ANNUAL REPORT 2017

BK GROUP PLC

BK Kira Kibondo
TEGANYIRIZA AHAZAZA H'UMWANA WAWE
ZIGAMIRA ABANA UHEREYE KU
5.000 FRW ... BURI KWEZI WUNGUKE
8%
K'UMWAKA
Si Uko Mfite Byinshi,
Ni Imbere Heza
Nkwifuriza.
BANK OF KIGALI
Financially transforming lives

OUR VISION

BK Group PLC aspires to be the leading provider of most innovative financial solutions in the region.

OUR MISSION

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

OUR VALUES

Customer focus, Integrity, Quality, Excellence

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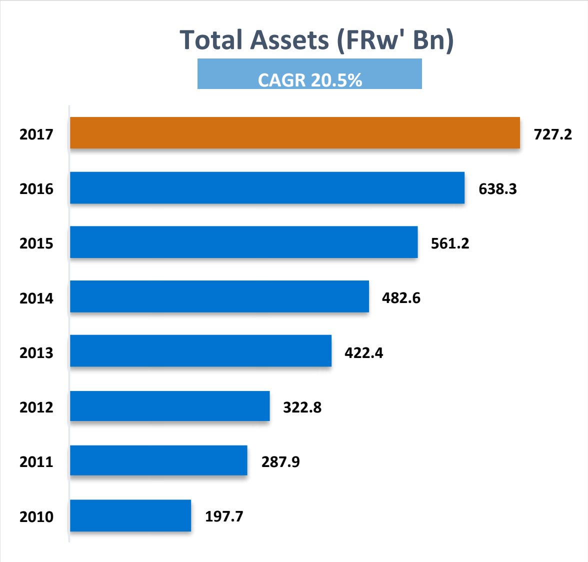
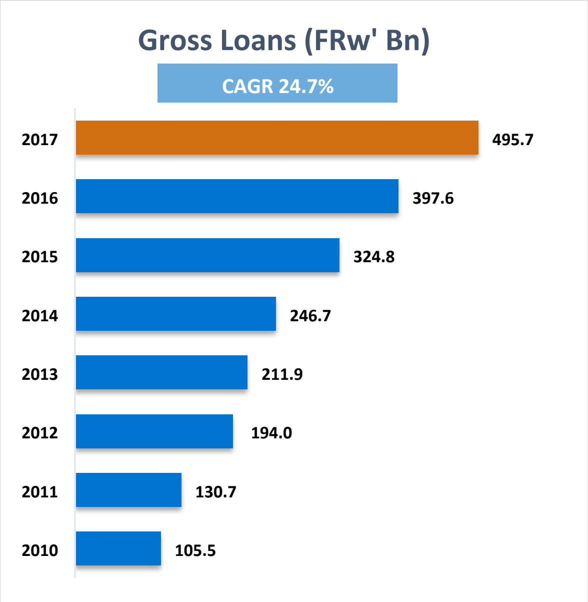
FINANCIAL HIGHLIGHTS

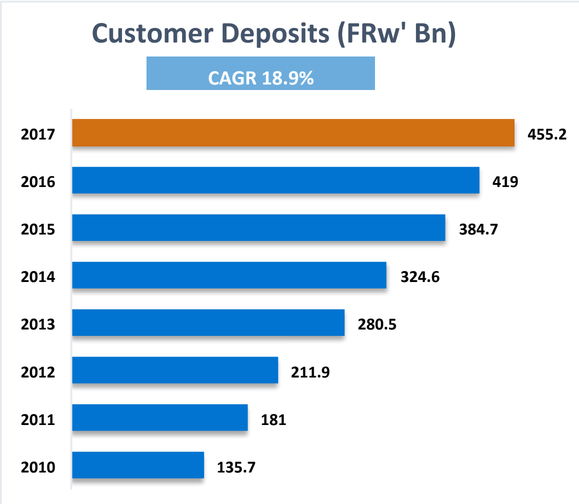
FINANCIAL HIGHLIGHTS 2010-2017

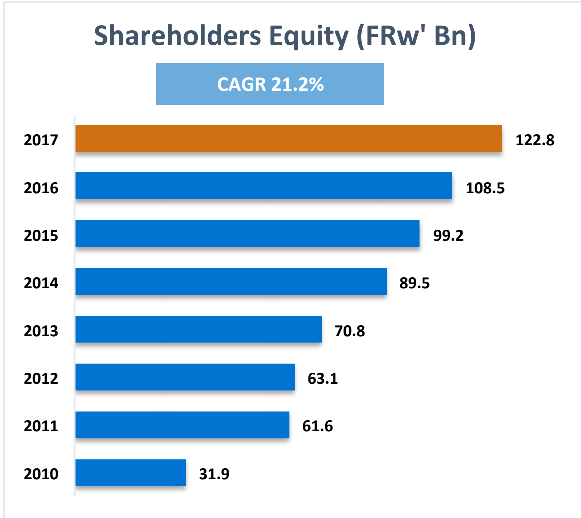
FRw' Bn	2010	2011	2012	2013	2014	2015	2016	2017	CAGR
Total Assets	197.7	287.9	322.8	422.4	482.6	561.2	638.3	727.2	20.5%
Gross Loans	105.5	130.7	194.0	211.9	246.7	324.8	397.6	495.7	24.7%
Customer Deposits	135.7	181.0	211.9	280.5	324.6	384.7	419.0	455.2	18.9%
Shareholders Equity	31.9	61.6	63.1	70.8	89.5	99.2	108.5	122.8	21.2%

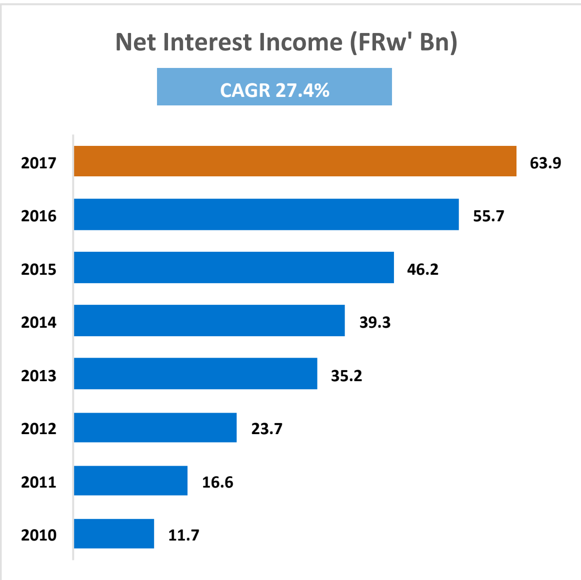
Net Interest Income	11.7	16.6	23.7	35.2	39.3	46.2	55.7	63.9	27.4%
Net Non Interest Income	9.5	12.9	14.5	18.6	18.9	17.5	21.2	28.6	17.0%
Operating Income	21.2	29.5	38.3	53.8	58.2	63.7	76.9	92.5	23.4%
Net Profit	6.2	8.7	11.8	14.8	18.3	20.5	20.8	23.3	20.9%

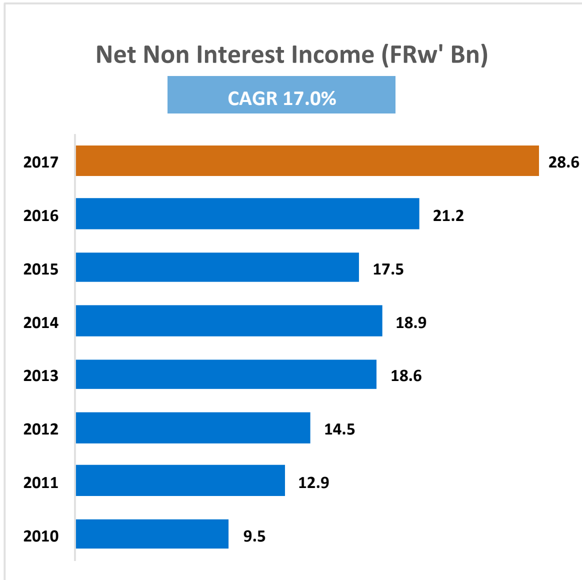


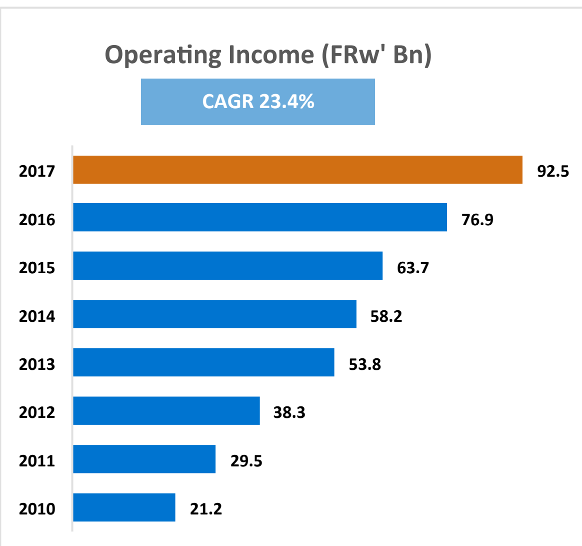


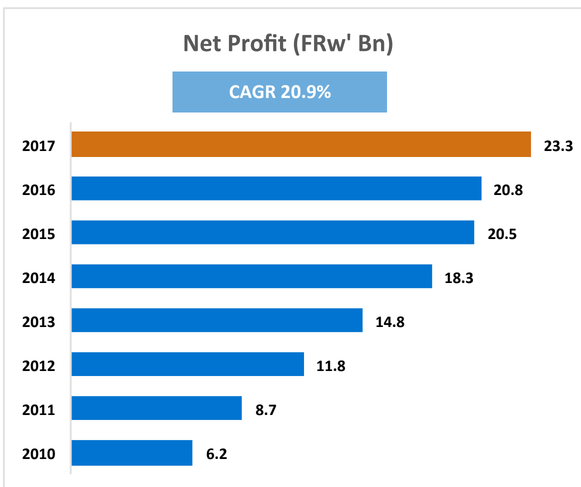

Customer Deposits (FRw' Bn)
CAGR 18.9%
2017 455.2
2016 419
2015 384.7
2014 324.6
2013 280.5
2012 211.9
2011 181
2010 135.7


Shareholders Equity (FRw' Bn)
CAGR 21.2%
2017 122.8
2016 108.5
2015 99.2
2014 89.5
2013 70.8
2012 63.1
2011 61.6
2010 31.9


Net Interest Income (FRw' Bn)
CAGR 27.4%
2017 63.9
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' Bn)
CAGR 17.0%
2017 28.6
2016 21.2
2015 17.5
2014 18.9
2013 18.6
2012 14.5
2011 12.9
2010 9.5


Operating Income (FRw' Bn)
CAGR 23.4%
2017 92.5
2016 76.9
2015 63.7
2014 58.2
2013 53.8
2012 38.3
2011 29.5
2010 21.2


Net Profit (FRw' Bn)
CAGR 20.9%
2017 23.3
2016 20.8
2015 20.5
2014 18.3
2013 14.8
2012 11.8
2011 8.7
2010 6.2

	YE 2017	YE 2016	YE 2015	YE 2014	YE 2013	YE 2012	YE 2011	YE 2010
Profitability								
Return on Average Assets, %	3.4%	3.5%	3.9%	4.0%	4.0%	3.9%	3.6%	3.5%
Return on Average Equity, %	20.2%	20.0%	21.7%	22.9%	22.2%	18.9%	18.6%	24.5%
Net Interest Margin , %	10.4%	10.5%	10.1%	9.9%	11.1%	9.6%	8.4%	8.3%
Loan Yield, %	16.2%	17.6%	19.2%	20.5%	20.5%	17.0%	16.9%	15.8%
Interest Expense/Interest Income,%	22.3%	22.9%	22.9%	24.4%	22.2%	26.0%	26.8%	25.6%
Cost of Funds, %	3.2%	3.3%	3.2%	3.4%	3.3%	3.4%	3.1%	2.8%
Efficiency								
Cost/Income Ratio	45.2%	47.4%	47.8%	47.9%	48.4%	52.8%	48.4%	47.5%
Costs/Average Assets, %	6.1%	6.1%	5.8%	6.2%	7.0%	6.6%	5.9%	5.8%
Personnel Costs/Total Recurring Operating Costs	50.5%	38.6%	49.4%	51.8%	45.0%	47.4%	51.8%	52.3%
Personnel Costs/Average Total Assets, Annualised	3.1%	2.3%	2.9%	3.2%	3.1%	3.1%	2.9%	3.0%
Personnel Costs/Total Operating Income	22.9%	18.3%	23.6%	24.8%	21.8%	25.0%	25.1%	25.0%
Net Income/Total Operating Income	25.3%	27.0%	32.1%	31.5%	27.6%	30.7%	29.5%	29.2%
Total Operating Income/Average Assets %	13.5%	12.8%	12.2%	12.9%	14.4%	12.6%	12.1%	12.1%
Liquidity								
Net Loans/Total Assets,%	64.9%	60.4%	55.9%	48.4%	47.1%	57.3%	42.8%	51.3%
Liquid Assets / Total Assets	28.8%	32.8%	38.4%	45.7%	46.0%	31.9%	45.1%	37.0%
Liquid Assets / Total Deposits	42.1%	47.3%	52.9%	64.9%	65.2%	44.7%	64.9%	47.3%
Liquid Assets / Total Liabilities	34.7%	39.5%	46.7%	56.1%	55.2%	39.6%	57.4%	44.1%
Total Deposits / Total Assets	68.4%	69.4%	72.6%	70.4%	70.5%	71.3%	69.5%	78.2%
Total Deposits / Total Liabilities	82.3%	83.6%	88.2%	86.5%	84.7%	88.7%	88.4%	93.2%
Interbank Borrowings / Total Deposits	8.5%	5.4%	5.6%	4.5%	5.8%	8.0%	9.5%	12.2%
Gross Loans/Total Assets	68.2%	62.3%	57.9%	51.1%	50.2%	60.1%	45.4%	53.4%
Gross Loans / Total Deposits	99.6%	89.7%	79.7%	72.6%	71.1%	84.2%	65.3%	68.3%
Interest Earning Assets/Total Assets	91.0%	88.9%	87.8%	87.7%	88.4%	80.5%	82.0%	81.6%
Leverage (Total Liabilities/Equity), Times	4.9	4.9	4.7	4.4	5.0	4.1	3.7	5.2
Asset Quality								
NPLs /Total Loans, %	5.6%	4.5%	4.9%	6.6%	6.9%	6.5%	8.3%	8.5%
NPL Coverage Ratio	72.9%	55.0%	57.2%	81.8%	87.4%	70.3%	69.1%	45.8%
NPL Coverage Ratio (Net Exposure)	199.6%	128.4%	110.2%	169.0%	134.6%	90.0%	94.0%	62.3%
Loan Loss reserve / Gross Loans ,%	4.8%	3.0%	3.3%	5.4%	6.1%	4.6%	5.8%	3.9%
Average Loan Loss reserve / Average Gross Loans ,%	4.0%	3.1%	4.2%	5.7%	5.4%	5.1%	4.9%	4.3%
Large Exposures / Gross Loans	46.2%	54.3%	24.1%	18.0%	5.4%	6.5%	8.8%	14.3%
Cost of Risk, Annualised	3.7%	2.9%	2.6%	3.3%	4.4%	2.2%	3.8%	2.0%
Capital Adequacy								
Core Capital / Risk Weighted Assets	19.0%	19.0%	22.1%	25.8%	23.1%	22.4%	28.1%	18.7%
Total Qualifying Capital / Risk Weighted Assets	19.5%	19.6%	22.5%	26.3%	23.7%	23.2%	29.1%	20.1%
Off Balance Sheet Items / Total Qualifying Capital	408.3%	469.1%	442.6%	428.4%	542.5%	524.3%	363.1%	351.2%
Large Exposures / Core Capital	208.7%	227.5%	84.2%	53.5%	17.9%	22.6%	21.3%	61.1%
NPLs less Provisions / Core Capital	8.1%	10.2%	8.7%	3.5%	2.9%	6.8%	6.2%	19.7%
Market Sensitivity								
Forex Exposure / Core Capital	(14.4%)	(9.5%)	(20.4%)	(20.4%)	(9.1%)	(41.2%)	11.7%	11.5%
Forex Loans / Forex Deposits	101.4%	68.9%	26.9%	8.4%	0.7%	1.0%	0.8%	1.0%
Forex Assets / Forex Liabilities	92.3%	95.0%	86.4%	87.5%	93.8%	61.0%	105.3%	106.7%
Forex Loans / Gross Loans	26.5%	21.3%	8.2%	3.3%	0.3%	0.3%	0.3%	0.4%
Forex Deposits/Total Deposits	26.1%	27.7%	24.3%	28.4%	33.2%	25.3%	23.8%	27.4%
Selected Operating Data								
Full Time Employees	1,215	1,225	1,140	1,019	980	877	602	454
Assets per FTE (FRw in billion)	0.6	0.5	0.5	0.5	0.4	0.4	0.5	0.4
Number of Active Branches	79	79	75	70	65	59	44	33
Number of Mobibank	9	9	9	9	5	5	-	-
Number of ATMS	91	91	84	76	65	55	26	26
Number of POS Terminals	1,250	1,002	801	656	568	405	202	97
Number of Retail current accounts	208,592	198,067	312,369	266,239	231,409	191,632	124,248	50,073
Number of BK Yacu Agent	1,437	1,280	1,043	861	569	30	-	-

For the Year ended 31 December 2017	BK Group			
	2017	**%**	**2016**	**%**
Value Added Statement	**FRw'000'**		**FRw'000'**	
Interest, commissions and other revenues	110,778,158		93,463,520	
Interest paid to depositors and costs of services	(30,663,773)		(31,941,336)	
Net impairement loss on Financial assets	(16,489,292)		(10,448,958)	
Value added	**63,625,093**		**51,073,226**	
Distribution of Value Added				
To Employees				
Salaries, wages and other benefits	15,649,028	24.60%	9,604,592	18.81%
To Government				
Corporation Tax	10,823,155	17.01%	9,225,248	18.06%
VAT	1,245,824	1.96%	903,068	1.77%
Withholding Tax	2,530,796	3.98%	2,109,512	4.13%
District Taxes	47,528	0.07%	49,182	0.10%
PAYE Tax	5,478,672	8.61%	4,470,586	8.75%
	20,125,975	**31.63%**	**16,757,596**	**32.81%**
To Shareholders				
Dividends paid to shareholders	9,339,552	14.68%	8,302,347	16.26%
To Expansion and Growth				
Retained Income	14,009,328	22.02%	12,453,520	24.38%
Depreciation and amortisation	4,501,210	7.07%	3,955,171	7.74%
	18,510,538	**29.09%**	**16,408,691**	**32.13%**
Wealth distributed	**63,625,093**	**100.00%**	**51,073,226**	**100.00%**

%	**2017**		**2016**	**%**
	FRw'000		**FRw'000**	
24.60%	15,649,028	To Employees	9,604,592	18.81%
31.63%	20,125,975	To Government	16,757,596	32.81%
14.68%	9,339,552	To Shareholders	8,302,347	16.26%
29.09%	18,510,538	To Expansion and Growth	16,408,691	32.13%
100.00%	**63,625,093**	Total	**51,073,226**	**100.00%**

Marc Holtzman
Chairman

2017 was a highly successful year for BK Group Plc and for our shareholders. The Bank and the other subsidiaries continue to enjoy impressive and sustainable growth. Financial performance showed a strong net income of FRw 23.3 billion. Our total assets grew by 13.9% and our shareholder's equity increased by 13.1% year-on-year. Our high profitability continued with ROAA and ROAE of 3.4% and 20.2%, respectively.

