

Annual Report

2014



BANK OF KIGALI
Financially transforming lives



**AFRICAN BANKER
AWARDS 2014**





OUR VISION

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

OUR MISSION

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

OUR VALUES

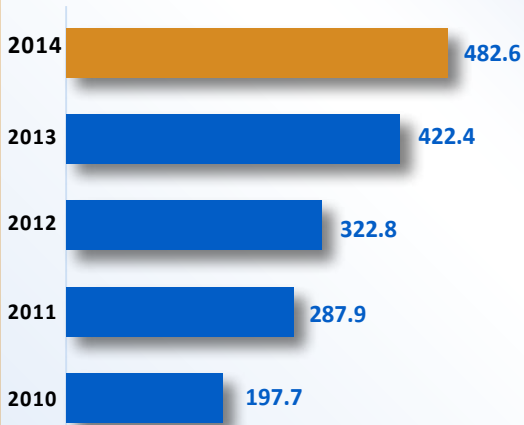
- Customer focus
- Integrity
- Quality
- Excellence



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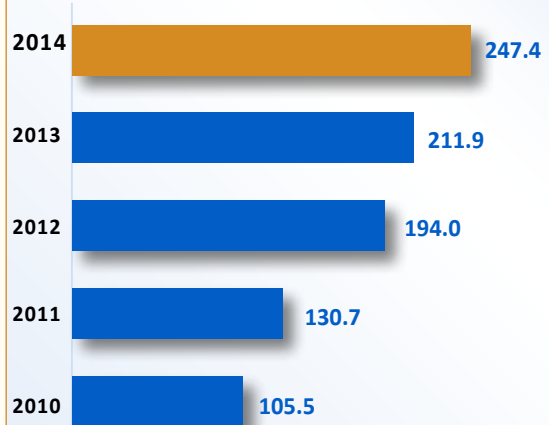
Total Assets
FRw bn

CAGR 25.0%



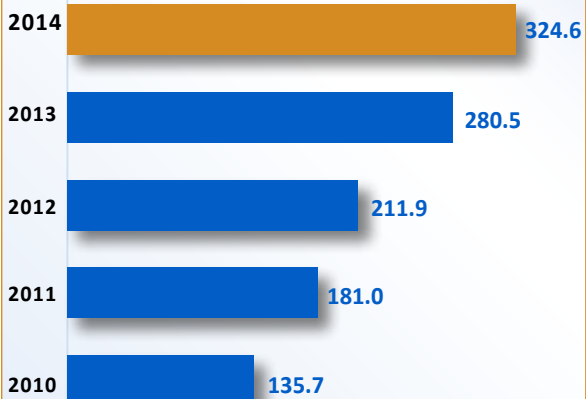
Gross Loans
FRw bn

CAGR 23.8%



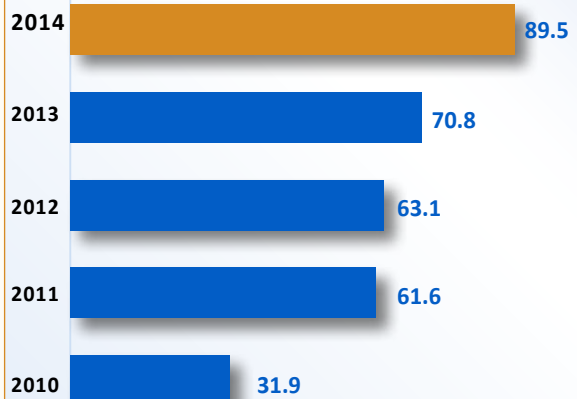
Customer Deposits
FRw bn

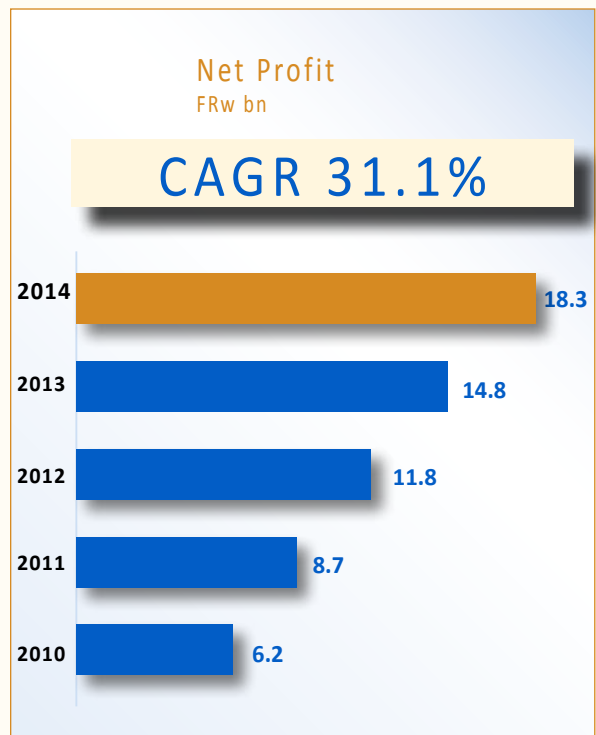
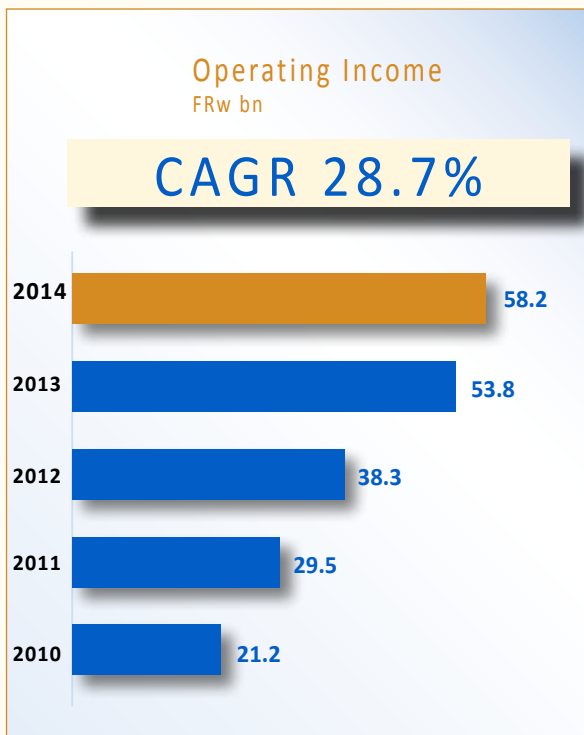
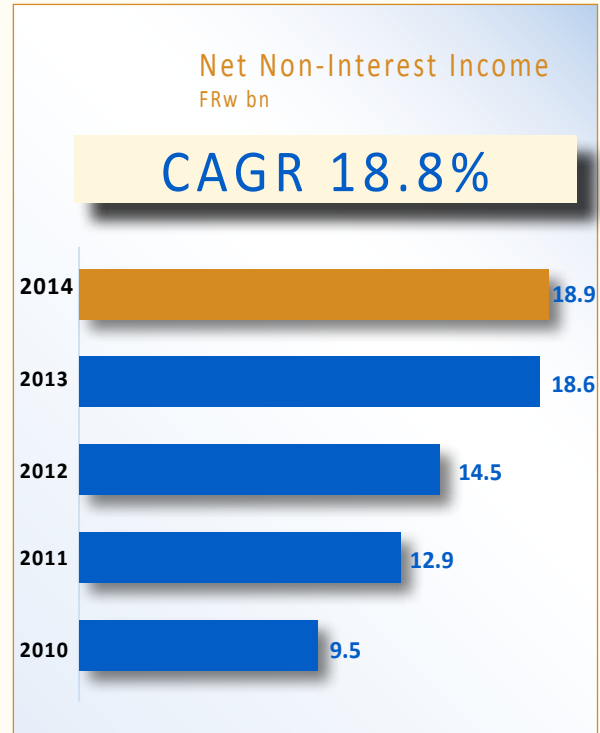
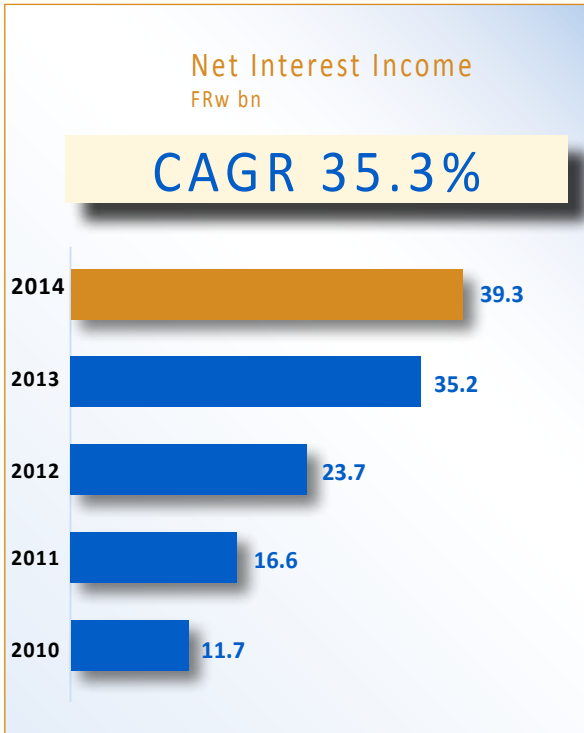
CAGR 24.4%



Shareholders Equity
FRw bn

CAGR 29.4%





	2014	2013	2012	2011	2010
Profitability					
Return on Average Assets	4.0%	4.0%	3.9%	3.6%	3.5%
Return on Average Equity	22.9%	22.2%	18.9%	18.6%	24.5%
Net Interest Margin	9.9%	11.1%	9.6%	8.4%	8.3%
Loan Yield	20.5%	20.5%	17.0%	16.9%	15.8%
Interest Expense/Interest Income	24.4%	22.2%	26.0%	26.8%	25.6%
Cost of Funds	3.4%	3.3%	3.4%	3.1%	2.8%
Efficiency					
Cost/Income Ratio	47.9%	48.4%	52.8%	48.4%	47.5%
Costs/Average Assets	6.2%	7.0%	6.6%	5.9%	5.8%
Personnel Costs/Total Recurring Operating Costs	51.8%	45.0%	47.4%	51.8%	52.3%
Personnel Costs/Average Total Assets, Annualised	3.2%	3.1%	3.1%	2.9%	3.0%
Personnel Costs/Total Operating Income	24.8%	21.8%	25.0%	25.1%	25.0%
Net Income/Total Operating Income	31.5%	27.6%	30.7%	29.5%	29.2%
Total Operating Income/Average Assets	12.9%	14.4%	12.6%	12.1%	12.1%
Liquidity					
Net Loans/Total Assets	48.4%	47.1%	57.3%	42.8%	51.3%
Liquid Assets / Total Assets	45.7%	46.0%	31.9%	45.1%	37.0%
Liquid Assets / Total Deposits	64.9%	65.2%	44.7%	64.9%	47.3%
Liquid Assets / Total Liabilities	56.1%	55.2%	39.6%	57.4%	44.1%
Total Deposits / Total Assets	70.4%	70.5%	71.3%	69.5%	78.2%
Total Deposits / Total Liabilities	86.5%	84.7%	88.7%	88.4%	93.2%
Interbank Borrowings / Total Deposits	4.5%	5.8%	8.0%	9.5%	12.2%
Gross Loans/Total Assets	51.1%	50.2%	60.1%	45.4%	53.4%
Gross Loans / Total Deposits	72.6%	71.1%	84.2%	65.3%	68.3%
Interest Earning Assets/Total Assets	87.7%	88.4%	80.5%	82.0%	81.6%
Leverage (Total Liabilities/Equity), Times	4.4	5.0	4.1	3.7	5.2
Asset Quality					
NPLs / Gross Loans	6.6%	6.9%	6.5%	8.3%	8.5%
NPL Coverage Ratio	81.8%	87.4%	70.3%	69.1%	45.8%
Loan Loss reserve / Gross Loans	5.4%	6.1%	4.6%	5.8%	3.9%
Average Loan Loss reserve / Average Gross Loans	5.7%	5.4%	5.1%	4.9%	4.3%
Large Exposures / Gross Loans	18.0%	5.4%	6.5%	8.8%	14.3%
Cost of Risk, Annualised	3.3%	4.4%	2.2%	3.8%	2.0%
Capital Adequacy					
Core Capital / Risk Weighted Assets	25.8%	23.0%	22.4%	28.1%	18.7%
Total Qualifying Capital / Risk Weighted Assets	26.3%	23.7%	23.2%	29.1%	20.1%
Off Balance Sheet Items / Total Qualifying Capital	428.4%	542.5%	524.3%	363.1%	351.2%
Large Exposures / Core Capital	53.5%	17.9%	22.6%	21.3%	61.1%
NPLs less Provisions / Core Capital	3.5%	2.9%	6.8%	6.2%	19.7%
Market Sensitivity					
Forex Exposure / Core Capital	(20.4%)	(9.1%)	(41.2%)	11.7%	11.5%
Forex Loans / Forex Deposits	8.4%	0.7%	1.0%	0.8%	1.0%
Forex Assets / Forex Liabilities	87.5%	93.8%	61.0%	105.3%	106.7%
Forex Loans / Gross Loans	3.3%	0.3%	0.3%	0.3%	0.4%
Forex Deposits/Total Deposits	39.9%	44.8%	25.3%	23.8%	27.4%
Selected Operating Data					
Full Time Employees	1,019	980	877	602	454
Assets per FTE (FRw in billion)	0.5	0.4	0.4	0.5	0.4
Number of Active Branches	70	65	59	44	33
Number of Mobibank	9	5	5	-	-
Number of ATMS	76	65	55	26	26
Number of POS Terminals	656	568	405	202	97
Number of Retail current accounts	266,239	231,409	191,632	124,248	50,073
Number of BK Yacu Agent	861	569	30	-	-
Number of mVisa wallet	54,544	10,528	-	-	-

For the Year ended 31 December 2014

Value Added Statement

Interest, commissions and other revenues
Interest paid to depositors and costs of services
Net impairment loss on Financial assets

