strategy Execution with Maps and Balance Scorecard Master Class by Dr. Robert Kaplan, Harvard Business School.

Carine Umutoni, *Head of Treasury& Trade Finance*

Carine is the Head of Treasury and Trade Finance at Bank of Kigali. She has 14 years of banking experience in Treasury, Trade Finance and Institutional Banking. She is responsible for the liquidity management, foreign exchange operations, assets and liabilities management and the trade finance operations of the bank.

Carine holds a MBA- Economic Policy and Corporate Strategy from Maastricht School of Management of the Netherlands and Bachelor degree in Banking and Finance from Damelin Institute of South Africa. She is a Certified Documentary Credit Specialist and is currently doing an ACCA certification.

Carine serves as a Director on the Board of the Rwanda National Investment Trust.

Barbara Busingye, *Head of Retail Banking & Branch network*

Barbara is the Head of Retail Banking & Branch network at Bank of Kigali. She has over 15 years of banking experience specifically in banking operations. Prior to joining Bank of Kigali, She worked with ECOBANK Rwanda where she held the following positions; Branch Manager, Marketing Manager; Manager in charge of Foreign currency Transactions, both local and international transfers, Head of credit administration, and Head of operations. Barbara joined Bank of Kigali as a branch manager and later on transferred to Corporate Banking as a manager in charge of SME's, NGO's and NBA's and currently Head of Retail Banking & Branch network. Her core responsibility entails coordination and implementation of Bank's retail service delivery strategy across the Branch network and operations in order to achieve the Bank's overall goals & objective.

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

Dr. Emmanuel T. Gatabazi, *Head of Corporate Banking*

Emmanuel is the Head of Corporate Banking Department. He joined the Bank in August 2014 having served in the Public Sector for over 17 years in different capacities. Prior to joining Bank of Kigali, Dr Emmanuel was the Vice Rector in charge of Administration and Finance at the Kigali Institute of Science and Technology (KIST).

He also worked as the Accountant General at the Ministry of Finance where he was instrumental in introducing several Public Finance Management (PFM) Reforms and oversaw the preparation of the first Government PFM Reforms Strategy. Dr. Emmanuel holds Bachelor of Commerce degree (B Com) from the University of Dar-es-salaam, an MBA in Finance from PSG College of Technology- India and a PhD from the University of Fort Hare, South Africa.

Allan Mwangi, *Head of Retail Credit Risk*

Allan is the Head of Retail Credit Risk, having joined the bank in February 2012. He brings to the Bank vast experience in business planning, financial management, accounting, risk management and audit with over 20 years in the financial services industry gained from working in Equity Bank, ABN Amro Bank, Deloitte and Touche, and Lonrho Africa Plc.

He holds an MBA (Finance) from University of Nairobi and a Bachelor of Commerce (Accounting) degree from Kenyatta University. He is a Certified Public Accountant and alumni of the Advanced Management Programme (AMP) of the IEESE Business School, Spain and Strathmore Business School, Kenya. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK)

Innocent Musominari, *Head of Credit Department*

Innocent is the Head of Credit, and has worked with the Bank since 2004. He has wide experience in credit analysis and management gained from having worked with the Rwandan Banking sector for over 15 years.

Prior to joining the Bank, Innocent served in the Commercial Bank of Rwanda now I&M Bank for 5 years as Corporate Credit Analyst Advisor. He has been pivotal in managing the Bank's credit risk and this has led to improvements in asset quality. Innocent holds a Bachelor's degree in Economics from the National University of Rwanda.

Celestin Zimulinda, *Head of Information and Communications Technology*

Celestin is the Head of the Information Technology department at Bank of Kigali and is responsible for the bank's daily IT needs and operations. He joined the Bank in November, 2014. Prior to joining the Bank, he working as Project Manager with Ericsson, Rwanda where he was in charge of customer solutions and then network rollout project activities. He also worked with Cisco Systems East Africa as a Project Manager and in charge of Cisco businesses in Rwanda and Tanzania. He previously worked as a Senior ICT Officer in the Ministry of Infrastructure and ICT, Rwanda. From 2002 to 2006, he was Assistant Head of ICT Center and then Assistant Lecturer at Kigali Institute of Science and Technology.

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

Gerard Nyangezi, FCCA, *Head of Internal Audit & Control*

Gerard is the Head of the Internal Audit and Control Department. He joined the Bank in 2009 and has over 10 years' experience in Audit and Finance, especially from the financial sector and telecommunication industry.

Gerard holds a Bachelor of Commerce-Finance degree from Makerere University, Uganda; a Bachelor of Science in Accounting from Walter Sisulu University, South Africa and is also a Certified Chartered Accountant. Gerard is a Fellow of the Institute of Certified Chartered Accountants of United Kingdom, (FCCA) and is also a member of the Institute of Certified Public Accountants, Rwanda (ICPAR).

Yves Gatsimbanyi, *Head of Risk & Compliance*

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

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

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

Rose Ngabire, *Head of Consumer Banking and Product Development*

Rose is currently Head of Consumer Banking and Product Development at Bank of Kigali. Over a six-year period at Bank of Kigali, Rose has held various managerial positions including Premier Banking Manager, Customer Service Manager and Marketing Manager. She led the team that set up our High Net worth & VIP branch and successfully implemented the bank's Customer Service strategy that improved customer experience across the entire network. Prior to joining the Bank, Rose served at Rwandan High commission in London United Kingdom as Administrative Attaché in charge of communication and public relations.

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

Aimable Malaala, *Head of Legal and Collections Department*

Aimable is the Head of Legal and Collections Department at Bank of Kigali. Prior to joining the Bank he was a Principal State Attorney and Head of Civil Litigation Department at the Ministry of Justice/Office of the Attorney General where represented the Government of Rwanda in different cases at national, regional and international courts.

Aimable also advised the Government of Rwanda on numerous projects in Energy sector including Kivu Watt project, Infrastructure projects and Finance project including 400 Million Euro Bond. He was part of the team of legal experts negotiating Political federation of the East African Community. He served for 8 years as a member of Government Commission in charge of settling disputes against the Government out of court.

Aimable holds a Bachelor of Laws degree (LLB) from the National University of Rwanda 2005, a Master of Laws (LLM) in International Human Rights from Utrecht University (The Netherlands) 2007, Master of Laws (LLM) International Business Law from University of Liverpool (United Kingdom) 2011, a Post graduate Diploma in international environmental Law (UNITAR) and holds a diploma Legal practice from Institute of Legal Practice and Development.

He is a member of the Rwanda Bar Association & the East African Law Society, a member of the Chartered Institute of Arbitrators (CIArb) London and a qualified Adjudicator under Kuala Lumpur Regional Centre for Arbitration.

Kevin Rudahinduka, *Head of Electronic and Digital Channels*

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

He has extensive experience from both the non-profit and private sector. In his capacity, as Chief Information Officer, he managed ICT operations and Innovation Technology including the banking system, Mobile Banking, payment systems, networks infrastructure and information security systems.

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

Sandra Rwamushaija

Sandra is the Chairperson of BK General Insurance. Sandra is a practicing lawyer, Founder and Managing Partner of Factum Law Firm Ltd, a Rwandan-based law firm. Sandra has held several senior managerial posts in both Public and Private institutions. She has vast experience in Transaction Advisory, Banking, Telecommunications, and Commercial and Corporate law.

Sandra serves on various Boards of both listed and un-listed companies as a NonExecutive member. She is a member of the Rwanda Bar Association and the East African Law Society, and is currently serving her first term as an elected Council Member of the East African Law Society representing Rwanda. She holds a Masters of Business Administration degree, and a Bachelor's in Law degree both from the United Kingdom.

Alex N. Bahizi

Alex is the Chief Executive Officer BK General Insurance. Alex started the taste of insurance industry while in (CSR) now Rwanda Social Security Board where he was a key member of the reform team in charge of modernizing the Social Security industry. He later joined Bank of Kigali in 2010 as a Legal Services Manager. His competencies and unwavering commitment saw him promoted to head the departments of Legal Services and Recoveries in January 2014.

Prior to joining Bank of Kigali, Alex was the Head of Internal Affairs/Quality Assurance and at the same time, a State Attorney in the National Social Security Fund. As a practicing Lawyer, he was a member of the Kigali Bar Association and a Member of the East African Law Society. Trained in both Civil Law and Common Law Legal Families. Alex commands authority in major areas of laws related to Insurance Industry among them, Insurance Laws, Corporate Governance, Commercial Transactions, Banking Laws, Comparative Company Law, Contractual Obligations, Shareholder Rights, Alternative Dispute Resolution approaches, Civil Procedure and Litigation Services Management.

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

Regis Rugemanshuro, PMP, SPC4

Regis is the CEO of BK TecHouse Ltd, a start-up Technology Company by Bank of Kigali. Prior to this, he spent his career in the United States consulting for the global Tech giants such as Hewlett Packard (HP) as a Program Manager and later with Accenture PLC in Seattle, Washington. During his time there, his main clients included Microsoft and T-Mobile. His area of focus is at the intersection of Business and Technology; his expertise is in helping clients realize the promise of the digital revolution via adoption of modern engineering platforms and practices.

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

BANK OF KIGALI
Financially Transforming Lives

50 YEARS
CELEBRATING 50
TRANSFORMATIVE YEARS

Financial Report

The directors that served during the period and to the date of this report are shown below:

Directors

Mr. Marc Holtzman (Chairman)
Mr. Jonathan Gatera
Mr. Kenneth Ofori-Atta
Mrs. Alphonsine Niyigena
Mr. Julien Kavaruganda
Mrs. Liliane Igihozo
Mr. Reuben Karemera

Secretary

Dr. Shivon Byamukama
KN4 Ave No 12 Plot No 790
P.O. Box 175
Kigali - Rwanda

Auditors

Ernst & Young Rwanda Limited
Certified Public Accountants
M. Peace Plaza - 6th Floor
Executive Wing
P.O. Box 3638
Kigali - Rwanda

Registered office & principal place of business

Bank of Kigali Building
KN4 Ave No 12 Plot No 790
P.O. Box 175
Kigali - Rwanda

Advocates

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

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

The directors have the pleasure of submitting their report together with the audited consolidated financial statements for the year ended 31 December 2016 which disclose the state of affairs of the Bank. The Bank was incorporated on 22nd December 1966 and issued with a Banking license to operate in Rwanda by the National Bank of Rwanda on 11th February 1967. Operations commenced on 27th February 1967.

1. Principal activities

The principal activity of Bank of Kigali Limited is provision of Retail and Corporate Banking services.

2. Results

The results for the year are set out in the consolidated financial statements on pages 43 to 106.

3. Dividends

(a) During the Annual General Meeting held on 31st May 2016, the Shareholders approved a dividend pay-out of 40% of the Bank's audited IFRS-based net income in respect of the year 2015-2017.

(b) The total proposed dividend for the year is therefore FRw 8,302,347,000 (2015 – FRw 8,193,623,200) for ordinary shareholders.

4. Reserves

The reserves of the bank are set out in note 31.

5. Directors

The Directors who served during the year and up to the date of this report are set out on page 36.

6. Auditors

Ernst & Young Rwanda Limited was appointed as external auditors in 2015 in accordance with National Bank of Rwanda Regulation and have expressed their willingness to continue in office.

7. Approval of the financial statements

The consolidated financial statements were approved by the Directors on 24 March 2017.

By order of the board

……………………………

Dr. Shivon Byamukama

Company Secretary

Date: 24/03/17

The Bank's Directors are responsible for the preparation and fair presentation of the consolidated financial statements, comprising the consolidated statement of financial position at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the Law No: 03/2016 of 24/06/2016 issued by the National Bank of Rwanda (BNR), relating to Companies as amended and regulations governing Banks in Rwanda and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

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

The Directors accept responsibility for the consolidated financial statements set out on pages 43 to 106, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Law No: 03/2016 of 24/06/2016 issued by the National Bank of Rwanda (BNR), relating to Companies as amended and regulations governing Banks in Rwanda. The Directors are of the opinion that the consolidated financial statements give a true and fair view of the state of the financial affairs and the profit and cash flow for the year ended 31 December 2016.

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

The Auditor is responsible for reporting on whether the annual consolidated financial statements are fairly presented in accordance with the International Financial Reporting Standards and the Law No: 03/2016 of 24/06/2016 issued by the National Bank of Rwanda (BNR), relating to Companies as amended and regulations governing Banks in Rwanda.

The consolidated financial statements which appear on pages 43 to 106 were approved by the Board of Directors on 24 March 2017 and signed on its behalf by:

Marc Holtzman

Director

Nyagena

Director

Dr. Shivon Byamukama

Company Secretary

Date: 24/03/17

Opinion

We have audited the accompanying consolidated financial statements of Bank of Kigali Limited (the Bank) and its subsidiaries which comprise the consolidated statements of financial position as at 31 December 2016, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 43 to 106.

In our opinion, the consolidated financial statements present fairly in all material respects, the consolidated financial position of Bank of Kigali and its subsidiaries as at 31 December 2016, and the Bank's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Law No. 07/2009 of 27/04/2009 relating to Companies, as amended and the Laws and regulations governing banks in Rwanda.

Basis for Opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment of loans and advances to customers

The impairment of loans and advances involves the use of judgment by management when estimating the amount and timing of future cash flows to use in determining allowances for impairment as disclosed in note 5(a). Due to the significance of loans and advances relative to the total assets of the Group, and the related estimation uncertainty, this is considered a key audit risk. The methodology applied by management in calculating collectively assessed impairments, and assessing the adequacy of impairment allowances for individually assessed loans and advances is further described in note 4 (a) (iii) to the financial statements.