Our dominant footprint in Rwanda continues to grow as we expand our branch network throughout the country. The Bank now proudly boasts 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 to financially transforming lives and to contribute to the 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, we invest up to 1% of our Net Operating Income in Corporate Social Responsibility programs.

This has been a year of considerable change at the Bank. This will be my ninth year of service on the Board and I am especially honored to serve as your Chairman. Our CEO Dr. Diane Karusisi and her amazing executive team continue to inspire and lead the Group 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 the transformative changes taking place in today's financial services sector, our future is indeed only limited by ourselves.

Sincerely,

Marc Holtzman

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 BK Group Plc. We have witnessed sustained growth over the years, thanks to you our shareholders, loyal customers and dedicated staff. We have maintained our leadership position in the Rwandan market. To all of you we say, Thank you.

We have dedicated over fifty years to financially transforming the lives of our customers by understanding their financial needs and working with them to make long lasting impact in their lives and businesses We have gotten closer to them over the years and have created strong relationships with them. It is these relationships we have built with our loyal customers, staff and the communities we serve that we are most proud of.

This year, we have implemented a new group structure and have named our holding company BK Group Plc. BK Group Plc is composed of 5 subsidiaries, Bank of Kigali PLc, BK General Insurance Ltd, BK Techouse Ltd, BK Capital Ltd and Avial Ltd, with the ambition to become reference companies in their sector. Driven by an ambitious business project and human resources mobilized around a common vision, the Group consolidates its leadership by pursuing a policy of innovation and an entrepreneurial growth strategy.

Our Performance

This year, we are happy to report yet another good year, evidence of our steady and sustained growth. The Group's profit after tax increased to FRw 23.3 billion from FRw 20.8 billion in 2016, reflecting a Return on Average Equity of 20.2% and Return on Average Assets of 3.4%, compared to 20.0% and 3.5% respectively, for the year 2016. The Group's total assets also rose to FRw 727.2 billion from FRw 638.3 billion as at 31 December 2017, representing a growth of 13.9% year on year. This growth resulted from our strong liquidity position, strong credit book growth and investment in our staff.

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 5th 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 nineth 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. We have seen our customers grow from small to medium enterprises, students who opened their first student account return for their car loan or first mortgage. 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 and our growing digital channels. Our branch network increased to 79 branches; 1437 Agents, 91 ATM network and the number of Point of Sale terminals (PoS) grew to 1,250 in 2017. 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 and on the job training to ensure that they are well equipped to serve our customers to the required nationally-promulgated customer service standards.

Risk and Compliance Management

Sustainable performance can only be achieved through disciplined risk management. It is part of our corporate culture that every employee at every level of the organization is accountable for risk management. This approach has enabled the Bank to overcome the challenges of a changing global, regional and domestic macroeconomic environment. Inherently, credit risk is the single most important risk facing our bank. We continue to manage credit risk and make provisions for any specific risk proactively. Our non-performing loans Net risk coverage was 199.6%. 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, Transunion Africa 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 1,215 staff and continue to attract and retain some of the best talent in the market.

In the implementation of the talent management policy, the Bank is currently sponsoring several staff for Banking professional courses. 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 2018

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 growth in our net income and balance sheet. BK Group Plc has evolved into a financial services group offering banking, insurance and other financial services under one brand. The Group has started a new journey of growth.

The Group recognizes that the financial sector is undergoing a major evolution driven by clients' needs and that technology is constantly shifting. Banks looking to set themselves apart must become digital ready, design reliable IT systems to earn the trust of financial users, and move towards an open banking system, capable of incorporating real-time functionality at all stages of the processing chain. The Group therefore wishes to go through an extensive business transformation, leverage the use of technologies and data to become a Digital Bank. 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 ATMs both in the branches and in high footfall locations with the aim of bringing convenient and flexible service to our customers.

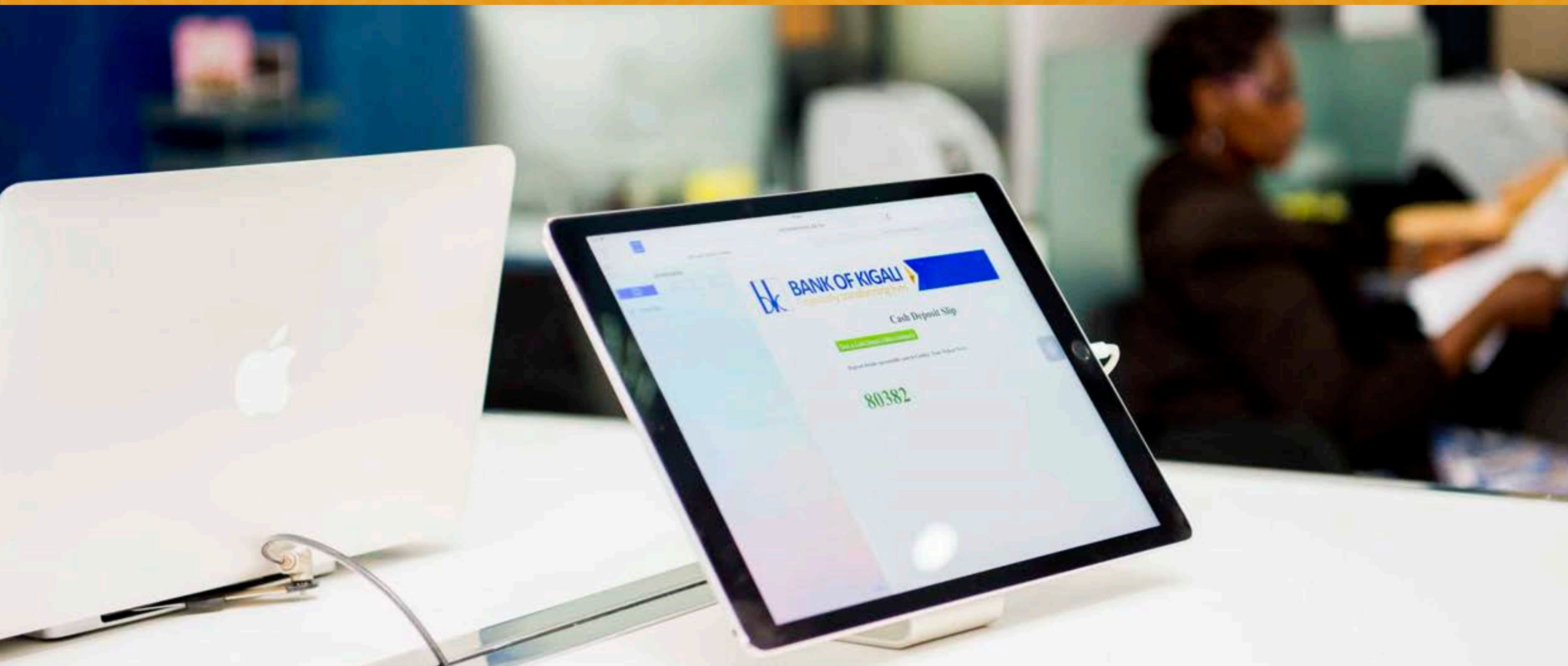
Acknowledgement

On behalf of the management team staff and on my own behalf, I extend my sincere appreciation to our customers for their loyalty and confidence in the Group. I would like to 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 BK Group PLc into a formidable player in the financial services sector.

Sincerely,

CORPORATE GOVERNANCE



BOARD OF DIRECTORS

Marc Holtzman,
Chairman of the Board

Reuben Karemera,
Director

Jonathan S. Gatera,
Director

OUR BOARD

Julien Kavaruganda,
Director

Liliane Igihozo,
Director

Dr Diane Karusisi,
Director
Chief Executive Officer

Marc Holtzman, Chairman of the Board

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

Marc Holtzman was the Chief Executive Officer of Kazkommertsbank (LSE: KKB:LI), Kazakhstan's largest private bank 2015-2017. Mr. Holtzman had served as Kazkommertsbank's Chairman since March 2015.

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.

Jonathan 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.

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.

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, Director

Liliane 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).

EXECUTIVE MANAGEMENT

Dr Diane Karusisi,
Chief Executive Officer

Desire Rumanyika,
Chief Operating Officer

Vincent Gatete,
Chief Commercial Officer

EXECUTIVE MANAGEMENT

Flora Nsinga,
Chief Human Resources and Administration Officer

Nathalie Mpaka,
Chief Finance Officer

Eddy Mabano Kayihura,
Chief Information Technology Officer

Dr Diane Karusisi , Chief Executive Officer

Dr Diane Karusisi 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.

Desire Rumanyika, Chief Operating Officer

Désiré Rumanyika, has been Bank of Kigali's Chief Operating Officer (COO) since 2017, responsible for the implementation of the Bank's operating model by ensuring a stable, optimal and efficient services delivery ecosystem across the Bank's expansive branch network and other digital channels.

Rumanyika has accumulated 20 years of experience in the financial sector. Prior to his current position at Bank of Kigali, he has worked with different financial institutions including but not limited to the East African Development Bank (EADB) as Country Manager for Rwanda from 2011 to 2016 and the Rwanda Development Bank (BRD) as Director for Corporate Affairs and Deputy Director General from 2004 to 2008.

Rumanyika also led the successful set up of the Business Development Fund (BDF), a financial advisory institution; in 2010 he was subsequently appointed BDF first Chief Executive Officer, serving for 2 years before joining EADB in 2011.

Rumanyika has served on several Board of Directors including Banque Populaire du Rwanda, Banque de l'Habitat du Rwanda, Rwanda Enterprise Investment Company (REIC Ltd) and the Association of African Development Finance Institutions (AADFI) based in Ivory Coast.

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

Vincent Gatete, Chief Commercial Officer

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

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

Before Crystal Ventures, Mr. Gatete was at Rwanda Revenue Authority where he held a number of roles in the areas of Legal advisory, customs, regional integration and International affairs coordination. He has also served as a non-executive Director in a number of companies including MTN Rwanda, Ultimate Concepts Ltd, Akagera Aviation, Kigali Prime Economic Zones Ltd, Prime life insurance and CVL developers Ltd. Mr. Gatete holds a Bachelor's degree in Law, from the National University of Rwanda, and a Masters in Business Administration (MBA) from Strathmore Business School, Strathmore University.

Flora Nsinga, Chief Human Resources and Administration Officer

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

During her tenure at BK, she has been a strategic advisor to the business in human resource and administration, contributing to the growth of the branch network as a key sales channel to its present 79 branches. She oversaw a restructuring in 2009 that sought to strategically align the bank's capabilities in delivering value to shareholders through talent. She just completed a similar exercise, including a review of the performance management framework as well as key banking processes that further seeks to realign the bank's human resource framework to ensure the bank is well positioned to add value to shareholders while delivering an excellent customer experience through a customer centric structure. Key to this is ensuring the availability of competent talent that places the bank ahead of competitors in an ever changing and competitive banking industry. Under Administration, Flora is also responsible for procurement where her key mandate is directing all strategic sourcing for alignment with the Bank's strategy.

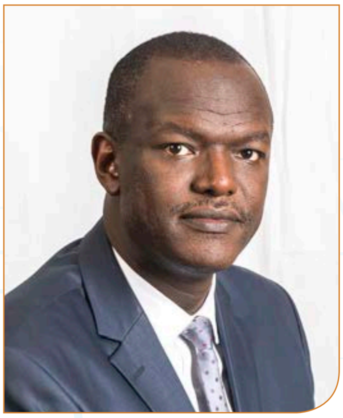
Flora holds a Bachelor's degree in Business Administration with specialization in Human Resources from Kigali Institute of Science, Technology and Management (KIST). She also holds a Master's in Management, majoring in Leadership and Human Resources from Cambridge College Boston, Massachusetts – USA.

Nathalie Mpaka is the Chief Finance Officer

Ms. Nathalie Mpaka is the Chief Financial Officer of BK Group Plc (BK) Limited since December 2014. She joined the Bank's Management Team in 2011 as the Financial Reporting and Investor Relations Manager. 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 a qualified Chartered Certified Accountant (ACCA), and currently completing her MSc in International Banking and Finance. Nathalie is also a Governing Council member of ICPAR.

Nathalie is responsible for leading the development and implementation of the Finance strategy that supports the profitability, growth, and sustainability of BK Group PLC. Further, the position coordinates the Group's strategy development and implementation to ensure the achievement of its vision and mission. One of the key area for the position is also to coordinate Investors relationship management as a listed entity, to ensure timely funding is achieved for the business's growth objectives. During the recent HR restructuring, Nathalie was also tasked to setup and lead the Business Intelligence Department, a team passionate about using data and insights to help drive informed decisions for the Customer and the Group.

Before returning to Rwanda in 2011, Nathalie studied and worked in the UK for over 10 years and held senior financial management positions. She is very confident of her determination to succeed, hence her strength to interacting with different cultures . She is a strong supporter of positive energy to create extraordinary results through authenticity. Her leadership style focuses on taking courage, motivate, inspire and being able to influence change through efficiently working in teams, communicating openly and being persistent in seeking growth.



Eddy Mabano Kayihura, Chief Information Technology Officer

Eddy Mabano Kayihura serves the Bank as the Chief Information Technology Officer where he oversees the development of a full-bodied digital strategy to drive Bank of Kigali's technology delivered services.

Mr. Kayihura has more than 17 years of high level experience in Information Technology related business. From 2013, he was the Chief Executive Officer of Broadband Systems Corporation (BSC) an Internet Service Provider in Rwanda focusing on service delivery to Major Corporates using Fiber and 4G connectivity. Prior to this he has served in different Technology positions in Telecommunications companies.

Mr. Kayihura 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.

SENIOR MANAGEMENT

Carine Umutoni, Head of Treasury

Carine Umutoni has been Head of Treasury& Trade Finance Department of Bank of Kigali for over 5 Years. As the Head of Treasury, she oversees the Bank's assets and liabilities management and is responsible for the Bank's liquidity management, foreign exchange and correspondent banking operations as well as managing the funding needs of the Bank;

Carine has 15 Years Banking experience in treasury management, trade finance, Correspondent Banking and Financial Institutions Banking business.

Carine holds a MBA in Economic Policy & Corporate Strategy from Maastricht University of The Netherlands and a Bachelor degree in Banking and Finance from Damelin Institute of South Africa.

Rose Ngabire, Head of Customer Experience Management

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

Prior to joining the Bank,Rose served at Rwandan High commission in London United Kingdom as Administrative Attaché in charge of communication and public relations.

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

Thierry Nshuti, Head of Marketing

Thierry is the Head of Marketing department. He is in charge of driving Bank of Kigali's brand and products advertising agenda to ensure the success of the company's overall objectives.Prior to join Bank of Kigali, he was the Head of Marketing services for Tigo Rwanda and before this, he had an 8 years career adventure with Bralirwa Ltd , experiencing various position in sales and Marketing departments including Heineken AME region, where he worked as a Sales Capability project manager.

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

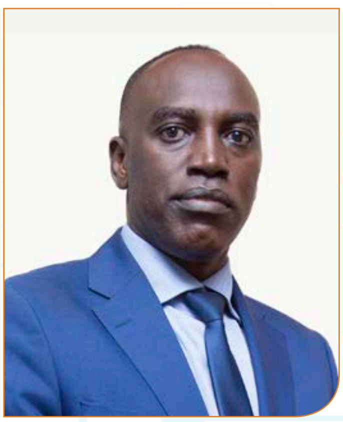
Samuel Nshimiyimana, Head of Finance

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

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

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

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



Innocent Musominari, Head of Recovery

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

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

He has been instrumental in managing the Bank's credit risk as well as the consistent growth in Bank's loan portfolio. Hence, this has contributed in bringing major improvements in asset management and quality.Innocent holds a Bachelor's degree in Economics from the National University of Rwanda.

Katia Manirakiza, Company Secretary & Head of Corporate Affairs

Katia is the Company Secretary and Head of Corporate Affairs at Bank of Kigali. Prior to joining Bank of Kigali, Katia served as the Head of Legal and Human Resources at SAHAM Assurance Rwanda Ltd (2015-2017), Head of Legal and Company Secretary at Ecobank Rwanda Ltd (2012-2015). Between 2006 and 2014, she did several consultancies for Rwandan organizations (RDB, Ministry of Finance, RRA) and international organizations (IFC, UNDP, ICT) and also worked in a Rwandan law firm as a Senior Associate. Before she moved back to Rwanda, she worked as a Tax/ Legal Avisor for Ernst &Young and PwC in Luxembourg and Belgium (2001-2005).

Katia holds a Bachelor of Laws degree (LLB) from the Catholic University of Louvain (Belgium), a Master of Laws (LLM) in International Law from the Nottingham University (UK). She holds a Master's degree in Tax Management from Lille Business School (France). She is a certified tax professional from the Luxembourg Chamber of Commerce, she holds a professional certificate in Project Management from ICHEC Business School (Belgium) and she is a certified Trainer of the IFC Entrepreneurship Development Program. Katia is a Board member of the Rwanda Capital Market Authority since 2015.

Gerard Nyangezi, Head of the Internal Audit

Gerard is the Head of the Internal Audit. 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

Yves has been the Head of Risk 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.

Barbara Busingye, Head of Operations

Barbara is the Head of Operations at Bank of Kigali. She has over 15 years of banking experience specifically in banking operations.

Prior to joining Bank of Kigali, she worked with ECOBANK Rwanda where she held 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 transferred to Corporate Banking as a manager in charge of SME's, NGO's and NBA's, Head of Retail Branch network & operations and currently Head of Operations.

Her core responsibility entails developing and implementation of an operations strategy on domestic transactions, international transfers, digital operations & cash management operations to ensure timely and quality service to customers for customer retention and attraction across the Branch network 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.

Celestin Zimulinda, Head of the Information Technology

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

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

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

Bonaventure Urimube, Head of Credit

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

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

Kevin Rudahinduka, Head of Electronic and Digital Channels

Kevin is the Head of Electronic and Digital Channels. Prior to joining Bank of Kigali, 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 manages ICT operations and Innovation Technology including the banking system, Mobile Banking, Payment Systems , Networks Infrastructure and Information Security Systems.Kevin has undergaduate degree in Computer Engineering and Information Technology from Kigali's Institute of Science and Technology and Master's degree in Information Technology from Carnegie Mellon University.