Value added

Distribution of Value Added

To Employees

Salaries, wages and other benefits

To Government

Corporation Tax

VAT

Withholding Tax

District Taxes

PAYE Tax

To Shareholders

Dividends paid to shareholders

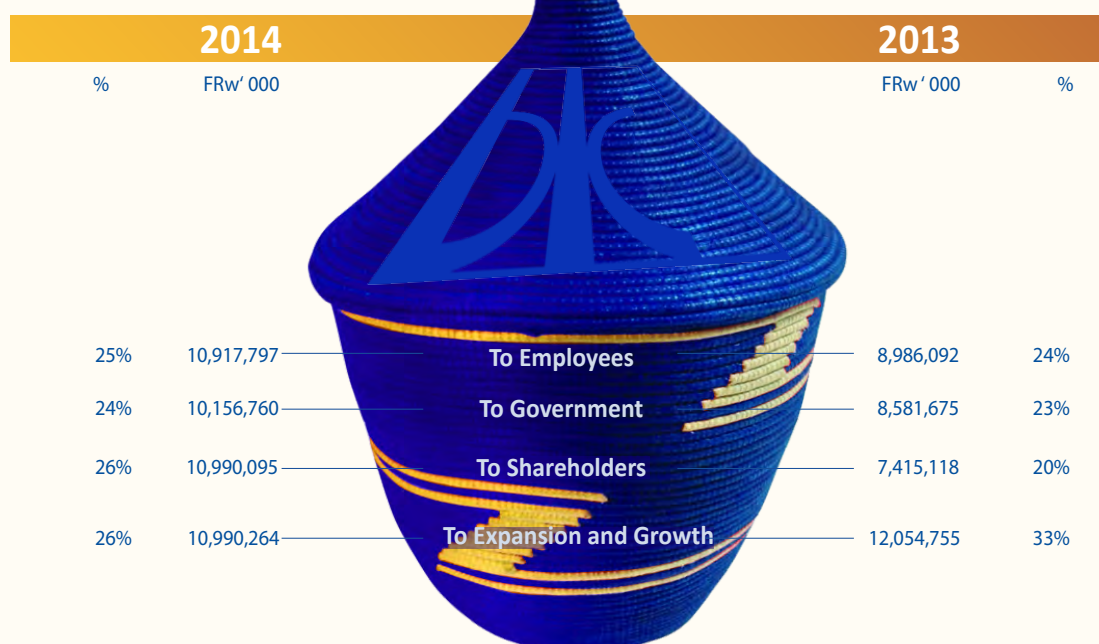
To Expansion and Growth

Retained Income

Depreciation and amortisation

Wealth distributed

	2014	%	2013	%
Interest, commissions and other revenues	70,835,144		63,769,148	
Interest paid to depositors and costs of services	(20,237,271)		(17,737,510)	
Net impairment loss on Financial assets	(7,542,957)		(8,993,999)	
Value added	43,054,916		37,037,639	
Distribution of Value Added				
To Employees				
Salaries, wages and other benefits	10,917,797	25%	8,986,092	24%
To Government				
Corporation Tax	4,441,880	10%	3,926,001	11%
VAT	727,212	2%	721,802	2%
Withholding Tax	1,432,757	3%	1,196,456	3%
District Taxes	44,972	0%	16,270	0%
PAYE Tax	3,509,940	8%	2,721,146	7%
	10,156,760	24%	8,581,675	23%
To Shareholders				
Dividends paid to shareholders	10,990,095	26%	7,415,118	20%
To Expansion and Growth				
Retained Income	7,326,730	17%	7,415,118	20%
Depreciation and amortisation	3,663,534	9%	4,639,637	13%
	10,990,264	26%	12,054,755	33%
Wealth distributed	43,054,916	100%	37,037,639	100%





▶ Our Customer Service Promise

We endeavour to meet and exceed our customers' expectations through;

- Innovative products and services
- Developing our staff who provide the services
- Developing technology-based delivery channels
- Creating an extensive branch network to make our services more accessible



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Financially transforming lives



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AWARDS 2014**





Lado Gurgenzidze,
Chairman of the Board

“ We look forward to greater success in 2015 ”

Dear fellow shareholders,

Bank of Kigali has done it again. We closed the year 2014 on a high note, with Net Income of FRw 18.3 billion, a 23.5% increase from the previous year. Our Total Assets grew by 14.3% y-o-y, and our Shareholders' Equity grew by 26.5% y-o-y. Our high profitability remained intact, with ROAA and ROAE of 4.0% and 22.9%, respectively.

I am pleased to report that this performance enabled the Bank to increase its dividend payout ratio from 50% to 60% (of Net Income). This means that approximately FRw 11 billion will be paid out in dividends this year, which translates into an annual dividend of about FRw 16.33 (approximately US\$ 0.02) per share. As the Bank's capital adequacy ratios remain well above the target set by the board, I would personally expect the Bank to be able to maintain this high dividend payout ratio in the medium term.

Our presence in Rwanda continues to grow, as we expand our branch network in different areas of the country. The Bank now boasts of 70 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 Rwandans and helps us stay true to our promise of contributing to financial inclusion in Rwanda. We must not rest on our laurels though. If, a few short years ago, the ability to create a bank account with a debit card and mobile banking interface was considered the pinnacle of financial inclusion, the evolving needs of our clients dictate that we need to get better at retail credit scoring and underwriting, thus acquiring the confidence and proficiency needed to make properly priced retail credit available to a greater share of the Rwandan population.

We understand that, in order to transform the lives of the people, we must go further than providing financial services; we must invest in the communities that we operate in. In line with our policy, last year the Bank invested 1% of its Net Operating Income in CSR programs.

Even with the increased competition in the market, Bank of Kigali still holds the largest market share of approximately 30% across the key balance sheet metrics. We have our dedicated staff, loyal customers and supportive stakeholders to thank for this.

As we look to the future, we intend to optimise operational efficiency by investing in world-class technologies, innovative products and modern delivery channels.

We look forward to greater success in 2015, keeping in mind that our success is measured, first and foremost, by the shareholder value we build, but also by the success of our community and the people we serve. Here is to another great year.

Lado Gurgenzidze
Chairman

“ In 2015 we continue:

The Good to Great transformational journey

”

Introduction

Bank of Kigali has committed to financially transform lives; especially lives of those that we serve, first on the list being our customers. Ours is a promise of delivering service that goes beyond the customers' expectations. The promise is actualized through continued expansion of the banking infrastructure, developing innovative products and training our staff to anticipate and deliver the customers' needs.

The Bank's sustained strong performance has elevated the BK brand to be one of the super brands in the Rwandan market. This has been achieved as a result of delivering above average performance to our stakeholders who include the customers, our shareholders, staff and the community.

The Bank's profit after tax increased to FRw 18.3 billion from FRw 14.8 billion in 2013, reflecting a Return on Average Equity of 22.9%. The Bank's total assets also rose to FRw 482.6 billion from FRw 422.4 billion, representing a growth of 14.3% year on year. The growth was as a result of the continued investment in distribution channels, strong liquidity position and diversified sources of funding.

Strong market share growth

Despite the entry of Pan African and regional banks into the banking sector, our market position continues to grow stronger. Our market share of total assets was 33.7%, loans and advances 30.7% while deposits were 31.0%. The Bank has over the years managed to successfully defend as well as gain additional market share.

Operating environment

GDP in 2014 was 7% higher in real terms than the previous year and it is estimated to average at about 6.5% in the year 2015. The services sector contributed 47% of the GDP with the financial services sector specifically contributing 3% to the total GDP. Other sectors like agriculture contributed 34%; the industry sector contributed 14% and construction contributed 7%.

On average, headline inflation decelerated from 4.0% in Jan 2014 to 2.1% in Dec 2014. In 2014, inflationary pressures from many components reduced, the main drivers of this being food, housing, transport, education, restaurants and hotels.

Imported inflation was moderate owing to low global inflation and falling international commodities prices.

Money market interest rates remained low and stable in 2014. The key repo rate and T-bills rate as at December 2014 were 6.5% and 4.9% respectively, while the interbank rate dropped slightly to 4.7%. Commercial banks' deposit interest rates stabilized around 7.8% in the last quarter of 2014 whereas the lending interest rates remained stable around 17.7%. The currency depreciation against the dollar stood at 3.6% in 2014 compared to 6.1% in 2013.

The banking sector in general did well last year. As at the end of the year, total CAR stood at 24.2% compared to 23.1% of 2013, well above the regulatory minimum of 15%. The sector's liquidity position stood at 51.7% compared to 49.5% in 2013. The industry balance sheet measured by total assets grew by 19.3% from FRw 1,510.7 billion in December 2013 to FRw 1,800 billion in December 2014.



Dr. James Gatera,
Chief Executive Officer

Financial performance in 2014

The Bank's net profit increased by 23.5% to FRw 18.3 billion up from FRw 14.8 billion realized in 2013. The performance, as in other years, accounts for over 50% of the total commercial banking sector profits. The increase in profitability was mainly driven by a 11.5% growth in net interest income amounting to FRw 39.3 billion. Non-Interest income grew by 2%, a slower growth due to lower foreign currency gains fees and commissions. Our cost to income ratio was 47.9% in 2014, improving in spite of the growth of the Bank, from 48.4% in 2013.

Financial position in 2014

The Bank was able to sustain the growth in the balance sheet by 14.3% to FRw 482.6 billion. The loan book grew to FRw 233.4 billion from FRw 199.0 billion, a growth rate of 17.3% year on year. Deposits on the other hand were FRw 324.6 billion up from FRw 280.5 billion in 2013. Our liquid assets in the form of placements with correspondent banks increased significantly to FRw 63.2 billion, growing by 268% from the previous year.

We remain the best capitalized bank in the market compared to the aggregated capital of the five banks that follow.

Customer Focus

The Bank's sustained growth and competitive advantage is anchored on the loyalty and the confidence that our customers have in the Bank. This loyalty has seen the Bank grow at a compounded annual growth rate of over 20% in the last five years in all of the major metrics including total assets, loans and advances and customer deposits. Year after year, the Bank implemented strategies designed to meet and exceed the customers' expectations.

These strategies include expansion of the banking infrastructure where the existing branch network grew by 5; ATM network which grew by 10 and increasing the deployment of Point of Sale terminals (PoS), which accept all major international cards, from 568 in 2013 to 656 in 2014. Our mobile vans offer full banking services to areas where the Bank does not have a presence and help with liquidity management to the increasing number of Agency Banking agents.

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

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

Our strong balance sheet ensures that the Bank is able to respond to our customers' financing needs in project finance while continually expanding our infrastructure.

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 2nd year running. Also the Bank was awarded the Best Bank in East Africa by the African Banker Magazine. In addition we were, for the fifth 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 sixth consecutive time. In addition, the Bank received the 2014 USD STP Excellence Award, awarded annually by Deutsche Bank, for the exception quality of payment messages. This achievement puts the Bank in the top tier of institutions Deutsche Bank works with globally and highlights the Bank's exceptional quality in processing USD denominated payments as well as a high rate of STP transactions overall.

Diverse customer segment and business lines

We serve customers in broadly two main segments which include business and retail. In terms of loans and advances the business segment represented 76% while the retail segment was 24% of the total loans and advances in 2014. For deposits, the business segment was 71% while the retail segment was 29% of the total deposits of the Bank.

Deploying technology driven alternative delivery channels

The mobile branches dubbed MobiBanks have been deployed in each of the provinces in Rwanda. This service enables customers to open accounts as well as withdraw and deposit funds to their accounts. The mobile vans also support our Agency Banking through liquidity management. As at the end of the year, 5,345 current accounts had been opened and FRw 35.8 billion of deposits collected through the MobiBanks.

Agency banking has a very significant opportunity in expanding access to financial services in the country. The service has also been very successful in deposit mobilization with the capability of handling the high footfall and transaction volumes. By the end of the year, we had partnerships with 861 agents across all administrative centres in Rwanda. The service is provided through the BK YACU platform which is used by the Bank's agents to connect customers to their accounts in our core banking system on a real time basis.

The agents perform cash in and cash out transactions. The channel also allows users to send money to any mobile subscriber in the country regardless of whether or not the recipient holds a bank account.

As at December 2014, over 822,000 transactions had been conducted through the Agency Banking network, with net deposits mobilized amounting to over FRw 101.6 billion.

We have continued to grow our card acquiring and issuing business. Our Point of Sale terminals and ATMs accept all major international cards including MasterCard, Visa, American Express, Diners Club and Union Pay (CUP). We currently issue VISA debit and credit cards to our customers and will soon begin issuing Master Card in order to offer our customers a range of international cards.

Participation in the capital markets financial services

BK Securities Limited, the Bank's wholly owned subsidiary, offers brokerage financial services in capital markets. The company in its 2nd year of operations has gained a market share of over 12%. During the year, the company acted as the lead sponsoring broker for the highly subscribed IFC Umuganda bond.

Risk Management and Compliance

We recognize that 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 weather the challenges of the changing global, regional and domestic macroeconomic environment. Credit risk is inherently the single most important risk facing banks. We continue to manage credit risk and make provision for any specific risk proactively. Our non-performing loans risk coverage was 81.8% compared to the market average of 56.8%. The market has continued to benefit from the reforms that have been made both in the regulatory framework as well as the land registry. These reforms have led to

the fast tracking of provision of title deeds and foreclosures, with the electronic registration of collateral now possible. In addition, the Credit Reference Bureau is increasingly becoming an important tool in credit risk management.

Human capital development initiatives

Our commitment to developing our people and creating the best working environment for our staff is very important to the Bank. We continue to attract and retain the best talent in the market and we are an employer of choice to the young people graduating from the various universities. We currently have a staff compliment of 1,019 staff and are committed to creating a working environment that develops and equips staff with the skills and capabilities to effectively serve our customers.

Our Early Career Programme focuses on bringing new graduates into the Bank and developing them through regular class and on the job training. The programme equips the graduates with the right functional and leadership capabilities that are essential in the early years of their careers.

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

Credit rating of the Bank

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

Future aspirations for 2015

In 2015 we continue:

“*The Good to Great transformational journey*”

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 grow our branch network with more branches expected to be opened in 2015. We will continue to deploy our top of the range deposit-taking ATMs both in the branches and in high footfall locations with the aim of bringing convenient and flexible service to our customers. Our Agency banking has registered significant growth in all classes of agents.

The Bank will continue to strive towards providing superior customer service and will invest in continuous training and development of

our staff in addition to upgrading our processes to gain efficiencies in cost management.

Funding our growth strategies

The Bank has signed and continues to drawdown long term lines of credit from International Development Finance Institutions in order to better manage the risks arising from maturity mismatch.

Strategic partnership for growth

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

Harnessing our sustainable future growth

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

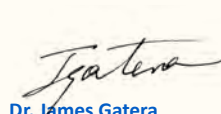
We are dedicated to delivering above-average market returns for our shareholders and remain focused on executing our business model that does not sacrifice profitability for growth. We believe that this model will continue creating value for our customers and ultimately to our shareholders and other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

Acknowledgement

On Behalf of the management team and staff, I wish to appreciate our customers for their loyalty and confidence in the Bank that has enabled us to sustain our strong market leadership position.

I would also like to acknowledge our Board members for their continued direction and support to management.

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



Dr. James Gatera,
Chief Executive Officer

Sign up
for BK Mortgage
today and pay in
15 years

BK Mortgage

•Construct •Renovate •Buy



BK Mortgage the key to your dream home

Terms and conditions apply



BANK OF KIGALI
Financially transforming lives



**AFRICAN BANKER
AWARDS 2014**



Our Strategy

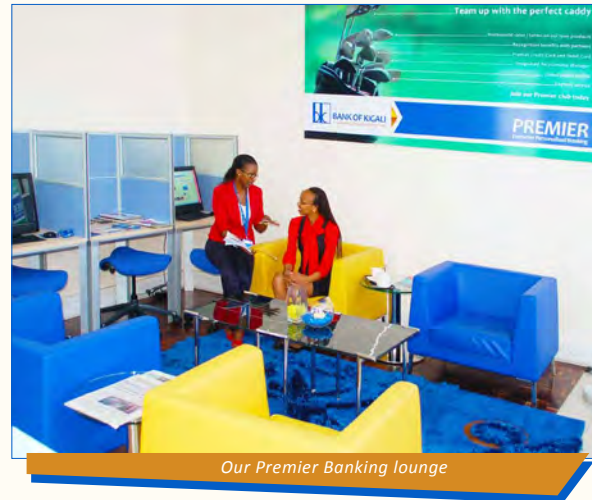
Bank of Kigali aspires to be the leading provider of the most innovative financial solutions in the region. We are a customer-focused bank. Understanding the needs of our customers and finding innovative ways to meet those needs is our priority. As a result, our customers have been loyal to us which has enabled us to maintain our leadership position of 33.7% market share by total assets as at 31st December 2014.

Our motto is “financially transforming lives”. To make this a reality, and to allow us provide the most innovative financial solutions in the region, we believe that the first step is getting closer to Rwandans. As such, we have in place a banking infrastructure expansion strategy which has seen us grow from only 18 branches in 2009 to 70 branches as at the end of December 2014. This number will increase by an additional five branches every year for the next five years. To support the branch network, we have increased our ATMs to 76 from 65 in 2013 and only 6 in 2009. Our Point of Sale terminals (POS) have increased to 656 from 568 in 2013 and 52 in 2009. Our mobile vans and agency banking platform under the brand name BK YACU, which we introduced in 2013, has grown by 51% and 44% respectively as at end 2014. We have revamped our internet banking system making it easier to use, more convenient and accessible to our customers.