Our audit procedures included the assessment of key controls over the approval, recording and monitoring of loans and advances. We evaluated the methodology applied by management in the calculation of impairment. We further assessed on a sample basis, the inputs and assumptions applied by the Group in estimating collectively assessed impairments, and assessing the adequacy of impairment allowances for individually assessed loans and advances. We also reviewed the financial statement disclosures included in note 21 (a) to financial statements, to determine whether the appropriately reflect the Group's credit risk and allowances for impairment on loans and advances to customers.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, as required by Law No. 07/2009 of 27/04/2009 relating to Companies as amended, Law No. 07/2008 relating to organisation of Banking, and requirements of regulation No. 03/2016 of 24/06/2016 on Publication of Financial Statements and Other Disclosures by banks, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, the requirements of the Law No. 07/2009 of 27/04/2009 relating to Companies, as amended and the Laws and regulations governing banks in Rwanda and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal requirements

As required by the provisions of Article 247 of Law No. 07/2009 of 27/04/2009 issued by the National Bank of Rwanda (BNR), relating to companies in Rwanda as amended, we report to you, based on our audit, that:

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

(ii) In our opinion, proper books of account have been kept by the company, so far as appears from our examination;

(iii) The consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position are in agreement with the books of account;

(iv) We have no relationship, interest or debt with Bank of Kigali Limited. As indicated in our report on the financial statements, we comply with ethical requirements. These are the International Federation of Accountants' Code of Ethics for Professional Accountants, which includes comprehensive independence and other requirements.

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

ALLAN GICHUHI
Ernst & Young Rwanda Limited
Certified Public Accountants
P. O. Box 3638
Kigali
Rwanda

Date: 31|03|2017

	Note	2016 FRw'000	2015 FRw'000
Interest income	7	72,254,385	59,966,855
Interest expense	8	(16,556,236)	(13,727,086)
Net interest income		**55,698,149**	**46,239,769**
Net Fees and commission income	9	14,160,293	11,884,277
Foreign exchange related income	10	6,583,450	5,301,247
Other operating income	11	305,974	292,651
Net premium earned	12	159,418	-
Operating income before impairment losses		**76,907,284**	**63,717,944**
Net impairment on loans and advances	13	(10,448,958)	(7,547,662)
Account maintenance fees	14	(6,634,811)	(1,816,787)
Net operating income		**59,823,515**	**54,353,495**
Personnel costs	15(i)	(14,075,178)	(15,029,991)
Depreciation and amortisation	15(ii)	(3,955,171)	(3,807,120)
Administration and General expenses	15(iii)	(11,812,051)	(9,779,152)
Total operating expenses		**(29,842,400)**	**(28,616,263)**
Profit before income tax		**29,981,115**	**25,737,232**
Income tax expense	16(a)	(9,225,248)	(5,253,174)
Net profit for the year		**20,755,867**	**20,484,058**
Other comprehensive income not to be reclassified to profit and loss in subsequent periods			
Revaluation of Building net of tax		5,458,582	-
Total comprehensive income for the year		**26,214,449**	**20,484,058**
Basic earnings per share in FRw	17	30.87	30.49
Diluted earnings per share in FRw	17	30.76	30.38
Dividend per share (FRw) – proposed	17	12.31	12.15

The notes set out on pages 47 to 106 form an integral part of these financial statements.

	Note	2016 FRw'000	2015 FRw'000
Assets			
Cash in hand	18 (a)	15,032,721	14,951,617
Balances with the National Bank of Rwanda	18 (b)	31,832,058	44,572,594
Due from banks	19	84,634,868	62,568,118
Held to maturity investments	20(a)	77,962,606	93,503,198
Loans and advances to customers	21(a)	385,824,570	313,925,535
Other assets	22	8,877,766	8,255,500
Equity Investments	20(b)	221,425	221,425
Property and equipment	23	33,435,701	22,846,884
Intangible assets	24	514,883	381,529
Total Assets		**638,336,598**	**561,226,400**
Liabilities			
Due to banks	25	28,105,184	22,609,724
Deposits and balances from customers	26	419,017,263	384,713,700
Tax Payable	16(b)	4,165,830	808,141
Deferred tax liability	27	6,795,553	1,682,520
Dividends Payable	28	8,343,104	34,230
Other liabilities	29	6,286,996	9,656,897
Long-term finance	30	57,137,068	42,475,643
Total Liabilities		**529,850,998**	**461,980,855**
Capital and Reserves			
Share Capital	31(i)	6,724,428	6,721,842
Share Premium	31(ii)	18,695,343	18,665,604
Revaluation Reserves	31(iii)	13,630,625	6,129,035
Other Reserves	31(iv)	-	11,918,110
Retained earnings	31(v)	69,435,204	55,810,954
Total Equity		**108,485,600**	**99,245,545**
Total Liabilities and Equity		**638,336,598**	**561,226,400**

The financial statements were approved by the Board of Directors on ...24th...March 2017 and were signed on its behalf by:

Director: Marc Holtzman

Date: 24/3/17

Director: Nyagena

Date: 24/03/2017

The notes set out on pages 47 to 106 form an integral part of these financial statements.

	Issued capital	Share Premium	Revaluation Reserve	Retained Earnings	Legal Reserves	Special Reserves	Other Reserves	Total
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
2015								
As at 1 January 2015	6,713,706	18,572,040	6,537,638	20,359,836	5,183,765	5,268,999	26,911,749	89,547,733
Appropriation of profit – 2014	-	-	-	(1,465,346)	732,673	732,673	-	-
Dividend paid	-	-	-	(10,990,095)	-	-	-	(10,990,095)
Increase in Share Capital	8,136	93,564	-	-	-	-	-	101,700
Profit for the period	-	-	-	20,484,058	-	-	-	20,484,058
Transfer of Excess depreciation	-	-	(408,603)	510,752	-	-	-	102,149
Reclassification from other reserves	-	-	-	26,911,749	-	-	(26,911,749)	-
As at 31 December 2015	**6,721,842**	**18,665,604**	**6,129,035**	**55,810,954**	**5,916,438**	**6,001,672**	**-**	**99,245,545**
2016								
As at 1 January 2016	6,721,842	18,665,604	6,129,035	55,810,954	5,916,438	6,001,672	-	99,245,545
Appropriation of profit – 2015	-	-	-	11,918,110	(5,916,438)	(6,001,672)	-	-
Dividend paid	-	-	-	(8,193,623)	-	-	-	(8,193,623)
Declared Dividend 2016	-	-	-	(8,302,347)	-	-	-	(8,302,347)
Increase in Share Capital	2,586	29,739	-	-	-	-	-	32,325
Revaluation Reserve 2016 net of tax	-	-	5,458,582	-	-	-	-	5,458,582
Elimination of transferred excess Depreciation	-	-	2,043,008	(2,553,757)	-	-	-	(510,749)
Profit for the period	-	-	-	20,755,867	-	-	-	20,755,867
As at 31 December 2016	**6,724,428**	**18,695,343**	**13,630,625**	**69,435,204**	**-**	**-**	**-**	**108,485,600**

The notes set out on pages 47 to 106 form an integral part of these financial statements

Cash flows from operating activities	Note	2016 FRw'000	2015 FRw'000
Profit before tax			
Adjusted for:		29,981,115	25,737,232
Depreciation of property and equipment	15(ii)	3,513,410	3,503,134
Amortization of intangible assets	15(ii)	441,761	303,986
Gains on disposal of fixed Assets	11	(50,723)	(75,778)
Loss on revaluation of long-term finance/ accrued interest	30	4,052,702	1,814,204
Interest accrued on long-term financing		481,001	539,919
Dividend income	11	(32,427)	(67,614)
Cash flows before changes in working capital		**38,386,839**	**31,755,083**
Changes in Working capital			
Increase in Loans and Advances	21(a)	(71,899,035)	(80,486,026)
Increase in other assets	22	(622,262)	(590,118)
Increase in deposits and balances from customers	26	34,303,563	60,112,540
Increase in Cash Reserve Requirement	18	(1,989,951)	(1,347,174)
Decrease in other liabilities	29	(3,369,901)	(3,375,390)
Income tax paid	16(b)	(5,063,962)	(4,640,477)
Dividends received	11	32,427	67,614
Net cash generated from operating activities		**(10,222,282)**	**1,496,052**
Investing Activities			
Purchase of intangible assets	24	(575,115)	(451,459)
Purchase of property and equipment	23	(4,844,962)	(5,846,595)
Proceeds from sale of fixed assets		50,723	75,778
Purchase of Held To Maturity Investments	20(a)	(385,606,513)	(307,227,740)
Proceeds from Held To Maturity Investments	20(a)	401,147,105	272,321,449
Net cash flows from investing activities		**10,171,238**	**(41,128,567)**
Financing Activities			
Dividends paid	28	(8,187,096)	(10,961,334)
Drawdown of long term finance	30	19,958,446	7,250,000
Repayment of long-term finance	30	(9,830,725)	(7,383,434)
Increase in share capital	31(i)	2,586	8,136
Increase in share premium	31(ii)	29,739	93,564
Net cash flows from financing activities		**1,972,950**	**(10,993,068)**
Net increase/ (Decrease)in cash and cash equivalent		1,921,906	(50,625,583)
Net foreign exchange difference		(2,882,861)	502,736
Cash and cash equivalents at 1 January		78,739,486	128,862,333
Cash and cash equivalent at 31 December	**18(c)**	**77,778,531**	**78,739,486**

The notes set out on pages 47 to 106 form an integral part of these financial statements.

1. Corporate Information

Bank of Kigali Limited is a financial institution licensed under Law No. 08/99 relating to Regulations Governing Banks and Other Financial Institutions, provides corporate and retail banking services.

The Bank is incorporated in Rwanda and is publicly traded on the Rwanda Stock Exchange. The address of its registered office is as follows:

Bank of Kigali Building
KN 4 Ave No 12 Plot No 790
P.O. Box 175
Kigali - Rwanda

Representative Office - Nairobi

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

2. Basis of Preparation

(a) Basis of accounting

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). They were authorised for issue by the Bank's board of directors on 24 March 2017. All values are rounded to the nearest thousand (FRw'000) except when otherwise indicated.

The bank presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non- current) is presented in note 33.

(b) Basis of consolidation

i) Subsidiaries

Subsidiaries' are investees controlled by the Bank. The Bank 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Bank wholly controls BK Securities Ltd, BK Nominees Ltd, BK Registrars Ltd, BK TecHouse Ltd and BK General Insurance Ltd as disclosed in Note 36 of these financial statements. The Bank reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Bank having power over an investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The subsidiaries indicated on note 36 to these financial statements have been consolidated in these financial statements.

2. Basis of Preparation (Continued)

(c) Going concern

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

(d) Use of estimates and judgments

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

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 5.

3. Significant Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements have been applied consistently and to all periods presented in these consolidated financial statements.

(a) Recognition of income and expense

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific criteria must be met before revenue is recognised:

(i) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

3. Significant Accounting Policies (Continued)

(a) Recognition of income and expense (Continued)

(i) Interest

Interest income and expense presented in the statement of profit or loss and Other Comprehensive Income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- interest on available-for-sale investment securities calculated on an effective interest basis; and
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense

Interest income is recognised in the statement of profit or loss and other comprehensive income for all interest bearing instruments on an accrual basis taking into account the effective yield on the asset.

(ii) Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate

Other fees and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(iii) Dividend income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at fair value through profit or loss or other revenue based on the underlying classification of the equity investment.

(iv) Net trading income

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

(b) Property and equipment

Property and equipment are stated at cost or fair value, less accumulated depreciation and accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Property and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses arising on disposal of an item of property and equipment are determined by comparing the net proceeds from disposal with the carrying amount of the item and are recognised net within 'other operating income' in profit or loss.

3. Significant Accounting Policies (Continued)

(b) Property and equipment (Continued)

Buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value. Buildings were revalued by management in 2016 based on the estimated market value. The revaluation was carried out by Architectural and Urban Solutions ARCHUS an independent valuer.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is recognised in profit or loss on a straight line basis at annual rates estimated to write off the carrying values of the assets over the estimated useful lives of each part of property and equipment. The annual depreciation rates in use are:-

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

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

Property and equipment are at each reporting date reviewed for impairment. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Changes in the expected useful life are accounted for by changing the amortisation period or method prospectively, as appropriate, and treated as changes in accounting estimates.

The costs of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the bank and its costs can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Work In Progress

Work in progress is composed of mainly furniture and fittings and computers purchased towards the year end that have not allocated to branches. Work in progress is not depreciated and is capitalized when commissioned for use where after depreciation commences.

3. Significant Accounting Policies (Continued)

c) *Provisions*

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

d) *Financial instruments*

(i) Recognition

The Bank's consolidated financial position, initially recognises cash, amounts due from/ due to Bank companies, equity investments, loans and advances, deposits, debt securities and subordinated liabilities on the date they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

(ii) De-recognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the bank is recognised as a separate asset or liability. The bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions. If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the Bank obtaining a new financial asset or assuming a new financial liability, the Bank recognises the new financial asset or financial liability at fair value.

Where a financial asset is derecognised in its entirety, the difference between the carrying amount and the sum of the consideration received together with any gain or loss previously recognised in other comprehensive income, are recognised in profit or loss. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iii) Classification

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

- **Loans and receivables**
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money directly to a debtor with no intention of trading the receivable. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method.

3. Significant Accounting Policies (Continued)

(iii) Classification (Continued)

- **Held to maturity**

  Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. A sale or reclassification of more than an insignificant amount of held to maturity investments would result in the reclassification of the entire category as available for sale. Held to maturity investments includes treasury bills and bonds. They are subsequently measured at amortized cost.

- **Available for sale**

  Available for sale financial investments are those non derivative financial assets that are designated as available for sale or are not classified as any other category of financial assets. Available for sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in other comprehensive income and presented in the available for sale fair value reserve in equity. Where there is no active market for these investments, cost less impairment is deemed the most reasonable basis of measurement. When an investment is derecognized, the gain or loss accumulated in equity is re-classified to profit or loss.

(iv) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a Bank of similar transactions such as in the Bank's trading activity.

(v) Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged or liability settled between knowledgeable willing parties in an arm's length transaction on the measurement date.

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

The bank uses widely recognised valuation models for determining the fair value of common and simpler financial instruments like options, interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

For more complex instruments, the bank uses proprietary models, which are usually developed from recognised valuation models. Some or all of the inputs into these models may not be market observable, and are derived from market prices or rates or are estimated based on assumptions.

When entering into a transaction, the financial instrument is recognised initially at the transaction price, which is the best indicator of fair value, although the value obtained from the valuation model may differ from the transaction price.

This initial difference, usually an increase, in fair value indicated by valuation techniques is recognised in profit or loss depending on the individual facts and circumstances of each transaction and not later than when the market data becomes observable.

3. Significant Accounting Policies (Continued)

(v) Fair value of financial instruments (Continued)

The value produced by a model or other valuation techniques is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors.

Market participants take into account pricing when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the statement of financial position.