Fabrice Bugingo, Head of Procurement & Administration

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

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

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

Mami Fatou Said, Head of Human Resources

Mami has twelve years of experience in Human Resources. She started her HR career in the energy sector (Electrogaz). She started with the banking sector in 2007 where she worked with Access Bank Rwanda SA for four years as Country Human Resources Manager.

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

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

Mami holds a Bachelor degree in Sociology from Independent University of Kigali and an MBA from Oklahoma Christian University.

Barnabas Kalenzi, Head of Business

Barnabas is currently the Head of Business, in charge of developing and leading the implementation of the bank's strategy covering Corporate, SMEs, NGOs and digital business banking. He previously worked in Auditing and Financial Planning for private consultancy firm (KPS Associates/Consulting), After which he went on into Corporate Banking starting with Ecobank as an Account Manager in 2013 and becoming Head of Corporate Banking in 2016.

He joined Bank of Kigali in April 2017 assuming the position of Head Corporate Banking managing the corporate and SME banking portfolio after which he became Head of Business in 2018.

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

Aimable Malaala, Head of Compliance, Litigations and Subsidiaries Corporate Counsel

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

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

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

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

Bonaventure Ntabwoba, Head of Branch Business

Bonaventure is the Head of Branch Business at Bank of Kigali. He has 17 years of experience in branch business in banking industry.

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

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

On December 22, 2016, Bank of Kigali marked 50 years since it was incorporated on December 22, 1966 when it got a banking license. Actual operations started in the following year, 1967, marking the beginning of a colourful journey to become what we are today; the best bank in Rwanda. Bank of Kigali's growth over the last five decades is a true story of resilience, hard work and strong partnerships based on Rwandan values. 2017 was a year dedicated to celebrate the Bank's remarkable milestone.

CHAIRMAN MARK HOLTZMAN AND DR. DIANE KARUSISI CEO CUT CAKE IN CELEBRATION OF THE BANK'S 50TH ANNIVERSARY, A CEREMONIAL SYMBOL THAT WAS WITNESSED ACROSS ALL 79 BRANCHES OF BANK OF KIGALI.

CELEBRATION OF THE BANK'S REMARKABLE MILESTONE OF 50 YEARS

On the 5th May 2017, the Bank held a Gala dinner that was in celebration of the Bank's loyal customers and partners who played a big role in the Bank's remarkable milestone of 50 years. The event was graced by H.E. President Paul Kagame of the Republic of Rwanda. The BK Visa Platinum Credit card was unveiled with His Excellency being the first to receive a card.

DURING THE REMARKABLE 2017, NEW PRODUCTS WERE LAUNCHED.

BK Visa Platinum card

A high tier card for our high value clientele. The card comes with a plethora of worldwide luxury benefits, 24/7 global medical and legal services, purchase protection and many more special offers with merchants like hotels, retailers, restaurants etc. In addition, local partnerships to reward loyalty were established, such as 2-in-1 Rwandair free companion ticket, discounts with Bourbon among others.

BK Kibondo -

A long term savings account was launched to encourage parents and guardians to set open a fund for their children's future.

BK Premier Banking revamp

BK's Premier Banking, an exclusive banking service was revamped to offer a full range of added benefits. The membership-only service comes with a dedicated personal banker, a new membership card, access to 840+ airport lounges worldwide, discounts at luxury hotels and select merchants to mention but a few.

Bigereho na BK

To drive sustainable growth and inclusion, an account opening and re-activation campaign dubbed "Bigereho na BK" was rolled out countrywide. The campaign aimed at rewarding active account holders across the entire country. Over 30,000 new accounts were opened as well as 5,700 dormant accounts re-activated. The grand finale prize was a Fuso truck.

#MyWishAt50

Knowing that our success in the next fifty years will depend on the young generation, the Bank, as part of its 50th anniversary public engagement activities conducted an online youth engagement exercise under the hashtag, #MyWishAt50. This was aimed at attracting and winning the hearts of young people active on social media, by expressing their heartfelt wishes. The hashtag reached over 30, 000 people online and attracted over 5000 wishes. One particular wish was from a young female cancer survivor, Karen Bugingo whose wish was to get financial support to share her story under the title, My Name Is Life. Moving forward, the Bank will continue using social media to connect and engage with young people to nurture them into future business relations.


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CORPORATE SOCIAL RESPONSIBILITY OUTLOOK

Giving back to the community in which our business has thrived for the last five decades formed a big part of the Bank's 50th anniversary celebration in 2017. This was done through several activities under the Bank's Corporate Social Responsibility (CSR) function. In the same year, we revised our CSR Pillars into three focus areas of Education, Innovation and Conservation, in line with the country's general direction towards transformation.

***Under the Education Pillar*, the Bank consolidated its long-term partnership with Imbuto Foundation to support the tuition needs of underprivileged students who perform well in secondary school. During the 2017 school year, the Bank donated Rwf 46.6million towards that helped support the education of 200 students from 71 different schools in the country.**

OUR SUPPORT ENABLES IMBUTO FOUNDATION TO FINANCE THE STUDENTS' LIVING COST IN BOARDING SCHOOLS, UNIFORMS, HEALTH INSURANCE, SCHOLASTIC MATERIALS AND NATIONAL EXAMINATION REGISTRATION FEES

We are proud to report that since 2009, our partnership with Imbuto has enabled four hundred and ninety-one (491) students to complete secondary school. Our support enables Imbuto Foundation to finance the students' living cost in boarding schools, uniforms, health insurance, scholastic materials and national examination registration fees for those enrolled in the third and the sixth years. Our partner, Imbuto Foundation also conducts a holiday camp for the scholars every year during which they empower students with foundational skills and values to prepare them for a good future.

Judith U. is among the beneficiaries of our partnership with Imbuto Foundation. She has since graduated from secondary school and managed to secure herself employment with a local bank, with the earned income, she is able to finance her own university education.

Francine N. is another beneficiary of our partnership with Imbuto foundation. In 2015, Francine graduated from Gashora Girls' Academy of Sciences and joined the Earth University in Costa Rica where she is pursuing a degree in Agricultural science and natural resource management under the sponsorship of Howard G Buffet Foundation. Francine will graduate within a year, after completing the 4 years' program.

Thierry D. a former student of

Groupe Scolaire Officiel de Butare is also among the partnership's beneficiaries. After secondary school, Thierry studied computer engineering in the University of Rwanda and later joined Carnegie Mellon university where he graduated in June 2017 with Master's in Information Technology. He is currently working as Systems Manager at DMM HeHe Ltd, a tech company that develops mobile technologies.

We also continued to support public speaking skills development of secondary students through the annual national high school debate championship with focus on finance related subjects. In 2017, as the year before, we were fascinated to note that three out of the best five debaters were girls.

The Bank also established two new partnerships including with the UK Chevening Scholarship program in which one Rwandan student will be sponsored over the next three years, to undertake post-graduate training.

The other is a five-year partnership with the African Institute for Mathematical Sciences (AIMS) aiming at supporting **Innovative Design and Thinking for African Solutions** that allow graduates to work on top business challenges and propose innovative solutions.

***Under the Innovation Pillar,* the Bank unveiled 'Urumuri Initiative' which will be an annual youth led enterprise challenge where young people with innovative solution based project ideas with great commercial potential to support sustainable national economic growth will compete for interest-free financing to invest in their projects.**

EIGHT OUT OF THIRTEEN SEMI-FINALISTS WERE SELECTED AS WINNERS OF THE INAUGURAL BK URUMURI INITIATIVE AND THEY SHARED IN UNEQUAL AMOUNTS THE RWF 60MILLION INTEREST-FREE FINANCING FROM THE BANK

In 2017, the Bank made available Rwf 60million worth of interest free financing. Over 300 project applications were received but only fifty were selected for the competition. After a five-month intensive training program, thirteen young entrepreneurs were selected for the semi-final stage during which they pitched their ideas to management.

Eight out of thirteen semi-finalists were selected as winners of the inaugural BK Urumuri Initiative and they shared in unequal amounts the Rwf 60 million interest-free financing from the Bank.

***Under the Conservation Pillar,* the Bank donated solar panels to over 500 rural and poor households in Nyagatare district. Prior to the intervention, the beneficiaries were relying on rudimentary sources of energy such as firewood and candles which are not only dangerous to the environment but also human life.**

THE BANK WILL CONTINUE SUPPORTING THE GOVERNMENT'S EFFORTS TOWARDS ACHIEVING ITS NATIONAL ELECTRICITY ACCESS TARGETS

The solar panels will directly benefit over 2000 people living in the 500 households that benefited from the donation. With the solar panels, these families can now charge their phones and enjoy a safe and clean source of light at night enabling their kids to study and do their homework without major constraints.

The donation is also Bank of Kigali's contribution to the Government's effort of achieving its rural electrification targets by 2020. The target is to increase access to electricity from the current coverage of below 30% of all households to at least 70% by 2017/18 and 100% by 2020.

The government notes that, the most cost-effective means to increasing access to electricity is using off-grid solutions that have wide range of technologies such as a basic solar lantern that can charge phone or radio to a solar home system that can light an entire house and power appliances such as a television.

In that regard, moving forward, the Bank will continue supporting the Government's efforts towards achieving its national electricity access targets.

OUR SUBSIDIARIES

BK GENERAL INSURANCE LTD

General Insurance
Safeguarding Your Wealth

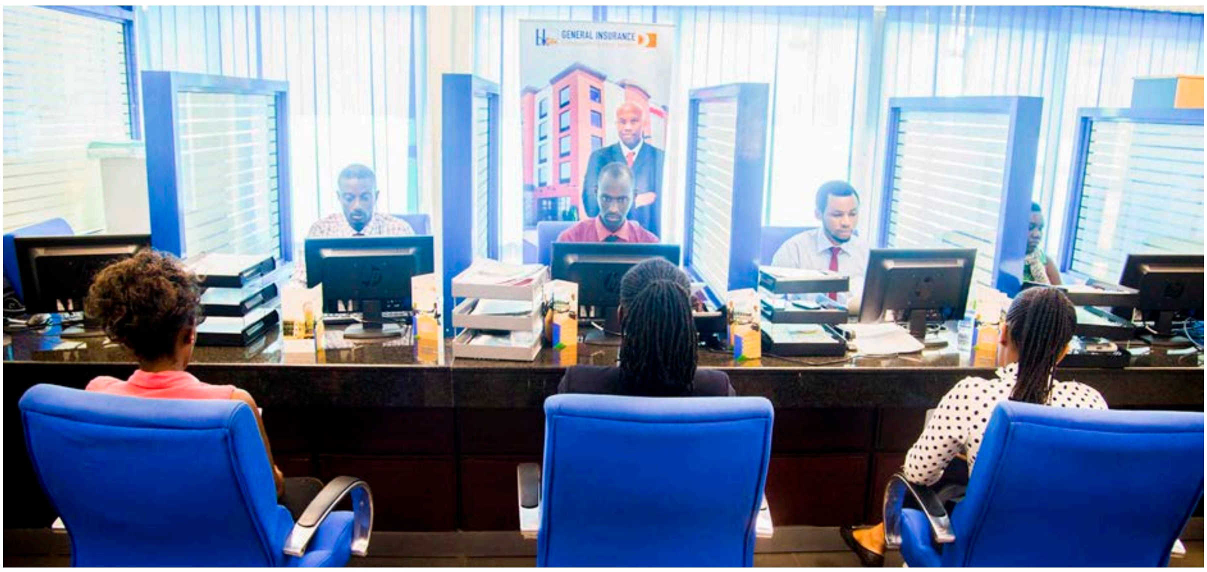
Mr. Alex N. Bahizi: Chief Executive Officer

Alex joined Bank of Kigali in 2010 as a Legal Services Manager. He later headed departments of Legal Services and Recoveries until mid-2016 when he became the Chief Executive Officer of BK General Insurance.

Prior to joining Bank of Kigali, Alex was the Head of Quality Assurance, a member of the reform team in charge of modernizing the Social Security industry and a State Attorney in the National Social Security Fund. He was a member of the Kigali Bar Association and the East African Law Society.

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

OUR BUSINESS



In 2015, Bank of Kigali incorporated an insurance business through BK General Insurance Company that was licensed by the National Bank of Rwanda to transact general insurance in March 2016.

The Vision of BK General Insurance Company is to be the leading provider of innovative, high quality insurance services while its mission is the provision of innovative, high quality insurance services that add value to shareholders' investments through technology enhanced products and motivated professional staff.

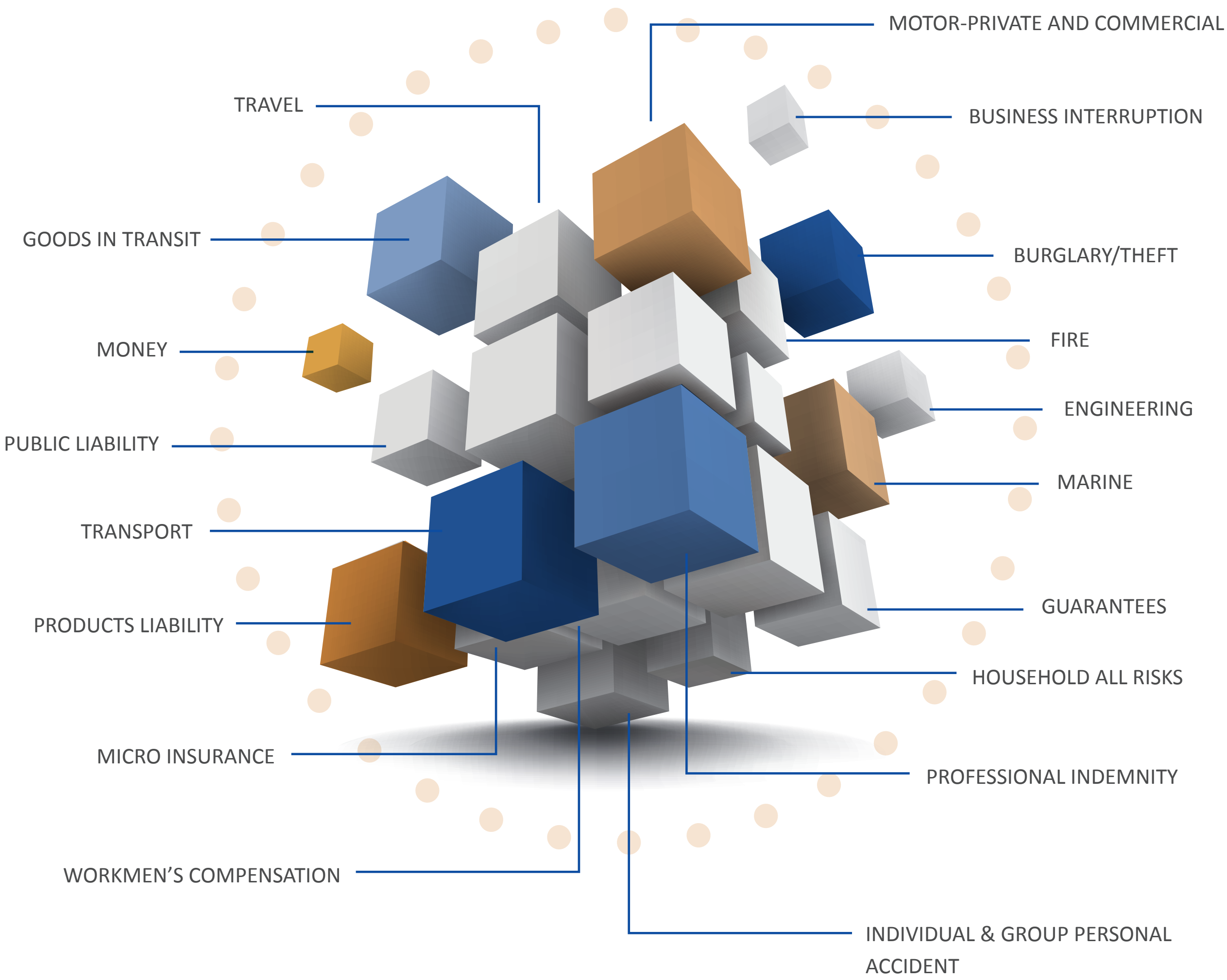
The insurance business strategy in the short and medium term is to build a model that will enable it to set the standard of excellence among insurance providers by being innovative, being financially strong, and exceeding customer expectations. The Management of the company is conscious of existing market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

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

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

Compared to the previous year, 2017 was characterized by more than 100% growth in key metrices like underwritten Premiums, Policies written, Underwriting Profit, Solvency Margins, Net Profit, Assets, Liquidity and small loss ratio. BKGI's performance capacity over the year has been tested and the company's aggressive marketing and risk analysis signify unequalled growth potential. The company shall continue to build a sustainable portfolio, enhance its already efficient claim settlement process and maintain a transparent and ethical business relationship with insurance intermediaries.

BKGI OFFERS A RANGE OF INSURANCE PRODUCTS



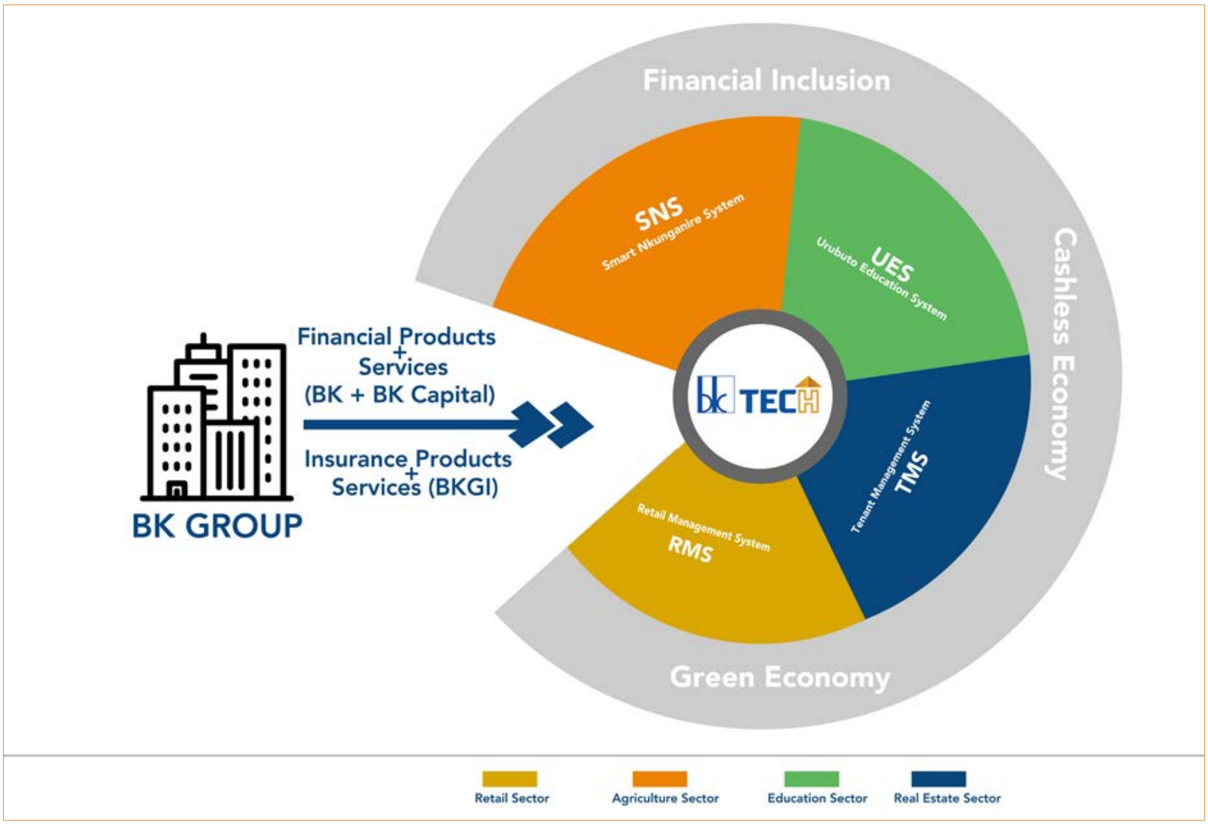
BK TECHOUSE LTD

Regis Rugemanshuro, PMP, SPC4r

Mr. Regis Rugemanshuro, PMP, SPC4 serves as the Chief Executive Officer of Bank of Kigali TecHouse Ltd, a subsidiary company of Bank of Kigali Group PLC. Mr. Rugemanshuro spent his career in the United States consulting for the global Tech giants such as Hewlett Packard (HP) as a Program Manager and later with Accenture PLC in Seattle, Washington. During his time there, his main clients included Microsoft and T-Mobile. His area of focus is at the intersection of Business and Technology; his expertise is in helping clients realize the promise of the digital revolution via adoption of modern engineering platforms and practices.