Customers lining up to use our MobiBank

In terms of product offering, we have continued to grow our card business giving our clients both Visa and Mastercard usage options. Our mobile banking platform ensures that our customers can now buy services such as electricity, airtime and TV subscription from the comfort of their home. We are constantly looking for creative ways of expanding our loan portfolio to meet the needs of our retail, corporate and SME clientele. Bank of Kigali also offers Premier Banking services to its high net-worth customers.



Our Premier Banking lounge

We would like to create ubiquitous bank across Rwanda with business lines that cut across all segments as well as innovative products, particularly self-service products, for our clients. We will strengthen our strategic partnerships and alliances especially with the TELCOs, to give top service to our customers.

Our Customers

Transforming the lives of Rwandans requires a bank to have a strong balance sheet to meet customers' needs. We are the best capitalized bank on the market and the only bank that can singlehandedly finance projects that would otherwise take a syndicate of six local banks to finance. The trust and loyalty our customers have placed in us has seen us grow to FRw 18.3 billion in 2014 from FRw 14.8 billion in 2013, representing a 23.5% increase in net profit, accounting for over 50% of the total commercial banking sector profits for the second year running.

We offer a wide spectrum of commercial banking services to Corporate, SME and Retail clients. Our loan portfolio and segmentation is informed by our clients' needs. We offer mortgage loans, vehicle loans, agriculture loans and consumer loans such as school fees, medical, pension holiday or wedding loans to our retail segment; stock loans, overdraft facilities and business loans to our corporate and SME clients. Our gross loans have grown by 16% from FRw 211.9 billion in 2013 to FRw 246.7 billion in 2014, with approximately 75.9% in corporate and 24.1% in retail and our total customers deposits has grown from FRw 280.5 billion in 2013 to FRw 324.6 billion with corporate deposits at 71.1% and retail 28.9% of our customer deposits.

In 2013, the Bank opened a fully owned subsidiary brokerage company called BK Securities. The company offers stock broking services and other capital market financial services. BK Securities intends to grow their product offering to include: wealth management, fund management, transaction and corporate finance advisory.

Our Employees

Bank of Kigali is the employer of choice in Rwanda, thus allowing us to attract and retain the best talent in the market. We offer a conducive working environment for our staff and provide competitive remuneration packages which include benefits such as favourable interest rates and a much-admired bonus scheme. Our expansion strategy has seen us increase our staff numbers from 303 in 2009 to over 1000 in 2014. We have employed a number of fresh graduates developing them through regular class and on-the-job training with the aim of equipping them with the right functional and leadership capabilities that are essential in the early years of their careers.



Staff in a training session at the BK Training Centre

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

Our management team is also top-notch, employing the best talent from Rwanda and within the region. Of the 103 managers on the team, 50% of the Executive team and approximately 40% of managers are women.

We empower our staff by ensuring that they form part of the decision making process in implementation our strategy. We acknowledge that our staff have different skills and competencies and are at different levels of their careers. At the start of each year, our Executive and Management team hold a retreat where the team discusses the targets for the year and share ideas on how best to meet these targets. We discuss

our clients' needs and how best to meet them. At the end of the retreat, all managers are clear on how their department's targets contribute to the overall performance of the bank. This is trickled down to all staff through individual Key Performance Indicators which is attached to our competitive bonus scheme.



Management team in a brainstorming session at a retreat in Gisenyi

The retreat is a time to strategise and get a fresh outlook for the year ahead. It is also a time to bond and have fun.



The CEO (far left) joins the team in a bonding and fun exercise.

Our Responsibility to the Community

Corporate Social Responsibility (CSR) is embedded in our corporate culture. Our commitment to financially transforming the lives of Rwandans extends to giving back to the community through the Bank's strong CSR strategy. First, we have incorporated CSR policies and environment friendly practices as part of the Banks culture. Secondly, we put in place a strong CSR strategy in 2009 that we have since successfully implemented based on four pillars: improving access to education, promoting community health, environmental sustainability and poverty eradication. In addition, we have set aside 1% of our annual net operating income to support our CSR activities.

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

In addition, we encourage academic excellence within the student community by partnering with different colleges such as College of Business Education (CBE), the College of Science and Technology and other institutions of higher learning to award their best performing students with different prizes. We also offer internship opportunities to the best performing students who, depending on their performance at the Bank, have an opportunity to join the Bank as staff employees. Furthermore, we have established branches at College of Business Economics and College of Science and Technology.

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



Students participating in a debate

Pillar 1 > Improving access to education

We believe that for Rwanda to achieve sustainable growth and development, human capital development is a prerequisite. As such, we have for five years running in partnership with *Imbuto* foundation, provided scholarships to 200 secondary school students from financially disadvantaged backgrounds who would otherwise not have afforded an education. We intend to continue supporting this project in 2015



Students at an event sponsored by BK and Imbuto foundation

Pillar 2 > Promoting Community Health

In recognition of the increasing incidence of breast cancer in Rwanda and the urgent need to develop awareness of the disease, we were one of the main sponsors of the *Ulinzi Walk* and fundraising dinner which aim to create public awareness about breast cancer, emphasizing that early detection is the best protection. The initiative also encourages solidarity in facing cancer; further demonstrating public ownership of the cancer burden in order to stimulate intervention of the needed changes.



Bank of Kigali staff participate in Ulinzi walk to promote Breast Cancer Awareness

We not only sponsor a range of health activities, but also demonstrate our commitment through participation of our staff. In November 2014, we hosted a health wellness fair for our staff which included breast cancer testing and awareness, vision screening, blood pressure, diabetes, breast cancer awareness and testing among others. We engaged BCIEA (Breast Cancer Initiative East Africa) in an awareness campaign against breast cancer. The team explained to our staff the risk factors, signs and symptoms of breast cancer, debunked myths, stigma and misinformation that surround breast cancer and strategies to reduce breast cancer. Our staff were offered free breast cancer examination by trained nurses from Rwanda Association of Midwives.



BK staff listen to qualified professionals on breast cancer awareness and prevention

In 2013, the Bank signed a 3 year MOU with Operation Smile, a Non-profit Organization that provides free cleft palate surgery to children around the world. This organisation operates all over the world and started its operations in Rwanda in 2010. Since then, Operation Smile has conducted six medical missions and seven surgical rotations in Rwanda, providing medical evaluations for more than 2,400 patients and free life-changing surgeries for 1,326 Rwandan children and adults. Operation Smile has also arranged medical trainings for hospital staff and medical students, including Basic Life Support (BLS). To date, these medical programs have benefited more than 300 health care professionals in Rwanda.

In 2014, on its 6th Mission to Rwanda which took place at Ruhengeri Hospital in Musanze, a team of 49 dedicated volunteers travelled from 11 different countries, including Canada, Denmark, Egypt, Ghana, Ireland, Italy, Kenya, Rwanda, Sweden, United Kingdom, and the United States. The team included Plastic Surgeons, Anaesthesiologists, Paediatricians, Nurses, Speech Pathologists, Child Specialists, and Dentists among others. Together, the team provided medical evaluations to 216 patients and performed surgery on 95 patients, with a total of 133 procedures.

We continued to support Operation Smile in its efforts to train cleft teams in Rwanda that will eventually be able to take over the care of all new cleft patients in Rwanda. With this goal in mind, Operations Smile continued its training of the five medical professionals from Ruhengeri Hospital who received training on surgical techniques, administration of anaesthesia, and speech therapy. Operation Smile will continue to work extensively with this group over the next several years to develop their skills. During the mission, the Operation Smile team worked with local hospital staff to provide hands-on transfer of skills, with a specific emphasis on scrub technicians.



Specialists perform a lifesaving operation



Bank of Kigali Staff receive a certificate in honour of the Bank's contribution to Operation Smile

During the year, we sponsored the Special Olympics sports competition, specially designed for people with intellectual disability. We believe that with sports activities such as these, the Special Olympians develop mental, physical, and social skills leading to more independent living. More so, Special Olympian families get to recognize that their children with intellectual disability are worthy human beings with a lot to offer.

There are a number of people who have intellectual disabilities in Rwanda, as is the case in all parts of the world. We need to recognise them as part of the Rwandan society, give them support and equal opportunities and recognise their talents and their potential.



Some of the participants receiving awards



Intellectually disabled persons given an opportunity to showcase their talents through sports

Pillar 3 Environmental sustainability



of all projects before financing them and that compliance to these procedures and guidelines are adhered to.

Saving Trees by introducing paperless means of communication in business

In 2010, we introduced electronic-based bank statements and use of electronic channels such as mobile and internet banking for the customers to access their accounts without printing statements. These initiatives are designed to save paper which ensures that Rwanda's environment is kept clean and reduces the cutting down of trees. We will continuously invest in promoting paperless business operations and communication.

We are mindful of our environmental obligations both internally and externally and as such, have strategically integrated environmental and social considerations into our business operations. We ensure that there are guidelines and procedures in place to assess the environmental impact

Mountain Gorilla Conservation

Bank of Kigali believes in environmental conservation. Since 2003, we have partnered with the Rwanda Development Board to support the annual gorilla naming ceremony Kwita Izina in an effort to participate in mountain gorilla conservation. In 2014, 18 baby mountain gorillas were named at the Volcanoes National Park. Rwanda's mountain gorillas contribute almost 90 percent of revenues accrued from national parks in tourism receipts. They are also a key driver of rural economic and social empowerment, especially in the communities surrounding the national parks.



A newly born mountain gorilla at the national park

Pillar 4 Poverty Eradication

We believe that access to finance is the surest way to economic empowerment and eradicating poverty. In the spirit of the aforementioned, we opened a total of 70 branches as at end 2014; expanded the agency banking network and thus ensuring that Rwandans can access financial services from as close as their neighbourhood shops that act as agents of the Bank. We have also increased our mobile Banking vans from five in 2013 to nine in 2014.

Bank of Kigali is the only Bank in Rwanda that offers this service. Through MobiBank vans, the Bank has penetrated further in the villages to ensure that even where there is no branch or BK agent, Rwandans can still access Bank of Kigali's financial services.

Poverty Eradication through the BK CSR Strategy

In April 2014, the Bank's staff visited Genocide Survivors of Kiramuruzi and Kiziguro Sectors, in the Eastern Province where they donated 20 Friesian cows and built 20 kraals. The primary beneficiaries of these cows were genocide survivors of these sectors, who were most in need.



The CEO of Bank of Kigali with one of the cows donated to genocide survivors in Kiramuruzi district



The Governor of the Eastern Province and the CEO of Bank of Kigali share a light moment with the Mayor of Kiziguro District and the COO of Bank of Kigali

We recognise that in Rwanda, as is the case in most of the other African countries, the elderly are looked after by their children. However, following the 1994 genocide, there are a number of elderly genocide survivors who lost all their children in the genocide and as such do not have families to look after them.



One of the houses constructed by AVEGA-AGOHOZO with the sponsorship of BK

We sponsored AVEGA-AGOHOZO whose mission in 2014 was to provide assisted living facilities or nursing homes for these elderly persons. In these homes, they would get special, round the clock nursing care. These homes not only provide shelter and nursing facilities for the elderly, but also resolve the issue of loneliness at old age. As a start, AVEGA built two homes; one in Rwamagana district in the Eastern Province and the other in Kamonyi district in the Southern Province. They aim to build a house in every district.

Employee-led Participation in community work, *Umuganda*

In the spirit of the national practice of *Umuganda*, our staff participate in community work on a monthly basis. Given our extensive branch network, our community participation is spread nationwide. On a quarterly basis, our employees come together to participate in *umuganda* in a specific community or sector. Some of the major *umuganda* activities in 2014 included ground levelling in Rugarama Cell, Nyamirambo sector, in Kigali District, Gashora Sector, Bugesera District and of Kiramuruzi Sector, Gatsibo District in the Eastern Province.



Governor of the Eastern Province (centre) together with the Chief Executive Officer (far right) and the COO (centre left) at an *umuganda* session in Kiramuruzi Sector, Gatsibo District

Conclusion

We have an important role to play, as a good corporate citizen, to fight social inequality by improving our society's education, health, environment sustainability and alleviating poverty. In 2015, we will continue to implement our robust CSR strategy and support most of the already existing partnerships as we look to newer venues of uplifting and transforming society.

BK SME Financing

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Bank of Kigali continues to align its business ethics to the best corporate governance practices. We believe that good corporate governance is the cornerstone of the Bank's success. Through the Board, the Bank has put in place systems to ensure that the highest standards of corporate governance are maintained at all levels and ensure compliance with the National Bank of Rwanda's Regulations on Corporate Governance, Rwanda's Law Relating to Companies, the Law Relating to Banking together with the National Bank's Guidelines as well as the Capital Markets Authority laws and regulations.

Board of Directors

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

The Board of Directors is chaired by an independent non-executive Chairman and is composed of eight non-executive members who have a wide range of skills, experience and independent judgment. Their skills, competencies and academic qualifications can be found on page 26 to 28 of this Annual Report. The Chairman, who has overall responsibility for the Board, ensures overall leadership and long term success of the Bank. His role is distinct from the Chief Executive Officer. A cordial relationship exists between the Chairman and the Chief Executive Officer based on mutual understanding of their respective roles. The Chairman ensures that the Board focuses on the right matters reserved for the Board by approving all Board Agendas in collaboration with the Chief Executive Officer and the Company Secretary. The Chairman, with the support of the Company Secretary also ensures that Board members receive timely and relevant information for the board meetings and that the members are kept informed of key developments

in the Bank. He is also responsible for ensuring that the interests of the Bank's shareholders are safeguarded and that there is effective communication with them.

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

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

Composition of the Board of Directors and its Committees

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

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

Board Meetings

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

The following is the list of Board Members who served in 2014 and their board attendance.

Structure	Category	Board	Audit	Risk	Credit	ALCO	HR
Lado Gurgendze	Chairman	4/4					
Daniel Ufitikirezi*	Vice Chairman	3/4		3/4	7/11	3/4	
Reuben Karemera*	Non Executive Member	3/4		2/4	8/11		2/3
Apollo M. Nkunda	Non Executive Member	4/4	4/4				3/3
Marc Holtzman	Non Executive Member	3/4					2/3
Lillian Igihozo	Non Executive Member	4/4	3/4				3/3
Alphonsine Niyigena	Non Executive Member	4/4	4/4		11/11	4/4	
Julien Kavaruganda	Non Executive Member	4/4		4/4		4/4	

** Mr. Reuben Karemera and Dr. Daniel Ufitikirezi were appointed to the Board on 14th April and 5th May 2014 respectively after the first board meeting had taken place.*

Board Committees

To ensure efficiency within the governance structure and to assist carry out its independent oversight function, the Board has delegated certain responsibilities to Board Committees. In line with the BNR guidelines 06/2008 on Corporate Governance, the Board has five Board Committees, each with terms of reference to support the Board in performing its functions. These guidelines have been adopted and form part of the Board Charter of the Bank. In line with best practice, the Chairman of the Board does not sit on any of the committees. The Board is kept up to date on the deliberations and recommendations of the Committees through reports from each of the Committee Chair at Board meetings. All Directors have access to the services of the Company Secretary in relation to discharging their duties as a director, or as a member of any Board Committee.

Audit Committee

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

Credit Committee

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

The committee comprises of three independent non-executive directors who meet monthly or more frequently as its business demands. The Committee is chaired by Reuben Karemera. Other Committee Members include: Alphonsine Niyigena and Daniel Ufitikirezi.

Risk Management Committee

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

Assets-Liability Management Committee

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

Nominations and Remuneration Committee

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

The Nominations and Remunerations Committee, chaired by Apollo M. Nkunda is composed of four independent non-executive directors including Lillian Igihozo, Marc Holtzman and Reuben Karemera who meet once every quarter or more frequently as its business demands.