(vi) Identification and measurement of impairment of financial assets

At each reporting date the bank assesses whether there is objective evidence that financial assets carried at amortised cost are impaired. A financial asset or a Bank of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the bank on terms that the bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Bank of assets such as adverse changes in the payment status of borrowers or issuers in the Bank, or economic conditions that correlate with defaults in the bank.

The bank considers evidence of impairment for loans and advances and investment securities measured at amortised costs at both a specific asset and collective level. All individually significant loans and advances and investment securities measured at amortised cost are assessed for specific impairment. All individually significant loans and advances and investment securities measured at amortised cost found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and investment securities measured at amortised cost that are not individually significant are collectively assessed for impairment by Banking together loans and advances and investment securities measured at amortised cost with similar risk characteristics.

In assessing collective impairment the bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling.

Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The bank writes off loans and advances and investment securities when they are determined to be uncollectible.

3. Significant Accounting Policies (Continued)

(vi) Identification and measurement of impairment of financial assets (Continued)

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income. The bank writes off certain loans and advances and investment securities when they are determined to be uncollectible.

e) Cash and cash equivalents

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

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

f) Foreign exchange forward and spot contracts

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

g) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination and which affects neither accounting nor taxable profit.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Significant Accounting Policies (Continued)

g) *Income tax expense (Continued)*

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

h) *Leasing*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Leases where substantially all the risks and rewards of ownership of an asset are transferred to the Lessee are classified as finance leases. Upon recognition, the leased asset is measured at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset as follows:

- *Operating lease*

  The total payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

- *Finance lease*

  When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

i) *Financial guarantees*

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements (within other liabilities) at fair value, being the premium received. Subsequent to initial recognition, the bank's liability under each guarantee is measured at the higher of the amount initially recognised less, when appropriate, cumulative amortisation recognised in the income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the statement of profit or loss and other comprehensive income in allowance for impairment losses. The premium received is recognised in the statement of profit or loss and other comprehensive income in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

j) *Fiduciary assets*

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

3. Significant Accounting Policies (Continued)

k) *Intangible assets*

The Bank's intangible assets include the value of computer software.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

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

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

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

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

Computer software	*2 years*

There are no intangible assets with indefinite useful lives.

l) *Dividends on ordinary shares*

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

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

m) *Employee benefits*

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

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

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

3. Significant Accounting Policies (Continued)

m) Employee benefits (Continued)

- **Employee Share Ownership Plan ("ESOP")**

  The Bank has Employee Share Ownership Plan ("ESOP") that may be subscribed for by the directors and eligible employees from 1st September 2012 and no later than 31st August 2017. The warrant entitle the holder one newly issued share of the bank for the cash consideration equal to offer price and payable in full at the time of purchase. The Bank does not have a past practice of cash settlement for these awards.

n) Segment reporting

An operating segment is a component of the bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the bank's other components, whose operating results are reviewed regularly by the Bank's Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

The Bank's segmentation reporting is based on the following operating segments: Retail banking, corporate banking, and central treasury functions.

o) Contingent liabilities

Letters of credit, acceptances, guarantees and performance bonds are disclosed as contingent liabilities. Estimates of the outcome and the financial effect of contingent liabilities is made by management based on the information available up to the date that the financial statements are approved for issue by the directors.

p) Earnings per share

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

q) Related parties

In the normal course of business, the Bank has entered into transactions with related parties.

r) New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below (only new standards and amendments expected to have an impact on the Group are detailed, and those that are not expected to have an impact on the Group were removed):

- **IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28**

  Effective for annual periods beginning on or after 1 January 2016.

3. Significant Accounting Policies (Continued)

r) New and amended standards and interpretations (Continued)

- **Key requirements**

  The amendments address three issues that have arisen in applying the investment entities exception under IFRS 10 *Consolidated Financial Statements.*

  The amendments to IFRS 10 clarify that the exemption in paragraph 4 of IFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value.

  Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

  The amendments to IAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

- **Transition**

  The amendments must be applied retrospectively. Early application is permitted and must be disclosed.

- **Impact**

  The amendments to IFRS 10 and IAS 28 provide helpful clarifications that will assist preparers in applying the standards more consistently. However, it may still be difficult to identify investment entities in practice when they are part of a multi-layered group structure. This amendment is not relevant to the Group.

- **IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28**

  In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted.

- **Key requirements**

  The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

  The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

- **Transition**

  The amendments must be applied prospectively. Early application is permitted and must be disclosed.

  The amendments don't have any impact in the Group as they have not had such transactions.

- **IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11**

  Effective for annual periods beginning on or after 1 January 2016.

3. Significant Accounting Policies (Continued)

r) New and amended standards and interpretations (Continued)

- **Key requirements**

  The amendments require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 *Business Combinations* and other IFRSs that do not conflict with the requirements of IFRS 11 *Joint Arrangements*. Furthermore, entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations.

  The amendments also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by one of the parties to the joint operation on its formation. Furthermore, the amendments clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interests in the joint operation must not be remeasured if the joint operator retains joint control.

- **Transition**

  The amendments must be applied prospectively. Early application is permitted and must be disclosed.

  The amendments don't have any impact in the Group as they have not had such transactions as they did not have interest in a joint operation.

- **IFRS 14 Regulatory Deferral Accounts**

  Effective for annual periods beginning on or after 1 January 2016.

- **Key requirements**

  IFRS 14 allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. The standard does not apply to existing IFRS preparers. Also, an entity whose current GAAP does not allow the recognition of rate regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS.

  Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income.

  The standard requires disclosure of the nature of, and risks associated with, the entity's rate regulation and the effects of that rate regulation on its financial statements.

- **Transition**

  Early application is permitted and must be disclosed.

  This amendment is not relevant to the Group.

- **IAS 1 Disclosure Initiative – Amendments to IAS 1**

  Effective for annual periods beginning on or after 1 January 2016.

3. Significant Accounting Policies (Continued)

r) New and amended standards and interpretations (Continued)

- **Key requirements**

  The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, the existing IAS 1 requirements.

  The amendments clarify:

  - The materiality requirements in IAS 1
  - That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

  Early application is permitted. The Group intends to apply this amendment though.

- **IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation –Amendments to IAS 16 and IAS 38-**Effective for annual periods beginning on or after 1 January 2016.

  The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively. Early application is permitted and must be disclosed.

  The Group does not use revenue- based method to depreciate its non- current assets.

- **IAS 16 and IAS 41 Agriculture: Bearer Plants – Amendments to IAS 16 and IAS 41 -**Effective for annual periods beginning on or after 1 January 2016.

  The amendments to IAS 16 and IAS 41 *Agriculture* change the scope of IAS 16 to include biological assets that meet the definition of bearer plants (e.g., fruit trees). As a result of the amendments, bearer plants will be subject to all the recognition and measurement requirements in IAS 16, including the choice between the cost model and revaluation model for subsequent measurement. Agricultural produce growing on bearer plants (e.g., fruit growing on a tree) will remain within the scope of IAS 41. In addition, government grants relating to bearer plants will be accounted for in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, instead of IAS 41.

  Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may choose to measure a bearer plant at its fair value at the beginning of the earliest period presented. Early application is permitted and must be disclosed.

  These amendments are not expected to have any impact on the Group as the Group does not have bearer plants.

3. Significant Accounting Policies (Continued)

r) New and amended standards and interpretations (Continued)

- **IAS 27 Equity Method in Separate Financial Statements – Amendments to IAS 27 -**Effective for annual periods beginning on or after 1 January 2016.

  The amendments to IAS 27 *Separate Financial Statements* allow an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

  Therefore, an entity must account for these investments:

  - At cost
  - In accordance with IFRS 9 (or IAS 39) Or
  - Using the equity method

  The entity must apply the same accounting for each category of investment. A consequential amendment was also made to IFRS 1 *First time Adoption of International Financial Reporting Standards*. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

  The amendments must be applied retrospectively. Early application is permitted and must be disclosed.

  These amendments will not have any impact on the Group's financial statements.

- **Standards issued but not yet effective**

  The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- **IFRS 9 *Financial Instruments* -**Effective for annual periods beginning on or after 1 January 2018.

  Key requirements

  - *Classification and measurement of financial assets*

    Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.

    Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

  - *Classification and measurement of financial liabilities*

    For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

    All other IAS 39 *Financial Instruments: Recognition and Measurement* classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

3. Significant Accounting Policies (Continued)

r) New and amended standards and interpretations (Continued)

- *Impairment*

  The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 *Revenue from Contracts with Customers* and lease receivables under IAS 17 *Leases* or IFRS 16 *Leases*.

  Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised.

- *Hedge accounting*

  Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, will often be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measureable.

  The time value of an option, any forward element of a forward contract and any foreign currency basis spread can be excluded from the hedging instrument designation and can be accounted for as costs of hedging. More designations of groups of items as the hedged item are possible, including layer designations and some net positions.

  Early application is permitted for reporting periods beginning after the issue of IFRS 9 on 24 July 2014 by applying all of the requirements in this standard at the same time. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard.

- **Impact**

  The Group intends to apply the standard when it becomes effective.

- **IFRS 15 Revenue from Contracts with Customers**

  Effective for annual periods beginning on or after 1 January 2018.

  Key requirements

  IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17 (or IFRS 16 *Leases*, once applied). Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets.

  The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

3. Significant Accounting Policies (Continued)

r) New and amended standards and interpretations (Continued)

The principles in IFRS 15 will be applied using a five-step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

- **Clarifications to IFRS 15**

In April 2016, the IASB issued amendments to IFRS 15 to address several implementation issues discussed by the Joint Transition Resource Group for Revenue Recognition.

The amendments:

- Clarify when a promised good or service is distinct within the context of the contract
- Clarify how to apply the principal versus agent application guidance, including the unit of account for the assessment, how to apply the control principle in service transactions and reframe the indicators
- Clarify when an entity's activities significantly affect the intellectual property (IP) to which the customer has rights, which is a factor in determining whether the entity recognises revenue for licences over time or at a point in time
- Clarify the scope of the exception for sales-based and usage-based royalties related to licences of IP (the royalty constraint) when there are other promised goods or services in the contract
- Add two practical expedients to the transition requirements of IFRS 15 for: (a) completed contracts under the full retrospective transition approach; and (b) contract modifications at transition

The amendments have an effective date of 1 January 2018, which is the effective date of IFRS 15. Entities are required to apply these amendments retrospectively. The amendments are intended to clarify the requirements in IFRS 15, not to change the standard.

Entities can choose to apply the standard using either a full retrospective approach or a modified retrospective approach, with some limited relief provided under either approach. Early application is permitted and must be disclosed.

The Group does not expect much impact on IFRS 15 as they deal mostly with financial instruments which are scoped out of IFRS 15.

3. Significant Accounting Policies (Continued)

r) New and amended standards and interpretations (Continued)

- **IFRS 16 Leases**

  Effective for annual periods beginning on or after 1 January 2019.

  Key requirements

  The scope of IFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

  IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. Early application is permitted, but not before an entity applies IFRS 15.

  The standard is not expected to have a major impact on the Group.

- **IAS 7 Disclosure Initiative – Amendments to IAS 7 -**Effective for annual periods beginning on or after 1 January 2017.

  The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt.

  The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

  On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Early application is permitted.

  The Group will adopt the policy as it deems relevant.

3. Significant Accounting Policies (Continued)

r) New and amended standards and interpretations (Continued)

- **IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 -**Effective for annual periods beginning on or after 1 January 2017.

  The IASB issued the amendments to IAS 12 *Income Taxes* to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application is permitted. If an entity applies the amendments for an earlier period, it must disclose that fact.

  The amendments are not expected to have a significant impact on the Group.

- **IFRS 2 Classification and Measurement of Share-based Payment Transactions –Amendments to IFRS 2 -**Effective for annual periods beginning on or after 1 January 2018.

  Key requirements

  The IASB issued amendments to IFRS 2 *Share-based Payment* in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:

  - *The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction*. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments.

  - *The classification of a share-based payment transaction with net settlement features for withholding tax obligations*. This amendment adds an exception to address the narrow situation where the net settlement arrangement is designed to meet an entity's obligation under tax laws or regulations to withhold a certain amount in order to meet the employee's tax obligation associated with the share based payment. This amount is then transferred, normally in cash, to the tax authorities on the employee's behalf. To fulfil this obligation, the terms of the share-based payment arrangement may permit or require the entity to withhold the number of equity instruments that are equal to the monetary value of the employee's tax obligation from the total number of equity instruments that otherwise would have been issued to the employee upon exercise (or vesting) of the share-based payment ('net share settlement feature'). Where transactions meet the criteria, they are not divided into two components but are classified in their entirety as equity-settled share-based payment transactions, if they would have been so classified in the absence of the net share settlement feature.

  - *The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity settled.* The amendment clarifies that, if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. Any difference (whether a debit or a credit) between the carrying amount of the liability derecognised and the amount recognised in equity on the modification date is recognised immediately in profit or loss.

3. Significant Accounting Policies (Continued)

r) New and amended standards and interpretations (Continued)

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application is permitted.

- **Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4-**Effective for annual periods beginning on or after 1 January 2018

Key requirements

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

Temporary exemption from IFRS 9

The optional temporary exemption from IFRS 9 is available to entities whose activities are predominantly connected with insurance. The temporary exemption permits such entities to continue to apply IAS *39 Financial Instruments: Recognition and Measurement* while they defer the application of IFRS 9 until 1 January 2021 at the latest.

Predominance must be initially assessed at the annual reporting date that immediately precedes 1 April 2016 and before IFRS 9 is implemented. Also the evaluation of predominance can only be reassessed in rare cases.

Entities applying the temporary exemption will be required to make additional disclosures.

The overlay approach

The overlay approach is an option for entities that adopt IFRS 9 and issue insurance contracts, to adjust profit or loss for eligible financial assets; effectively resulting in IAS 39 accounting for those designated financial assets. The adjustment eliminates accounting volatility that may arise from applying IFRS 9 without the new insurance contracts standard. Under this approach, an entity is permitted to reclassify amounts between profit or loss and other comprehensive income (OCI) for designated financial assets. An entity must present a separate line item for the amount of the overlay adjustment in profit or loss, as well as a separate line item for the corresponding adjustment in OCI.

The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018.

An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying IFRS 9.

The Group will evaluate the impact on its General insurance company which has just started operations.