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

BK TECHOUSE ECO SYSTEM



PROJECTS

Launched officially in March 2017, BK TecHouse first year was marked by sealing key partnerships and platforms development:

- Agriculture: BK TecHouse and RAB signed an MoU for a PPP to de-risk agriculture by digitizing the whole agro-Input value chain including profiling all the farmers who comprise 70% of the Rwandan adult population. The platform is called Smart Nkunganire System (SNS) and has been successfully piloted. It is accessible on web, mobile app and USSD at *774# for registration. Smart Nkunganire is planned to launch in July 2018 with the 19A planting season.

- Education: BK TecHouse “Urubuto Education system” for Smart Schools and Cashless campuses; is the leading Comprehensive School Management Digital Platform in Rwanda with over 75 Schools onboarded on the platform and more than 152,000 users including school teachers, administrators, and parents/guardians. The system accessible on Web, mobile app and USSD at *775# not only give the parents an active front seat in their children’s education, but it also offers convenience to pay tuition fee using your mobile money or mobile banking solution, E-banking or at your nearest BK branch without the need to take the physical pay slip to the school for recording as the schools are notified instantly and a reconciliation is done in real time..

- Real Estate: BK TecHouse Tenant Management System (TMS) is a revolutionary software designed to help all companies and individuals with houses, commercial space and stands to lent. With its automated invoicing, instant notification and electronic payment capabilities. Tenants are able create and share their rental history while building an attractive profile for financial and insurance institutions. Successfully piloted in December 2017, it set to be officially launched in Q1 2018.

- Internet of Things (IOT): BK TecHouse saw its IOT business unit grow significantly in 2017 achieving 123% of its sales target and positioning the company as a leading value adding internet based smart solutions for homes, large and medium enterprises, schools, industrial factories, hospitals, parking garages and commercial buildings, etc. In 2017 BK TecHouse signed a deal to be the exclusive partner of HIK Vision’s EZVIZ award winning Smart Home Security Solution in Rwanda.

The year 2018 will be marked by focused campaigns to launch and scale the developed digital platforms, while at the same time refining the Big Data Analytics engine behind the digital platforms to develop more insight based delightful and value adding solutions for our clients.

OUR SUBSIDIARIES IN ACTION

BK GROUP PLC FINANCIALS

DIRECTORS THAT SERVED DURING THE PERIOD AND TO THE DATE OF THIS REPORT

DIRECTORS

Non-Executive and Independent Directors
Mr. Marc Holtzman (Chairman)
Mr. Julien Kavaruganda
Mrs. Liliane Igihozo

Non-Executive and Non-Independent Directors
Mr. Jonathan Gatera (Vice Chairman)
Mr. Reuben Karemera

Executive Director
Dr. Diane Karusisi (CEO)

Resigned
Mr. Kenneth Ofori-Atta (2nd Jan 2017)
Mrs. Alphonsine Niyigena (4th May 2017)

SECRETARY

Katia Manirakiza
KN4 Ave No 12,
Plot No 790
P.O Box 175
Kigali-Rwanda

AUDITOR

Ernst & Young Rwanda Limited
Certified Public Accountants
M. Peace Plaza - 6th Floor
Executive Wing
KN 4 AVE., 72ST
P. O. Box 3638
Kigali - Rwanda

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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

ADVOCATES

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

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

The directors have the pleasure of submitting their report together with the audited consolidated financial statements for the year ended 31 December 2017 which disclose the state of affairs of the Bank and its subsidiaries. In an extra-ordinary meeting held on 6 December 2017, the shareholders approved the change of company name from Bank of Kigali Limited to BK Group PLC. BK Group PLC 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 BK GROUP PLC is provision of Retail and Corporate Banking services, Insurance services, Brokerage services, Internet and digital services.

2 Results

The results for the year are set out in the consolidated financial statements on pages 54 to 138.

3 Dividends

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

b) The total proposed dividend for the year 2017 is therefore FRw 9,339,552,000 (2016 is FRw 8,302,347,000) for ordinary shareholders.

4 Reserves

The reserves of the bank and the Group are set out in note 30.

5 Directors

The Directors who served during the year and up to the date of this report are set out on page 46.

6 Auditors

Ernst & Young Rwanda Limited was appointed as external auditors in 2015 and will be rotating out of office in accordance with regulation n°04/2009 on accreditation and other requirements for external auditors of banks, insurers and insurance brokers.

7 Approval of the financial statements

The Bank and consolidated financial statements were approved by the Directors on 23 February 2018.

BY ORDER OF THE BOARD

Katia Manirakiza

Company Secretary

Date: 23/02/2018

The Group's Directors are responsible for the preparation and fair presentation of the consolidated financial statements, comprising the consolidated statement of financial position at 31 December 2017, 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) governing Banks in Rwanda, Law No. 52/2008 of 10/09/2008 governing Insurance Companies and Law No. 27/2017 of 31/05/2017 relating to Companies 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 10 to 79, 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) governing Banks in Rwanda, Law No. 52/2008 of 10/09/2008 governing Insurance Companies and Law No. 27/2017 of 31/05/2017 relating to Companies. The Directors are of the opinion that the consolidated financial statements give a true and fair view of the state of the financial affairs and the profit and cash flow for the year ended 31 December 2017.

The Directors have made an assessment of the Group'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) governing Banks in Rwanda, Law No. 52/2008 of 10/09/2008 governing Insurance Companies and Law No. 27/2017 of 31/05/2017, relating to Companies as amended and regulations governing Banks in Rwanda.

The Bank and consolidated financial statements which appear on pages 54 to 138 were approved by the Board of Directors on 23 February 2018 and signed on its behalf by:

Director

Director

Date: 23/02/2018

Date: 23/02/2018

BK GROUP PLC is committed to world class corporate governance standards as set from time to time by the National Bank of Rwanda, Capital Market Authority, Rwanda Stock Exchange and by itself in accordance with international best practice. The Board of Directors are responsible for the long term strategic direction for profitable growth of the Bank whilst being accountable to the shareholders for compliance and maintenance of the highest corporate governance standards and business ethics.

The Board of Directors

The Board is made up of three Non-Executive and Independent Directors, two Non-Executive and Non-Independent Directors and one Executive Director. The Board is provided with full, appropriate and timely information to enable them maintain full and effective control over the strategic, financial, operational and compliance issues of the Bank. The day to day running of the business of the Bank is delegated to the Managing Director but the Board is responsible for establishing and maintaining the Bank's system of internal controls so that the objective of profitable and sustainable growth and shareholders' values are realised. The Board also makes recommendations to the shareholders on Board succession planning and annual financial statements.

Board meetings

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

Board Committees

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

a. Risk Management Committee

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

b. Audit Committee

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

c. Human Resources Committee

The committee meets quarterly to review human resource policies and make suitable recommendations to the Board on senior management appointments. This committee oversees the nomination functions and senior management performance reviews.

Credit Committee

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

Board/ Board Committee attendance

The following table gives the record of attendance to the Bank and its Committee meetings for the year ended 31 December 2017.

Structure	Category	Main Board	Audit Committee	Risk committee	Credit Committee	ALCO Committee	HR Committee
Mr. Marc Holtzman	Non-Executive Independent	✓					✓
Mr. Jonathan Gatera	Non-Executive Non-Independent	✓		✓	✓		✓
Mr. Julien Kavaruganda	Non-Executive Independent	✓	✓	✓		✓	
Mrs. Liliane Igihozo	Non-Executive Independent	✓	✓		✓	✓	
Mr. Reuben Karemera	Non-Executive Non-Independent	✓			✓	✓	✓
Dr. Diane Karusisi	Executive	✓	✓	✓	✓	✓	✓

Management committees;

The Board has delegated the management of the business to the Managing Director together with his Management Committee. The following management committees are in place to ensure that the Bank carries out its obligation efficiently and effectively.

- Management Committee
- Assets and Liability Committee
- Credit committee
- Debt Recovery Committee
- Human Resource Committee
- Product Development Committee
- Information & Communication Technology Committee
- Procurement Committee

Opinion

We have audited the accompanying consolidated financial statements of BK GROUP PLC and its subsidiaries which comprise the consolidated statements of financial position as at 31 December 2017, 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 54 to 138.

In our opinion, the consolidated financial statements present fairly in all material respects, the consolidated financial position of BK GROUP PLC and its subsidiaries as at 31 December 2017, and the 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. 27/2017 of 31/05/2017 relating to Companies, the Law No: 03/2016 of 24/06/2016 issued by the National Bank of Rwanda (BNR) governing Banks in Rwanda, Law No. 52/2008 of 10/09/2008 governing Insurance Companies.

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 they 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. 27/2017 of 31/05/2017 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 and Law No. 52/2008 of 10/09/2008 governing Insurance Companies and, 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. 27/2017 of 31/05/2017 relating to Companies, Laws and regulations governing banks in Rwanda, 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. 27/2017 of 31/05/2017 relating to companies in Rwanda as amended, we report to you, based on our audit, that:

- 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;
- In our opinion, proper books of account have been kept by the company, so far as appears from our examination;
- 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;
- We have no relationship, interest or debt with BK GROUP PLC and its subsidiaries. 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.
- 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: 29/03/2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

		THE BANK		THE GROUP	
		2017	2016	2017	2016
	Note	**FRw'000**	**FRw'000**	**FRw'000**	**FRw'000**
Interest income	7	82,086,644	72,233,071	82,223,868	72,254,385
Interest expense	8	(18,340,069)	(16,545,579)	(18,315,980)	(16,556,236)
Net interest income		**63,746,575**	**55,687,492**	**63,907,888**	**55,698,149**
Net Fees and commission income	9	18,341,278	14,111,523	18,341,278	14,160,293
Foreign exchange related income	10	7,800,144	6,584,107	7,786,502	6,583,450
Other operating income	11	1,117,425	181,442	2,426,510	465,392
Operating income before impairment losses		**91,005,422**	**76,564,564**	**92,462,178**	**76,907,284**
Net impairment on loans and advances	12	(16,489,292)	(10,448,958)	(16,489,292)	(10,448,958)
Account maintenance fees	13	(1,363,454)	(6,634,811)	(1,363,454)	(6,634,811)
Net operating income		**73,152,676**	**59,480,795**	**74,609,432**	**59,823,515**
Personnel costs	14(i)	(19,935,048)	(13,799,529)	(21,127,700)	(14,075,178)
Depreciation and amortisation	14(ii)	(4,418,855)	(3,954,902)	(4,501,210)	(3,955,171)
Administration and General expenses	14(iii)	(14,793,758)	(11,783,277)	(14,808,488)	(11,812,051)
Total operating expenses		**(39,147,661)**	**(29,537,708)**	**(40,437,398)**	**(29,842,400)**
Profit before income tax		**34,005,015**	**29,943,087**	**34,172,034**	**29,981,115**
Income tax expense	15(a)	(10,758,093)	(9,212,208)	(10,823,154)	(9,225,248)
Net profit for the year		**23,246,922**	**20,730,879**	**23,348,880**	**20,755,867**
Other comprehensive income not to be reclassified to profit and loss in subsequent periods					
Revaluation of property, plant and equipment net of tax		-	5,458,581	-	5,458,581
Total comprehensive income for the year		**23,246,922**	**26,189,460**	**23,348,880**	**26,214,447**
Basic earnings per share in FRw	16			34.67	30.87
Diluted earnings per share in FRw	16			-	30.76
Dividend payout ratio	16			40%	40%

The notes set out on pages 59 to 138 form an integral part of these financial statements.

		THE BANK		THE GROUP	
ASSETS	Note	2017	2016	2017	2016
		FRw'000	**FRw'000**	**FRw'000**	**FRw'000**
Cash in hand	17 (a)	19,731,699	15,032,721	19,731,699	15,032,721
Balances with the National Bank of Rwanda	17 (b)	42,583,327	31,832,058	42,583,327	31,832,058
Due from banks	18	51,852,516	84,634,868	53,055,021	84,634,868
Held to maturity investments	19(a)	94,248,923	77,962,606	94,248,923	77,962,606
Loans and advances to customers	20(a)	471,704,315	385,824,570	471,704,315	385,824,570
Other assets	21	10,521,561	8,581,481	11,452,009	8,877,766
Equity Investments	19(b)	2,621,425	1,421,425	221,425	221,425
Property and equipment	22	33,339,337	33,378,208	33,529,626	33,435,701
Intangible assets	23	557,224	449,798	678,355	514,883
TOTAL ASSETS		**727,160,327**	**639,117,735**	**727,204,700**	**638,336,598**
LIABILITIES					
Due to banks	24	42,377,460	28,205,184	42,377,460	28,105,184
Deposits and balances from customers	25	457,589,724	420,465,054	455,213,393	419,017,263
Tax Payable	15(b)	6,898,150	4,159,740	6,900,698	4,165,830
Deferred tax liability	26	2,350,917	6,796,020	2,351,802	6,795,553
Dividends Payable	27	9,378,311	8,343,104	9,378,311	8,343,104
Other liabilities	28	15,252,061	5,709,181	17,390,729	6,286,996
Long-term finance	29	70,842,175	57,137,068	70,842,175	57,137,068
TOTAL LIABILITIES		**604,688,798**	**530,815,351**	**604,454,568**	**529,850,998**
CAPITAL AND RESERVES					
Share Capital	30(i)	6,745,370	6,724,428	6,745,370	6,724,428
Share Premium	30(ii)	18,936,176	18,695,343	18,936,176	18,695,343
Revaluation Reserves	30(iii)	13,000,149	13,630,625	13,000,149	13,630,625
Retained earnings	30(iv)	83,789,834	69,251,988	84,068,437	69,435,204
TOTAL EQUITY		**122,471,529**	**108,302,384**	**122,750,132**	**108,485,600**
TOTAL LIABILITIES AND EQUITY		**727,160,327**	**639,117,735**	**727,204,700**	**638,336,598**

The financial statements were approved by the Board of Directors on 23 February 2018 and were signed on its behalf by:

Director: Marc Hoffman   Director: ____________________

Date: 23/02/2018   Date: 23/02/2018

The notes set out on pages 59 to 138 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Issued capital	Share Premium	Revaluation Reserve	Retained Earnings	Total
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
The Bank 2017					
As at 1 January 2017	6,724,428	18,695,343	13,630,625	69,251,988	108,302,384
Increase in Share Capital	20,942	240,833	-	-	261,775
Dividend paid/ accrued	-	-	-	(9,339,552)	(9,339,552)
Elimination on disposal	-	-	(630,476)	630,476	-
Profit for the period	-	-	-	23,246,922	23,246,922
As at 31 December 2017	**6,745,370**	**18,936,176**	**13,000,149**	**83,789,834**	**122,471,529**
The Group 2017					
As at 1 January 2017	6,724,428	18,695,343	13,630,625	69,435,204	108,485,600
Increase in Share Capital	20,942	240,833	-	-	261,775
Dividend paid/ accrued	-	-	-	(9,339,552)	(9,339,552)
Other adjustment	-	-	-	(6,571)	(6,571)
Elimination on disposal	-	-	(630,476)	630,476	-
Profit for the period	-	-	-	23,348,880	23,348,880
As at 31 December 2017	**6,745,370**	**18,936,176**	**13,000,149**	**84,068,437**	**122,750,132**

The notes set out on pages 59 to 138 form an integral part of these financial statements

	Issued capital	Share Premium	Revaluation Reserve	Retained Earnings	Total
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
The Bank 2016					
As at 1 January 2016	6,721,842	18,665,604	6,129,035	67,570,836	99,087,316
Increase in Share Capital	2,586	29,739	-	-	32,325
Dividend paid-2015	-	-	-	(8,193,623)	(8,193,623)
Dividend declared 2016	-	-	-	(8,302,347)	(8,302,343)
Revaluation Reserve 2016 net of tax	-	-	5,458,582	-	5,458,582
Elimination on transferred excess depreciation	-	-	2,043,008	(2,553,757)	(510,752)
Profit for the period	-	-	-	20,730,879	20,730,879
As at 31 December 2016	**6,724,428**	**18,695,343**	**13,630,625**	**69,251,988**	**108,302,384**
The Group 2016					
As at 1 January 2016	6,721,842	18,665,604	6,129,035	67,729,064	99,245,545
Increase in Share Capital	2,586	29,739	-	-	32,325
Dividend paid-2015	-	-	-	(8,193,623)	(8,193,623)
Dividend declared 2016	-	-	-	(8,302,347)	(8,302,347)
Revaluation Reserve 2016 net of tax	-	-	5,458,582	-	5,458,582
Elimination of transferred excess depreciation	-	-	2,043,008	(2,553,757)	(510,752)
Profit for the period	-	-	-	20,755,867	20,755,866
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 59 to 138 form an integral part of these financial statements