Board Evaluation

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

Management Committees

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

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

Shareholding Structure

The Bank's shares are listed on the Rwanda Stock Exchange. The table below shows the Bank's shareholding as at 31st December 2014.

Investor Categorization	Total number of shares	%
Government of Rwanda	198,534,600	29.6%
Rwanda Social Security Board	168,454,000	25.1%
International Institutional Investors	110,337,200	16.4%
Retail Investors	81,613,600	12.2%
Local Institutional Investors	59,095,400	8.8%
Regional Institutional Investors	41,898,000	6.2%
Employees and Directors	10,749,900	1.6%
Other State Owned Entities	687,900	0.1%
Total	671,370,600	100.0%

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▶ OurBoard





Lado Gurgenzidze, Chairman of the Board

Lado Gurgenzidze is a career banker who, after a decade spent at several investment banks in Warsaw, Moscow and London, returned to his native Georgia in 2004 and spearheaded, as Executive Chairman and Chief Executive Officer, a turnaround of **Bank of Georgia** (LSE: BGEO). During Lado's three-year tenure, the bank's total assets and net income grew **855%** and **1,775%**, respectively, achieving ROAE of 16.2% and ROAA of 3.6% in 2007. As its market share grew from **18%** to **34%**, Bank of Georgia became the leading universal bank in Georgia and the region, with market capitalisation exceeding US\$900 million at the time of Lado's departure (up from less than US\$30 million at the time of his arrival; share price grew by **1,461%**). Bank of Georgia was the first-ever issuer from the Caucasus and second FSU bank to list its GDRs on the London Stock Exchange (November 2006, US\$130 mln). In February 2007, Bank of Georgia became the first-ever Georgian entity to issue Eurobonds (US\$200 mln 5 yr).

In 2007-2008, Lado served as **Prime Minister of Georgia**, leading the Georgian economy through the final stage of free-market reforms, including tax cuts, financial services sector reform as well as privatisation and liberalisation policies. In April 2008, Lado led the effort to issue Georgia's debut sovereign US\$500 mln 5yr Eurobond. In the aftermath of the August 2008 conflict with Russia, Lado was

instrumental in stabilising the Georgian economy and its financial sector, as well as securing a US\$750 million IMF stand-by arrangement and a US\$ 4.5 billion multi-donor aid package. Some of the largest-ever Georgian privatisation transactions, including the sale of Poti Port and Tbilisi Water Company, were executed under Lado's leadership.

Lado put Georgia on the global institutional investor map, leading the first-ever international equity and debt capital markets issues by Bank of Georgia and the Georgian government as well as the country's first few domestic share placements. He is responsible for bringing in approximately US\$1 billion of portfolio investments and close to US\$500 million of FDI. Lado is the only person to have been awarded both St George's Victory Order (in 2008) and the Presidential Order of Excellence (in 2010) – the two highest civilian honours in Georgia. Since he stepped down as Prime Minister, Lado has been a frequent public speaker on issues of economic liberty and free-market reforms in developing countries.

Since September 2009, Lado has been spearheading the turnaround of **Liberty Bank** as its Executive Chairman and (until July 2013) Chief Executive Officer. During October 2009-December 2014, Liberty Bank's total assets grew **411%** (vs. 136% for the banking sector) to US\$847 million, and its market share by total assets grew from 3.5% to 7.8%. Net loans grew **693%** (vs. 144% for the banking sector), client balances & deposits grew **702%** (vs. 199% for the banking sector) to US\$743 mln and the bank's revenue tripled over the same period. Liberty Bank is currently the third largest bank in Georgia, has been profitable since 2010 and serves 1.5 million clients through 629 branches and distribution outlets and 386 ATMs.

Since October 2009, Lado has been serving as Chairman of the Board of **Bank of Kigali**, the largest bank in Rwanda, and has led the bank's modernisation, with the cumulative asset growth of **232%** and net loans growth of **236%** and a successful US\$62.5 million IPO in September 2011 (awarded the Best African IPO award by *Africa investor* magazine in September 2012). As at 31 December 2014, Bank of Kigali held market shares of 33.8%, 30.5% and 30.9% by total assets, net loans and client balances & deposits, respectively. 2014 ROAA reached 4.0% and annualised ROAE 22.9%.

Lado owns 80% of Liberty Securities, a Georgian broker-dealer and asset manager, and, in addition, is the controlling shareholder of Georgia's first startup incubator, Smartex (www.smartex.ge), which owns controlling stakes in the country's largest digital wallet and other electronic payments businesses, leading online lending and ecommerce players and VoIP provider. In addition, Lado has made early stage angel investments in several high-profile fintech startups in Europe and the United States, including Coinbase, TransferWise and Saving Global.

In January 2014, Lado joined the Board of Directors of **Bayport Management Limited**, a consumer lender in Sub-Saharan Africa and Latin America.

Prior to taking the helm at Bank of Georgia, Lado served as Head of Europe at Putnam Lovell (now part of Jefferies & Company, Inc.) and as Head of Technology Corporate Finance and Head of M&A, Emerging Europe at ABN Amro, advising clients such as SWIFT, Reuters (now

Thomson Reuters), Wirtualna Polska (now part of Orange Polska), Marconi, Andrew Corporation, Merloni (renamed Indesit Company), News Corp, Global One (now part of France Telecom), Golden Telecom (now part of Vimpelcom), UPC (now part of Liberty Global) and Philips.

Lado is married with four sons and a daughter and is a Georgian and British citizen. Lado received his MBA from Goizueta Business School of Emory University in 1993 (and is the recipient of the 2010 Emory University Sheth Distinguished International Alumni Award and of a 2015 Goizueta Business School Distinguished Achievement Award and was named in 2011 as one of 175 Emory History Makers), following undergraduate studies at Middlebury College and Tbilisi State University. Lado served as non-executive director at JSC Partnership Fund (2011-2014), the sovereign wealth fund of Georgia, GeoProMining (2011-2012), a gold, copper and antimony producer with principal assets in Armenia and Russia, and the Georgian Stock Exchange (2005-2007). In 2009-2010, Lado co-chaired the Emory Center For Alternative Investments, and in 2012-2013 served as Co-Chairman of the International School of Economics at Tbilisi State University. In 2006, Lado hosted the licensed Georgian version of *The Apprentice* TV show, and in 2011 he co-hosted a business reality TV show together with the mayor of Tbilisi and heads of the two other large banks. In 2010, Lado served as a judge on the Investment Banking Awards panel of *The Banker* magazine.



Dr. Daniel Ufitikirezi, Director (Appointed 14th April 2014)

Dr. Daniel Ufitikirezi is the Director General of Rwanda Social Security Board (RSSB), the country's biggest financial institution. He has extensive experience in Investment Management and Finance both in the Public and Private Sectors. Prior to this position, he served as the Deputy Director General in charge of Funds Management. He has also held Senior Management positions in the Public Sector including Head of Department of Assets and Investment Management Department (Privatization Program and Management of Government Assets) with the Rwanda Development Board (RDB) and Horizon Group of companies. Dr Daniel Ufitikirezi also lectures management subjects in Rwandan universities.

Daniel holds a first class degree in Business Management from Bangalore University-India, a Master's in Business Administration from Bharathiar University-India and a PhD from Golden State University, India.



Apollo M. Nkunda, Director

Mr. Nkunda is a practicing Lawyer and a Partner with Trust Law Chambers, a Rwandan leading law firm. He has over fifteen years' experience in legal practice from both the Public and Private sector. Apollo specialises in Banking and Finance Law, Labour Law and Government procurement. Prior to joining Private practice in 2004, he was Head of Legal Services at the National Tender Board, now the Rwanda Procurement Authority and also served as a State Attorney representing Government in Commercial litigation. Apollo holds a Master's degree in Business and Trade Law from Erasmus University Rotterdam, The Netherlands, and a Bachelors of Law from the National University of Rwanda. He is a member of the Rwanda Bar Association, the East African Law Society, Chartered Institute of Arbitrators, UK and an Associate Member of the Chartered Institute of Purchasing and Supply. He serves on the Boards of Listed and unlisted regional companies.



Alphonsine Niyigena, Director

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

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



Julien Kavaruganda, Director

Julien is a practicing lawyer and Managing Partner of K-Solutions & Partners; one of the leading law firms in Rwanda. He has vast experience in Banking and Finance law as well as Commercial and Corporate law. Prior to that, he worked as a corporate lawyer at the Brussels Bar Association. He serves as a Director on the Board of the Rwanda Bar Association, 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 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.



Marc Holtzman, Director

Marc Holtzman is Chairman of Kazkommertsbank (LSE: KKB:LI), Kazakhstan's largest private bank with a total market share of 24%. Previously, Marc was Chairman of Meridian Capital HK, a Hong Kong based private equity firm with investments in natural resources, real estate, food, agriculture and transportation. Prior to joining Meridian, Marc served as Vice Chairman of Barclays Capital and as Vice Chairman of ABN Amro Bank. Marc also served in the Cabinet of Governor Bill Owens as Colorado's first Secretary of Technology and was President of the University of Denver. Previously, as co-founder and President of MeesPierson EurAmerica (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. Marc also currently serves as a Member of the Board of Directors of FTI Consulting (NYSE) and as a Member of the Board of Directors of TeleTech (NASDAQ: TTEC), the world's leading provider of analytics-driven technology-enabled services.



Lilliane Igihozo Uwera, Director

Lilliane 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.

Lilliane has project management experience in private and public sectors and in various industries such as railways/high speed train engineering, construction projects, energy, cement manufacturing, education and retail.

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



Reuben Karemera, Director (Appointed 14th April 2014)

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.

Management Team





Dr. James Gatera, *Managing Director and Chief Executive Officer*

Dr. James Gatera has been the Managing Director and Chief Executive Officer of Bank of Kigali since 2007. Under his stewardship, the Bank has had sustained profitability and market leadership with approximately 35% market share across all key balance sheet metrics. The Bank also increased its branch network from 10 to 70 branches as at the end of 2014. In addition, James has spearheaded an aggressive strategy to ensure that all Rwandans have access to financial services through expansion of alternative channels such as mobile banking vans dubbed mobivans, agency banking, internet banking, full service ATMs and Points of Sale terminals.

During his tenure, the Bank became the second domestic company to be listed on the Rwanda Stock Exchange in 2011 and received the Best African Listing by Africa Investor (AI). The Bank has received international recognition for its performance; for six years running as the Best Bank in Rwanda from *Emeafinance* and as the Bank of the Year from *The Banker* for five years. The Bank has a short term credit rating of A1+ and a long term rating of AA-, with a stable outlook, from Global Credit Rating (GCR) of South Africa.

Prior to becoming the Managing Director and Chief Executive Officer, James was the Deputy Managing Director in Bank of Kigali from 2005-2007. He played a key role in leading the Bank when

Belgolaise SA sold its 50% stake to the Government of Rwanda.

He currently serves as a Non-Executive Director on various boards, including East African Business Council (EABC), Magasins Generaux du Rwanda S.A. (MAGERWA), Rwanda National Resources Authority and National Land Commission. As a Board member of the East African Business Council, Dr. Gatera is at the centre of promoting East African integration and the elimination of non-tariff barriers in the East African Community.

James holds a Bachelor of Arts degree majoring in Psychology from Simon Fraser University, Canada; a Bachelor of Commerce degree from the National University of Lesotho and an Honorary Doctorate Degree from the Commonwealth University of Belize. He is also a fellow of the Commonwealth Academy of Leadership and Management (FCALM) and was awarded the East African Business Leader of the Year Award 2013 by Africa Business Awards (AABLAs).



Lawson Naibo, *Chief Operating Officer*

Lawson is the Chief Operating Officer. He has been with the Bank since 2009. He has wide experience in Strategic Management processes, Financial Accounting Advisory, Corporate Governance, Risk Management and Compliance Advisory gained from over 15 years post qualification experience previously in CFC Bank Group and KPMG East Africa. Immediately prior to joining the Bank, Lawson was an Associate Director specialising in Transaction Services at KPMG East Africa.

Lawson is a qualified Business Strategy and Financial Services Advisor and holds MBA in Strategic Management from the University of Nairobi (UoN) and BSc in Financial Services from the Manchester Institute of Science and Technology (UMIST) London. He is also a qualified Accountant and Chartered Banker and Certified Trainer in Corporate Governance.



Flora Nsinga, *Chief Shared Services Officer*

Flora is the Chief Shared Services Officer of Bank of Kigali and has been with the Bank since 2008. Prior to this, she was Head of Human Resources and Administration. Flora joined the Bank with about ten years' experience from the telecommunication industry. She has been responsible for the growth in branch network and the staff of the Bank since then. She was instrumental in leading the Bank through various organisational reforms in 2009. She oversaw the Bank's strategic human resource restructuring, transforming it from a product-driven to a customer-focused structure. Flora holds a Bachelor's degree in Business Administration with specialisation 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, *Ag. Chief Financial Officer (since December 2014)*

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



Dr. Shivon Byamukama, *Company Secretary*

Dr. Shivon Byamukama is the Company Secretary and Head of Corporate Affairs at Bank of Kigali. She is in charge of Legal Contracting, providing legal advisory services and implementing good Corporate Governance practices for the Bank. Shivon also oversees the Bank's, Investor Relations & Shareholder matters, Public Communications and is at the helm of implementing the Bank's Corporate Social Responsibility strategy.

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

Shivon also serves as a Director on the Board of Rwanda Development Board.

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



Patrick Masumbuko, *Chief Representative Officer - Nairobi*

Patrick is currently the Chief Representative Officer at the Nairobi Office. He was previously head of Corporate Banking Department in Bank of Kigali before moving to the office in Nairobi. Patrick joined the Bank with over ten years experience from the Banking and private sector. He also held various positions in Non Governmental Organizations.

Patrick is responsible for managing the Bank's representative office in Nairobi, creating the contact centre for our existing and potential clients in Kenya.

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



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

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

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

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



Carine Umutoni, *Head of Treasury & Trade Finance*

Carine Umutoni is the Head of Treasury and Trade Finance at Bank of Kigali. She has 12 years of banking experience in Treasury, Trade Finance and Institutional Banking. She is responsible for the liquidity management, foreign exchange operations, assets and liabilities management as well as the trade finance operations of the bank.

Carine holds a Bachelor degree in Banking and Finance from Damelin Institute of South Africa and a MBA- Economic Policy and Corporate Strategy from Maastricht School of Management.



Adolphe Ngunga, *Head of Retail Banking*

Adolphe is the Head of Retail Banking and has been with the Bank for over 10 years. Adolphe held various responsibilities in the Bank including heading Corporate Banking Departments and Branch Management. Prior to joining the Bank, he served in the banking industry in Burundi. Adolphe holds a Bachelor's degree in Economics from the University of Bujumbura in Burundi.



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

Dr. Emmanuel is the Head of Corporate Banking Department. He joined the Bank in August 2014 having served in the Public Sector for over 17 years in different capacities. Prior to joining Bank of Kigali, Dr Emmanuel was the Vice Rector in charge of Administration and Finance at the Kigali Institute of Science and Technology (KIST). He also worked as the Accountant General at the Ministry of Finance where he was instrumental in introducing a number of Public Finance Management (PFM) Reforms and oversaw the preparation of the first Government PFM Reforms Strategy.

Dr. Emmanuel holds Bachelor of Commerce degree (B Com) from the University of Dar-es-salaam, an MBA in Finance from PSG College of Technology- India and a PhD from the University of Fort Hare, South Africa.



Allan Mwangi, *Head of Retail Credit Risk*

Allan is the Head of Retail Credit Risk, having joined the bank in February 2012. He brings to the Bank vast experience in business planning, financial management, accounting, risk management and audit with over 17 years in the financial services industry gained from working in Equity Bank, ABN Amro Bank, Deloitte and Touche, and Lonrho Africa Plc.