- **Transfers of Investment Property (Amendments to IAS 40)-**Effective for annual periods beginning on or after 1 January 2018.

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

3. Significant Accounting Policies (Continued)

r) New and amended standards and interpretations (Continued)

Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of hindsight. Early application of the amendments is permitted and must be disclosed.

The change will not impact the Group as it does not hold any investment property.

- **IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration-**Effective for annual periods beginning on or after 1 January 2018.

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope

that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation Or

(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. Early application of interpretation is permitted and must be disclosed.

First-time adopters of IFRS are also permitted to apply the interpretation prospectively to all assets, expenses and income initially recognised on or after the date of transition to IFRS.
The interpretation is not expected to affect the Group significantly.

- **Improvements to International Financial Reporting Standards**

Key requirements
The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS.

- **2012-2014 cycle (issued in September 2014)**

Following is a summary of the amendments (other than those affecting only the standards' Basis for Conclusions) from the 2012-2014 annual improvements cycle. The changes summarised below are effective for annual reporting periods beginning on or after 1 January 2016. Earlier application is permitted and must be disclosed.

- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations Changes in methods of disposal**

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.The amendment must be applied prospectively. This amendment did not impact the Group.

3. Significant Accounting Policies (Continued)

r) New and amended standards and interpretations (Continued)

- **IFRS 7 Financial Instruments: Disclosures Servicing contracts**

  The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required.

  The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendment.

- **Improvements to International Financial Reporting Standards**

  2012-2014 cycle (issued in September 2014)

  Applicability of the offsetting disclosures to condensed interim financial statements

  The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. The amendments must be applied retrospectively.

- **IAS 19 Employee Benefits Discount rate: regional market issue**

  The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment must be applied prospectively.

- **IAS 34 Interim Financial Reporting**

  Disclosure of information 'elsewhere in the interim financial report'

  The amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms and at the same time as the interim financial statements. The amendment must be applied retrospectively.

- **2014-2016 cycle (issued in December 2016)**

  Following is a summary of the amendments from the 2014-2016 annual improvements cycle.
  IFRS 1 *First-time Adoption of International Financial Reporting Standards*

- **Deletion of short-term exemptions for first-time adopters**

  Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. The amendment is effective from 1 January 2018.

- **IAS 28 Investments in Associates and Joint Ventures**

  Clarification that measuring investees at fair value through profit or loss is an investment-by investment choice

  The amendments clarifies that:

  - An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.

3. Significant Accounting Policies (Continued)

r) New and amended standards and interpretations (Continued)

- If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.
- The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact.

- **Improvements to International Financial Reporting Standards**

  2014-2016 cycle (issued in December 2016)

  IFRS 12 Disclosure of Interests in Other Entities

  Clarification of the scope of the disclosure requirements in IFRS 12

  The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.
  The amendments are effective from 1 January 2017 and must be applied retrospectively.
  IAS 34 Interim Financial Reporting

4. Financial Risk Management

The Bank's activities expose it to a variety of financial risks, including credit risk, liquidity risk, market risks and operational risks. The Bank's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Bank's financial performance.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors of the Bank has established the Credit, Audit, Risk, Human Resources and Asset and Liability committees, which are responsible for developing and monitoring the Bank's risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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4. Financial Risk Management (Continued)

The Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by Internal Audit department. Internal Audit personnel undertake both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans and advances to customers, placement and balances with other counterparties and investment securities. It arises from lending and other activities undertaken by the Bank. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

(i) Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Credit Committee. A separate credit department, reporting to the Credit Committee, is responsible for oversight of the Bank's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit credit managers. Larger facilities require approval by the Board of Directors;
- Reviewing and assessing credit risk. The credit department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process; Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities);
- Developing and maintaining the Bank's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation;
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries and product types. Regular reports are provided to the Credit Committee on the credit quality of local portfolios and appropriate corrective action is taken;
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk;
- Each business unit is required to implement the Bank's credit policies and procedures. Each business unit has a credit manager who reports on all credit related matters to local management and the Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval; and
- Regular audits of business units and the bank's credit processes are undertaken by Internal Audit Department.

4. Financial Risk Management (Continued)

(a) Credit risk (Continued)

(ii) Credit risk measurement

The Bank assesses the probability of default of customer or counterparty using internal rating scale tailored to the various categories of counter party. The rating scale has been developed internally and combines data analysis with credit officer judgment and is validated, where appropriate, by comparison with externally available information. Customers of the Bank are segmented into five rating classes.

The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating scale is kept under review and upgraded as necessary. The Bank regularly validates the performance of the rating and their predictive power with regard to default events.

The Bank's internal ratings scale is as follows:

Grade 1: *Normal risk (less than 30 days)*
Grade 2: *Watch risk (30 < 90 days)*
Grade 3: *Sub-standard risk (90 < 180 days)*
Grade 4: *Doubtful risk (180 < 360 days)*
Grade 5: *Loss (360 days and above)*

(iii) Impairment and provisioning policies

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loans and advances portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures. The second component is in respect of losses that have been incurred but have not been identified in relation to the loans and advances portfolio that is not specifically impaired.

The impairment provision recognised in the statement of financial position at year-end is derived from each of the five internal rating grades. However, the impairment provision is composed largely of the bottom two grades.

The Bank's exposure to credit risk is analysed as follows:

	2016	2015
Individually impaired	**FRw'000**	**FRw'000**
Grade 3: Substandard risk	8,180,989	5,815,268
Grade 4: Doubtful risk	7,119,427	5,255,344
Grade 5: Loss risk	6,158,093	7,879,685
Gross amount	**21,458,509**	**18,950,297**
Allowance for impairment		
Specific provision for impairment	(9,078,820)	(8,145,955)
Net Carrying amount	**12,379,689**	**10,804,342**

Non–performing loans

Non-performing Gross loans and advances on which interest income has been suspended amount to FRw 21,459 million (2015: FRw 18,950 million) for the Bank, with total impairment allowance of FRw 11,798 million (2015: FRw 10,845 million). Interest on these accounts is fully provided for in loans loss provision as these advances are classified as non-performing at the period end date. Discounted value of securities held in respect to those loans and advances are valued at FRw 29,353 million (2015: FRw 27,559 million) and are considered adequate.

4. Financial Risk Management (Continued)

(a) Credit risk (Continued)

(iii) Impairment and provisioning policies (Continued)

Past due but not impaired loans and advances

Past due but not impaired loans and advances are those for which contractual interest or principal payments are past due, but the Bank believes that impairment is not appropriate on the basis of stage of collection of amounts owed to the Bank. As at 31 December, the ageing analysis of past due but not impaired loans and advances was as follows:

	2016	2015
	FRw'000	FRw'000
Grade 1: *Normal risk*	436,281,462	343,241,835
Grade 2: *Watch risk*	16,875,142	25,545,694
Allowance for collective assessment	(2,719,379)	(2,699,044)
Net Carrying amount	**450,437,225**	**366,088,485**

Loans and advances graded 3, 4 and 5 in the Bank's internal credit risk grading system include items that are individually impaired. These are advances for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements.

Loans and advances graded 1 and 2 are not individually impaired. Allowances for impairment losses for these loans and advances are assessed collectively using the Bank's historical credit loss ratio.

The Bank also complies with the Central Bank's prudential guidelines on collective and specific impairment losses. Additional provisions for loan losses required to comply with the requirements of Central Bank's prudential guidelines are transferred to regulatory reserve.

The internal rating scale assists management to determine whether objective evidence of impairment exists, based on the following criteria set out by the Bank:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of Bank bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral.

The Bank's policy requires the review of individual financial assets regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the impairment at reporting date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Other exposures to credit risk are as summarized below:

	2016	2015
	FRw'000	FRw'000
Balances with the National Bank of Rwanda	31,832,058	44,572,594
Due from banks	84,634,868	62,568,118
Held to maturity investments	77,962,606	93,503,198
Equity investments	221,425	221,425
Other assets	8,877,766	8,255,503
Net Carrying amount	**203,528,723**	**209,120,838**

4. Financial Risk Management (Continued)

(a) Credit risk (Continued)

iv) Credit related commitment risk

The Bank makes available to its customers guarantees which may require the Bank to make payments on their behalf and enters into commitments to extend lines to secure their liquidity needs. The Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend.

Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credits carry similar credit risk to loans.

The table below shows the bank's maximum credit risk exposure for commitments and guarantees. The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment.

	2016	2015
	FRw'000	FRw'000
Guarantees		
Acceptances and letter of credit issued	25,415,435	7,016,181
Guarantees commitments issued	51,136,617	55,419,544
Loans/ lines approved but not yet disbursed	51,687,135	42,307,138
	128,239,187	**104,742,863**

(v) Concentration of credit risk

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

	2016		2015	
	FRw'000	% age	FRw'000	% age
Large Corporate Clients	262,914,896	66%	184,329,796	57%
Small and Medium Enterprises	71,091,493	18%	69,667,433	21%
Non-Profit Entities	5,177,490	1%	9,114,479	3%
Retail Banking	58,438,890	15%	61,658,826	19%
	397,622,769	**100%**	**324,770,534**	**100%**

4. Financial Risk Management (Continued)

(a) Credit risk (Continued)

(vi) Fair value of collateral held

The Bank holds collateral against loans and advances to customers in the form of cash, residential, commercial and industrial property; fixed assets such as plant and machinery; marketable securities; bank guarantees and letters of credit.

The Bank also enters into collateralised reverse purchase agreements. Risk mitigation policies control the approval of collateral types. Collateral is valued in accordance with the Bank's risk mitigation policy, which prescribes the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral. Collateral held against impaired loans is maintained at fair value. The valuation of collateral is monitored regularly and is back tested at least annually.

Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse purchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held as at 31 December 2016 and 2015. An estimate of fair values of collaterals held against loans and advances to customers at the end of the year was as follows:

	2016	2015
	FRw'000	FRw'000
Against Impaired loans	29,352,712	27,558,879
Against past due but not impaired loans	404,680,562	443,977,344
	434,033,273	**471,536,223**

Collateral held other credit enhancements and their financial effect

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse purchase and securities borrowing activity. Collateral is usually not held against investment securities, and no such collateral was held at 31 December 2016 or 2015.

The table below sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure	Percentage of exposure that is subject to collateral requirements		Principal type of security held
	2016	2015	
Loans and advances to Customers			
Retail Loans & Advances			
Overdrafts	-	-	Un-secured
Personal Loans	-	-	Un-secured
Vehicles loans	70	70	Vehicle
Mortgage Loans	70	70	Property
Credit Cards	-	-	Un-secured
Corporate Loans	100	100	Property, Plant and Equipment, Insurance, guarantees
Loan and advances to Banks			
Repos	100	100	Marketable Securities
Other loans and advances to banks	-	-	Un- Secured

4. Financial Risk Management (Continued)

(b) Liquidity risk

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

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

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers.

Details of the reported Bank's ratio of net liquid assets to deposits from customers at the reporting date and during the reporting year were as follows:

	2016	2015
At close of the year	47.0%	47.4%
Average for the year	45.9%	56.2%
Maximum for the year	51.6%	63.6%
Minimum for the year	36.2%	47.4%

4. Financial Risk Management (Continued)

(b) *Liquidity risk (Continued)*

The table below summarizes the Bank's liquidity risk as at 31 December 2016 and 31 December 2015, categorized into relevant maturity rankings based on the earlier of the remaining contractual maturities or re-pricing dates.

	Up to 1 month	1 - 3 months	3 – 12 months	1 - 5 years	Over 5 years	Total
Assets						
Cash in hand	15,032,721	-	-	-	-	15,032,721
Balances with the National Bank of Rwanda	31,832,058	-	-	-	-	31,832,058
Due from banks	83,101,649	154,725	492,839	885,655	-	84,634,868
Held to maturity investments	34,752,261	24,463,937	15,853,791	2,392,617	500,000	77,962,606
Loans and advances to customers	21,357,284	24,768,826	31,177,235	85,147,928	223,373,297	385,824,570
Equity investments	-	-	-	-	221,425	221,425
Other assets	7,346,847	227,342	1,277,697	25,880	-	8,877,766
Property and equipment	-	-	-	-	33,435,701	33,435,701
Intangible assets	-	-	-	514,883	-	514,883
Total Assets	**193,422,820**	**49,614,830**	**48,801,562**	**88,966,963**	**257,530,423**	**638,336,598**
Liabilities and Equity						
Due to banks	12,779,420	6,027,175	1,228,589	8,070,000	-	28,105,184
Other customer deposits	299,387,153	24,885,286	93,306,784	1,438,040	-	419,017,263
Deferred Tax	-	-	357,527	1,787,636	4,650,390	6,795,553
Dividends payable	-	-	8,343,104	-	-	8,343,104
Other liabilities	4,501,044	9,308	1,776,644	-	-	6,286,996
Long-term Finance	1,501,917	1,181,970	11,127,319	43,325,862	-	57,137,068
Tax payable	-	4,165,830	-	-	-	4,165,830
Shareholders' funds	-	-	-	-	108,485,600	108,485,600
At 31 December 2016	**318,169,534**	**36,269,569**	**116,139,967**	**54,621,538**	**113,135,990**	**638,336,598**
Liquidity Gap 2016	**(124,746,714)**	**13,345,261**	**(67,338,405)**	**34,345,425**	**144,394,433**	**-**

4. Financial Risk Management (Continued)

(b) Liquidity risk (Continued)