		THE BANK		BK GROUP	
		2017	2016	2017	2016
Cash flows from operating activities	**Note**	**FRw'000**	**FRw'000**	**FRw'000**	**FRw'000**
Profit before tax Adjusted for:		34,005,015	29,943,087	34,172,034	29,981,115
Depreciation of property and equipment	14(ii)	3,801,718	3,521,710	3,884,073	3,513,410
Amortization of intangible assets	14(ii)	617,137	433,192	617,137	441,761
Gains on disposal of fixed Assets	11	(852,793)	(50,723)	(852,793)	(50,723)
Loss on revaluation of long-term finance/ accrued interest	29	2,084,387	4,052,702	2,084,387	4,052,702
Interest accrued on long-term financing		1,091,939	481,001	1,091,939	481,001
Dividend income	11	(47,651)	(32,427)	(47,651)	(32,427)
Cash flows before changes in working capital		**40,699,752**	**38,348,542**	**40,949,126**	**38,386,839**
Changes in Working capital					
Increase in Loans and Advances	20(a)	(85,879,745)	(71,899,035)	(85,879,745)	(71,899,035)
Increase in other assets	21	(1,940,080)	(797,972)	(2,574,243)	(622,262)
Increase in deposits and balances from customers	25	37,124,670	34,303,563	36,196,130	34,303,563
Increase in Cash Reserve Requirement	17	(2,642,237)	(1,989,951)	(2,529,998)	(1,989,951)
Increase/ (decrease) in other liabilities	28	9,542,880	(3,369,903)	11,103,733	(3,369,901)
Income tax paid	15(b)	(12,464,786)	(5,063,962)	(12,532,032)	(5,063,962)
Net cash generated from operating activities		**(15,559,546)**	**(10,468,718)**	**(15,267,029)**	**(10,254,709)**
INVESTING ACTIVITIES					
Purchase of intangible assets	23	(724,563)	(518,599)	(780,609)	(575,115)
Purchase of property and equipment	22	(4,786,834)	(4,787,469)	(5,001,970)	(4,844,962)
Proceeds from sale of fixed assets	11	1,876,780	50,723	1,876,780	50,723
Investment in subsidiaries	19(b)	(1,200,000)	(1,100,000)	-	-
Purchase of Held To Maturity Investments	19(a)	(333,502,798)	(385,606,513)	(333,502,798)	(385,606,513)
Proceeds from Held To Maturity Investments	19(a)	317,216,481	401,147,105	317,216,481	401,147,105
Dividends received	11	47,651	32,427	47,651	32,427
Net cash flows from investing activities		(21,073,283)	9,217,674	20,144,465	10,203,665
FINANCING ACTIVITIES					
Dividends paid	27	(8,304,345)	(8,187,096)	(8,304,345)	(8,187,096)
Drawdown of long term finance	29	31,362,073	19,958,446	31,362,073	19,958,446
Repayment of long-term finance	29	(20,833,291)	(9,830,725)	(20,833,291)	(9,830,725)
Increase in share capital	30(i)	20,942	2,586	20,942	2,586
			THE BANK		BK GROUP
		2017	2016	2017	2016
Increase in share premium	30(ii)	240,833	29,739	240,833	29,739
Net cash flows from financing activities		**2,486,212**	**1,972,950**	**2,486,212**	**1,972,951**
Net (Decrease) /increase/ in cash and cash equivalent		(34,146,617)	721,906	(32,925,282)	1,921,906
Net foreign exchange difference		1,277,029	(2,882,861)	1,277,029	(2,882,861)
Cash and cash equivalents at 1 January		77,678,531	79,839,486	77,778,531	78,739,486
Cash and cash equivalent at 31 December	**17(c)**	**44,808,943**	**77,678,531**	**46,130,278**	**77,778,531**

The notes set out on pages 59 to 138 form an integral part of these financial statements.

1. CORPORATE INFORMATION

BK GROUP PLC is a group company registered with Rwanda Development Board (RDB) and licensed under Law No. 08/99 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 and insurance in Rwanda.

The Bank 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:

BK Group Plc Building

KN4 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 BK GROUP PLC. 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 Tec-House 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.

2. BASIS OF PREPARATION (Continued)

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.

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.

- 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.

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognised over those future periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

v. Gross Premiums

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

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

Reinsurance premiums

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

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

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

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)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

a. 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.

b. 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.

c. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

i. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

ii. 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:

d. 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.

e. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. 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.

h. 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.

i. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. 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.

k. Employee benefits

i. 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.

iii. 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.

iv. 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 entitled 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.

l. 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. The Group segmentation is the same as for the Bank as the other companies are relatively small in size.

m. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. 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.

o. Related parties

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

p. Benefits, claims and expenses recognition

i. Gross benefits and claims

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

v. Reinsurance claims

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

q. Reinsurance

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

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

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

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

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

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

r. Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of comprehensive income. Management considers the receivable to be impaired when their indications that the debtors are experiencing significant financial or difficulty default in repayments. Balances outstanding that are impaired are provided for as an impairment loss in the statement of profit or loss and other comprehensive income.
Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

s. Insurance contract liabilities

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

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

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

t. Insurance payables

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

u. New and amended standards and interpretations

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 has the information for both current and comparative period in Note 29.

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 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 not expected to have an impact on the Group.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, and 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The expected impact on opening balance of retained earnings is Rwf 1,703,207.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Standards issued but not yet effective

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 a significant impact on IFRS 15 as they deal mostly with financial instruments which are scoped out of IFRS 15.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 as most of the lease terms are short-term in nature.

Standards issued but not yet effective

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 measurementof 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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. The standard is not expected to have a major impact now on the Group as there are no share based payment transactions currently.

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.

Standards issued but not yet effective

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(continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 de-recognition 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:

- The beginning of the reporting period in which the entity first applies the interpretation Or
- 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 as there are few transactions of such nature.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective

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.

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. The amendment is not expected to affect the Group as they are have already implemented IFRS.

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.
- 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.
- The amendment is not expected to affect the Group as the conditions do not apply to the Group.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. There was no impact on the Group as they do not hold such interest classified as as held for sale.

Improvements to International Financial Reporting Standards

IFRS 17 Insurance Contracts

Effective for annual periods beginning on or after 1 January 2021.

Background

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. In September 2017, the Board established a Transition Resource Group (TRG) for IFRS 17 that will be tasked with analysing implementation-related questions on IFRS 17.

Scope

IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

Key requirements

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The main features of the new accounting model for insurance contracts are, as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (i.e., coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice.
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

Transition

IFRS 17 is effective for reporting periods starting on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Board decided on a retrospective approach for estimating the CSM on the transition date. However, if full retrospective application, as defined by IAS 8 for a group of insurance contracts, is impracticable, an entity is required to choose one of the following two alternatives:

- Modified retrospective approach - based on reasonable and supportable information available without undue cost and effort to the entity, certain modifications are applied to the extent full retrospective application is not possible, but still with the objective to achieve the closest possible outcome to retrospective application
- Fair value approach - the CSM is determined as the positive difference between the fair value determined in accordance with IFRS 13 Fair Value Measurement and the fulfilment cash flows (any negative difference would be recognised in retained earnings at the transition date)
- Both the modified retrospective approach and the fair value approach provide transitional reliefs for determining the grouping of contracts. If an entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, it is required to apply the fair value approach.

Impact

IFRS 17, together with IFRS 9, will result in a profound change to the accounting in IFRS financial statements for insurance companies. This will have a significant impact on data, systems and processes used to produce information for financial reporting purposes. The new model is likely to have a significant impact on the profit and total equity of some insurance entities, resulting in increased volatility compared to today's models. Key performance indicators will also likely be affected.

FRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration Effective for annual periods beginning on or after 1 January 2018. The Group management is still assessing the impact of implementing this standard.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Key requirements

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 de-recognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or nonmonetary 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.

Transition

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:

- The beginning of the reporting period in which the entity first applies the interpretation or
- 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.

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

Impact

The amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or nonmonetary liability relating to advance consideration received or paid in a foreign currency. The Group did not have such transactions in the current year.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments-Effective for annual periods beginning on or after 1 January 2019.

In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments which clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.

Scope

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Key requirements

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances. An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

Effective date and transition

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

Impact

Applying the interpretation could be challenging for entities, particularly those that operate in more complex multinational tax environments. Entities may also need to evaluate whether they have established appropriate processes and procedures to obtain information on a timely basis that is necessary to apply the requirements in the interpretation and make the required disclosures. The Group assessed the impact and expects that it will be immaterial.

Prepayment Features with Negative Compensation - Amendments to IFRS 9-Effective for annual periods beginning on or after 1 January 2019

Key requirements

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract.

Transition

The amendments must be applied retrospectively; earlier application is permitted. The amendment provides specific transition provisions if it is only applied in 2019 rather than in 2018 with the remainder of IFRS 9.

Prepayment Features with Negative Compensation - Amendments to IFRS 9-Effective for annual periods beginning on or after 1 January 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impact

The amendments are intended to apply where the prepayment amount approximates to unpaid amounts of principal and interest plus or minus an amount that reflects the change in a benchmark interest rate. This implies that prepayments at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instrument, will normally satisfy the SPPI criterion only if other elements of the change in fair value, such as the effects of credit risk or liquidity, are small. Most likely, the costs to terminate a 'plain vanilla' interest rate swap that is collateralised, so as to minimise the credit risks for the parties to the swap, will meet this requirement. The Group expects an immaterial impact on this as they have no assets that would fall under this category.

Modification or exchange of a financial liability that does not result in derecognition

In the basis for conclusions to the amendments, the IASB also clarified that the requirements in IFRS 9 for adjusting the amortised cost of a financial liability, when a modification (or exchange) does not result in derecognition, are consistent with those applied to the modification of a financial asset that does not result in derecognition.

This means that the gain or loss arising on modification of a financial liability that does not result in derecognition, calculated by discounting the change in contractual cash flows at the original effective interest rate, is immediately recognised in profit or loss.

The IASB made this comment in the basis for conclusions to the amendments as it believes that the existing requirements in IFRS 9 provided an adequate basis for entities to account for modifications and exchanges of financial liabilities and that no formal amendment to IFRS 9 was needed in respect of this issue.

Impact

The IASB stated specifically that this clarification relates to the application of IFRS 9. As such, it would appear that this clarification does not need to be applied to the accounting for modification of liabilities under IAS 39 Financial Instruments: Recognition and Measurement. Any entities that have not applied this accounting under IAS 39 are therefore likely to have a change of accounting on transition. As there is no specific relief, this change needs to be made retrospectively.The Group expects no impact as its financial liabilities are accounted under IAS 39.

Long-term interests in associates and joint ventures - Amendments to IAS 28-Effective for annual periods beginning on or after 1 January 2019.

Key requirements

The amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The Board also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

To illustrate how entities apply the requirements in IAS 28 and IFRS 9 with respect to long-term interests, the Board also published an illustrative example when it issued the amendments.

Transition

Entities must apply the amendments retrospectively, with certain exceptions. Early application of the amendments is permitted and must be disclosed.

Impact

The amendments will eliminate ambiguity in the wording of the standard. The Group expects no impact as it does not hold such interest.

IFRS Practice Statement 2: *Making Materiality Judgements*

Companies are permitted to apply the guidance in the Practice Statement (PS) to financial statements prepared any time after 14 September 2017.

Purpose

- The PS contains non-mandatory guidance to help entities making materiality judgements when preparing general purpose IFRS financial statements. The PS may also help users of financial statements to understand how an entity makes materiality judgements in preparing such financial statements.

Key provisions

i. The PS comprises guidance in three main areas:
ii. General characteristics of materiality
iii. A four-step process that may be applied in making materiality judgements when preparing financial statements. This process describes how an entity could assess whether information is material for the purposes of recognition, measurement, presentation and disclosure.

How to make materiality judgements in specific circumstances, namely, prior period information, errors and covenants and in the context of interim reporting. Furthermore, the PS discusses the interaction between the materiality judgements an entity is required to make and local laws and regulations.

The PS includes examples illustrating how an entity might apply the guidance.

Impact

Since the PS is a non-mandatory document, it does not change or introduce any requirements in IFRS. However, the PS provides helpful guidance for entities making materiality judgements and thus may improve the communication effectiveness of financial statements. The Group will make an assessment of the impact and consider applying the guidance.

Improvements to International Financial Reporting Standards

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Key requirements

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

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

i. Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose.
ii. The amendment is effective from 1 January 2018. The Group does not expect any impact as it has already adopted IFRS.

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 clarify 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.
- 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. The Group expects no impact as it does not hold such interest.

2015-2017 cycle (issued in December 2017)

Following is a summary of the amendments from the 2015-2017 annual improvements cycle:

IFRS 3 Business Combinations

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Previously held Interests in a joint operation

- The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value.
- In doing so, the acquirer remeasures its entire previously held interest in the joint operation. • An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted. The Group expects no impact as it does not hold such interest.

IFRS 11 Joint Arrangements

Previously held Interests in a joint operation

- A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted. The Group expects no impact as it does not hold such interest.

IAS 12 Income Taxes

Income tax consequences of payments on financial instruments classified as equity

- The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. The Group is assessing the impact of the amendment and expect to apply it when it comes into application.

IAS 23 Borrowing Costs

Borrowing costs eligible for capitalisation

- The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.
- An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. The Group expects no impact as it does not borrow to develop qualifying assets.

4. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including credit risk, liquidity risk, market risks, Insurance risk, 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 Group has established the Credit, Audit, Risk, Human Resources and Asset and Liability committees, which are responsible for developing and monitoring the Group'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 Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group, 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.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Groupk, 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.

The Audit Committee is responsible for monitoring compliance with the Group'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 Group 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 Group'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;

4. FINANCIAL RISK MANAGEMENT (Continued)

- 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 Group'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;
- Regular audits of business units and the Group's credit processes are undertaken by Internal Audit Department.

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 (between 0-30 days)**
Grade 2:	**Watch risk (between 31-90 days)**
Grade 3:	**Sub-standard risk (between 91-180 days)**
Grade 4:	**Doubtful risk (between 181-360 days)**
Grade 5:	**Loss (over 360 days)**

4. FINANCIAL RISK MANAGEMENT (Continued)

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:

	2017	2016
Individually impaired	**FRw'000**	**FRw'000**
Grade 3: Substandard risk	15,100,369	8,180,989
Grade 4: Doubtful risk	7,666,817	7,119,427
Grade 5: Loss risk	10,158,642	6,158,093
Gross amount	**32,925,828**	**21,458,509**
Allowance for impairment Specific allowance for impairment	(20,702,111)	(9,078,820)
Net Carrying amount	**12,223,717**	**12,379,689**

Non–performing loans

Non-performing Gross loans and advances on which interest income has been suspended amount to FRw 32.9 Billion (2016: FRw 21.5 Billion) for the Bank, with total impairment allowance of FRw 24.0 million (2016: FRw 11.8 Billion). 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 FRw26.4 million (2016: FRw 29.4million) and are considered adequate.

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:

	2017	2016
	FRw'000	**FRw'000**
Grade 1: Normal risk (between 0-30 days)	525,355,552	436,281,462
Grade 2: Watch risk (between 31-90 days)	28,926,847	16,875,142
Allowance for collective assessment	(3,305,122)	(2,719,379)
Net Carrying amount	**550,977,277**	**450,437,225**

4. FINANCIAL RISK MANAGEMENT (Continued)

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:

	THE BANK		THE GROUP	
	2017	**2016**	**2017**	**2016**
	FRw'000	**FRw'000**	**FRw'000**	**FRw'000**
Balances with the National Bank of Rwanda	42,583,327	31,832,058	42,583,327	31,832,058
Due from banks	51,852,516	84,634,868	53,055,021	84,634,868
Held to maturity investments	94,248,923	77,962,606	94,248,923	77,962,606
Equity investments	2,621,425	1,421,425	221,425	221,425
Other assets	10,521,561	8,581,481	11,452,009	8,877,766
Net Carrying amount	**201,827,752**	**204,432,438**	**201,560,705**	**203,528,723**

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.

4. FINANCIAL RISK MANAGEMENT (Continued)

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.

	2017	2016
	FRw'000	FRw'000
Guarantees		
Acceptances and letter of credit issued	40,993,347	25,415,435
Guarantees commitments issued	50,242,053	51,136,617
Loans/ lines approved but not yet disbursed	16,647,161	51,687,135
	107,882,561	**128,239,187**

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:

	2017		2016	
	FRw'000	%age	FRw'000	%age
Large Corporate Clients	367,759,825	74%	262,914,896	66%
Small and Medium Enterprises	54,702,928	11%	71,091,493	18%
Non-Profit Entities	5,627,590	1%	5,177,490	1%
Retail Banking	67,621,305	14%	58,438,890	15%
	495,711,648	**100%**	**397,622,769**	**100%**

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.

4. FINANCIAL RISK MANAGEMENT (Continued)

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 2017 and 2016. An estimate of fair values of collaterals held against loans and advances to customers at the end of the year was as follows:

	2017	2016
	FRw'000	**FRw'000**
Against Impaired loans	26,416,793	29,352,712
Against past due but not impaired loans	333,150,707	404,680,561
	359,567,500	**434,033,273**

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 2017 or 2016.

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		
	2017	2016	Principal type of security held
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.

	2017	2016
At close of the year	42.1%	47.0%
Average for the year	43.9%	45.9%
Maximum for the year	48.7%	51.6%
Minimum for the year	39.8%	36.2%

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:

4. FINANCIAL RISK MANAGEMENT (Continued)

The table below summarizes the Bank's liquidity risk as at 31 December 2017, 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	19,731,699	-	-	-	-	19,731,699
Balances with the National Bank of Rwanda	42,583,327	-	-	-	-	42,583,327
Due from banks	52,099,911	112,980	842,130	-	-	53,055,021
Held to maturity investments	22,176,846	11,635,975	35,312,355	23,623,747	1,500,000	94,248,923
Loans and advances to customers	40,074,254	36,876,925	76,532,542	83,025,415	235,195,179	471,704,315
Equity investments	-	-	-	-	221,425	221,425
Other assets	9,928,213	1,037,109	460,789	25,898	-	11,452,009
TOTAL ASSETS	**186,594,250**	**49,662,989**	**113,147,816**	**106,675,060**	**236,916,604**	**692,996,719**
LIABILITIES AND EQUITY						
Due to banks	26,670,446	15,669,000	38,014	-	-	42,377,460
Other customer deposits	356,975,202	17,164,569	80,265,577	808,045	-	455,213,393
Deferred tax	-	-	219,043	2,132,759	-	2,351,802
Dividends payable	38,760	-	9,339,451	-	-	9,378,211
Other liabilities	9,997,705	9,308	7,383,716	-	-	17,390,729
Long-term Finance	2,241,750	3,080,808	15,094,295	50,425,322	-	70,842,175
Tax payable	-	6,900,698	-	-	-	6,900,698
Shareholders' funds	-	-	-	-	122,750,132	122,750,132
At 31 December 2017	**395,923,863**	**42,824,383**	**112,340,096**	**53,366,126**	**122,750,132**	**727,204,600**
Liquidity Gap 2017	**(209,329,613)**	**6,838,606**	**807,720**	**53,308,934**	**114,166,472**	**-**

4. FINANCIAL RISK MANAGEMENT (Continued)

The table below summarizes the Bank's liquidity risk as at 31 December 2016, 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
TOTAL ASSETS	**193,422,820**	**49,614,830**	**48,801,562**	**88,452,080**	**224,094,722**	
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
NoShareholders' 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)**	**33,830,542**	**110,958,732**	**-**

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 2017 and 31 December 2016:

	2017	2016
	FRw'000	FRw'000
Assets in foreign currencies	190,349,295	172,807,513
Liabilities in foreign currencies	(206,170,870)	(181,810,921)
Net foreign currency exposure at the end of the year	**(15,821,575)**	**(9,003,408)**

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).