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



Moffat Mwangi, *Head of Consumer Banking and Product Development*

Moffat is the Head of Consumer Banking and Product Development and has been with the Bank since early 2012. He has an extensive exposure in the financial services sector with a broad range of skills and knowledge gained from his experience in Operations, Retail Banking, Credit Card Business, Business Banking and Corporate Banking in Barclays Bank in Kenya.

He holds a BSc in financial services from the University of Manchester Institute of Science and Technology (UMIST), MBA degree from Middlesex University Business School, London and is a Chartered Associate of the Institute of Financial Services (CAIFS). He is a member of the Chartered Institute of Marketing (MCIM) and a Chartered Marketer.



Innocent Musominari, *Head of Credit Department*

Innocent is the Head of Credit, and has worked with the Bank since 2004. He has wide experience in credit analysis and management gained from having worked with the Rwandan Banking sector for over 15 years. Prior to joining the Bank, Innocent served in the Commercial Bank of Rwanda now I&M Bank for 5 years as Corporate Credit Analyst Advisor. He has been pivotal in managing the Bank's credit risk and this has led to improvements in asset quality. Innocent holds a Bachelor's degree in Economics from the National University of Rwanda.



Celestin Zimulinda, *Head of Information and Communications Technology*

Celestin is the Head of the 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.



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

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

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



Yves Gatsimbanyi, *Head of Risk & Compliance*

Yves has been the Head of Risk and Compliance since early 2010 with vast experience in the banking sector. Yves served as a bank examiner at the National Bank of Rwanda for ten years. Prior to joining the Bank, he was the Head of Compliance and Internal Control at I&M Bank-Rwanda.

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



Alex N. Bahizi, *Head of Legal Services & Collections*

Alex is the Head of Legal Services & Collections Department and has been with the Bank since 2010. He is in charge of Legal Services including advisory services, negotiations, mediation, litigation and designing and executing the Bank's strategy for debt collections.

Trained in both Civil Law and Common Law Legal Families, Alex commands authority in major areas of laws affecting the industry among them, Corporate & Commercial transactions, Banking Law, civil proceedings, Land and Real estate transactions, Comparative Company Law, shareholder rights, Alternative Dispute Resolution approaches, Contractual obligations, Secured transactions, Creditor's protection, debt enforcement mechanisms and Litigation services management.

Prior to joining the Bank, Alex was a State Attorney in the National Social Security Fund. He was also a key member of the reform team in charge of modernizing the Social Security industry. As a practicing Lawyer, he was a member of the Kigali Bar Association and a Member of 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. He holds a Certificate of Arbitration from the London Chartered Institute of Arbitration (CIARB) and has completed an MBA – Strategic Management at Mount Kenya University.



Financial Report



A fountain pen and a pair of glasses are resting on a financial report. The report is a balance sheet with the following data:

Balance Sheet	
Assets	
Current	
0	5,000
0	21,500
2	54,144
42	80,644
95	1,332,754

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

Directors

Mr. Lado Gurgenzidze	- Chairman
Mrs. Angeliqe Kantengwa	- Resigned on 22 February 2014
Mr. Marc Holtzman	
Mr. Apollo Nkunda	
Mrs. Alphonsine Niyigena	
Mr. Caleb Rwamuganza	- Resigned on 28 March 2014
Mr. Julien Kavaruganda	
Mrs. Liliane Igihozo	
Mr. Reuben Karemera	- Appointed on 14 April 2014
Dr. Daniel Ufitikirezi	- Appointed on 5 May 2014

Secretary

Dr. Shivon Byamukama
Avenue de la Paix
P.O. Box 175
Kigali-Rwanda

Auditors

KPMG Rwanda Limited
Certified Public Accountants
Grand Pension Plaza
Boulevard de la Revolution
P.O. Box 6755
Kigali-Rwanda

Registered Office & Principal Place of Business

Bank of Kigali Building
Avenue de la Paix
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 2014 which disclose the state of affairs of the Bank. The Bank was incorporated on 22nd December 1966 and issued with a Banking license to operate in Rwanda by the National Bank of Rwanda on 11th February 1967. Operations commenced on 27th February 1967.

1. Principal activities

The principal activity of Bank of Kigali Limited is provision of retail and corporate banking services.

2. Results

The results for the year are set out in the consolidated financial statements on pages 41 to 95.

3. Dividends

(a) During the Board of Directors Meeting held on 5th December 2014, the Directors proposed a dividend pay-out of 60% of the Bank's audited IFRS-based net income in respect of the year 2014.

(b) The total proposed dividend for the year is therefore FRw 10,993,914,600 (2013 – FRw 7,415,117,500) for ordinary shareholders.

4. Reserves

The reserves of the Bank are set out in note 29.

5. Directors

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

6. Auditors

The auditors, KPMG Rwanda limited, were appointed in 2012 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 consolidated financial statements were approved by the Directors on.....¹⁰ March 2015.

BY ORDER OF THE BOARD

Dr. Shivon Byamukama

Company Secretary

Date: ¹⁰10/3/2015

The Bank's Directors are responsible for the preparation and fair presentation of the consolidated financial statements, comprising the consolidated statement of financial position at 31 December 2014, the consolidated statement of 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: 07/2009 of 27/04/2009 relating to Companies as amended and regulations governing Banks in Rwanda and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

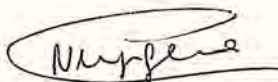
The Directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting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

The Directors accept responsibility for the consolidated financial statements set out on pages 41 to 95, 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: 07/2009 of 27/04/2009 relating to Companies as amended and regulations governing Banks in Rwanda. The Directors are of the opinion that the consolidated financial statements give a true and fair view of the state of the financial affairs and the profit and cash flow for the year ended 31 December 2014.

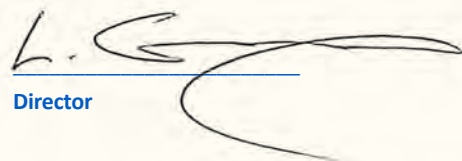
The Directors have made an assessment of the Bank's ability to continue as a going concern and have no reason to believe the business will not be a going concern for at least the next twelve months from the date of this statement.

The Auditor is responsible for reporting on whether the annual consolidated financial statements are fairly presented in accordance with the International Financial Reporting Standards and the Law No: 07/2009 of 27/04/2009 relating to Companies as amended and regulations governing Banks in Rwanda.

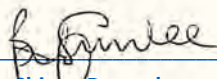
The consolidated financial statements which appear on pages 41 to 95 were approved by the Board of Directors on 10th March 2015 and signed on its behalf by:



Director



Director


Dr. Shivan Byamukama
Company Secretary

Date: 10/3/2015

Report on the Financial Statements

We have audited the consolidated financial statements of Bank of Kigali Limited which comprise the consolidated statements of financial position as at 31 December 2014, the consolidated statements of 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 41 to 95.

Directors' responsibility for the Consolidated Financial Statements

As stated on page 37, the Bank's Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and in the manner required by the Law No: 07/2009 of 27/04/2009 as amended, and the regulations governing banks in Rwanda, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Bank of Kigali as at 31 December 2014, and the Bank's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Law No. 07/2009 of 27/04/2009 relating to Companies, as amended and the regulations governing banks in Rwanda.

Report on other legal requirements

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

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (ii) In our opinion, proper books of account have been kept by the company, so far as appears from our examination;
- (iii) The consolidated statement of comprehensive income and consolidated statement of financial position are in agreement with the books of account;
- (iv) We have no relationship, interest or debt with Bank of Kigali Limited. As indicated in our report on the financial statements, we comply with ethical requirements. These are the International Federation of Accountants' Code of Ethics for Professional Accountants, which includes comprehensive independence and other requirements.
- (v) We have reported internal control matters together with our recommendations to management in a separate management letter.



Stephen Ineget

KPMG Rwanda Limited
Certified Public Accountants
P. O. Box 6755
Kigali
Rwanda

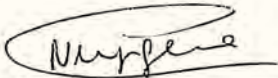
Date: 13/03/2015

		2014	2013
	Note	FRw'000	FRw'000
Interest income	7	51,909,827	45,210,752
Interest expense	8	(12,654,600)	(10,015,908)
Net interest income		39,255,227	35,194,844
Net Fees and commission income	9	10,899,154	10,801,253
Foreign exchange related income	10	7,724,325	7,476,135
Other operating income	11	301,838	281,008
Operating income before impairment losses		58,180,544	53,753,240
Net impairment on loans and advances	12	(7,542,957)	(8,993,999)
Net operating income		50,637,587	44,759,241
Personnel costs	13(a)	(14,427,737)	(11,707,238)
Depreciation and amortisation	13(b)	(3,663,534)	(4,639,637)
Administration and General expenses	13(c)	(9,787,611)	(9,656,130)
Total operating expenses		(27,878,882)	(26,003,005)
Profit before income tax		22,758,705	18,756,236
Income tax expense	14(a)	(4,441,880)	(3,926,001)
Net profit for the year		18,316,825	14,830,235
Other comprehensive income net of taxes:		-	-
Total comprehensive income for the year		18,316,825	14,830,235
Basic earnings per share in FRw	15	27.34	22.20
Diluted earnings per share in FRw	15	27.22	22.13
Dividend per share (FRw) - proposed	15	16.33	11.10

The notes set out on pages 45 to 95 form an integral part of these financial statements.

		2014	2013
	Note	FRw'000	FRw'000
Assets			
Cash in hand	16 (a)	12,020,669	11,110,210
Balances with the National Bank of Rwanda	16 (b)	46,938,373	24,855,050
Due from banks	17	102,988,217	107,377,523
Held to maturity investments	18(a)	58,596,907	50,820,690
Loans and advances to customers	19(a)	233,439,509	199,025,241
Equity Investments	18(b)	221,425	218,455
Other assets	20	7,665,385	7,695,005
Property and equipment	21	20,503,423	21,018,894
Intangible assets	22	234,056	239,005
Total Assets		482,607,964	422,360,073
Liabilities			
Due to banks	23	15,214,461	17,345,024
Deposits and balances from customers	24	324,601,160	280,489,463
Tax Payable	14(b)	692,518	1,828,573
Deferred tax liability	25	1,431,391	1,620,650
Dividends Payable	26	5,469	7,416,579
Other liabilities	27	11,185,264	8,705,581
Long-term finance	28	39,929,967	34,190,519
Total Liabilities		393,060,230	351,596,389
Capital and Reserves			
Share Capital (page 43)	29(a)	6,713,706	6,684,500
Share Premium (page 43)	29(b)	18,572,040	18,236,171
Revaluation Reserves (page 43)	29(c)	6,537,638	6,946,241
Other Reserves (page 43)	29(d)	37,364,514	29,949,395
Retained earnings (page 43)	29(e)	20,359,836	8,947,377
Total Equity		89,547,734	70,763,684
Total Liabilities and Equity		482,607,964	422,360,073

The financial statements were approved by the Board of Directors on 10th March 2015 and were signed on its behalf by:

Director: 

Director: 

Date: 10/3/2015

Date: 10/3/2015

The notes set out on pages 45 to 95 form an integral part of these financial statements.

	Issued capital	Share Premium	Revaluation	Retained Earnings	Statutory Credit risk	Legal Reserves	Special Reserves	Other Reserves	Total
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
2013									
As at 1 January 2013	6,673,370	18,108,176	7,354,844	6,893,076	19,100	3,853,186	3,938,420	16,267,121	63,107,293
Appropriation of profit - 2012	-	-	-	(5,890,668)	-	589,067	589,067	4,712,534	-
Increase in Share Capital	11,130	127,995	-	-	-	-	-	-	139,125
Statutory credit risk reserve	-	-	-	19,100	(19,100)	-	-	-	-
Total Comprehensive Income	-	-	-	14,830,235	-	-	-	-	14,830,235
Dividend accrued – 2013	-	-	-	(7,415,118)	-	-	-	-	(7,415,118)
Transfer of Excess depreciation	-	-	(408,603)	510,752	-	-	-	-	102,149
As at 31 December 2013	6,684,500	18,236,171	6,946,241	8,947,377	-	4,442,253	4,527,487	20,979,655	70,763,684
2014									
As at 1 January 2014	6,684,500	18,236,171	6,946,241	8,947,377	-	4,442,253	4,527,487	20,979,655	70,763,684
Appropriation of profit - 2013	-	-	-	(7,415,118)	-	741,512	741,512	5,932,095	-
Increase in Share Capital	29,206	335,869	-	-	-	-	-	-	365,075
Total Comprehensive Income	-	-	-	18,316,825	-	-	-	-	18,316,825
Transfer of Excess depreciation	-	-	(408,603)	510,752	-	-	-	-	102,149
As at 31 December 2014	6,713,706	18,572,040	6,537,638	20,359,836	-	5,183,765	5,268,999	26,911,750	89,547,734

The notes set out on pages 45 to 95 form an integral part of these financial statements

		2014	2013
	Note	FRw'000	FRw'000
Cash flows from operating activities			
Profit before tax		22,758,705	18,756,236
Adjusted for:			
Depreciation of property and equipment	13(b)	3,469,943	4,303,044
Amortization of intangible assets	13(b)	193,591	336,593
Gains on disposal of fixed Assets	11	(84,496)	(24,753)
Loss on revaluation of long-term finance	28	400,937	392,446
Dividend income	11	(54,254)	-
Cash flows before changes in working capital		26,684,426	23,763,566
Changes in Working capital			
Increase in Loans and Advances	19(a)	(34,414,268)	(13,958,489)
Decrease in other assets	20	29,620	4,929,704
Increase in clients balances and deposits	24	44,111,697	68,624,395
Increase/ (Decrease) in other liabilities	27	2,479,683	(6,370,132)
Income tax paid	14(b)	(5,665,044)	(2,862,521)
Net cash generated from operating activities		33,226,114	74,126,523
Investing Activities			
Purchase of intangible assets	22	(188,642)	(237,478)
Purchase of property and equipment	21	(3,049,369)	(3,874,221)
Proceeds from sale of fixed assets		179,393	205,000
Increase in held to maturity investments	18(a)	(7,776,217)	(37,701,365)
Purchase of equity Investment shares	18(b)	(2,970)	-
Dividends received	11	54,254	-
Net cash flows from investing activities		(10,783,551)	(41,608,064)
Financing Activities			
Dividends paid	26	(7,411,110)	(5,892,885)
Drawdown of long term finance	28	9,261,851	29,154,396
Repayment of long-term finance	28	(3,923,340)	(1,301,301)
Increase in share capital	29(a)	29,206	11,130
Increase in share premium	29(b)	335,869	127,995
Net cash flows from financing activities		(1,707,524)	22,099,335
Net increase/(Decrease) in cash and cash equivalent		20,735,039	54,617,794
Cash and cash equivalents at 1 January		125,997,759	71,379,965
Cash and cash equivalent at 31 December	16(c)	146,732,798	125,997,759

The notes set out on pages 45 to 95 form an integral part of these financial statements.

1. Corporate Information

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

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

Bank of Kigali Building
Avenue de la Paix
P.O. Box 175
Kigali-Rwanda

2. Basis of Preparation

(a) Basis of accounting

These consolidated financial statements have been prepared in accordance with IFRS. They were authorised for issue by the Bank's board of directors on 10 March 2015. 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 31.

(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 and The Nairobi Representative Office as disclosed in Note 34 of these financial statements. The Bank reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Bank having power over an investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

ii) Transactions eliminated on consolidation

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

The subsidiaries indicated on note 34 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.

2. Basis of Preparation (Continued)**(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 OCI 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 comprehensive income for all interest bearing instruments on an accrual basis taking into account the effective yield on the asset.

3. Significant Accounting Policies (continued)**(a) Recognition of income and expense (continued)***(ii) Fees and commission*

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

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

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

(iii) Dividend income

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

(iv) Net trading income

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

(b) Property and equipment

Property and equipment are stated at cost or valuation, 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.

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 periodically 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.