	Up to 1 month	1 - 3 months	3 – 12 months	1 - 5 years	Over 5 years	Total
Assets						
Cash in hand	14,951,617	-	-	-	-	14,951,617
Balances with the National Bank of Rwanda	44,572,594	-	-	-	-	44,572,594
Due from banks	62,568,118	-	-	-	-	62,568,118
Held to maturity investments	65,581,843	17,653,117	10,268,238	-	-	93,503,198
Loans and advances to customers	46,651,405	12,511,596	22,112,391	68,761,871	163,888,272	313,925,535
Equity investments	-	-	-	-	221,425	221,425
Other assets	7,508,987	33,443	700,532	12,538	-	8,255,500
Property and equipment	-	-	-	-	22,846,884	22,846,884
Intangible assets	-	-	-	381,529	-	381,529
Total Assets	**241,834,564**	**30,198,156**	**33,081,161**	**69,155,938**	**186,956,581**	**561,226,400**
Liabilities and Equity						
Due to banks	16,792,425	2,036,512	3,780,787	-	-	22,609,724
Other customer deposits	285,457,701	12,373,651	86,707,081	175,267	-	384,713,700
Deferred Tax	-	-	102,151	510,754	1,069,615	1,682,520
Dividends payable	-	-	34,230	-	-	34,230
Other liabilities	6,517,050	3,009,308	130,539	-	-	9,656,897
Long-term Finance	543,750	1,968,119	6,903,350	33,060,424	-	42,475,643
Tax payable	808,141	-	-	-	-	808,141
Shareholders' funds	-	-	-	-	99,245,545	99,245,545
At 31 December 2015	**310,119,067**	**19,387,590**	**97,658,138**	**33,746,445**	**100,315,160**	**561,226,400**
Liquidity Gap 2015	**(68,284,503)**	**10,810,566**	**(64,576,977)**	**35,409,493**	**86,641,421**	**-**

4. Financial Risk Management (Continued)

(c) Market Risk

(i) Currency risk

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

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

The table below summarises the foreign currency exposure as at 31 December 2016 and 31 December 2015:

	2016	2015
	FRw'000	FRw'000
Assets in foreign currencies	172,807,513	121,246,553
Liabilities in foreign currencies	(181,810,921)	(140,285,268)
Net foreign currency exposure at the end of the year	**(9,003,408)**	**(19,038,715)**

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

Currency	Increase/decrease in exchange rate	Effect on profit before tax	
		2016	2015
		FRw'000	FRw'000
USD	+/-5%	602,004	1,128,323
GBP	+/-5%	32,339	4,329
EUR	+/-5%	84,703	50,781

4. Financial Risk Management (Continued)

(c) Market Risk (Continued)

(i) Currency risk (Continued)

The various foreign currencies to which the Bank is exposed are summarised below. All figures are in thousands of Rwandan francs (FRw'000) as at 31 December 2016:

Assets

	USD	Euro	GBP	Other Foreign currencies	Total
Cash, deposits and advances to banks	69,949,692	14,721,402	1,797,008	915,024	87,383,126
Loans and advances to customers	84,750,144	10,572	5,911	266	84,766,893
Other assets, property and investments	634,861	13,158	9,414	61	657,494
At 31 December 2016	**155,334,697**	**14,745,132**	**1,812,333**	**915,351**	**172,807,513**
Liabilities and Equity					
Deposits from banks	9,324,425	9,795	2,501	-	9,336,721
Deposits from customers	108,545,375	13,032,956	1,149,975	219,334	122,947,640
Other liabilities	1,139,257	8,320	13,075	187	1,160,839
Long-Term Finance	48,365,721	-	-	-	48,365,721
At 31 December 2016	**167,374,778**	**13,051,071**	**1,165,551**	**219,521**	**181,810,921**
Net currency exposure	**(12,040,081)**	**1,694,061**	**646,782**	**695,830**	**(9,003,408)**

The various foreign currencies to which the Bank is exposed are summarised below. All figures are in thousands of Rwandan francs (FRw'000) as at 31 December 2015:

Assets

	USD	Euro	GBP	Other Foreign currencies	Total
Cash, deposits and advances to banks	47,968,973	10,499,102	1,489,977	2,734,268	62,692,320
Held to maturity investments	29,931,687	-	-	-	29,931,687
Loans and advances to customers	26,589,373	10,046	1,480	248	26,601,147
Other assets, property and investments	2,011,981	8,865	313	240	2,021,399
At 31 December 2015	**106,502,014**	**10,518,013**	**1,491,770**	**2,734,756**	**121,246,553**
Liabilities and Equity					
Deposits from banks	709,082	708,729	44,438	-	1,462,249
Deposits from customers	87,047,946	8,793,664	1,533,816	135,854	97,511,280
Other liabilities	187,365	-	95	196	187,656
Long-Term Finance	41,124,083	-	-	-	41,124,083
At 31 December 2015	**129,068,476**	**9,502,393**	**1,578,349**	**136,050**	**140,285,268**
Net currency exposure	**(22,566,462)**	**1,015,620**	**(86,579)**	**2,598,706**	**(19,038,715)**

4. Financial Risk Management (Continued)

(c) *Market Risk (Continued)*

(ii) Interest rate risk

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

Sensitivity analysis interest rate risk

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

Currency	Increase/decrease in LIBOR rate	Effect on profit before tax	
		2016	2015
		FRw'000	FRw'000
USD	+/-0.23%	112,692	95,819
EUR	+/-0.27%	24,033	3,703

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

Balance as at 31 December 2016	Weighted interest rate	FRw'000	+/- 100bp FRw'000
Effect on Interest income			
Balances with the National Bank of Rwanda	4.5%	3,260,000	32,600
Balances and placements with other Banks	0.4%	84,634,868	846,349
Treasury bills and bonds	9.6%	77,962,606	779,626
Loans and advances - Net	17.5%	385,824,570	3,858,245
Total Assets/Increase		**551,682,044**	**5,516,820**
Effect on Interest expense			
Balances and placements due to Banks	7.5%	19,361,005	193,610
Customer deposits	9.5%	147,753,025	1,477,530
Long-Term Finance	5.3%	57,137,068	571,371
Total Liabilities/Increase		**224,251,098**	**2,242,511**
Effect on Profits		**327,430,946**	**3,274,309**

Balance as at 31 December 2015	Weighted interest rate	FRw'000	+/- 100bp FRw'000
Effect on Interest income			
Balances with the National Bank of Rwanda	1.8%	12,000,000	120,000
Balances and placements with other Banks	1.7%	62,568,118	625,681
Treasury bills and bonds	4.4%	93,503,198	935,032
Loans and advances - Net	19.2%	313,925,535	3,139,255
Total Assets/Increase		**481,996,851**	**4,819,968**
Effect on Interest expense			
Balances and placements due to Banks	8.9%	12,242,046	122,420
Customer deposits	9.6%	121,173,955	1,211,740
Long-Term Finance	6.6%	42,475,643	424,756
Total Liabilities/Increase		**175,891,644**	**1,758,916**
Effect On Profits		**306,105,207**	**3,061,052**

4. Financial Risk Management (Continued)

(c) *Market Risk (Continued)*

The table below summarizes the interest rate risk of the Bank as at 31 December 2016:

	Weighted interest rate	On demand	Less than 3 months	3-12 months	1 to 5 year	Over 5 years	Total
		FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Assets							
Balances with the National Bank of Rwanda	4.5%	-	3,260,000	-	-	-	3,260,000
Balances and placements with other Banks	0.4%	79,361,649	3,894,725	492,839	885,655	-	84,634,868
Treasury bills and bonds	9.6%	-	24,463,937	53,498,669	-	-	77,962,606
Loans and advances - Net	17.5%	-	46,126,110	31,177,235	85,147,928	223,373,297	385,824,570
Total Assets		**79,361,649**	**77,744,772**	**85,168,743**	**86,033,583**	**223,373,297**	**551,682,044**
Liabilities							
Balances and placements due to other Banks	7.5%	-	10,062,416	1,228,589	8,070,000	-	19,361,005
Customer deposits	9.5%	17,259,181	35,749,020	93,306,784	1,438,040	-	147,753,025
Long-Term Finance	5.3%	-	2,683,886	11,127,319	43,325,863	-	57,137,068
Total Liabilities		**17,259,181**	**48,495,322**	**105,662,692**	**52,833,903**	**-**	**224,251,098**
Total interest sensitivity gap		**62,102,468**	**29,249,450**	**(20,493,949)**	**33,199,680**	**223,373,297**	**327,430,945**

The table below summarizes the interest rate risk of the Bank as at 31 December 2015:

	Weighted interest rate	On demand	Less than 3 months	3-12 months	1 to 5 year	Over 5 years	Total
		FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Assets							
Balances with the National Bank of Rwanda	1.8%	-	12,000,000	-	-	-	12,000,000
Balances and placements with other Banks	1.7%	44,206,278	18,361,840	-	-	-	62,568,118
Treasury bills and bonds	4.4%	-	17,653,117	75,850,081	-	-	93,503,198
Loans and advances - Net	19.2%	-	59,163,001	22,112,391	68,761,871	163,888,272	313,925,535
Total Assets		**44,206,278**	**107,177,958**	**97,962,472**	**68,761,871**	**163,888,272**	**481,996,851**
Liabilities							
Balances and placements due to other Banks	8.9%	-	8,461,260	3,780,786	-	-	12,242,046
Customer deposits	9.6%	6,946,571	27,345,036	86,707,081	175,267	-	121,173,955
Long-Term Finance	6.6%	-	2,511,869	6,903,350	33,060,424	-	42,475,643
Total Liabilities		**6,946,571**	**38,318,165**	**97,391,217**	**33,235,691**	**-**	**175,891,644**
Total interest sensitivity gap		**37,259,707**	**68,859,793**	**571,255**	**35,526,180**	**163,888,272**	**306,105,207**

4. Financial Risk Management (Continued)

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business units.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the yearly assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective.

Compliance with Bank's standards is supported by a programme of regular reviews undertaken by both the Internal Audit and Risk and Compliance department. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

(e) Capital management

The primary objective of the Bank's capital management is to ensure that the Bank complies with capital requirements and maintains healthy capital ratios in order to support its business and to maximise shareholders' value.

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

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

4. Financial Risk Management (Continued)

(e) Capital management (continued)

The Bank's regulatory capital is analysed into two tiers:

- Core Capital (Tier 1) capital, which includes ordinary share capital, share premium, retained earnings, after deductions for investments in financial institutions, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes; and
- Supplementary Capital (Tier 2) includes the regulatory reserve.

Various limits are applied to elements of the capital base.

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

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

		2016	2015
		FRw '000	FRw '000
Core Capital (Tier 1):			
Ordinary share capital		6,724,428	6,721,842
Retained earnings and reserves		69,435,203	67,729,066
Share premium		18,695,343	18,665,604
Total		**94,854,974**	**93,116,512**
Supplementary Capital (Tier 2):		3,407,656	1,532,259
Total qualifying capital		**98,262,630**	**94,648,771**
	Risk %		
BNR Repo	20%	1,400,000	2,400,000
Due From Banks	20%	15,526,974	11,513,624
Financial Instruments	100%	-	29,931,686
Loans & Advances (Net excl. Residential mortgage)	100%	340,245,045	278,867,168
Loans & Advances (Net Residential mortgage)	50%	22,789,762	17,529,184
Equity Investments	100%	221,425	221,425
Fixed Assets & other assets	100%	42,828,351	31,483,915
Financing commitments given to customers	100%	77,102,570	49,323,319
Total Risk weighted assets		**500,114,127**	**421,270,321**
Regulatory reserve		15%	15%
Capital ratios:			
Total qualifying capital expressed as a percentage of total risk-weighted assets		19.6%	22.5%
Total tier 1 capital expressed as a percentage of total risk-weighted assets		19.0%	22.1%

5. Use of Estimates and Judgments

In determining the carrying amounts of certain assets and liabilities, the Bank makes assumptions of the effects of uncertain future events on those assets and liabilities at the reporting date. The Bank's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. This disclosure excludes uncertainty over future events and judgments in respect of measuring financial instruments. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty are set out in the notes.

(a) Impairment losses on loans and advances

The Bank's loan loss provisions are established to recognize incurred impairment losses either on loans or within a portfolio of loans and receivable.

The Bank reviews its loans and advances at each reporting date to assess whether an allowance for impairment should be recognised in profit or loss. In particular, judgment by the directors is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on the assumptions about a number of factors and actual results may differ, resulting in future changes in the allowance.

In addition to specific allowances against individual significant loans and advances, the Bank makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration such factors as any deterioration in industry, technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows and past loss experience and defaults based on portfolio trends.

(b) Fair value of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

- **Valuation models**
  The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

  - Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments for example quoted equity securities. These items are exchange traded positions.

  - Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

  - Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

5. Use of Estimates and Judgments

(b) Fair value of financial instruments (Continued)

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premises used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

- **Valuation framework**

  The Bank has an established control framework with respect to the measurement of fair values. This framework includes a Product Control function, which is independent of front office management and reports to the Chief Financial Officer, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

  - Verification of observable pricing;
  - Re-performance of model valuations;
  - Review and approval process for new models and changes to models involving both Product Control and the Bank's Market Risk;
  - Quarterly calibration and back-testing of models against observed market transactions;
  - Analysis and investigation of significant daily valuation movements; and
  - Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month, by a committee of senior Product Control and the Bank's Market Risk personnel.
  - When third party information, such as broker quotes or pricing services, is used to measure fair value, Product Control assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:
  - Verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument;
  - Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
  - When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
  - If a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

  Significant valuation issues are reported to the Bank's management committee.

5. Use of Estimates and Judgments

(b) *Fair value of financial instruments (Continued)*

The following table sets out the fair values of financial instruments not measured at fair value as at 31st December 2016 and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized.

	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Cash on hand	-	15,032,721	-	15,032,721	15,032,721
Balances with the National Bank of Rwanda	-	31,832,058	-	31,832,058	31,832,058
Due from banks	-	84,634,868	-	84,634,868	84,634,868
Held to maturity investments	-	77,962,606	-	77,962,606	77,962,606
Loans and advances to customers	-	-	385,824,570	385,824,570	385,824,570
Equity Investments	-	-	221,425	221,425	221,425
Other assets	-	-	8,877,766	8,877,766	8,877,766
	-	209,462,253	394,923,761	604,386,014	604,386,014

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. Input into the models may include data from third party brokers based on Over the Counter (OTC) trading activity, and information obtained from other market participants, which includes observed primary and secondary transactions.

The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date. Management estimates that the amortised cost equates to the fair value.

The fair values of equity investments were estimated using equity dividend yields. Equity dividend yields represent the future dividends and are usually expressed in annualised percentage terms. They are usually unobservable for less liquid instruments with little with historical data.

(c) *Deferred tax assets*

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant directors' judgment is required to determine the amount of deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(d) *Property and equipment*

Property and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. The rates used are set out on accounting policy 3(b).

Revaluation of Property

The Group carries its Property at fair value, with changes in fair value being recognised in Other Comprehensive Income. The Group engaged an independent valuation specialist to assess fair value as at 30 September 2016 for Properties. Open Market Value was used by looking into other office properties of a similar nature, location and condition.