		Effect on profit before tax	
Currency	**Increase/decrease in exchange rate**	**2017**	**2016**
		FRw'000	**FRw'000**
USD	+5%	(856,822)	(602,004)
	-5%	856,822	602,004
GBP	+5%	(4,242)	(32,339)
EUR	+/-5%	(2,509)	(84,703)
	-5%	2,509	84,703

4. FINANCIAL RISK MANAGEMENT (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 2017:

Assets

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

4. FINANCIAL RISK MANAGEMENT (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)**

4. FINANCIAL RISK MANAGEMENT (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.

		Effect on profit before tax	
Currency	**Increase/decrease in LIBOR rate**	**2017**	**2016**
		FRw'000	**FRw'000**
USD	+/-0.23%	101,689	112,692
EUR	+/-0.27%	65,011	24,033

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 2017	Weighted interest rate		+/- 100bp
Effect on Interest income		FRw'000	FRw'000
Balances with the National Bank of Rwanda	9.6%	19,012,423	190,124
Balances and placements with other Banks	0.2%	51,833,407	518,334
Treasury bills and bonds	9.6%	94,248,923	942,489
Loans and advances - Net	16.2%	472,976,237	4,729,762
TOTAL ASSETS/INCREASE		**638,070,990**	**6,380,709**
Effect on Interest expense			
Balances and placements due to Banks	3.4%	31,200,214	312,002
Customer deposits	8.9%	140,381,856	1,403,819
Long-Term Finance	7.2%	70,842,175	708,422
TOTAL LIABILITIES/INCREASE		**242,424,245**	**2,424,243**
EFFECT ON PROFITS		**395,646,745**	**3,956,466**
Balance as at 31 December 2016	**Weighted interest rate**		**+/- 100bp**
Effect on Interest income		FRw'000	FRw'000
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

4. FINANCIAL RISK MANAGEMENT (Continued)

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**

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

	Weighted interest rate	On demand	Less than 3 months	3-12 months	1 to 5 year	Over 5 years	Total
		FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
ASSETS							
Balances with the National Bank of Rwanda	9.6%	-	19,012,423	-	-	-	19,012,423
Balances and placements with other Banks	0.2%	45,873,406	5,117,871	842,130	-	-	51,833,407
Treasury bills and bonds	9.6%	-	33,812,821	35,312,355	23,623,747	1,500,000	94,248,923
Loans and advances – Net	16.2%	-	76,951,178	76,532,542	83,025,415	235,195,180	471,704,315
TOTAL ASSETS		**45,873,406**	**134,894,293**	**112,687,027**	**106,649,162**	**236,695,180**	**636,799,068**
LIABILITIES							
Balances and placements due to other Banks	4.5%	-	31,162,200	38,014	-	-	31,200,214
Customer deposits	8.7%	32,652,435	26,655,799	80,265,577	808,045	-	140,381,856
Long-Term Finance	7.2%	-	5,322,558	15,094,295	50,425,322	-	70,842,175
TOTAL LIABILITIES		**32,652,435**	**63,140,557**	**95,397,886**	**51,233,367**	**-**	**242,424,245**
Total interest sensitivity gap		**13,220,971**	**71,753,736**	**17,289,141**	**55,415,795**	**236,695,180**	**394,374,823**

4. FINANCIAL RISK MANAGEMENT (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**	**327,430,946**

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.

4. FINANCIAL RISK MANAGEMENT (Continued)

- 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.

Insurance risk management

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

The Group manages the insurance risk in the manner briefly outlined below:

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

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

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

4. FINANCIAL RISK MANAGEMENT (Continued)

population of risks to reduce the variability of the expected outcome.

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

e. Insurance Risk

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

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

Claims are payable on claims occurrence basis.

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

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

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

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

a) Technical provision

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

The Group uses the most reliable technique to estimate the ultimate cost of claims including IBNR provision. The company has estimated IBNR as 15% of outstanding claims. Management has determined that the estimate is adequate for purposes of covering the risk and will ensure the Group will remain profitable in the future. As such management does not review claims development (i.e. actual claims compared with previous estimates) to manage its insurance risk.

b) Reinsurance risk

In common with other insurance companies, in order to minimize financial exposure arising from large insurance claims, the Group, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow

4. FINANCIAL RISK MANAGEMENT (Continued)

management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under excess of loss reinsurance contracts. To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristic of the reinsurers. Reinsurance contracts do not relieve the Company from its obligations to cedants and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

f. 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.

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.

4. FINANCIAL RISK MANAGEMENT (Continued)

The Bank's regulatory capital position at 31 December 2017 was as follows:

		THE BANK		THE GROUP	
		2017	**2016**	**2017**	**2016**
		FRw'000	**FRw'000**	**FRw'000**	**FRw'000**
Core Capital (Tier 1):					
Ordinary share capital		6,745,370	6,724,428	6,745,370	6,724,428
Retained earnings and reserves		83,789,827	69,251,988	84,068,437	69,435,204
Share premium		18,936,176	18,695,343	18,936,176	18,695,343
Total		**109,471,373**	**94,671,759**	**109,749,983**	**94,854,975**
Supplementary Capital (Tier 2):		3,250,037	3,407,656	3,250,037	3,407,656
Total qualifying capital		**112,721,410**	**98,079,415**	**113,000,020**	**98,262,631**
	Risk %				
BNR Repo	20%	4,803,463	1,400,000	4,803,463	1,400,000
Due From Banks	20%	9,610,026	15,526,974	9,610,026	15,526,974
Financial Instruments	100%	19,606,606	-	19,606,606	-
Loans & Advances (Net excl. Residential mortgage)	100%	412,878,286	340,245,045	412,878,286	340,245,045
Loans & Advances (Net Residential mortgage)	50%	30,043,879	22,789,762	30,043,879	22,789,762
Equity Investments	100%	2,621,425	1,221,425	221,425	221,425
Fixed Assets & other assets	100%	44,418,122	42,408,327	45,659,989	42,828,351
Financing commitments given to customers	100%	57,640,509	77,102,570	57,640,509	77,102,570
Total Risk weighted assets		**581,622,316**	**500,694,103**	**580,464,183**	**500,114,127**
Regulatory reserve		15%	15%	15%	15%
Capital ratios:					
Total qualifying capital expressed as a percentage of total risk-weighted assets		19.38%	19.6%	19.47%	19.6%
Total tier 1 capital expressed as a percentage of total risk-weighted assets		18.82%	18.9%	18.91.0%	19.0%

5. USE OF ESTIMATES AND JUDGEMENTS

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.

i. 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

5. USE OF ESTIMATES AND JUDGEMENT (Continued)

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.

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.

ii. 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;

5. USE OF ESTIMATES AND JUDGEMENT (Continued)

- 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.

The following table sets out the fair values of financial instruments not measured at fair value as at 31st December 2017 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	-	19,731,699	-	19,731,699	19,731,699
Balances with the National Bank of Rwanda	-	42,583,327	-	42,583,327	42,583,327
Due from banks	-	53,055,021	-	53,055,021	53,055,021
Held to maturity investments	-	94,248,923	-	94,248,923	94,248,923
Loans and advances to customers	-	-	471,704,315	471,704,315	471,704,315
Equity Investments	-	-	221,425	221,425	221,425
Other assets	-	-	11,452,009	11,452,009	11,452,009
	-	**209,618,970**	**483,377,749**	**692,996,719**	**692,996,719**

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.

5. USE OF ESTIMATES AND JUDGEMENT (Continued)

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.

The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is a critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the company will ultimately pay for such claims.

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). IBNR is determined as 15% of outstanding claims in accordance with the regulatory requirements.

It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the statement of financial position. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

6. SEGMENT REPORTING

The GROUP 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.

6. SEGMENT REPORTING (Continued)

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.

BK Subsidiaries

BK Securities Limited -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 The Bank shares.

BK Nominees Limited -The main activity of the Company is to hold assets for Custody clients.

BK Registrars Limited -The company offers Registrar, Administration and Fund Management Services.

BK Tec-House Limited -The company offers Internet and digital Services to customers.

BK General Insurance Limited -The company offers Non-Life Insurance Services.

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

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017	Corporate Banking	Retail Banking	Central Treasury	BK Subsidiaries	Total
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Interest income	60,124,241	11,752,572	10,209,831	137,224	82,223,868
Interest expense	(3,890,815)	(1,074,548)	(13,374,706)	24,089	(18,315,980)
Net interest income	**56,233,426**	**10,678,024**	**(3,164,875)**	**161,313**	**63,907,888**
Net Non-interest Income	5,306,464	6,134,386	15,817,997	1,295,444	28,554,290
Net impairment on loans and advances	(13,191,434)	(3,297,858)	-	-	(16,489,292)
Account maintenance fees	(477,502)	(885,952)	-	-	(1,363,454)
Total operating expenses	(4,040,187)	(4,072,717)	(31,034,758)	(1,289,736)	(40,437,398)
Profit before taxation	**43,830,767**	**8,555,883**	**(18,381,637)**	**167,021**	**34,172,034**
Taxation	(13,149,231)	(2,566,762)	4,957,901	(65,062)	(10,823,154)
Profit after taxation	**30,681,536**	**5,989,121**	**(13,423,736)**	**101,959**	**23,348,880**

6. SEGMENT REPORTING (Continued)

For the year ended 31 December 2016	Corporate Banking	Retail Banking	Central Treasury	BK Subsidiaries	Total
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 interest income	**47,074,450**	**10,399,629**	**(1,786,587)**	**10,657**	**55,698,149**
Net Non-interest Income	5,029,430	4,602,739	11,293,016	283,950	21,209,135
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**

Statement of Financial Position

For the year ended 31 December 2017	Corporate Banking	Retail Banking	Central Treasury	BK subsidiaries	Total
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Gross Loans& advances to customers	428,090,343	67,621,306	-	-	495,711,649
Cash in hand	-	-	19,731,699	-	19,731,699
Balances with central bank	-	-	42,583,327	-	42,583,327
Due from banks	-	-	51,852,516	1,202,505	53,055,021
Held to maturity investment	-	-	94,248,923	-	94,248,923
Total Deposits	240,803,014	113,728,500	143,059,338	-	497,590,852
Number of customers	24,229	257,990	261	-	282,480
Current Accounts	30,843	208,592	568	-	240,003
As at 31 December 2016					
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

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

	THE BANK		THE GROUP	
	2017	2016	2017	2016
	FRw'000	FRw'000	FRw'000	FRw'000
Interest on overdrawn accounts	5,539,899	8,508,816	5,539,899	8,436,244
Interest on treasury loans	7,684,732	6,463,926	7,684,732	6,463,926
Interest on equipment loans	40,235,590	30,861,166	40,235,590	30,861,166
Interest on consumer loans	7,303,342	5,737,104	7,303,342	5,737,104
Interest on mortgage loans	11,584,080	8,650,153	11,584,080	8,650,153
Other interest on loans to clients	226,225	3,217,760	226,225	3,217,760
Interest on deposits with banks	151,490	201,737	288,714	295,622
Interest received from reverse purchase	1,074,168	343,926	1,074,168	343,926
Interest on assets held to maturity	8,287,118	8,248,483	8,287,118	8,248,484
	82,086,644	**72,233,071**	**82,223,868**	**72,254,385**

Included within various line items under interest income for the year ended 31 December 2017 is a total of FRw 5.5 billion (2016: FRw 4.6 billion) relating to impaired loans and advances.

8. INTEREST EXPENSE

	THE BANK		THE GROUP	
	2017	2016	2017	2016
	FRw'000	FRw'000	FRw'000	FRw'000
Interest on Customer Term deposit	10,645,412	11,306,059	10,621,323	11,316,716
Interest on Current Accounts and Saving Accounts	1,960,674	1,430,193	1,960,674	1,430,193
Interest on Long term Credit Lines	4,597,333	2,627,403	4,597,333	2,627,403
Interest on Transactions with other banks	1,136,650	1,181,924	1,136,650	1,181,924
	18,340,069	**16,545,579**	**18,315,980**	**16,556,236**

9. NET FEES AND COMMISSION INCOME

	THE BANK		THE GROUP	
	2017	2016	2017	2016
	FRw'000	FRw'000	FRw'000	FRw'000
Fees and commission income				
Commissions on operations of accounts	2,224,430	2,083,739	2,224,430	2,083,739
Commissions on payment facilities	7,636,280	4,471,441	7,636,280	4,471,441
Commissions on loan services	3,580,324	3,503,026	3,580,324	3,503,026
Commissions received from financing commitments	1,781,148	782,092	1,781,148	782,092
Commissions received from guarantees commitments	1,695,631	1,802,174	1,695,631	1,802,174
Income from transactions with other banks	187,909	118,033	187,909	166,804
Other fees from services	2,207,420	1,951,498	2,207,420	2,021,799
	19,313,142	**14,712,003**	**19,313,142**	**14,831,075**
Fees and commission expense				
Commissions on credit services	(444,158)	(321,454)	(444,158)	(391,756)
Commissions on payment facilities	(371,463)	(197,776)	(371,463)	(197,776)
Commissions on other financial instruments operations	(156,243)	(81,250)	(156,243)	(81,250)
	(971,864)	**(600,480)**	**(971,864)**	**(670,782)**
Net Fees and Commission	**18,341,278**	**14,111,523**	**18,341,278**	**14,160,293**

10. FOREIGN EXCHANGE RELATED INCOME

	THE BANK		THE GROUP	
	2017	2016	2017	2016
	FRw'000	FRw'000	FRw'000	FRw'000
Net Forex trading	5,043,763	3,782,212	5,030,120	3,782,868
Forex commissions	2,593,661	2,673,468	2,593,662	2,673,468
Other Forex revenues	162,720	128,427	162,720	127,114
	7,800,144	**6,584,107**	**7,786,502**	**6,583,450**

11. OTHER OPERATING INCOME

	THE BANK		THE GROUP	
	2017	**2016**	**2017**	**2016**
	FRw'000	**FRw'000**	**FRw'000**	**FRw'000**
Rental income	137,646	98,291	137,646	91,433
Dividend received from investment	47,651	32,427	47,651	32,427
Gain on asset disposal	932,128	50,724	932,128	50,724
BK Securities brokerage commission	-	-	48,860	6,858
	1,117,425	**181,442**	**1,166,285**	**181,442**
BK General Insurance Income				
Net premium earned	-	-	2,161,550	159,418
Claims incurred	-	-	(909,363)	-
Brokers commission paid	-	-	(20,784)	-
Investment income	-	-	167,952	124,532
Elimination of intercompany sales	-	-	(203,956)	-
	-	**-**	**1,195,399**	**283,950**
BK Telecom Income				
Gross sales	-	-	435,015	73,541
Cost of sales	-	-	(109,109)	-
Elimination of intercompany sales	-	-	(261,080)	(73,541)
	-	-	64,826	-
Other operating income	**1,117,425**	**181,442**	**2,426,510**	**465,392**

12. NET IMPAIRMENT ON LOANS AND ADVANCES

	THE BANK		THE GROUP	
	2017	**2016**	**2017**	**2016**
	FRw'000	**FRw'000**	**FRw'000**	**FRw'000**
Additional specific provisions (Note 21(c))	19,123,225	14,105,956	19,123,225	14,105,956
Increase/(decrease) of Collective provisions (Note 21(d))	585,742	20,335	585,742	20,335
Recoveries of previously written off loans	(3,219,675)	(3,677,333)	(3,219,675)	(3,677,333)
	16,489,292	**10,448,958**	**16,489,292**	**10,448,958**

13. ACCOUNT MAINTENANCE FEES

	THE BANK		THE GROUP	
	2017	**2016**	**2017**	**2016**
	FRw'000	**FRw'000**	**FRw'000**	**FRw'000**
Account maintenance fees	1,363,454	6,634,811	1,363,454	6,634,811

Account maintenance fees include ledger fees and other charges on dormant accounts that were closed during the period.