3. Significant Accounting Policies (continued)

(b) Property and equipment (continued)

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 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, as appropriate, and treated as changes in accounting estimates.

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. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is de-recognised.

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.

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 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, 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.

3. Significant Accounting Policies (continued)

d) Financial instruments (Continued)

(ii) De-recognition (Continued)

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions. If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the Bank obtaining a new financial asset or assuming a new financial liability, the Bank recognises the new financial asset or financial liability at fair value.

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

(iii) Classification

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

- **Financial assets at fair value through profit or loss**

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Investments held for trading are those which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit-taking exists. Investments held for trading are subsequently re-measured at fair value based on quoted bid prices or dealer price quotations, without any deduction for transaction costs. All related realized and unrealized gains and losses are included in profit or loss. Interest earned whilst holding held for trading investments is reported as interest income.

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.

- **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.

- **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.

3. Significant Accounting Policies (continued)**d) Financial instruments (Continued)***(iii) Classification (Continued)*

- **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. When an investment is derecognized, the gain or loss accumulated in equity is re-classified to profit or loss.

(iv) Offsetting of financial assets and liabilities

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

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

(v) Fair value of financial instruments

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

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

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

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

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

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

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.



3. Significant Accounting Policies (continued)

d) Financial instruments (Continued)

(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 ranking together loans and advances and investment securities measured at amortised cost with similar risk characteristics.

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

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

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

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

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

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.

3. Significant Accounting Policies (continued)**d) Financial instruments (Continued)***(vi) Identification and measurement of impairment of financial assets (Continued)*

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.

g) Income tax expense

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

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

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

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

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

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.

3. Significant Accounting Policies (continued)**h) Leasing**

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

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

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

- **Operating lease**

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

- **Finance lease**

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

i) Financial guarantees

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

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

j) Fiduciary assets

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

k) Intangible assets

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

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

3. Significant Accounting Policies (continued)**k) Intangible assets (Continued)**

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. The amortisation expense on intangible assets with finite lives is recognised in the statement of 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
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There are no intangible assets with indefinite useful lives.

l) Dividends on ordinary shares

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

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

m) Employee benefits

- Retirement benefit costs**

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

- Short-term benefits**

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

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

n) Segment reporting

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

3. Significant Accounting Policies (continued)**n) Segment reporting (Continued)**

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

o) Contingent liabilities

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

p) Earnings per share

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

q) Related parties

In the normal course of business, the Bank has entered into transactions with related parties. The related party transactions are at arm's length.

r) New standards and interpretations not yet adopted

(i) *New standards, amendments and interpretations effective and adopted during the year*

New standard or amendments	Effective for annual periods beginning on or after
Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities (2011)	1 January 2014
Investment Entities- Amendments to IFRS 10, IFRS 12, and IAS 27 (2012)	1 January 2014
Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets (2013)	1 January 2014
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	1 January 2014
IFRIC 21 Levies (2013)	1 January 2014

- **Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities** (effective for annual periods beginning on or after 1 January 2014).

The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The adoption of the amendments did not have a significant impact on the financial statements of the Bank.

- **Amendments to IFRS 10, IFRS 12 and IAS 27: Investment entities** (effective for annual periods beginning on or after 1 January 2014)

The amendments clarify that a qualifying investment entity is required to account for investments in controlled entities, as well as investments in associates and joint ventures, at fair value through profit or loss; the only exception would be subsidiaries that are considered an extension of the investment entity's investment activities. The consolidation exemption is mandatory and not optional. The adoption of the amendments did not have a significant impact on the financial statements of the Bank.

3. Significant Accounting Policies (continued)**r) New standards and interpretations not yet adopted (Continued)****(i) New standards, amendments and interpretations effective and adopted during the year (Continued)**

- **Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014)**

The amendments reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed. The adoption of the amendments did not have a significant impact on the financial statements of the Bank.

- **Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014)**

The amendments permit the continuation of hedge accounting in a situation where a counterparty to a derivative designated as a hedging instrument is replaced by a new central counterparty (known as 'novation of derivatives'), as a consequence of laws or regulations, if specific conditions are met. The adoption of the amendments did not have a significant impact on the financial statements of the Bank.

- **IFRIC 21: Levies (effective for annual periods beginning on or after 1 January 2014).**

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when – and only when – the triggering event specified in the legislation occurs. The adoption of the amendments did not have a significant impact on the financial statements of the Bank.

(ii) New and amended standards and interpretations in issue but not yet effective for the year/period ended 31 December 2014.

New standard or amendments	Effective for annual periods beginning on or after
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 July 2014
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
Amendments to IAS 41 - Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016
Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciations and Amortisation	1 January 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
Disclosure Initiative (Amendments to IAS 1)	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2017
IFRS 9 Financial Instruments (2014)	1 January 2018

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).



3. Significant Accounting Policies (continued)

r) New standards and interpretations not yet adopted (Continued)

(ii) *New and amended standards and interpretations in issue but not yet effective for the year/period ended 31 December 2014 (Continued)*

- **Defined benefit plans – Employee contributions (Amendments to IAS 19)**

The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are:

- ✓ set out in the formal terms of the plan;
- ✓ linked to service; and
- ✓ independent of the number of years of service.

When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The amendments apply retrospectively for annual periods beginning on or after 1 July 2014 with early adoption permitted.

The adoption of these changes will not affect the amounts and disclosures of the Bank's defined benefits obligations.

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

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised

The amendments will be effective from annual periods commencing on or after 1 January 2016.

The adoption of these changes will not affect the amounts and disclosures of the Bank's transactions with associates or joint ventures.

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

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.

Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be re-measured.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

The adoption of these changes would not affect the amounts and disclosures of the Bank's interests in joint operations.

3. Significant Accounting Policies (continued)**r) New standards and interpretations not yet adopted (Continued)**

(ii) *New and amended standards and interpretations in issue but not yet effective for the year/period ended 31 December 2014 (Continued)*

- **Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)**

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

The adoption of these changes will not affect the amounts and disclosures of the Bank's property, plant and equipment and intangible assets.

- **Equity Method in Separate Financial Statements (Amendments to IAS 27)**

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures but also for subsidiaries

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with early adoption permitted.

The adoption of these changes will not affect the amounts and disclosures of the Bank's interests in other entities.

- **IFRS 14 Regulatory Deferral Accounts**

IFRS 14 provides guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS. To apply this standard, the entity has to be rate-regulated i.e. the establishment of prices that can be charged to its customers for goods and services is subject to oversight and/or approval by an authorised body.

The standard is effective for financial reporting years beginning on or after 1 January 2016 with early adoption is permitted.

The adoption of this standard is not expected to have an impact the financial statements of the Bank given that it is not a first time adopter of IFRS.

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

The amendment to IFRS 10 Consolidated Financial Statements clarifies which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit and loss. The amendment also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements. The amendment clarifies that this condition is also met where the ultimate parent or any intermediary parent of a parent entity measures subsidiaries at fair value through profit or loss in accordance with IFRS 10 and not only where the ultimate parent or intermediate parent consolidates its subsidiaries.

3. Significant Accounting Policies (continued)

r) New standards and interpretations not yet adopted (Continued)

(ii) New and amended standards and interpretations in issue but not yet effective for the year/period ended 31 December 2014 (Continued)

The amendment to IFRS 12 Disclosure of Interests in Other Entities requires an entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 to make disclosures required by IFRS 12 relating to investment entities.

The amendment to IAS 28 Investments in Associates and Joint Ventures modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements. The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016, with early application permitted. The adoption of these changes will not affect the amounts and disclosures of the Bank's interests in other entities.

- **Disclosure Initiative (Amendments to IAS 1)**

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments apply for annual periods beginning on or after 1 January 2016 and an early application is permitted. The adoption of these changes will not affect the amounts and disclosures of the Bank's interests in other entities.

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

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures.

The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognising revenue being: Identify the contract(s) with a customer; Identify the performance obligations in the contract; Determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption is permitted.

The Bank is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

3. Significant Accounting Policies (continued)**r) New standards and interpretations not yet adopted (Continued)**

(ii) *New and amended standards and interpretations in issue but not yet effective for the year/period ended 31 December 2014 (Continued)*

- **IFRS 9: Financial Instruments (2014)**

On 24 July 2014 the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard introduces changes in the measurement bases of the financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

The adoption of this standard is expected to have a significant impact the financial statements of the Bank. The significant impact would be based on the "expected credit loss" model which means the Bank will have to assess the potential credit risk at the initiation of the loan.

4. Financial Risk Management

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

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

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

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

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

4. Financial Risk Management (continued)

(a) Credit risk

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

(i) Management of credit risk

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

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

4. Financial Risk Management (continued)**(a) Credit risk (Continued)***(ii) Credit risk measurement*

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

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

The Bank's internal ratings scale is as follows:

- Grade 1: Normal risk (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)

(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:

	2014	2013
	FRw'000	FRw'000
Individually impaired		
Grade 3: Substandard risk	5,881,416	3,770,485
Grade 4: Doubtful risk	6,214,378	4,440,377
Grade 5: Loss risk	4,102,557	6,481,694
Gross amount	16,198,351	14,692,556
Allowance for impairment		
Specific provision for impairment	(11,569,935)	(9,967,748)
Net Carrying amount	4,628,416	4,724,808

Non-performing loans

Non-performing loans and advances on which interest income has been suspended amount to FRw 16,168 million (2013: 14,693 million) for the Bank, with total impairment allowance of FRw 13,258 million (2013: FRw 12,835 million). Interest on these accounts is fully provided for in loans loss provision as these advances are classified as non-performing at the period end date. Discounted value of securities held in respect to those loans and advances are valued at FRw 9,324 million (2013: FRw 6,129 million) and are considered adequate.

4. Financial Risk Management (continued)**(a) Credit risk (Continued)***(iii) Impairment and provisioning policies (Continued)***Past due but not impaired loans and advances**

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

	2014	2013
	FRw'000	FRw'000
Grade 1: Normal risk	194,968,496	134,461,313
Grade 2: Watch risk	35,530,769	62,706,848
Allowance for collective assessment	(1,688,172)	(2,867,728)
Net Carrying amount	228,811,093	194,300,433

Loans and advances graded 2, 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 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.

4. Financial Risk Management (continued)**(a) Credit risk (Continued)***(iii) Impairment and provisioning policies (Continued)*

Other exposures to credit risk are as summarized below:

	2014	2013
	FRw'000	FRw'000
Balances with the National Bank of Rwanda	46,938,373	24,855,050
Due from banks	102,988,217	107,377,523
Held to maturity investments	58,596,907	50,820,690
Equity investments	221,425	218,455
Other assets	7,665,385	7,695,005
Net Carrying amount	216,410,307	190,966,723

(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.

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.

	2014	2013
	FRw'000	FRw'000
Guarantees		
Acceptances and letter of credit issued	13,563,264	49,594,239
Guarantees commitments issued	67,489,885	27,698,321
	-	-
	81,053,149	77,292,560

4. Financial Risk Management (continued)**(a) Credit risk (Continued)***(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:

	2014		2013	
	FRw'000	%age	FRw'000	%age
Large Corporate Clients	134,412,278	54%	88,184,482	42%
Small and Medium Enterprises	46,960,333	19%	53,770,343	25%
Non-Profit Entities	6,348,545	3%	4,429,132	2%
Retail Banking	59,715,792	24%	65,476,760	31%
	247,436,948	100%	211,860,717	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.

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 2013 and 2014. An estimate of fair values of collaterals held against loans and advances to customers at the end of the year was as follows:

	2014	2013
	FRw'000	FRw'000
Against Impaired loans	9,323,504	6,129,065
Against past due but not impaired loans	211,078,087	202,648,186
	220,401,591	208,777,251

4. Financial Risk Management (continued)**(a) Credit risk (Continued)***(vi) Fair value of collateral held (Continued)***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 2014 or 2013.

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

Type of credit exposure	Percentage of exposure that is subject to collateral requirements		Principal type of security held
	2014	2013	
Loans and advances to Customers			
Retail Loans & Advances			
Overdrafts	0	0	Un-secured
Personal Loans	0	0	Un-secured
Vehicles loans	70	70	Vehicle
Mortgage Loans	70	70	Property
Credit Cards	0	0	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	0	0	Un- Secured

(b) Liquidity risk

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

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

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

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

	2014	2013
At close of the year	64.9%	65.2%
Average for the year	67.8%	53.5%
Maximum for the year	70.3%	65.2%
Minimum for the year	64.9%	44.8%

4. Financial Risk Management (continued)

(b) Liquidity risk

The table below summarizes the Bank's liquidity risk as at 31 December 2014 and 31 December 2013, 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
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Assets						
Cash in hand	12,020,669	-	-	-	-	12,020,669
Balances with the National Bank of Rwanda	46,938,373	-	-	-	-	46,938,373
Due from banks	102,988,217	-	-	-	-	102,988,217
Held to maturity investments	8,976,834	26,851,823	22,768,250	-	-	58,596,907
Loans and advances to customers	31,880,289	19,819,438	20,530,590	65,571,333	95,637,859	233,439,509
Equity investments	-	-	-	-	221,425	221,425
Other assets	5,746,766	1,037,987	868,100	12,532	-	7,665,385
Property and equipment	-	-	-	-	20,503,423	20,503,423
Intangible assets	-	-	-	234,056	-	234,056
Total Assets	208,551,148	47,709,248	44,166,940	65,817,921	116,362,707	482,607,964
Liabilities and Equity						
Due to banks	10,472,516	1,742,099	2,835,500	164,346	-	15,214,461
Other customer deposits	240,190,387	8,762,179	75,633,022	15,572	-	324,601,160
Deferred Tax	-	-	102,151	510,754	818,486	1,431,391
Dividends payable	-	-	5,469	-	-	5,469
Other liabilities	6,882,271	4,051,994	250,999	-	-	11,185,264
Long-term Finance	514,547	381,146	6,006,297	29,671,168	3,356,809	39,929,967
Tax payable	-	692,518	-	-	-	692,518
Shareholders' funds	-	-	-	-	89,547,734	89,547,734
At 31 December 2014	258,059,721	15,629,936	84,833,438	30,361,840	93,723,029	482,607,964
Liquidity Gap 2014	(49,508,573)	32,079,312	(40,666,498)	35,456,081	22,639,678	-

4. **Financial Risk Management (continued)**
(b) Liquidity risk (Continued)

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Assets	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
Cash in hand	11,110,210	-	-	-	-	11,110,210
Balances with the National Bank of Rwanda	24,855,050	-	-	-	-	24,855,050
Due from banks	90,195,479	17,182,044	-	-	-	107,377,523
Held to maturity investments	15,068,391	27,060,959	8,691,340	-	-	50,820,690
Loans and advances to customers	45,418,046	9,026,682	33,655,483	76,726,627	34,198,403	199,025,241
Equity investments	-	-	-	-	218,455	218,455
Other assets	7,695,005	-	-	-	-	7,695,005
Property and equipment	-	-	-	-	21,018,894	21,018,894
Intangible assets	-	-	-	-	239,005	239,005
Total Assets	194,342,181	53,269,685	42,346,823	76,726,627	55,674,757	422,360,073
Liabilities And Equity						
Due to banks	5,532,246	21,500	11,595,500	195,778	-	17,345,024
Other customer deposits	221,332,253	3,293,539	55,699,161	164,510	-	280,489,463
Deferred Tax	-	-	102,151	510,753	1,007,747	1,620,650
Dividends payable	-	-	7,416,579	-	-	7,416,579
Other liabilities	8,705,581	-	-	-	-	8,705,581
Long-term Finance	-	251,331	3,099,507	26,076,882	4,762,798	34,190,519
Tax payable	-	1,828,573	-	-	-	1,828,573
Shareholders' funds	-	-	-	-	70,763,684	70,763,684
At 31 December 2013	235,570,080	5,394,943	77,912,898	26,947,923	76,534,229	422,360,073
Liquidity Gap 2013	(41,227,899)	47,874,742	(35,566,075)	49,778,704	(20,859,472)	-