6. Segment Reporting

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

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

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

Central Treasury - Funding and centralised risk management activities through borrowings, issues of debt securities and investing in liquid assets such as short-term placements and corporate and government debt securities. It also includes other subsidiaries services.

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

Statement of Profit or Loss and Other Comprehensive Income

	Corporate Banking	Retail Banking	Central Treasury	BK Subsidiaries	Total
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
For the year ended 31 December 2016					
Interest income	51,702,943	11,458,156	9,082,629	10,657	72,254,385
Interest expense	(4,628,493)	(1,058,527)	(10,869,216)	-	(16,556,236)
Net Premium Earned	-	-	-	159,418	159,418
Net interest income	**47,074,450**	**10,399,629**	**(1,786,587)**	**170,075**	**55,857,567**
Net Non-interest Income	5,029,430	4,602,739	11,293,016	124,532	21,049,717
Net impairment on loans and advances	(7,461,598)	(2,013,977)	(973,383)	-	(10,448,958)
Account maintenance fees	(2,872,560)	(3,762,251)	-	-	(6,634,811)
Total operating expenses	(13,124,501)	(4,724,820)	(11,894,003)	(99,076)	(29,842,400)
Profit before taxation	**28,645,221**	**4,501,320**	**(3,360,957)**	**195,531**	**29,981,115**
Taxation	(5,729,045)	(900,264)	(2,537,280)	(58,659)	(9,225,248)
Profit after taxation	**22,916,176**	**3,601,056**	**(5,898,237)**	**136,872**	**20,755,867**
For the year ended 31 December 2015					
Interest income	42,350,376	12,573,252	5,020,817	22,410	59,966,855
Interest expense	(2,817,436)	(886,267)	(10,023,383)	-	(13,727,086)
Net interest income	**39,532,940**	**11,686,985**	**(5,002,566)**	**22,410**	**46,239,769**
Net Non-interest Income	3,893,572	4,297,207	9,078,100	209,297	17,478,175
Net impairment on loans and advances	(4,677,520)	(2,870,142)	-	-	(7,547,662)
Total operating expenses	(17,839,911)	(5,797,971)	(6,746,062)	49,107	(30,433,050)
Profit before taxation	**20,909,081**	**7,316,079**	**(2,670,528)**	**182,600**	**25,737,232**
Taxation	(4,181,816)	(1,463,216)	(441,583)	(49,725)	(5,253,174)
Profit after taxation	**16,727,265**	**5,852,863**	**(2,228,945)**	**132,875**	**20,484,058**

6. Segment Reporting (Continued)

Statement of Financial Position

	Corporate Banking	Retail Banking	Central Treasury	Total
As at 31 December 2016	FRw'000	FRw'000	FRw'000	FRw'000
Gross Loans & advances to customers	339,183,879	58,438,890	-	**397,622,769**
Cash in hand	-	-	15,032,721	**15,032,721**
Balances with the Central Bank	-	-	31,832,058	**31,832,058**
Due from banks	-	-	84,634,868	**84,634,868**
Held to maturity investments	-	-	77,962,606	**77,962,606**
Total Deposits	**235,718,826**	**92,225,975**	**119,177,646**	**447,122,447**
Number of customers	25,477	236,545	262	**262,284**
Current Accounts	33,360	198,067	583	**232,010**
As at 31 December 2015				
Gross Loans & advances to customers	263,111,708	61,658,826	-	**324,770,534**
Cash in hand	-	-	14,951,617	**14,951,617**
Balances with the Central Bank	-	-	44,572,594	**44,572,594**
Due from banks	-	-	62,568,118	**62,568,118**
Held to maturity investments	-	-	93,503,198	**93,503,198**
Total Deposits	**218,053,941**	**84,336,910**	**104,932,573**	**407,323,424**
Number of customers	29,818	327,441	267	**357,526**
Current Accounts	38,711	312,863	662	**352,236**

The other assets and liabilities have not been allocated to the reportable segments as they are deemed to contribute to the overall performance of the Bank rather than a particular segment. The Bank's geographical coverage is within all provinces of Rwanda.

7. Interest Income

	2016	2015
	FRw '000	FRw '000
Interest on overdrawn accounts	8,436,244	9,333,946
Interest on treasury loans	6,463,926	6,692,148
Interest on equipment loans	30,861,166	22,572,947
Interest on consumer loans	5,737,104	5,819,126
Interest on mortgage loans	8,650,153	8,998,060
Other interest on loans to clients	3,217,760	1,557,059
Interest on deposits with banks	295,622	1,407,046
Interest received from reverse purchase agreements	343,926	238,092
Interest on assets held to maturity	8,248,484	3,348,431
	72,254,385	59,966,855

Included within various line items under interest income for the year ended 31 December 2016 is a total of FRw4.6 billion (2015: FRw 4.4 billion) relating to impaired loans and advances.

8. Interest Expense

	2016	2015
	FRw '000	FRw '000
Interest on Customer Term deposit	11,316,716	8,932,051
Interest on Current Accounts and Saving Accounts	1,430,193	1,117,966
Interest on Long term Credit Lines	2,627,403	2,701,527
Interest on Transactions with other banks	1,181,924	975,542
	16,556,236	**13,727,086**

9. Net Fees and Commission Income

	2016	2015
	FRw '000	FRw '000
Fees and commission income		
Commissions on operations of accounts	2,083,739	2,262,179
Commissions on payment facilities	4,471,441	3,270,229
Commissions on loan services	3,503,026	2,723,304
Commissions received from financing commitments	782,092	495,065
Commissions received from guarantees commitments	1,802,174	1,386,676
Income from transactions with other banks	166,804	328,913
Other fees from services	2,021,799	1,649,971
	14,831,075	**12,116,337**
Fees and commission expense		
Commissions on credit services	(391,756)	(147,968)
Commissions on payment facilities	(197,776)	(84,092)
Commissions on other financial instruments operations	(81,250)	-
	(670,782)	**(232,060)**
Net Fees and Commission	**14,160,293**	**11,884,277**

10. Foreign Exchange Related Income

	2016	2015
	FRw '000	FRw '000
Net Forex trading	3,782,868	2,901,235
Forex commissions	2,673,468	2,275,145
Other Forex revenues	127,114	124,867
	6,583,450	**5,301,247**

11. Other Operating Income

	2016	2015
	FRw '000	FRw '000
Rental income	91,433	137,979
Dividend received from investment	32,427	67,614
Gain on asset disposal	50,723	75,778
Commission on reinsurance and policy fees	124,532	-
Other income from banking activities	6,859	11,280
	305,974	**292,651**

12. Net Premium Earned Assets

	2016	2015
	FRw '000	FRw '000
Gross premium written	517,567	-
Less: Reinsurance/ Co-insurance ceded	(149,414)	-
Add: Unearned premium, start of year	-	-
Less: Unearned premium, end of year	(208,735)	-
	159,418	**-**

13. Net Impairment on Loans and Advances

	2016	2015
	FRw '000	FRw '000
Additional specific provisions (Note 21(c))	14,105,956	8,737,347
Increase/(decrease) of Collective provisions (Note 21(d))	20,335	1,010,872
Recoveries of previously written off loans	(3,677,333)	(2,200,557)
	10,448,958	7,547,662

14. Account Maintenance Fees

	2016	2015
	FRw '000	FRw '000
Account maintenance fees	6,634,811	1,816,787

Account maintenance fees include ledger fees and other charges on dormant accounts that were closed during the period. Account maintenance fees were previously being reported under Administrative and General expenses, a reclassification to a separate financial statements item line was done during the current period.

15. Other Operating Expenses

	2016	2015
(i) Personnel expenses	FRw '000	FRw '000
Salaries and wages	12,603,861	13,625,611
Medical expenses	464,010	459,638
Pension scheme contributions	886,193	747,129
Other benefits	121,114	197,613
	14,075,178	15,029,991
(ii) Depreciation and amortisation		
Depreciation of property and equipment (Note 23)	3,513,410	3,503,134
Amortisation of intangible assets (Note 24)	441,761	303,986
	3,955,171	3,807,120
(iii) Administration and general expenses		
Directors' Remuneration	309,182	334,521
Audit Fees	132,258	43,252
Rent, repairs and Maintenance	1,464,546	1,262,234
Utilities	551,030	486,903
Postage, Photocopying and printing	938,067	950,497
Travel and Accommodation Expenses	423,949	457,668
Security and cash in transit costs	1,352,194	1,338,576
Insurance	160,235	138,064
Marketing and Publicity	568,599	523,442
Statutory fees	343,968	302,540
Legal and Consultancy Fees	742,677	433,516
Unclaimed VAT on expenditure	903,068	827,200
Telephone and Internet costs	722,020	608,603
Charitable donation	223,710	127,067
Credit and DebitCard Costs	1,949,610	1,743,850
Other general expenses	1,026,938	201,219
	11,812,051	9,779,152

16. Income Tax

The components of income tax expense for the year ended 31 December 2016 and 2015 are:

a) *Income tax expense*

	2016	2015
	FRw '000	FRw '000
Current tax	8,421,651	4,756,100
Deferred tax debit/(credit)	803,597	353,280
Prior year adjustment	-	143,794
Net tax charge	**9,225,248**	**5,253,174**

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

	Effective Rate	2016 FRw'000	Effective Rate	2015 FRw'000
Income Tax charge				
Current tax		8,421,651		4,756,100
Deferred tax charge/ (credit)		803,597		353,280
Prior year adjustment		-		143,794
Net tax charge	**30.8%**	**9,225,248**	**20.4%**	**5,253,174**
Accounting profit before tax		**29,981,115**		**25,737,232**
Tax calculated at tax rate of 30% (2015 -20%)	30.0%	8,994,335	20.1%	5,165,706
Items of income not subject to tax	(7.4%)	(2,214,221)	(3.3%)	(855,597)
Tax effects on non-taxable items	5.5%	1,641,537	3.1%	806,891
Tax discount - staff & other adj.	-	-	(1.4%)	(360,900)
	28.1%	**8,421,651**	**18.5%**	**4,756,100**

(b) *Tax Payable*

	2016	2015
	FRw '000	FRw '000
At 1 January	808,141	692,518
Tax paid during the year	(5,063,962)	(4,640,477)
Tax charge for the year	8,421,651	4,756,100
At 31 December	**4,165,830**	**808,141**

The company's annual income tax charge changed to 30% (2015: 20%) after expiration of the 10% tax relief for a period of 5 year since 2011 as are result of the bank's listing of more than 40% of its shares in year 2011.

17. Earnings per Share

	2016	2015
	FRw '000	FRw '000
Profit for the year attributable to equity shareholders – FRw'000	**20,755,867**	**20,484,058**
Weighted average number of shares	672,313,500	671,777,400
Effect of dilution:		
Share option (Employee share Ownership Plan)	2,385,869	2,577,827
Weighted average number of ordinary shares adjusted for the effect of dilution	**674,699,369**	**674,355,227**
Earnings per share:		
Basic earnings per share –FRw	30.87	30.49
Diluted earnings per share –FRw	30.76	30.38
Dividend per share – proposed FRw	12.31	12.15

Basic earnings per share is calculated on the profit attributable to ordinary shareholders of FRw 20.756 million (2015: FRw 20.484 million) and on the weighted average number of ordinary shares outstanding during the year of 672,313,500 (2015: 671,777,400 shares).

The Bank has potential dilutive shares equal to 7,200,000 offer shares under the Employee Share Ownership Plan ("ESOP") that may be subscribed for by the directors and eligible employees from 1st September 2012 and no later than 31st August 2017. The warrant entitles the holder one newly issued share of the bank for the cash consideration equal to offer price (FRw 125) and payable in full at the time of purchase. At the period end date 5,105,800 shares had been exercised under this ESOP scheme.

18. Analysis of Cash and Cash Equivalents

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

(a) Cash in hand

	2016	2015
	FRw '000	FRw '000
Cash in foreign currency	7,362,860	5,954,591
Cash in local currency	7,669,861	8,997,026
	15,032,721	**14,951,617**

(b) Balances with National Bank of Rwanda

	2016	2015
	FRw '000	FRw '000
Restricted balances (Cash Reserve Ratio)	22,356,122	20,366,171
Unrestricted balances	9,475,936	24,206,423
	31,832,058	**44,572,594**

The Cash Reserve Ratio is non-interest earning and is based on the value of deposits as adjusted per the National Bank of Rwanda requirements. At 31 December 2016, the Cash Reserve Ratio requirement was 5% (2015 - 5%) of all deposits amounting to FRw 447.1 billion (2015: FRw 407.3 billion). Mandatory cash reserve ratio is not available for use in the Bank's day-to-day operations.

18. Analysis of Cash and Cash Equivalents (Continued)

The unrestricted balances include Cash balances on Nostro accounts in BNR FRw 9.5 billion and no reverse purchase agreement -REPO (2015: FRw 24.2 billion including REPO).

(c) Analysis of Cash and Cash equivalents

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

	2016	2015
	FRw '000	FRw '000
Cash in hand	15,032,721	14,951,617
Balances with the National Bank of Rwanda	9,475,935	24,206,423
Due from banks	84,634,868	62,568,118
Due to Banks	(28,105,184)	(22,609,724)
Unrealized exchange gains	(3,259,809)	(376,948)
	77,778,531	**78,739,486**

19. Due from Banks

	2016	2015
	FRw '000	FRw '000
Placements with local banks	3,755,994	5,005,157
Placements with foreign banks	79,284,730	39,201,121
Current accounts with foreign banks	1,594,144	18,361,840
	84,634,868	**62,568,118**

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

Credit Ratings

	2016	2015
	FRw '000	FRw '000
A	229,455	206,140
A+	78,770,897	18,906,134
AAA	-	2
B	99,278	6,370,539
B+	5,535,238	37,085,303
	84,634,868	**62,568,118**

The weighted average effective interest rate on placements and balances with other banks at 31 December 2016 was 0.4% (2015: 1.7%)

20. Investments

a) Held to Maturity Investments

	2016	2015
	FRw '000	FRw '000
Treasury bills	74,355,403	60,935,402
T-Bonds	3,607,203	2,636,110
Other Financial Instruments	-	29,931,686
Total	**77,962,606**	**93,503,198**
Maturing between 3-12 months	75,569,988	93,503,198
Maturing between 1-5 years	2,392,618	-
	77,962,606	**93,503,198**

Treasury bills are debt securities issued by the Government of the Republic of Rwanda. The bills are categorised as amounts held to maturity and are carried at amortised cost. Other Financial Instruments include short-term securities to clients renewable monthly.