14. OTHER OPERATING EXPENSES

	THE BANK		THE GROUP	
	2017	2016	2017	2016
i. Personnel expenses	FRw'000	FRw'000	FRw'000	FRw'000
Salaries and wages	17,997,474	12,280,239	19,083,777	12,603,861
Medical expenses	694,772	464,010	696,485	464,010
Pension scheme contributions	1,010,388	869,332	1,092,079	886,193
Other benefits	232,414	185,948	255,359	121,114
	19,935,048	**13,799,529**	**21,127,700**	**14,075,178**
ii. Depreciation and amortisation				
Depreciation of property and equipment (Note 22)	3,801,718	3,521,710	3,884,073	3,513,410
Amortisation of intangible assets (Note 23)	617,137	433,192	617,137	441,761
	4,418,855	**3,954,902**	**4,501,210**	**3,955,171**
iii. Administration and general expenses				
Directors' Remuneration	415,368	309,182	415,368	309,182
Audit Fees	42,348	131,255	43,351	132,258
Rent, repairs and Maintenance	1,572,698	1,462,515	1,575,620	1,464,546
Utilities	628,335	551,030	628,335	551,030
Postage, Photocopying and printing	794,627	640,899	799,715	938,067
Travel and Accommodation Expenses	507,885	423,949	524,016	423,949
Security and cash in transit costs	1,750,162	1,352,194	1,750,162	1,352,194
Insurance	212,620	160,235	212,620	160,235
Marketing and Publicity	709,511	566,768	715,545	568,599
Statutory fees	597,156	342,048	598,476	343,968
Legal and Consultancy Fees	760,132	718,598	761,064	742,677
Unclaimed VAT on expenditure	1,245,824	903,068	1,245,824	903,068
Telephone and Internet costs	1,211,458	1,011,709	1,292,596	722,020
Charitable donation	269,993	223,710	269,993	223,710
Credit and Debit Card Costs	2,697,781	1,977,650	2,697,781	1,949,610
Other general expenses	1,377,860	1,008,467	1,278,022	1,026,938
	14,793,758	**11,783,277**	**14,808,488**	**11,812,051**

15. INCOME TAX

The components of income tax expense for the year ended 31 December 2017 and 2016 are:

		THE BANK		THE GROUP	
a)	**Income tax expense**	**2017**	**2016**	**2017**	**2016**
		FRw'000	**FRw'000**	**FRw'000**	**FRw'000**
	Current tax	14,842,297	8,415,561	14,906,006	8,421,651
	Deferred tax debit/(credit)	(4,445,104)	796,647	(4,443,752)	803,598
	Prior year adjustment	360,900	-	360,900	-
	Net tax charge	**10,758,093**	**9,212,208**	**10,823,154**	**9,225,249**

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

	THE BANK				THE GROUP			
	Effective Rate	**2017 FRw'000**	**Effective Rate**	**2016 FRw'000**	**Effective rate**	**2017 FRw'000**	**Effective rate**	**2016 FRw'000**
Income Tax charge								
Current tax		14,842,297		8,415,561		14,906,006		8,421,651
Deferred tax charge/ (credit)		(4,445,104)		796,647		(4,443,752)		803,598
Prior year adjustment		360,900		-		360,900		-
Net tax charge	**31.6%**	**10,758,093**	**30.8%**	**9,212,208**	**31.7%**	**10,823,154**	**30.8%**	**9,225,249**
Accounting profit before tax		**34,005,015**		**29,943,087**		**34,172,034**		**29,981,115**
Tax calculated at tax rate of 30%	30.0%	10,201,505	30.0%	8,982,926	30.0%	10,251,611	30.0%	8,994,335
Items of income not subject to tax	(0.4%)	(121,412)	(7.4%)	(2,208,902)	(0.4%)	(121,412)	(7.4%)	(2,214,221)
Tax effects on non-taxable items	14.0%	4,762,204	5.5%	1,641,537	13.9%	4,775,807	5.5%	1,641,537
	43.6%	**14,842,297**	**28.1%**	**8,415,561**	**43.6%**	**14,906,006**	**28.1%**	**8,421,651**

		THE BANK		THE GROUP	
(b)	**Tax Payable**	**2017**	**2016**	**2017**	**2016**
		FRw'000	**FRw'000**	**FRw'000**	**FRw'000**
	At 1 January	4,159,740	808,141	4,165,830	808,141
	Tax paid during the year	(12,103,887)	(5,063,962)	(12,171,138)	(5,063,962)
	Tax charge for the year	14,842,297	8,415,561	14,906,006	8,421,651
	At 31 December	**6,898,150**	**4,159,740**	**6,900,698**	**4,165,830**

16. EARNINGS PER SHARE

	2017	2016
Profit for the year attributable to equity shareholders – FRw'000	23,348,880	20,755,866
Weighted average number of shares	673,425,250	672,313,500
Effect of dilution:		
Share option (Employee share Ownership Plan)	-	2,385,869
Weighted average number of ordinary shares adjusted for the effect of dilution	**673,425,250**	**674,699,369**
Earnings per share:		
Basic earnings per share – FRw	34.67	30.87
Diluted earnings per share – FRw	-	30.76
Dividend payout ratio	40%	40%

Basic earnings per share is calculated on the profit attributable to ordinary shareholders of FRw 23.3 billion (2016: FRw20.8 billion) and on the weighted average number of ordinary shares outstanding during the year of 673,425,250 (2016: 672,313,500 shares).

The Bank had dilutive shares equal to 7,200,000 offer shares under the Employee Share Ownership Plan ("ESOP") that was subscribed for by the directors and eligible employees from 1st September 2012 and expired on 31st August 2017.

The warrant entitled 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 7,200,000 shares had been fully exercised under this ESOP scheme.

17. 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:

		THE BANK		THE GROUP	
(a)	**Cash in hand**	**2017**	**2016**	**2017**	**2016**
		FRw'000	**FRw'000**	**FRw'000**	**FRw'000**
	Cash in foreign currency	10,619,960	7,362,860	10,619,960	7,362,860
	Cash in local currency	9,111,739	7,669,861	9,111,739	7,669,861
		19,731,699	**15,032,721**	**19,731,699**	**15,032,721**
(b)	**Balances with National Bank of Rwanda**				
	Restricted balances (Cash Reserve Ratio)	24,998,359	22,356,122	24,879,543	22,356,122
	Unrestricted balances	17,584,968	9,475,936	17,703,784	9,475,936
		42,583,327	**31,832,058**	**42,583,327**	**31,832,058**

17. ANALYSIS OF CASH AND CASH EQUIVALENTS (Continued)

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 2017, the Cash Reserve Ratio requirement was 5% (2016 - 5%) of all deposits amounting to FRw 497.6 billion (2016: FRw 447.1 billion). Mandatory cash reserve ratio is not available for use in the Bank's day-to-day operations.

The unrestricted balances include Cash balances on Nostro accounts in BNR FRw 17.6 billion. The reverse purchase agreement –REPO balance as at 31 December 2017 was FRw 19 billion. (2016: FRw 9.5 billion with no 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:

	THE BANK		THE GROUP	
	2017	**2016**	**2017**	**2016**
	FRw'000	**FRw'000**	**FRw'000**	**FRw'000**
Cash in hand	19,731,699	15,032,721	19,731,699	15,032,721
Balances with the National Bank of Rwanda	17,584,968	9,475,935	17,703,785	9,475,935
Due from banks	51,852,516	84,634,868	53,055,021	84,634,868
Due to Banks	(42,377,460)	(28,105,184)	(42,377,460)	(28,105,184)
Unrealized exchange gains	(1,982,780)	(3,259,809)	(1,982,767)	(3,259,809)
	44,808,943	**77,778,531**	**46,130,278**	**77,778,531**

18. DUE FROM BANKS

	THE BANK		THE GROUP	
	2017	**2016**	**2017**	**2016**
Placements with local banks	5,024,000	3,755,994	6,226,505	3,755,994
Placements with foreign banks	45,873,406	79,284,730	45,873,406	79,284,730
Current accounts with foreign banks	955,110	1,594,144	955,110	1,594,144
	51,852,516	**84,634,868**	**53,055,021**	**84,634,868**

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.

18. DUE FROM BANKS (Continued)

	THE BANK		THE GROUP	
	2017	2016	2017	2016
Credit Ratings	FRw'000	FRw'000	FRw'000	FRw'000
A	242,819	229,455	242,819	229,455
A+	49,927,525	78,770,897	51,130,030	78,770,897
B	106,712	99,278	106,712	99,278
B+	1,575,460	5,535,238	1,575,460	5,535,238
	51,852,516	**84,634,868**	**53,055,021**	**84,634,868**

The weighted average effective interest rate on placements and balances with other banks at 31 December 2017 was 0.5% (2016: 0.4%)

19. INVESTMENTS

	THE BANK		THE GROUP	
a) **Held to Maturity Investments**	2017	2016	2017	2016
	FRw'000	FRw'000	FRw'000	FRw'000
Treasury bills	67,415,533	74,355,403	67,415,533	74,355,403
T-Bonds	7,226,785	3,607,203	7,226,785	3,607,203
Other Financial Instruments	19,606,605	-	19,606,605	-
Total	**94,248,923**	**77,962,606**	**94,248,923**	**77,962,606**
Maturing between 3-12 months	70,625,176	75,569,988	70,625,176	75,569,988
Maturing between 1-5 years	23,623,747	2,392,618	23,623,747	2,392,618
	94,248,923	**77,962,606**	**94,248,923**	**77,962,606**

	2017				2016		
	Treasury Bills	Treasury Bonds	Other securities	Total	Treasury Bills	Treasury Bonds	Total
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
1 January	74,355,403	3,607,203	-	77,962,606	60,935,402	2,636,110	63,571,512
Additions	307,645,666	6,250,527	19,606,605	333,502,798	383,392,982	2,213,531	385,606,513
Maturities	(314,585,535)	(2,630,946)	-	(317,216,481)	(369,972,981)	(1,242,438)	(371,215,419)
31 December	**67,415,534**	**7,226,784**	**19,606,605**	**94,248,923**	**74,355,403**	**3,607,203**	**77,962,606**

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:

The weighted average effective interest rate on government securities held to maturity at 31 December 2017 was 9.6% (2016: 9.6%).

19. INVESTMENTS (Continued)

		THE BANK		THE GROUP	
b)	**Equity Investments**	**2017**	**2016**	**2017**	**2016**
		FRw'000	**FRw'000**	**FRw'000**	**FRw'000**
	Development Bank of Rwanda (BRD)	96,975	96,975	96,975	96,975
	Magerwa	5,000	5,000	5,000	5,000
	Investments in SWIFT	2,970	2,970	2,970	2,970
	R-Switch (SIMTEL)	116,480	116,480	116,480	116,480
	Investment in BK General Insurance Ltd	2,000,000	1,000,000	-	-
	Investment in BK Tec-House Ltd	300,000	100,000	-	-
	Investment in BK Securities Ltd	100,000	100,000	-	-
		2,621,425	**1,421,425**	**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.

20. LOANS AND ADVANCES

		THE BANK		THE GROUP	
		2017	**2016**	**2017**	**2016**
(a)	**Net loans and advances**	**FRw'000**	**FRw'000**	**FRw'000**	**FRw'000**
	Corporate	367,759,988	262,914,896	367,759,825	262,914,896
	Small and Medium Enterprises	54,702,928	71,091,493	54,702,928	71,091,493
	Non-Profit Entities	5,627,605	5,177,490	5,627,590	5,177,490
	Total Corporate Loans	**428,090,521**	**339,183,879**	**428,090,343**	**339,183,879**
	Gross Retail Banking	67,882,314	58,879,183	67,882,474	58,879,183
	Discount on Staff Loans	(261,187)	(440,293)	(261,169)	(440,293)
	Total Retail Loan Book	**67,621,127**	**58,438,890**	**67,621,305**	**58,438,890**
	Total Gross loans	**495,711,648**	**397,622,769**	**495,711,648**	**397,622,769**
	Allowance for Impairment - Specific assessment	(20,702,211)	(9,078,820)	(20,702,211)	(9,078,820)
	Allowance for Impairment – Collective assessment	(3,305,122	(2,719,379)	(3,305,122)	(2,719,379)
	Net carrying amount	**471,704,315**	**385,824,570**	**471,704,315**	**385,824,570**

20. LOANS AND ADVANCES (Continued)

		THE BANK		THE GROUP	
		2017	2016	2017	2016
(b)	**LCs and Bank Guarantees**	**FRw'000**	**FRw'000**	**FRw'000**	**FRw'000**
	Corporate	80,219,188	65,080,690	80,219,188	65,080,690
	Small and Medium Enterprises	10,906,518	11,287,946	10,906,518	11,287,946
	Non-Profit Entities	43,548	150,812	43,548	150,812
	Retail Banking	66,146	32,604	66,146	32,604
	Total Gross loans	**91,235,400**	**76,552,052**	**91,235,400**	**76,552,052**
(c)	**Specific provisions for impairment**				
	At 1 January	9,078,820	8,145,955	9,078,820	8,145,955
	Provisions made during the year	19,123,225	14,105,956	19,123,225	14,105,956
	Loans written off during the year	(7,499,834)	(13,173,091)	(7,499,834)	(13,173,091)
	As at 31 December	**20,702,211**	**9,078,820**	**20,702,211**	**9,078,820**
(d)	**Collective provisions for impairment**				

		THE BANK		THE GROUP	
		2017	2016	2017	2016
	At 1 January	2,719,379	2,699,044	2,719,379	2,699,044
	Provisions made during the year	585,743	20,335	585,743	20,335
	As at 31 December	**3,305,122**	**2,719,379**	**3,305,122**	**2,719,379**
(e)	**Maturity analysis of gross loans and advances to customers**				
	Maturing within 1 month	40,074,254	21,357,285	40,074,254	21,357,285
	Maturing after 1 month, but before 3 months	36,876,925	24,768,826	36,876,925	24,768,826
	Maturing after 3 months, but within 1 year	76,532,542	31,177,235	76,532,542	31,177,235
	Maturing after 1 year, but within 5 years	83,025,415	97,386,419	83,025,415	97,386,419
	Maturing after 5 years	259,202,512	222,933,004	259,202,512	222,933,004
		495,711,648	**397,622,769**	**495,711,648**	**397,622,769**
(f)	**Sectoral analysis of Gross Loans and advances to customers**				
	Private sector and individuals	495,607,615	397,513,403	495,607,615	397,513,403
	Government and parastatals	104,033	109,366	104,033	109,366
		495,711,648	**397,622,769**	**495,711,648**	**397,622,769**

20. LOANS AND ADVANCES (Continued)

The weighted average effective interest rate on gross loans and advances as at 31 December 2017 was 16.2% (31 December 2016: 17.5%). As at 31 December, the ageing analysis of past due but not impaired loans and advances is as follows:

	THE BANK		THE GROUP	
	2017	2016	2017	2016
	FRw '000	**FRw '000**	**FRw '000**	**FRw '000**
Less than 60 days	2,560,534	673,192	2,560,534	673,192
Between 61 – 90 days	19,914,521	16,201,950	19,914,521	16,201,950
	22,475,055	**16,875,142**	**22,475,055**	**16,875,142**

21. OTHER ASSETS

	THE BANK		THE GROUP	
Equity Investments	**2017**	**2016**	**2017**	**2016**
	4,257,624	**2,825,263**	**4,257,624**	2,824,103
BK Subsidiaries other assets	-	-	930,448	297,445
Clearing accounts	6,263,937	5,756,218	6,263,937	5,756,218
	10,521,561	**8,581,481**	**11,452,009**	**8,877,766**

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.

22. PROPERTY AND EQUIPMENT

	Land and Buildings	Computer and IT Equipment	Motor vehicles	Furniture and Fittings	Work in Progress	Total
2017 (THE BANK)	**FRw'000**	**FRw'000**	**FRw'000**	**FRw'000**	**FRw'000**	**FRw'000**
COST/VALUATION						
At 1 January 2017	28,581,585	6,568,760	1,019,508	12,980,229	1,748,504	**50,898,586**
Additions	333,237	1,059,972	280,063	2,310,069	803,493	**4,786,834**
Disposal	(1,112,670)	-	-	-	-	**(1,112,670)**
At 31 December 2017	**27,802,152**	**7,628,732**	**1,299,571**	**15,290,298**	**2,551,997**	**54,572,750**
DEPRECIATION						
At 1 January 2017	336,401	5,932,604	604,391	10,646,982	-	**17,520,378**
Charge for the year	1,698,297	707,140	186,749	1,209,532	-	**3,801,718**
Disposal	(88,683)	-	-	-	-	**(88,683)**
At 31 December 2017	**1,946,015**	**6,639,744**	**791,140**	**11,856,514**	**-**	**21,233,413**
CARRYING AMOUNT	**25,856,137**	**988,988**	**508,431**	**3,433,784**	**2,551,997**	**33,339,337**
2017 (THE GROUP)						
COST/VALUATION						
At 1 January 2017	28,581,585	6,585,355	1,054,808	12,982,551	1,743,480	**50,947,779**
Additions	333,237	1,100,522	460,984	2,310,069	797,158	**5,001,970**
Disposal	(1,112,670)	-	-	-	-	**(1,112,670)**
At 31 December 2017	**27,802,152**	**7,685,877**	**1,515,792**	**15,292,620**	**2,540,638**	**54,837,079**
DEPRECIATION						
At 1 January 2017	336,401	5,934,718	605,302	10,635,657	-	**17,512,078**
Charge for the year	1,698,297	735,712	239,952	1,210,113	-	**3,884,073**
Disposal	(88,698)	-	-	-	-	**(88,698)**
At 31 December 2017	**1,946,000**	**6,670,430**	**845,254**	**11,845,769**	**-**	**21,307,453**
CARRYING AMOUNT	**25,856,152**	**1,015,447**	**670,538**	**3,446,851**	**2,540,638**	**33,529,626**

22. PROPERTY AND EQUIPMENT (Continued)

	Land and Buildings	Computer and IT Equipment	Motor vehicles	Furniture and Fittings	Work in Progress	Total
2017 (THE BANK)	**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	463,571	217,741	1,500,944	209,204	**4,795,769**
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**	**6,568,760**	**1,019,508**	**12,980,229**	**1,748,504**	**50,898,586**
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	866,744	140,661	1,379,311	-	**3,521,710**
Elimination of depreciation on revaluation	(7,710,275)	-	-	-	-	**(7,710,275)**
Disposal	-	-	(136,108)	(19,549)	-	**(155,657)**
At 31 December 2016	**336,401**	**5,932,604**	**604,391**	**10,646,982**	**-**	**17,520,378**
CARRYING AMOUNT	**28,245,184**	**636,156**	**415,117**	**2,333,247**	**1,748,504**	**33,378,208**
2016 (THE GROUP)						
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**

22. 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

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

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

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

The reconciliation is provided below

	The Bank		The Group	
	2017	**2016**	**2017**	**2016**
	FRw'000	**FRw'000**	**FRw'000**	**FRw'000**
COST				
At 1 January	9,257,265	9,257,265	9,257,265	9,257,265
Disposal during the year	(900,723)	-	(900,723)	-
At 31 December	**8,356,542**	**9,257,265**	**8,356,542**	**9,257,265**

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

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

	Property	
	2017	**2016**
The parity USD/Rwf is estimated to 7% in 2015 and 2014.	7%	7%
The estimated occupancy time	Fifteen years term	Fifteen years term
Discount rate	**10%**	**10%**

23. INTANGIBLE ASSETS

	THE BANK		THE GROUP	
	2017	2016	2017	2016
	FRw'000	FRw'000	FRw'000	FRw'000
COST				
At 1 January	2,391,018	1,872,419	2,447,534	1,872,419
Additions	724,563	518,599	780,609	575,115
At 31 December	**3,115,581**	**2,391,018**	**3,228,143**	**2,447,534**
AMORTISATION				
At 1 January	1,941,220	1,508,028	1,932,651	1,490,890
Amortisation	617,137	433,192	617,137	441,761
At 31 December	**2,558,357**	**1,941,220**	**2,549,788**	**1,932,651**
Net book value	**557,224**	**449,798**	**678,355**	**514,883**

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

24. DUE TO BANKS

	2017	2016	2017	2016
	FRw'000	FRw'000	FRw'000	FRw'000
Deposits and balances from other Banks	23,599,194	6,911,747	23,599,194	6,911,747
Term Treasury borrowings	18,778,266	21,293,437	18,778,266	21,193,437
	42,377,460	**28,205,184**	**42,377,460**	**28,105,184**
Maturing as follows:				
Payable within 1 month	23,432,102	12,779,421	23,432,102	12,779,421
Payable after 1 month	18,945,358	15,425,763	18,945,358	15,325,763
Total	**42,377,460**	**28,205,184**	**42,377,460**	**28,105,184**

The weighted average effective interest rate on deposits and balances from other banks as at 31 December 2017 was 4.5% (2016: 7.5%)

25. DEPOSITS AND BALANCES FROM CUSTOMERS

	THE BANK		THE GROUP	
	2017	2016	2017	2016
	FRw'000	FRw'000	FRw'000	FRw'000
Current accounts	322,077,743	271,447,582	321,141,412	271,439,791
Fixed deposit accounts	109,169,421	131,933,844	107,729,421	130,493,844
Savings accounts	14,874,833	10,083,474	14,874,833	10,083,474
Collateral and other deposits	7,658,128	1,823,429	7,658,128	1,823,429
Interest Payable	3,809,599	5,176,725	3,809,599	5,176,725
	457,589,724	**420,465,054**	**455,213,393**	**419,017,263**

The weighted average effective interest rate on interest bearing customer deposits as at 31 December 2017 was 8.7% (2016: 9.5%)

26. DEFERRED TAX

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

THE BANK	Deferred tax liability 2017	Other Comprehensive Income	Income statement	Deferred tax liability 2016
	FRw'000	FRw'000	FRw'000	FRw'000
Revaluation of assets-Property	5,571,446	-	(270,247)	5,841,693
Capital Allowance	850,160	-	217,691	632,469
Other temporary differences	(4,070,689)	-	(4,392,547)	321,858
	2,350,917	**-**	**(4,445,103)**	**6,796,020**
Revaluation of assets-Property	5,571,446	-	(270,247)	5,841,693
Capital Allowance	851,045	-	219,043	632,002
Other temporary differences	(4,070,689)	-	(4,392,547)	321,858
	2,351,802	**-**	**(4,443,751)**	**6,795,553**

Other temporary differences arise from leave accruals and bonus provisions and IFRS provision on loans and advances.