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 2014 and 31 December 2013:

	2014	2013
	FRw'000	FRw'000
Assets in foreign currencies	118,568,075	125,031,246
Liabilities in foreign currencies	(135,467,989)	(130,836,020)
Net foreign currency exposure at the end of the year	(16,899,914)	(5,804,774)

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

Currency	Increase/decrease in exchange rate	Effect on profit before tax	
		2014	2013
		FRw'000	FRw'000
USD	+/-1%	(375,858)	(48,031)
GBP	+/-1%	(95,392)	29,623
EUR	+/-1%	(30,048)	(42,640)

4. Financial Risk Management (continued)

(c) Market Risk (Continued)

(i) Currency risk (Continued)

The various foreign currencies to which the Bank is exposed to are summarised below. All figures are in thousands of Rwandan francs (FRw'000) as at 31 December 2014:

	USD	Euro	GBP	Other Foreign currencies	Total
Cash, deposits and advances to banks	80,289,710	9,982,369	11,169,877	8,297,155	109,739,111
Loans and advances to customers	8,064,455	30,775	2,450	484	8,098,164
Other assets, property and investments	671,442	53,410	5,874	74	730,800
At 31 December 2014	89,025,607	10,066,554	11,178,201	8,297,713	118,568,075
Liabilities and Equity					
Deposits from banks	331,510	15,262	-	-	346,772
Deposits from customers	87,731,503	7,043,485	1,639,011	155,834	96,569,833
Other liabilities	376,564	3,015	22	-	379,601
Long-Term Finance	38,171,783	-	-	-	38,171,783
At 31 December 2014	126,611,360	7,061,762	1,639,033	155,834	135,467,989
Net currency exposure	(37,585,753)	3,004,792	9,539,168	8,141,879	(16,899,914)



4. Financial Risk Management (continued)

(c) Market Risk (Continued)

(i) Currency risk (Continued)

The various foreign currencies to which the Bank is exposed to are summarised below. All figures are in thousands of Rwandan francs (FRw'000) as at 31 December 2013:

	USD	Euro	GBP	Other Foreign currencies	Total
Cash, deposits and advances to banks	110,920,511	5,752,931	4,764,888	477,493	121,915,823
Loans and advances to customers	699,110	14,960	2,133	459	716,662
Other assets, property and intangibles	2,398,761	-	-	-	2,398,761
At 31 December 2013	114,018,382	5,767,891	4,767,021	477,952	125,031,246
Liabilities and Equity					
Deposits from banks	1,328,746	78,186	65,482	-	1,472,414
Deposits from customers	85,430,047	9,953,754	1,739,209	177,866	97,300,876
Other liabilities	395,024	-	-	-	395,024
Long-term Finance	31,667,706	-	-	-	31,667,706
At 31 December 2013	118,821,523	10,031,940	1,804,691	177,866	130,836,020
Net currency exposure	(4,803,141)	(4,264,049)	2,962,330	300,086	(5,804,774)

4. Financial Risk Management (continued)**(c) Market Risk (Continued)****(ii) Interest rate risk**

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

Sensitivity analysis interest rate risk

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

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 2014	Weighted interest rate	+/- 100bp	
		FRw'000	FRw'000
Effect on Interest income			
Balances with the National Bank of Rwanda	8.5%	15,000,000	150,000
Balances and placements with other Banks	0.9%	102,987,376	1,029,874
Treasury bills and bonds	5.9%	58,596,907	585,969
Loans and advances - Net	20.1%	233,219,355	2,332,193
Total Assets/Increase		409,803,638	4,098,036
Effect on Interest expense			
Balances and placements due to Banks	10.5%	9,687,737	96,877
Customer deposits	12.9%	88,433,788	884,338
Long-Term Finance	6.5%	39,929,967	399,300
Total Liabilities/Increase		138,051,492	1,380,515
Effect on Profits		271,752,146	2,717,521

(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.

4. Financial Risk Management (continued)

(d) Operational risk (Continued)

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

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

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

(e) Capital management

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

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

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

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.

4. Financial Risk Management (continued)**(e) Capital management (Continued)**

Various limits are applied to elements of the capital base.

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

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

		2014	2013
		FRw'000	FRw'000
Core Capital (Tier 1):			
Ordinary share capital		6,713,706	6,684,500
Retained earnings and reserves		57,724,350	38,896,772
Share premium		18,572,040	18,236,171
Total		83,010,096	63,817,443
Supplementary Capital (Tier 2):			
		1,634,410	1,736,560
Total qualifying capital		84,644,506	65,554,003
	Risk %		
BNR Repo	20%	3,000,000	640,000
Due From Banks	20%	20,597,643	21,475,505
Loans & Advances (Net excl. Residential mortgage)	100%	198,605,312	153,151,988
Loans & Advances (Net Residential mortgage)	50%	17,417,099	22,936,626
Equity Investments	100%	221,425	218,455
Fixed Assets & other assets	100%	28,402,864	28,952,904
Financing commitments given to customers	100%	53,598,425	49,501,869
Total Risk weighted assets		321,842,768	276,877,347
Regulatory reserve		15%	15%
Capital ratios:			
Total qualifying capital expressed as a percentage of total risk-weighted assets		26.3%	23.7%
Total tier 1 capital expressed as a percentage of total risk-weighted assets		25.8%	23.0%

5. Use of Estimates and Judgments

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

(a) Impairment losses on loans and advances

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

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

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

(b) Fair value of financial instruments

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

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

- **Valuation models**

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

- ✓ **Level 1:** inputs that are quoted market prices (unadjusted) in active markets for identical instruments for example quoted equity securities. These items are exchange traded positions.
- ✓ **Level 2:** inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- ✓ **Level 3:** inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

5. Use of Estimates and Judgments (continued)

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

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

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

- **Valuation framework**

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

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

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

5. Use of Estimates and Judgments (continued)

The following table sets out the fair values of financial instruments not measured at fair value as at 31st December 2014 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	-	12,020,669	-	12,020,669	12,020,669
Balances with the National Bank of Rwanda	-	46,938,373	-	46,938,373	46,938,373
Due from Banks	-	102,988,217	-	102,988,217	102,988,217
Held to maturity investments	-	58,596,907	-	58,596,907	58,596,907
Loans and advances to customers	-	-	233,439,509	233,439,509	233,439,509
Equity Investments	-	-	221,425	221,425	221,425
Other assets	-	-	7,665,385	7,665,385	7,665,385
	-	220,544,166	241,326,319	461,870,485	461,870,485

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.

(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(g) (ii).

6. Segment Reporting

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

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

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

Central Treasury - Funding and centralised risk management activities through borrowings, issues of debt securities and investing in liquid assets such as short-term placements and corporate and government debt securities

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

Statement of Comprehensive Income

	Corporate Banking	Retail Banking	Central Treasury	Total
	FRw'000	FRw'000	FRw'000	FRw'000
For the year ended 31 December 2014				
Interest income	33,882,960	12,897,735	5,129,132	51,909,827
Interest expense	(2,553,495)	(560,495)	(9,560,610)	(12,654,600)
Net interest income	31,329,465	12,337,240	(4,411,478)	39,255,227
Net Non-interest Income	7,521,050	2,362,892	9,041,375	18,925,317
Net Loan loss impairment	(4,659,674)	(2,883,284)	-	(7,542,957)
Total operating expenses	(18,197,307)	(6,926,904)	(2,754,670)	(27,878,882)
Profit before taxation	15,993,534	4,889,943	1,875,227	22,758,705
Taxation	(3,121,503)	(954,384)	(365,993)	(4,441,880)
Profit after taxation	12,872,031	3,935,560	1,509,234	18,316,825
For the year ended 31 December 2013				
Interest income	28,849,909	12,734,910	3,625,933	45,210,752
Interest expense	(2,101,608)	(226,775)	(7,687,525)	(10,015,908)
Net interest income	26,748,301	12,508,135	(4,061,592)	35,194,844
Net Non-interest Income	6,513,988	2,875,401	9,169,008	18,558,396
Net Loan loss impairment	(3,532,034)	(5,461,965)	-	(8,993,999)
Total operating expenses	(16,593,052)	(7,342,495)	(2,085,459)	(26,003,005)
Profit/(Loss) before taxation	13,137,203	2,597,076	3,021,957	18,756,236
Taxation	(2,749,841)	(543,613)	(632,547)	(3,926,001)
Profit/(Loss) after taxation	10,387,362	2,053,463	2,389,410	14,830,235

6. Segment Reporting (continued)**Statement of Financial Position**

	Corporate Banking	Retail Banking	Central Treasury	Total
	FRw'000	FRw'000	FRw'000	FRw'000
As at 31 December 2014				
Gross Loans & advances to customers	187,721,156	58,976,460	-	246,697,616
Cash in hand	-	-	12,020,669	12,020,669
Balances with the Central Bank	-	-	46,938,373	46,938,373
Due from banks	-	-	102,988,217	102,988,217
Held to maturity investments	-	-	58,596,907	58,596,907
Total Deposits	185,869,809	73,352,999	80,592,813	339,815,621
Number of customers	24,165	288,022	28	312,215
Current Accounts	32,551	266,239	177	298,967
As at 31 December 2013				
Gross Loans & advances to customers	146,383,957	65,476,760	-	211,861,167
Cash in hand	-	-	11,110,210	11,110,210
Balances with the Central Bank	-	-	24,855,050	24,855,050
Due from banks	-	-	107,377,523	107,377,523
Held to maturity investments	-	-	50,820,690	50,820,690
Total Deposits	168,354,345	68,185,263	61,294,879	297,834,487
Number of customers	20,485	239,510	19	260,014
Current Accounts	27,712	231,409	142	259,263

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

	2014	2013
	FRw'000	FRw'000
Interest on overdrawn accounts	10,016,733	9,882,349
Interest on treasury loans	4,765,373	4,235,125
Interest on equipment loans	4,871,114	3,838,218
Interest on consumer loans	7,049,062	6,465,347
Interest on mortgage loans	15,545,839	12,259,456
Other interest on loans to clients	4,687,629	4,904,323
Interest on deposits with banks	980,580	262,585
Interest received from reverse purchase agreements	771,890	1,423,824
Interest on assets held to maturity	3,221,607	1,939,525
	51,909,827	45,210,752

Included within various line items under interest income for the year ended 31 December 2014 is a total of FRw 3.4 billion (2013: FRw 3.6 billion) relating to impaired loans and advances.

8. Interest Expense

	2014	2013
	FRw'000	FRw'000
Interest on borrowings and transactions with other banks	2,475,389	1,621,764
Interest on current accounts and saving accounts	981,936	1,089,855
Interest on fixed deposits	9,197,275	7,304,289
	12,654,600	10,015,908

9. Net Fees and Commission Income

	2014	2013
	FRw'000	FRw'000
Fees and commission income		
Commissions on operations of accounts	2,358,216	2,639,702
Commissions on payment facilities	2,718,969	3,198,971
Commissions on loan services	2,812,701	2,168,032
Commissions received from financing commitments	498,853	595,613
Commissions received from guarantees commitments	989,272	1,078,380
Income from transactions with other banks	321,348	309,383
Other fees from services	1,387,494	1,206,525
	11,086,853	11,196,606
Fees and commission expense		
Commissions on credit services	(86,304)	(320,524)
Commissions on payment facilities	(101,395)	(74,829)
	(187,699)	(395,353)
Net Fees and Commission	10,899,154	10,801,253

10. Foreign Exchange related income

	2014	2013
	FRw'000	FRw'000
Net gains on foreign currency transactions	7,724,325	7,476,135

11. Other Operating Income

	2014	2013
	FRw'000	FRw'000
Rental income	154,064	256,149
Dividend received from investment	54,254	-
Gain on asset disposal	84,496	24,753
Other income from banking activities	9,024	106
	301,838	281,008

12. Net Impairment Losses on Financial Assets

	2014	2013
	FRw'000	FRw'000
Additional specific provisions (Note 19(b))	10,499,492	9,097,104
Decrease of Collective provisions (Note 19(c))	(1,179,556)	1,491,909
Recoveries of previously written off loans	(1,776,979)	(1,595,014)
	7,542,957	8,993,999

13. Other Operating Expenses**(a) Personnel expenses**

	2014	2013
	FRw'000	FRw'000
Salaries and wages	13,139,596	10,768,740
Medical expenses	401,361	267,395
Pension scheme contributions	612,140	501,736
Other benefits	274,640	169,367
	14,427,737	11,707,238

(b) Depreciation and amortisation

	2014	2013
	FRw'000	FRw'000
Depreciation of property and equipment (Note 21)	3,469,943	4,303,044
Amortisation of intangible assets (Note 22)	193,591	336,593
	3,663,534	4,639,637

(c) Administration and general expenses

	2014	2013
	FRw'000	FRw'000
Directors' Remuneration	357,209	400,945
Audit Fees	38,263	50,485
Rent, repairs and Maintenance	1,126,239	989,909
Utilities	424,148	413,575
Postage, Photocopying and printing	1,019,184	976,003
Travel and Accommodation Expenses	387,965	365,550
Security and cash in transit costs	1,318,946	1,075,778
Insurance	104,423	94,716
Marketing and Publicity	583,618	468,987
Legal and Consultancy Fees	405,289	362,978
Unclaimed VAT on expenditure	727,212	721,802
Telephone and Internet costs	774,395	737,361
Credit and Visa card Costs	1,256,392	1,179,237
Other general expenses	1,264,328	1,818,804
	9,787,611	9,656,130

14. Income Tax

The components of income tax expense for the year ended 31 December 2014 and 2013 are:

a) Income tax expense

	2014	2013
	FRw'000	FRw'000
Current tax	4,528,989	4,370,349
Deferred tax credit	(87,109)	(444,348)
Net tax charge	4,441,880	3,926,001

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

	Effective	2014	Effective	2013
	rate	FRw'000	rate	FRw'000
Income Tax charge				
Current tax		4,528,989		4,370,349
Deferred tax charge/ (credit)		(87,109)		(444,348)
Net tax charge	19.5%	4,441,880	20.9%	3,926,001
Accounting profit before tax		22,758,705		18,756,236
Tax calculated at tax rate of 20%	20.0%	4,551,741	20.0%	3,751,247
Tax effects on non-taxable/non-deductible items	1.4%	317,546	5.1%	948,053
Tax discount - staff & other adj.	(1.5%)	(340,298)	(1.8%)	(328,951)
	19.9%	4,528,989	23.3%	4,370,349

(b) Tax Payable

	2014	2013
	FRw'000	FRw'000
At 1 January	1,828,573	320,745
Tax paid during the year	(5,665,044)	(2,862,521)
Tax charge for the year	4,528,989	4,370,349
At 31 December	692,518	1,828,573

15. Earnings per Share

	2014	2013
	FRw'000	FRw'000
Profit for the year attributable to equity shareholders – FRw'000	18,316,825	14,830,235
Weighted average number of shares	669,910,300	667,893,500
Effect of dilution:		
Share option (Employee share Ownership Plan)	2,992,026	2,319,009
Weighted average number of ordinary shares adjusted for the effect of dilution	672,902,326	670,212,509
Earnings per share:		
Basic earnings per share - FRw	27.34	22.20
Diluted earnings per share - FRw	27.22	22.13
Dividend per share – proposed FRw	16.33	11.06

Basic earnings per share is calculated on the profit attributable to ordinary shareholders of FRw 18,316 million (2013: FRw 14,830 million) and on the weighted average number of ordinary shares outstanding during the year of 671,370,600 (2013: 668,450,000 shares).