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

	2016			2015			
	Treasury Bills	Treasury Bonds	Total	Treasury Bills	Treasury Bonds	Other Securities	Total
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
1 January	60,935,402	2,636,110	63,571,512	56,937,926	1,658,981	-	58,596,907
Additions	383,392,982	2,213,531	385,606,513	275,682,690	1,613,364	29,931,686	307,227,740
Maturities	(369,972,981)	(1,242,438)	(371,215,419)	(271,685,214)	(636,235)	-	(272,321,449)
31December	**74,355,403**	**3,607,203**	**77,962,606**	**60,935,402**	**2,636,110**	**29,931,686**	**93,503,198**

The weighted average effective interest rate on government securities held to maturity at 31 December 2016 was 9.6% (2015: 4.4%).

b) Equity Investments

	2016	2015
	FRw '000	FRw '000
Development Bank of Rwanda (BRD)	96,975	96,975
Magerwa	5,000	5,000
Investment in SWIFT	2,970	2,970
R-Switch (SIMTEL)	116,480	116,480
	221,425	**221,425**

The equity investment in unquoted entities is recorded at cost less impairment since there is no active market for these investments. In the absence of the most reliable basis of determining fair value, cost less impairment is deemed the most reasonable basis of measurement. The entity will continue to hold onto the equity investment and will dispose when appropriate opportunity arises to dispose at a gain.

21. Loans and Advances

(a) Net loans and advances

	2016	2015
	FRw '000	FRw '000
Corporate	262,914,896	184,329,796
Small and Medium Enterprises	71,091,493	69,667,433
Non-Profit Entities	5,177,490	9,114,479
Total Corporate Loans	**339,183,879**	**263,111,708**
Gross Retail Banking	58,879,183	62,194,521
Discount on Staff Loans	(440,293)	(535,695)
Total Retail Loan Book	**58,438,890**	**61,658,826**
Total Gross loans	**397,622,769**	**324,770,534**
Allowance for Impairment - Specific assessment	(9,078,820)	(8,145,955)
Allowance for Impairment - Collective assessment	(2,719,379)	(2,699,044)
	(11,798,199)	**(10,844,999)**
Net Carrying Amount	**385,824,570**	**313,925,535**

(b) LCs and Bank Guarantees

	2016	2015
	FRw '000	FRw '000
Corporate	65,080,690	57,869,054
Small and Medium Enterprises	11,287,946	4,438,330
Non-Profit Entities	150,812	89,388
Retail Banking	32,604	38,953
Total Gross loans	**76,552,052**	**62,435,725**

(c) Specific provisions for impairment

	2016	2015
	FRw '000	FRw '000
At 1 January	8,145,955	11,569,935
Provisions made during the year	14,105,956	8,737,347
Loans written off during the year	(13,173,091)	(12,161,327)
As at 31 December	**9,078,820**	**8,145,955**

(d) Collective provisions for impairment

	2016	2015
	FRw '000	FRw '000
At 1 January	2,699,044	1,688,172
Provisions/ (Reversals) made during the year	20,335	1,010,872
As at 31 December	**2,719,379**	**2,699,044**

21. Loans and Advances (Continued)

(e) Maturity analysis of gross loans and advances to customers

	2016	2015
	FRw '000	FRw '000
Maturing within 1 month	21,357,285	46,651,405
Maturing after 1 month, but before 3 months	24,768,826	12,511,596
Maturing after 3 months, but within 1 year	31,177,235	22,112,391
Maturing after 1 year, but within 5 years	97,386,419	79,699,318
Maturing after 5 years	222,933,004	163,795,824
	397,622,769	324,770,534

(f) Sectoral analysis of Gross Loans and advances to customers

	2016	2015
	FRw '000	FRw '000
Private sector and individuals	397,513,403	324,631,642
Government and parastatals	109,366	138,892
	397,622,769	324,770,534

The weighted average effective interest rate on gross loans and advances as at 31 December 2016 was 17.5% (31 December 2015: 19.2%). As at 31 December, the ageing analysis of past due but not impaired loans and advances is as follows:

	2016	2015
	FRw '000	FRw '000
Less than 60 days	673,192	2,867,510
Between 61 – 90 days	16,201,950	22,678,184
	16,875,142	25,545,694

22. Other Assets

	2016	2015
	FRw '000	FRw '000
Prepayments and other receivables	3,121,548	2,040,993
Clearing accounts	5,756,218	6,214,507
	8,877,766	8,255,500

Clearing accounts are temporary and transitory accounts pending compensation house clearing including cheques in transit to other banks.

Other receivables are current and non-interest bearing and are generally between 30 to 90 days' terms.

23. Property and Equipment

	Land and Buildings	Computer and IT Equipment	Motor vehicles	Furniture and Fittings	Work in Progress	Total
2016	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Cost/Valuation						
At 1 January 2016	24,630,286	6,105,189	937,875	11,498,834	1,539,300	**44,711,484**
Additions	2,404,309	480,166	253,041	1,503,266	204,180	**4,844,962**
Revaluation	9,257,265	-	-	-	-	**9,257,265**
Elimination of depreciation on revaluation	(7,710,275)	-	-	-	-	**(7,710,275)**
Disposal	-	-	(136,108)	(19,549)	-	**(155,657)**
At 31 December 2016	**28,581,585**	**6,585,355**	**1,054,808**	**12,982,551**	**1,743,480**	**50,947,779**
Depreciation						
At 1 January 2016	6,911,682	5,065,860	599,838	9,287,220	-	**21,864,600**
Charge for the year	1,134,994	868,858	141,572	1,367,986	-	**3,513,410**
Elimination of depreciation on revaluation	(7,710,275)	-	-	-	-	**(7,710,275)**
Disposal	-	-	(136,108)	(19,549)	-	**(155,657)**
At 31 December 2016	**336,401**	**5,934,718**	**605,302**	**10,635,657**	**-**	**17,512,078**
Carrying Amount	**28,245,184**	**650,637**	**449,506**	**2,346,894**	**1,743,480**	**33,435,701**
2015						
Cost/Valuation						
At 1 January 2015	22,712,900	5,043,410	810,406	10,648,248	-	**39,214,964**
Additions	1,917,386	1,201,280	323,683	864,946	1,539,300	**5,846,595**
Disposal	-	(139,501)	(196,214)	(14,360)	-	**(350,075)**
At 31 December 2015	**24,630,286**	**6,105,189**	**937,875**	**11,498,834**	**1,539,300**	**44,711,484**
Depreciation						
At 1 January 2015	5,804,912	4,489,976	685,586	7,731,067	-	**18,711,541**
Charge for the year	1,106,770	715,385	110,466	1,570,513	-	**3,503,134**
Disposal	-	(139,501)	(196,214)	(14,360)	-	**(350,075)**
At 31 December 2015	**6,911,682**	**5,065,860**	**599,838**	**9,287,220**	**-**	**21,864,600**
Carrying Amount	**17,718,604**	**1,039,329**	**338,037**	**2,211,614**	**1,539,300**	**22,846,884**

23. Property and Equipment (continued)

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

Fair Value measurement

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

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

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

24. Intangible Assets

	2016	2015
	FRw'000	FRw'000
Cost		
At 1 January	1,872,419	1,420,960
Additions	575,115	390,321
Work in progress	-	61,138
At 31 December	**2,447,534**	**1,872,419**
Amortisation		
At 1 January	1,490,890	1,186,904
Amortisation	441,761	303,986
At 31 December	**1,932,651**	**1,490,890**
Net book value	**514,883**	**381,529**

The intangible asset relates to the Bank's core Banking platform, Delta and computer software in use.

25. Due to Banks

	2016	2015
	FRw'000	FRw'000
Deposits and balances from other Banks	6,911,747	11,916,823
Term Treasury borrowings	21,193,437	10,692,901
	28,105,184	**22,609,724**
Maturing as follows:		
Payable within 1 month	12,779,421	16,792,426
Payable after 1 month	15,325,763	5,817,298
Total	**28,105,184**	**22,609,724**

The weighted average effective interest rate on deposits and balances from other banks as at 31 December 2016 was 7.5% (2015: 8.9%)

26. Deposits and Balances from Customers

	2016	2015
	FRw'000	FRw'000
Current accounts	271,439,791	256,728,781
Fixed deposit accounts	130,493,844	114,227,384
Savings accounts	10,083,474	6,946,571
Collateral and other deposits	1,823,429	2,183,646
Interest Payable	5,176,725	4,627,318
	419,017,263	**384,713,700**

The weighted average effective interest rate on interest bearing customer deposits as at 31 December 2016 was 9.5% (2015: 9.6%).

27. Deferred Tax

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

	Deferred tax liability 2016	Income statement	Other Comprehensive Income	Deferred tax liability 2015
	FRw'000	FRw'000	FRw'000	FRw'000
Revaluation of assets-Property	5,841,693	-	4,309,435	1,532,258
Capital Allowance	632,002	(222,937)	-	854,939
Other temporary differences	321,858	1,026,534	-	(704,677)
	6,795,553	**803,597**	**4,309,435**	**1,682,520**

Other temporary differences arise from leave accruals and bonus provisions.

28. Dividends Payable

	2016	2015
	FRw'000	FRw'000
At 1 January	34,230	5,469
Approved dividend – 2015/2014	8,193,623	10,990,095
Dividends paid during the year	(8,187,096)	(10,961,334)
Dividend accrued	8,302,347	-
At 31 December	**8,343,104**	**34,230**

During the Annual General Meeting held on 31st May 2016, the Shareholders approved a dividend pay-out of 40% of the Bank's audited IFRS-based net income in respect of the year 2015-2017.

29. Other Liabilities

	2016	2015
	FRw'000	FRw'000
Clearing accounts	915,069	3,483,396
Other payables	1,996,163	1,475,826
Accrued General expenses	3,375,764	4,697,675
	6,286,996	**9,656,897**

30. Long Term Finance

	2016	Repayment	Revaluation	Additional Drawdown	Accrued Interest	Interest	2015
	FRw'000	FRw'000	FRw'000	FRw'000		FRw'000	FRw'000
EIB Loan (9.5% - 11.4%)	8,771,347	427,952	(21,327)	7,853,446	15,621	137,110	1,351,559
AFD Loan (Libor +3.74% pa)	9,122,070	2,017,500	1,079,934	-	43,320	657,413	10,016,316
AFDB Loan(Libor +4.15% pa)	6,168,565	1,210,500	612,875	-	116,065	300,472	6,650,125
EADB (Libor +6.65 pa)	4,057,255	2,017,500	585,885	-	22,255	567,172	5,466,615
PTA Loan (8% pa)	3,587,455	1,793,333	546,666	-	788	290,681	4,833,334
OFID Loan (Libor +4.0% pa)	5,958,612	1,467,273	657,358	-	89,522	215,784	6,679,006
Shelter Afrique (6.44% pa)	7,366,764	896,667	591,311	-	193,430	433,036	7,478,688
SBM -USD 10M (+4.5%libor)	12,105,000	-	-	12,105,000	-	-	-
Total	**57,137,068**	**9,830,725**	**4,052,702**	**19,958,446**	**481,001**	**2,601,668**	**42,475,643**

The Bank has a 7 year arrangement with European Investment Bank (EIB) for a credit of EUR 5 million and a 5 year arrangement for a credit of EUR 9.2 million to be on-lent to final beneficiaries for the financing up to 50% of the total cost of eligible projects in local currency. The drawdown as at 31December 2016was EUR 13.0 million (2015: EUR 3.8m).

In 2011, the Bank signed two ten year credit lines with Agence Francaise de Development (AFD) and the African Development Bank (AFDB) for USD 20 million and 12 million respectively. As 31 December 2016, both the AFD&AFDB credit lines were fully drawn down.

In 2013, the Bank signed three 5-yearterm credit lines of USD 10m each with the East African Development Bank (EADB), Eastern and Southern African Trade and Development bank (PTA) and OPEC Fund for International Development (OFID) respectively. As at year end 2016, the Bank had fully drawn down on the EADB, PTA and OFID credit lines.

In 2015, the Bank signed a 5-year credit line with Shelter Afrique for USD 10 million. As at 31 December 2016, the credit line was fully drawn down.

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

31. Capital & Reserves

(i) Share Capital

	2016		2015	
	Shares	FRw'000	Shares	FRw'000
Authorised Share capital of FRw 10 each	702,460,000	7,024,600	702,460,000	7,024,600
Issued and fully paid up				
At 1 January	672,184,200	6,721,842	671,370,600	6,713,706
New issued	258,600	2,586	813,600	8,136
At 31 December	**672,442,800**	**6,724,428**	**672,184,200**	**6,721,842**

(ii) Share Premium

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

	2016	2015
	FRw'000	FRw'000
At 1 January	18,665,604	18,572,040
New issued at premium @ FRw 115 each	29,739	93,564
At 31 December	**18,695,343**	**18,665,604**

31. Capital & Reserves

(iii) Revaluation Reserve

	2016	2015
	FRw'000	FRw'000
Buildings	6,129,035	6,537,638
Revaluation of Building net of tax	5,458,582	-
Transfer of excess depreciation net of deferred tax	-	(408,603)
Elimination of prior year revaluation	2,043,008	-
	13,703,625	**6,129,035**

Revaluation reserves arose from the periodic revaluation of freehold land and buildings. The carrying amount of these assets is adjusted to the revaluations. Revaluation surpluses are not distributable. During the year, the tax rate changed from 20% to 30% on expiry of the period of tax benefit which is 5 years.

The Bank previously transferred excess depreciation on revaluation on buildings to retained earnings. In the current year, the Bank opted not to transfer the excess depreciation on revaluation and hence a reversal of previously recognised amount of FRw'000' 2,043,008 that had been transferred to retained earnings from revaluation reserve.

(iv) Other Reserves

	2016	2015
	FRw'000	FRw'000
Legal reserves	-	5,916,438
Special reserves	-	6,001,672
Other reserves	-	-
	-	**11,918,110**

The Bank transfers 20% of its Retained earnings to reserves (10% legal reserves and 10% special reserves). These reserves are not mandatory and neither are they distributable. Other reserves amount has been transferred to retained earnings as it no longer serves the purpose to warrant a provision.