27. DIVIDENDS PAYABLE

	THE BANK		THE GROUP	
	2017	2016	2017	2016
	FRw'000	FRw'000	FRw'000	FRw'000
At 1 January	8,343,104	34,230	8,343,104	34,230
Approved dividend – 2016/2015	-	8,193,623	-	8,193,623
Dividends paid during the year	(8,304,345)	(8,187,096)	(8,304,345)	(8,187,096)
Dividend accrued	9,339,552	8,302,347	9,339,552	8,302,347
At 31 December	**9,378,311**	**8,343,104**	**9,378,311**	**8,343,104**

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

28. OTHER LIABILITIES

	THE BANK		THE GROUP	
	2017	2016	2017	2016
	FRw'000	FRw'000	FRw'000	FRw'000
Clearing accounts	1,592,415	337,253	1,592,415	915,069
BK subsidiaries other liabilities	-	-	2,138,666	-
Other payables	1,736,744	1,996,163	1,736,744	1,996,163
Deferred revenue	6,380,328	1,771,733	6,380,328	1,771,733
Accrued General expenses	5,542,574	1,604,032	5,542,576	1,604,031
	15,252,061	**5,709,181**	**17,390,729**	**6,286,996**

29. LONG TERM FINANCE

	2017	Repayment	Revaluation	Additional Drawdown	Accrued Interest	Interest	2016
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
EIB Loan (8.01% - 11.4%)	24,078,272	2,863,772	(15,620)	17,899,073	287,245	1,418,103	8,771,347
AFD Loan (Libor +3.74% pa)	7,508,156	2,135,000	485,430	-	35,656	495,682	9,122,070
AFDB Loan (Libor +4.15% pa)	5,244,710	1,281,000	236,435	-	120,710	325,578	6,168,565
EADB (Libor +6.65 pa)	2,146,776	2,135,000	212,745	-	11,776	285,612	4,057,255
PTA Loan (8% pa)	1,898,299	1,897,778	208,101	-	521	241,645	3,587,455
OFID Loan (Libor +4.0% pa)	17,714,041	1,552,727	252,296	12,810,000	245,860	934,726	5,958,612
Shelter Afrique (6.44% pa)	-	7,366,764	- -	-	-	102,051	7,366,764
SBM -USD 10M (+4.5%libor)	11,598,921	1,601,250	705,000	-	390,171	793,936	12,105,000
BRD-KFW EGF (8% p.a)	653,000	-	-	653,000	-	-	-
Total	**70,842,175**	**20,833,291**	**2,084,387**	**31,362,073**	**1,091,939**	**4,597,333**	**57,137,068**

The weighted average effective interest rate on Long term finance as at 31 December 2017 was 7.2% (2016: 5.2%).

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 28 million to be on-lent to final beneficiaries for the financing up to 50% of the total cost of eligible projects in local currency. The credit line was fully drawn down as at 31 December 2017.

29. LONG TERM FINANCE (Continued)

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 2017, both the AFD & AFDB credit lines were fully drawn down.

In 2013, the Bank signed three 5-year term 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 2017, 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 2017, the credit line was fully repaid.

In 2016, the Bank signed a 3-year credit line with SBM Bank for USD 15 million. As at 31 December 2017, the credit line was fully drawn down.

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

Changes in liabilities arising from financing activities

	2017	Cash Outflow Repayment	Revaluation Foreign exchange	Cash Inflow Additional Drawdown	Accrued Interest	Interest	2016
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Borrowings	**70,842,175**	**20,833,291**	**2,084,387**	**31,362,073**	**1,091,939**	**4,597,333**	**57,137,068**

30. CAPITAL & RESERVES

i. Share Capital

	2017		2016	
	Shares	FRw'000	Shares	FRw'000
Authorised Share capital of FRw 10 each	10,504,600,000	10,504,600	702,460,000	7,024,600
Issued and fully paid up				
At 1 January	672,442,800	6,724,428	672,184,200	6,721,842
New issued	2,094,200	20,942	258,600	2,586
At 31 December	**674,537,000**	**6,745,370**	**672,442,800**	**6,724,428**

30. CAPITAL & RESERVES (Continued)

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.

	THE BANK		THE GROUP	
	2017	**2016**	**2017**	**2016**
	FRw'000	**FRw'000**	**FRw'000**	**FRw'000**
At 1 January	18,695,343	18,665,604	18,695,343	18,665,604
New issued at premium @ FRw 115 each	240,833	29,739	240,833	29,739
At 31 December	**18,936,176**	**18,695,343**	**18,936,176**	**18,695,343**

iii. Revaluation Reserve

	2017	2016	2017	2016
	FRw'000	**FRw'000**	**FRw'000**	**FRw'000**
Buildings	13,630,625	6,129,035	13,630,625	6,129,035
Revaluation of Building net of tax	-	5,458,582	-	5,458,582
Elimination of prior year revaluation	(630,476)	2,043,008	(630,476)	2,043,008
	13,000,149	**13,630,625**	**13,000,149**	**13,630,625**

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.

iv. Retained Earnings

	THE BANK		THE GROUP	
	2017	**2016**	**2017**	**2016**
	FRw'000	**FRw'000**	**FRw'000**	**FRw'000**
Opening balance	69,251,988	55,652,725	69,435,204	55,810,954
Appropriation of prior year profit	-	11,918,110	-	11,918,110
Profit for the current year	23,246,922	20,730,879	23,348,880	20,755,866
Accrued dividend 2017	(9,339,552)	(8,302,347)	(9,339,552)	(8,302,347)
Other adjustment	-	-	(6,571)	-
Approved dividend 2016	-	(8,193,623)	-	(8,193,623)
Transfer of revaluation on disposal	630,476	-	630,476	-
Transfer of excess depreciation	-	(2,553,756)	-	(2,553,756)
	83,789,834	**69,251,988**	**84,068,437**	**69,435,204**

31. 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:

31 December 2017 (GROUP)	Loans and receivables	Other amortized cost	Held to Maturity	Available for Sale	Total carrying amount
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
ASSETS					
Cash and balances with central bank	62,315,026	-	-	-	62,315,026
Balances due from other Banks	53,055,021	-	-	-	53,055,021
Government securities	-	-	94,248,923	-	94,248,923
Loans and advances to customers	471,704,315	-	-	-	471,704,315
Equity Investments		-	-	221,425	221,425
Other assets (un-cleared effects)	10,521,561	-	-	-	10,521,561
TOTAL FINANCIAL ASSETS	**597,595,923**	**-**	**94,248,923**	**221,425**	**692,066,271**
LIABILITIES					
Balances due to other Banks	-	42,377,460	-	-	42,377,460
Customer deposits	-	455,213,393	-	-	455,213,393
Other liabilities	-	17,390,729	-	-	17,390,729
Long Term Borrowing	-	70,842,175	-	-	70,842,175
TOTAL FINANCIAL LIABILITIES	**-**	**585,823,757**	**-**	**-**	**585,823,757**

31 December 2016 (GROUP)	Loans and receivables	Other amortized cost	Held to Maturity	Available for Sale	Total carrying amount
	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	**526,201,983**	**-**	**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**

32. 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 2017	Less than 12 months	Over 12 months	Total
ASSETS	**FRw**'000	**FRw**'000	**FRw'000**
Cash in hand	19,731,699	-	**19,731,699**
Balances with the National Bank of Rwanda	42,583,327	-	**42,583,327**
Balances held with other Financial Institutions	53,055,021	-	**53,055,021**
Held to maturity investments	69,125,176	25,123,747	**94,248,923**
Loans and advances to customers	153,483,721	318,220,594	**471,704,315**
Other assets	11,426,112	25,897	**11,452,009**
Equity investments	-	221,425	**221,425**
Intangible assets	-	678,355	**678,355**
Property and equipment	-	33,529,626	**33,529,626**
Total Assets	349,405,056	377,799,644	**727,204,700**

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

At 31 December 2017	Less than 12 months	Over 12 months	Total
LIABILITIES			
Balances from other Financial Institutions	42,377,460	-	**42,377,460**
Customer deposits	454,405,348	808,045	**455,213,393**
Tax Liability	6,900,698	-	**6,900,698**
Deferred tax liability	219,042	2,132,759	**5,757,348**
Dividends payables	9,378,311	-	**9,378,311**
Other liabilities	17,390,729	-	**17,390,729**
Long-term Finance	20,416,853	50,425,322	**70,842,175**
Shareholders' funds	-	122,750,132	**122,750,132**
Total Liabilities and Equity	**551,088,441**	**176,116,258**	**730,610,246**

32. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Continued)

At 31 December 2017	Less than 12 months	Over 12 months	Total
ASSETS	**FRw'000**	**FRw'000**	**FRw'000**
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	**33,435,701**
Total Assets	**291,839,211**	**346,497,387**	**638,336,598**

At 31 December 2017	Less than 12 months	Over 12 months	Total
	FRw'000	**FRw'000**	**FRw'000**
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**

33. 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 FRw 63.2 m (2016: 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..

34. RELATED PARTIES DISCLOSURES

Compensation of key management personnel of the Bank	2017	2016
	FRw'000	FRw'000
Short term employee benefits	1,116,220	1,055,071
Post-employment pension (defined contribution)	27,451	60,625
Terminal benefits	11,939	550,388
	1,155,610	**1,666,084**
Directors emolument	415,368	309,182
	1,570,978	**1,975,266**

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

	2017 FRw'000			2016 FRw'000		
	Maximum balance during	Balance as at 31 December	Income/ Expense	Maximum balance during	Balance as at 31 December	Income/ Expense
Residential mortgages	1,305,950	1,305,950	158,014	390,431	390,431	26,422
Credit cards and other loans	252,217	252,217	10,686	381,881	381,881	3,569
Deposits	250,441	250,441	3,452	276,304	276,304	1,339

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

34. RELATED PARTIES DISCLOSURES (Continued)

Subsidiaries to the Bank:

	Income	Expense	Balance as at year end	Maximum balances during the year
	FRw '000	**FRw '000**	**FRw '000**	**FRw '000**
2017	-	6,468,303	70,832,112	105,437,352
2016	6,021	6,214,529	66,430,695	66,430,695

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 2017, the Bank has not made any provision for doubtful debts relating to amounts owed by related parties (2016: Nil).

The Bank offers loans to its employees at an interest rate at a range of 7.5% and 16.0% (2016: 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.

35. 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 BK GROUP PLC 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 The Bank shares. The value of the investment at cost less impairment is FRw100, 000,000.

BK Nominees Limited

The Bank opened a wholly owned subsidiary, BK Nominees Ltd on the 10thDecember 2013. Its principal place of office is in the BK GROUP PLC office premises. The main activity of the Company is to hold assets for Custody clients. The issued but not paid capital is FRw 100,000,000. This has subsequently after year end been closed and merged with BK Capital Limited.

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 BK GROUP PLC office premises. The company offers Registrar, Administration and Fund Management Services. The issued but not paid capital is FRw 10,000,000. This has subsequently after year end been closed and merged with BK Capital Limited.

BK Tec-House Limited

The Bank opened a wholly owned subsidiary, BK Tec-House Ltd on the 10thAugust 2015. Its principal place of office is in the BK GROUP PLC office premises. The company offers Internet and digital Services to customers. The value of the investment at cost less impairment is FRw 300,000,000.

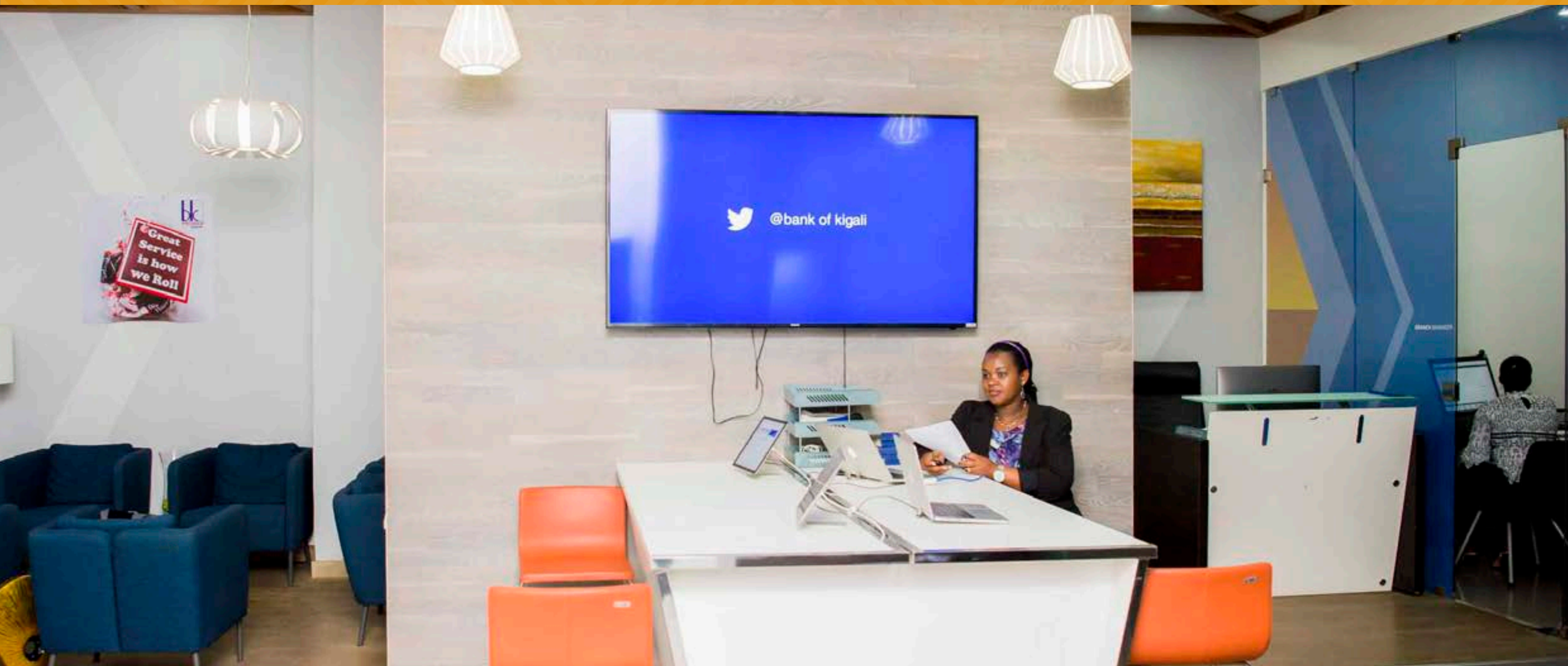
BK General Insurance Limited

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

36. POST PERIOD END EVENTS

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

- NOTICE OF ANNUAL GENERAL MEETING
- BK GROUP PLC PROXY FORM
- DIVIDEND REINVESTMENT FORM



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting (AGM) of BK GROUP PLC will be held on Friday 18th May 2018, at Marriot Hotel, Kigali Rwanda at 10:00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To determine whether quorum is present;
2. 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 2017 together with the Chairman's, Directors' and Auditors' reports thereon;
4. To declare a first and final dividend for the year ended 31 December 2017, of FRw 13.85 payable on or about 30th June 2018, net of withholding tax to shareholders on the register of members of the Company as of close of business on 8th June 2018;
5. To elect new Directors;
6. To approve the remuneration of the Directors;
7. To appoint PricewaterhouseCoopers as the Company External Auditors for a three year term and fix their remunerations.

SPECIAL BUSINESS

8. To consider and if deemed fit, to pass the following resolutions in relation to a capital raise:

i) To authorize the Directors to exercise all powers of the Company to allot shares and to grant rights to subscribe for ordinary shares by way of a rights issue in such portion and at such price as shall be determined by the Directors, subject to receipt of all required regulatory approvals;

ii) To authorize the Directors to deal with any untaken rights shares at such price and on such terms as they may consider expedient;

9. To authorize the Directors, that to the extent that they consider it to be in the interest of the Company, to effect a cross listing of the Company on the official list of the Nairobi Securities Exchange;
10. Any other business of which notice will have been duly received.

By order of the Board

Katia Manirakiza

Company Secretary

PROXY

A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy need not be a member of the Company. To be valid, a proxy form (available at Head Office, Company Secretary), must be duly completed by the member and lodged with the Company Secretary at BK Group Plc Head Office, KN 4 Avenue No 12 Plot No 790, Kigali, Rwanda not later than 15th of May 2018 at 5:00 pm. In the case of a corporate body the proxy must be under its common seal.

BK GROUP PLC PROXY FORM

I/We ____CSD A/C No________________

of (address) ________________________ being a member(s) of BK GROUP Plc,

hereby appoint:

____

of (address) ____________________________________ or, failing him, the duly appointed Chairman of the meeting to be my/our proxy, to vote on my/our behalf at the Annual General Meeting ("AGM") of the Company to be held on Friday 18th May 2018 at 10 a.m., or at any adjournment thereof.

As witness to my/our hands this __________ day of ________________________ 2018

Signature(s) ____

Notes:

1. In case of corporate shareholders and individual shareholders who would like to be represented at the AGM, please tear this page carefully and complete as appropriate.
2. This proxy form is to be delivered to the Company Secretary at BK GROUP Plc Head Office KN 4 Avenue n 12 Plot No 790 , Kigali, Rwanda not later than 5.00 p.m. on the 15th day of May 2018.
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, Kigali, Rwanda on 18th day of May 2018 at 10.00 a.m.	Number of ordinary shares held:
This admission card must be produced by the shareholder or his proxy in order to obtain entrance to the Annual General Meeting. Katia Manirakiza Company Secretary	Name of Shareholder: Address of Shareholder: CDS Account Number:

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 13.85 per share ($0.016). 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


MORTGAGE
. Construct . Renovate . Buy
Sign up
for BK Mortgage
today and pay in
15 years
The Key
To Your Dream Home
BANK OF KIGALI
Financially transforming lives

BK GROUP PLC

CONTACT US

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P.O. Box 175, Kigali, Rwanda

Find a branch near you

Local: Phone 4455
International: Phone+250-788143000

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