(v) Retained Earnings

	2016	2015
	FRw'000	FRw'000
Opening balance	55,810,954	20,359,836
Appropriation of prior year profit	11,918,110	(1,465,346)
Profit for the current year	20,755,867	20,484,058
Reclassification from other reserves	-	26,911,749
Accrued dividend 2016	(8,302,347)	-
Approved dividend 2015	(8,193,623)	(10,990,095)
Transfer of excess depreciation	(2,553,757)	510,752
	69,435,204	**55,810,954**

32. Classification of Financial Assets and Financial Liabilities

The following table provides a reconciliation of the line items in the statement of financial position and categories of financial instruments:

	Loans and receivables	Other amortized cost	Held to Maturity	Available for Sale	Total carrying amount
31 December 2016	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Assets					
Cash and balances with central bank		46,864,779			46,864,779
Balances due from other Banks		84,634,868			84,634,868
Government securities			77,962,606		77,962,606
Loans and advances to customers	385,824,570				385,824,570
Equity Investments(Note 20(b))				221,425	221,425
Other assets (un-cleared effects)		8,877,766			8,877,766
Total Financial Assets	**385,824,570**	**140,377,413**	**77,962,606**	**221,425**	**604,386,014**
Liabilities					
Balances due to other Banks	-	28,105,184	-	-	28,105,184
Customer deposits	-	419,017,263	-	-	419,017,263
Other liabilities	-	6,286,996	-	-	6,286,996
Long Term Borrowing	-	57,137,068	-	-	57,137,068
Total Financial Liabilities	**-**	**510,546,511**	**-**	**-**	**510,546,511**

	Loans and receivables	Other amortized cost	Held to Maturity	Available for Sale	Total carrying amount
31 December 2015	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Assets					
Cash and balances with central bank		59,524,211			59,524,211
Balances due from other Banks		62,568,118			62,568,118
Government securities			93,503,198		93,503,198
Loans and advances to customers	313,925,535				313,925,535
Equity Investments				221,425	221,425
Other assets (un-cleared effects)		8,255,500			8,255,500
Total Financial Assets	**313,925,535**	**130,347,829**	**93,503,198**	**221,425**	**537,997,987**
Liabilities					
Balances due to other Banks	-	22,609,724	-	-	22,609,724
Customer deposits	-	384,713,700	-	-	384,713,700
Other liabilities	-	9,656,897	-	-	9,656,897
Long Term Borrowing	-	42,475,643	-	-	42,475,643
Total Financial Liabilities	**-**	**459,455,964**	**-**	**-**	**459,455,964**

33. Maturity Analysis of Assets and Liabilities

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

At 31 December 2016	Less than 12 months FRw'000	Over 12 months FRw'000	Total FRw'000
Assets			
Cash in hand	15,032,721	-	15,032,721
Balances with the National Bank of Rwanda	31,832,058	-	31,832,058
Balances held with other Financial Institutions	83,749,213	885,655	84,634,868
Held to maturity investments	75,069,988	2,892,618	77,962,606
Loans and advances to customers	77,303,345	308,521,225	385,824,570
Other assets	8,851,886	25,880	8,877,766
Equity investments	-	221,425	221,425
Intangible assets	-	514,883	514,883
Property and equipment	-	33,435,701	33,425,701
Total Assets	**291,839,211**	**346,497,387**	**638,336,598**
Liabilities			
Balances from other Financial Institutions	20,035,184	8,070,000	28,105,184
Customer deposits	417,579,223	1,438,040	419,017,263
Tax Liability	4,165,830	-	4,165,830
Deferred tax liability	357,528	6,438,025	6,795,553
Dividends payables	8,343,104	-	8,343,104
Other liabilities	6,286,996	-	6,286,996
Long-term Finance	3,350,838	53,786,230	57,137,068
Shareholders' funds	-	108,485,600	108,485,600
Total Liabilities and Equity	**460,118,703**	**178,217,895**	**638,336,598**

At 31 December 2015	Less than 12 months FRw'000	Over 12 months FRw'000	Total FRw'000
Assets			
Cash in hand	14,951,617	-	14,951,617
Balances with the National Bank of Rwanda	44,572,594	-	44,572,594
Balances held with other Financial Institutions	62,568,118	-	62,568,118
Held to maturity investments	93,503,198	-	93,503,198
Loans and advances to customers	81,275,392	232,650,143	313,925,535
Other assets	8,242,962	12,538	8,255,500
Equity investments	-	221,425	221,425
Intangible assets	-	381,529	381,529
Property and equipment	-	22,846,884	22,846,884
Total Assets	**305,113,881**	**256,112,519**	**561,226,400**

33. Maturity Analysis of Assets and Liabilities (Continued)

	Less than 12 months	Over 12 months	Total
At 31 December 2015	FRw'000	FRw'000	FRw'000
Liabilities			
Balances from other Financial Institutions	22,609,724	-	22,609,724
Customer deposits	384,538,433	175,267	384,713,700
Tax Liability	808,141	-	808,141
Deferred tax liability	102,151	1,580,369	1,682,520
Dividends payables	34,230	-	34,230
Other liabilities	9,656,897	-	9,656,897
Long-term Finance	3,350,838	39,124,805	42,475,643
Shareholders' funds	-	99,245,545	99,245,545
Total Liabilities and Equity	**421,100,414**	**140,125,986**	**561,226,400**

34. Contingent Liabilities, Commitments and Leasing Arrangements

Legal Claims

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

At year end, the Bank is party to various legal proceedings for a total amount of FRw25.7m (2015: FRw25.7m). Having regarded the legal advice received, the management is of the opinion that these legal proceedings will not give rise to significant liabilities; however the amount has been fully provided for in these financial statements.

35. Related Parties Disclosures

	2016	2015
	FRw'000	FRw'000
Compensation of key management personnel of the Bank		
Short term employee benefits	1,055,071	785,363
Post-employment pension (defined contribution)	60,625	48,395
Terminal benefits	550,388	-
	1,666,084	**833,758**
Directors emolument	309,182	334,521
	1,975,266	**1,168,279**

The non-executive directors do not receive pension entitlements from the Bank.

Transaction with key management personnel of the Bank

The Bank enters into transactions, arrangements and agreements involving directors, senior management and their related party concerns in the ordinary course of business at commercial interest and commission rates.

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year

35. Related Parties Disclosures (Continued)

	2016			2015		
	Maximum balance during	Balance as at 31 December	Income/ Expense	Maximum balance during	Balance as at 31 December	Income/ Expense
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Residential mortgages	390,431	390,431	26,422	190,594	170,957	18,628
Credit cards and other loans	381,881	381,881	3,569	181,095	161,251	33,056
Deposits	276,304	276,304	1,339	187,586	88,723	988

The amounts above relate to key management personnel.

Transaction with other related parties

In addition to transactions with key management, the Bank enters into transactions with entities with significant influence over the Bank. The following table shows the outstanding deposits balance and the corresponding interest during the year

Subsidiaries to the Bank:

	Income	Expense	Balance as at year end	Maximum balances during the year
	FRw '000	FRw '000	FRw '000	FRw '000
2016	6,021	6,214,529	66,430,695	66,430,695
2015	5,751	5,381,536	62,128,569	67,902,871

The above mentioned outstanding balances arose from the ordinary course of business. The interests charged to and by related parties are at normal commercial rates. Outstanding balances at the year-end are unsecured. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2016, the Bank has not made any provision for doubtful debts relating to amounts owed by related parties (2015: Nil).

The Bank offers loans to its employees at an interest rate at a range of 7.5% and 16.0% (2015: 7.5% and 16.0%). The Bank closely monitors the loans to ensure they are performing. As at the end of year there were no non performing staff loans.

36. Subsidiaries

BK Securities Limited

The Bank opened a wholly owned subsidiary, BK Securities Ltd on the 28th January 2013. Its principal place of office is in the Bank of Kigali office premises. BK Securities offers the Bank's customers seamless service consistent with the Bank's customer service. The investing public has an opportunity to buy and sell shares or bonds under the umbrella BK brands. The firm offers brokerage services for all stocks listed on the Rwanda Stock Exchange including Bank of Kigali shares. The value of the investment at cost less impairment is FRw 100,000,000.

BK Nominees Limited

The Bank opened a wholly owned subsidiary, BK Nominees Ltd on the 10th December 2013. Its principal place of office is in the Bank of Kigali office premises. The main activity of the Company is to hold assets for Custody clients. The value of the investment at cost less impairment is FRw 100,000,000.

36. Subsidiaries (Continued)

BK Registrars Limited

The Bank opened a wholly owned subsidiary, BK Registrars Ltd on the 10th April 2015. Its principal place of office is in the Bank of Kigali office premises. The company offers Registrar, Administration and Fund Management Services. The value of the investment at cost less impairment is FRw 10,000,000.

BK TecHouse Limited

The Bank opened a wholly owned subsidiary, BK TecHouse Ltd on the 10thAugust 2015. Its principal place of office is in Masoro BK Economic Zone building. The company offers Internet Services to customers. The value of the investment at cost less impairment is FRw 100,000,000.

BK General Insurance Limited

The Bank opened a wholly owned subsidiary, BK General Insurance Ltd on the 16thSeptember 2015. Its principal place of office is in the Bank of Kigali old building. The company offers Non-Life Insurance Services. The value of the investment at cost less impairment is FRw 5,000,000,000.

37. Post period end events

Except as disclosed in the notes to the financial statements, there are no events after the reporting date that require disclosure in or adjustments to the financial statements as at the date of this report.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (AGM) of Bank of Kigali Limited will be held on Friday 05th May 2017, at the Marriot Hotel, Kigali Rwanda at 9:00 a.m. to transact the following Business:

1. ***To determine whether quorum is present;***
2. ***The Company Secretary to read the notice convening the meeting;***
3. ***To receive, consider and if thought fit, adopt the Annual Report and Audited Financial Statements for the year ended 31st December 2016 together with the Chairman's, Directors' and Auditor's reports thereon;***
4. ***Approve a dividend of FRw 8,302,347,000 which represents 40% pay-out on the Bank's audited IFRS-based net income for the year 2016.***
5. ***Election of Directors;***
6. ***To approve the remuneration of the directors;***
7. ***Any other business of which notice will have been duly received.***

....

By order of the Board
Dr. Byamukama Shivon
Company Secretary
Plot 6112, Avenue de la Paix
Kigali, Rwanda

Proxy

A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company.

To be valid, a proxy form attached at the end of this Annual Report must be duly completed by the member and lodged with the Company Secretary at the Bank of Kigali Head Office, KN4 Avenue No 12 Plot No 790 Kigali, Rwanda not later than 10.00 a.m. on the 02nd May 2017, failing which it will be invalid. In the case of a corporate body the proxy must be under its common seal.

Closure of Register

Dividend for the year ended 31 December 2016 of FRw 8,302,347,000 will be paid to shareholders on the register of members of the Company at the close of business on Friday 09th June 2017. The dividend will be paid on or about Friday 30th June 2017.

Bank of Kigali Proxy Form

I/We ____ CSD A/C No___________________________

of (address) ____ being a member(s) of Bank of Kigali Limited,

hereby appoint: ____

of (address) ______________________________________ or, failing him, the duly appointed Chairman of the meeting to be my/our proxy, to vote on my/our behalf at the Annual General Meeting of the Company to be held on Friday 05th May 2017 at 9:00 a.m., or at any adjournment thereof.

As witness to my/our hands this____________________________ day of _________________________ 2017

Signature(s) ____

Notes:

1. *In case of corporate shareholders and individual shareholders who would like to be represented at the AGM, please tear this page carefully and complete as appropriate.*
2. *This proxy form is to be delivered to the Company Secretary at Bank of Kigali Head Office, KN4 Avenue No 12 Plot No 790, Kigali, Rwanda not later than 10.00 a.m. on the 02nd day of May 2017, failing which it will be invalid.*
3. *A proxy form must be in writing and in the case of an individual shall be signed by the shareholder or by his attorney, and in the case of a corporation the proxy must be either under its common seal or signed by its attorney or by an officer of the corporation.*

Please admit ____ _______________________ **to the Annual General Meeting of Bank of Kigali Limited which will be held at the Marriot Hotel on 05th day of May 2017 at 9:00 a.m.** **This admission card must be produced by the shareholder or his proxy in order to obtain entrance to the Annual General Meeting.** **Dr Shivon Byamukama** *Company Secretary*	**Number of ordinary shares held:**
	Name of Shareholder: **Address of Shareholder:** **CSD Account Number:**

BK Registrars Limited

Dividend Reinvestment Form

The Registrar
Bank of Kigali Limited
BK Registrars
P. O. Box 175
Kigali, Rwanda

Client Name:
Client ID/Passport No:
CSD Number:
Broker:

Dear Esteemed Investor,

RE: Dividend Reinvestment Form

Your Investment has generated a dividend of FRw 12.3 per share ($0.02). You can decide to receive cash payments deposited to your account or reinvest them to provide the opportunity to help build the value of your investments by filling this form.

I / We hereby request that Dividends due to me/us from Bank of Kigali Limited be treated as follows:

☐ **Full dividend Reinvestment**
Please mark this box if you wish to reinvest all dividends that become payable on this account

Via Broker for re-investment

Bank Name: ______________________________________
Bank Branch: ____________________________________
Account Name: ___________________________________
Account Number: _________________________________

I/we hereby agree to indemnify BK Registrars against all claims, demands, moneys, losses, damages, costs or expenses which may be brought against, or to be paid, incurred or sustained by BK Registrars by reason or in consequence of BK Registrars honouring my/our above instructions.

Sincerely,

Client Name and Signature:


BK MasterCard
One world,
One card
BANK OF KIGALI
Financially transforming lives
1234 5678 9876 5432
Debit
CHANTAL NATASHA
MasterCard
Simply priceless
Debit | Credit | world | Corporate
www.bk.rw @BankofKigali @BankofKigali @BankofKigali.Co T: (+250) 788 319 122

BK Branch Network

BANK OF KIGALI

Bringing the Bank
Closer to you

BANK OF KIGALI
Financially Transforming Lives
50 YEARS
CELEBRATING 50
TRANSFORMATIVE YEARS

BANK OF KIGALI
Financially transforming lives