15. Earnings per Share (Continued)

The Bank has potential dilutive shares equal to 7,200,000 offer shares under the Employee Share Ownership Plan (“ESOP”) that may be subscribed for by the directors and eligible employees from 1st September 2012 and no later than 31st August 2017. The warrant entitle 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 4,033,600 shares had been exercised under this ESOP scheme.

16. Analysis of Cash and Cash Equivalents

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

(a) Cash in hand

	2014	2013
	FRw'000	FRw'000
Cash in foreign currency	5,191,160	5,088,980
Cash in local currency	6,829,509	6,021,230
	12,020,669	11,110,210

(b) Balances with National Bank of Rwanda

	2014	2013
	FRw'000	FRw'000
Restricted balances (Cash Reserve Ratio)	16,990,781	14,664,989
Unrestricted balances	29,947,592	10,190,061
	46,938,373	24,855,050

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 2014, the Cash Reserve Ratio requirement was 5% (2013 - 5%) of all deposits amounting to FRw 339.8 billion (2013: FRw 297.8 billion). Mandatory cash reserve ratio is not available for use in the Bank's day-to-day operations.

The unrestricted balances include BNR reverse purchase agreement (REPO) amounting to FRw 29.9billion (2013: 10.0billion).

(c) Analysis of Cash and Cash equivalent

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

	2014	2013
	FRw'000	FRw'000
Cash in hand	12,020,669	11,110,210
Balances with the National Bank of Rwanda	46,938,373	24,855,050
Due from banks	102,988,217	107,377,523
Due to Banks	(15,214,461)	(17,345,024)
	146,732,798	125,997,759

17. Due from Banks

	2014	2013
	FRw'000	FRw'000
Placements with local banks	3,527	2,520,684
Placements with foreign banks	63,221,501	17,182,044
Current accounts with foreign banks	39,763,189	87,674,795
	102,988,217	107,377,523

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.

	2014	2013
	FRw'000	FRw'000
A	195,333	-
A+	77,698,783	80,111,147
AA	-	45,648
B	3,090,880	2,771,823
B+	22,003,221	24,448,905
	102,988,217	107,377,523

The weighted average effective interest rate on placements and balances with other banks at 31 December 2014 was 0.4% (2013: 0.5%)

18. Investments**a) Held to Maturity Investments**

	2014	2013
	FRw'000	FRw'000
Treasury bills	58,596,907	50,820,690
Maturing between 3-12 months	58,596,907	42,129,350
Maturing between 1-5 years	-	8,691,340
	58,596,907	50,820,690

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.

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

	2014			2013		
	Treasury Bills	Treasury Bonds	Total	Treasury Bills	Treasury Bonds	Total
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
1 January	50,820,690	-	50,820,690	12,084,228	1,035,096	13,119,324
Additions	286,171,894	1,660,208	287,832,102	256,932,372	-	256,932,372
Maturities	(280,054,658)	(1,227)	(280,055,885)	(218,195,910)	(1,035,096)	(219,231,006)
31 December	56,937,926	1,658,981	58,596,907	50,820,690	-	50,820,690

The weighted average effective interest rate on government securities held to maturity at 31 December 2014 was 5.9% (2013: 6.1%).

18. Investments (Continued)**b) Equity Investments**

	2014	2013
	FRw'000	FRw'000
Development Bank of Rwanda (BRD)	96,975	96,975
Magerwa	5,000	5,000
Investments in SWIFT	2,970	-
R-Switch (SIMTEL)	116,480	116,480
	221,425	218,455

The equity investment in unquoted entities is recorded at costs 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.

19. Loans and Advances**(a) Net loans and advances**

	2014	2013
	FRw'000	FRw'000
Corporate	134,412,278	88,184,482
Small and Medium Enterprises	46,960,333	53,770,343
Non-Profit Entities	6,348,545	4,429,132
Retail Banking	59,715,792	65,476,760
Total Gross Loans	247,436,948	211,860,717
Allowance for Impairment - Specific assessment	(11,569,935)	(9,967,748)
Allowance for Impairment - Collective assessment	(1,688,172)	(2,867,728)
Discount on staff loans	(739,332)	-
Net Carrying Amount	233,439,509	199,025,241

(b) Specific provisions for impairment

	2014	2013
	FRw'000	FRw'000
At 1 January	9,967,748	5,479,956
Provisions made during the year	10,499,493	11,152,467
Loans written off during the year	(8,897,306)	(6,664,675)
As at 31 December	11,569,935	9,967,748

(c) Collective provisions for impairment

	2014	2013
	FRw'000	FRw'000
At 1 January	2,867,728	1,375,819
Provisions/ (Reversals) made during the year	(1,179,556)	1,491,909
As at 31 December	1,688,172	2,867,728

19. Loans and Advances (Continued)**(d) Maturity analysis of gross loans and advances to customers**

	2014	2013
	FRw'000	FRw'000
Maturing within 1 month	31,880,289	45,418,047
Maturing after 1 month, but before 3 months	19,819,438	9,026,682
Maturing after 3 months, but within 1 year	20,530,590	33,655,483
Maturing after 1 year, but within 5 years	78,829,439	89,562,102
Maturing after 5 years	95,637,860	34,198,403
	246,697,616	211,860,717

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

	2014	2013
	FRw'000	FRw'000
Private sector and individuals	246,643,295	210,704,898
Government and parastatals	54,321	1,155,819
	246,697,616	211,860,717

The weighted average effective interest rate on gross loans and advances as at 31 December 2014 was 20.5% (31 December 2013–20.5%). As at 31 December, the ageing analysis of past due but not impaired loans and advances is as follows:

	2014	2013
	FRw'000	FRw'000
Less than 60 days	18,568,312	54,194,023
Between 61 – 90 days	16,962,457	8,512,825
	35,530,769	62,706,848

20. Other Assets

	2014	2013
	FRw'000	FRw'000
Prepayments and other receivables	2,311,757	1,208,932
Clearing accounts	5,353,628	6,486,073
	7,665,385	7,695,005

Clearing accounts are temporally 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.

21. Property and Equipment

	Land and Buildings	Computer and IT Equipment	Motor vehicles	Furniture and Fittings	Work in Progress	Total
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
2014						
Cost						
At 1 January 2014	21,744,982	4,603,143	707,517	9,204,953	-	36,260,595
Additions	1,062,918	440,267	102,889	1,443,295	-	3,049,369
Disposal	(95,000)	-	-	-	-	(95,000)
At 31 December 2014	22,712,900	5,043,410	810,406	10,648,248	-	39,214,964
Depreciation						
At 1 January 2014	4,712,467	3,980,947	598,164	5,950,123	-	15,241,701
Charge for the year	1,092,548	509,029	87,422	1,780,944	-	3,469,943
Disposal	(103)	-	-	-	-	(103)
At 31 December 2014	5,804,912	4,489,976	685,586	7,731,067	-	18,711,541
Net Book Value	16,907,988	553,454	124,820	2,917,181	-	20,503,423
2013						
Cost						
At 1 January 2013	20,409,607	3,742,859	615,712	7,604,759	218,437	32,591,374
Additions	1,540,375	860,284	91,805	1,381,757	-	3,874,221
Reclassification	-	-	-	218,437	(218,437)	-
Disposal	(205,000)	-	-	-	-	(205,000)
At 31 December 2013	21,744,982	4,603,143	707,517	9,204,953	-	36,260,595
Depreciation						
At 1 January 2013	3,644,221	2,883,784	419,899	4,015,506	-	10,963,410
Charge for the year	1,073,944	1,097,163	178,265	1,953,672	-	4,303,044
Reclassification	19,055	-	-	(19,055)	-	-
Disposal	(24,753)	-	-	-	-	(24,753)
At 31 December 2013	4,712,467	3,980,947	598,164	5,950,123	-	15,241,701
Net Book Value	17,032,515	622,196	109,353	3,254,830	-	21,018,894

22. Intangible Assets

	2014	2013
	FRw'000	FRw'000
Cost		
At 1 January	1,232,318	994,840
Additions	188,642	237,478
At 31 December	1,420,960	1,232,318
Amortisation		
At 1 January	993,313	656,720
Amortisation	193,591	336,593
At 31 December	1,186,904	993,313
Net book value	234,056	239,005

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

23. Due to Banks

	2014	2013
	FRw'000	FRw'000
Current accounts	6,313,823	5,708,024
Term Treasury borrowings	8,900,638	11,637,000
	15,214,461	17,345,024
Maturing as follows:		
Payable within 1 month	10,472,516	5,532,246
Payable after 1 month	4,741,945	11,812,778
	15,214,461	17,345,024

The weighted average effective interest rate on deposits and balances from other banks as at 31 December 2014 was 9.1% (2013: 10.6%)

24. Deposits and balances from customers

	2014	2013
	FRw'000	FRw'000
Current accounts	227,750,108	204,953,080
Fixed deposit accounts	84,246,898	64,779,760
Savings accounts	4,086,890	2,249,528
Collateral and other deposits	3,992,523	3,972,395
Interest Payable	4,524,741	4,534,700
	324,601,160	280,489,463

The weighted average effective interest rate on interest bearing customer deposits as at 31 December 2014 was 1.6% (2013: 3.5%)

25. Deferred Tax

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

	Deferred tax liability 2014	Income statement	Statement of financial position	Deferred tax liability 2013
	FRw'000	FRw'000	FRw'000	FRw'000
Revaluation of assets-Property	1,634,409	-	(102,150)	1,736,559
Capital Allowance	761,781	(18,097)	-	779,878
Other temporally differences	(964,799)	(69,012)	-	(895,787)
	1,431,391	(87,109)	(102,150)	1,620,650

26. Dividends Payable

	2014	2013
	FRw'000	FRw'000
At 1 January	7,416,579	5,894,345
Dividends paid during the year	(7,411,110)	(5,892,885)
Dividends accrued	-	7,415,119
At 31 December	5,469	7,416,579

During the Board of Directors Meeting held on 5th December 2014, the Directors proposed a dividend pay-out of 60% of the Bank's audited IFRS-based net income in respect of the year 2014.

27. Other Liabilities

	2014	2013
	FRw'000	FRw'000
Clearing accounts	4,622,257	3,001,043
Other payables	315,219	157,483
Accrued General expenses	6,247,788	5,547,055
	11,185,264	8,705,581

28. Long Term Finance

	2014	Repayment	Revaluation	Additional Drawdown	Interest	2013
	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000	FRw'000
EIB Loan (9.5% - 11.4%)	1,758,184	427,952	(336,677)	-	237,537	2,522,813
AFD Loan (Libor +3.74% pa)	11,148,524	1,708,093	290,067	-	688,644	12,566,550
AFDB Loan (Libor +4.15% pa)	7,203,662	1,025,006	90,994	4,116,378	490,259	4,021,296
EADB – (Libor +6.65 pa)	6,860,630	-	39,617	5,145,473	160,838	1,675,540
PTA Loan (8% pa)	6,098,338	762,289	158,467	-	562,424	6,702,160
OFID Loan (Libor +4.0% pa)	6,860,629	-	158,469	-	276,669	6,702,160
Total	39,929,967	3,923,340	400,937	9,261,851	2,416,371	34,190,519

The Bank has a 7 year arrangement with European Investment Bank (EIB) for a credit of EUR 5,000,000 to be on-lent to final beneficiaries for the financing up to 50% of the total cost of eligible projects in local currency. The drawdown as at 31 December 2014 was EUR 3.8 million (2013: EUR 3.8m), and no further drawdown is expected.

In 2011, the Bank signed a 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 2014, 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 2014, the Bank had fully drawn down on the EADB, PTA and OFID credit lines.

29. Capital & Reserves**(a) Share Capital**

	2014		2013	
	Shares	FRw'000	Shares	FRw'000
Authorised Share capital of FRw 10 each	702,460,000	7,024,600	702,460,000	7,024,600
Issued and fully paid up				
At 1 January	668,450,000	6,684,500	667,337,000	6,673,370
New issued	2,920,600	29,206	1,113,000	11,130
At 31 December	671,370,600	6,713,706	668,450,000	6,684,500

(b) 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

	2014	2013
	FRw'000	FRw'000
At 1 January	18,236,171	18,108,176
New issued at premium @ FRw 115 each	335,869	127,995
At 31 December	18,572,040	18,236,171

(c) Revaluation Reserve

	2014	2013
	FRw'000	FRw'000
Buildings	6,946,241	7,354,844
Transfer of excess depreciation	(510,753)	(510,753)
Deferred tax on transfer	102,150	102,150
	6,537,638	6,946,241

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.

(d) Other Reserves

	2014	2013
	FRw'000	FRw'000
Legal reserves	5,183,765	4,442,253
Special reserves	5,268,999	4,527,487
Other reserves	26,911,750	20,979,655
	37,364,514	29,949,395

The Bank transfers 20% of its profit after tax to reserves (10% legal reserves and 10% special reserves). These reserves are not mandatory and neither are they distributable. Other reserves represent the amount transferred from retained earnings to reserves that may be decided by the General Assembly.

29. Capital & Reserves (Continued)**(e) Retained Earnings**

	2014	2013
	FRw'000	FRw'000
Opening balance	8,947,377	6,893,076
Appropriation of prior year profit	(7,415,118)	(5,890,668)
Profit for the current year	18,316,825	14,830,235
Dividends accrued	-	(7,415,118)
Excess loan loss provision	-	19,100
Deferred tax	510,752	510,752
	20,359,836	8,947,377

30. 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 2014	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	-	58,959,042	-	-	58,959,042
Balances due from other Banks	-	102,988,217	-	-	102,988,217
Government securities	-	-	58,596,907	-	58,596,907
Loans and advances to customers	233,439,509	-	-	-	233,439,509
Equity Investments	-	-	-	221,425	221,425
Other assets (uncleared effects)	-	7,665,385	-	-	7,665,385
Total Financial Assets	233,439,509	169,612,644	58,596,907	221,425	461,870,485
Liabilities					
Balances due to other Banks	-	15,214,461	-	-	15,214,461
Customer deposits	-	324,601,160	-	-	324,601,160
Other liabilities	-	11,185,264	-	-	11,185,264
Long Term Borrowing	-	39,929,967	-	-	39,929,967
Total Financial Liabilities	-	390,930,852	-	-	390,930,852
31 December 2013					
Assets					
Cash and balances with Central Bank	-	35,965,260	-	-	35,965,260
Balances due from other Banks	-	107,377,523	-	-	107,377,523
Government securities	-	-	50,820,690	-	50,820,690
Loans and advances to customers	199,025,241	-	-	-	199,025,241
Equity Investments	-	-	-	218,455	218,455
Other assets (uncleared effects)	-	7,695,003	-	-	7,695,003
Total Financial Assets	199,025,241	151,037,786	50,820,690	218,455	401,102,172
Liabilities					
Balances due to other Banks	-	17,345,024	-	-	17,345,024
Customer deposits	-	280,489,463	-	-	280,489,463
Other liabilities	-	8,705,581	-	-	8,705,581
Long Term Borrowing	-	34,190,519	-	-	34,190,519
Total Financial Liabilities	-	340,730,587	-	-	340,730,587

31. 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 2014	Less than 12 months	Over 12 months	Total
	FRw'000	FRw'000	FRw'000
Assets			
Cash in hand	12,020,669	-	12,020,669
Balances with the National Bank of Rwanda	46,938,373	-	46,938,373
Balances held with other Financial Institutions	102,988,217	-	102,988,217
Held to maturity investments	58,596,907	-	58,596,907
Loans and advances to customers	72,230,317	161,209,192	233,439,509
Other assets	7,652,853	12,532	7,665,385
Equity investments	-	221,425	221,425
Intangible assets	-	234,056	234,056
Property and equipment	-	20,503,423	20,503,423
Total Assets	300,427,336	182,180,628	482,607,964

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

At 31 December 2014	Less than 12 months	Over 12 months	Total
	FRw'000	FRw'000	FRw'000
Liabilities			
Balances from other Financial Institutions	15,050,115	164,346	15,214,461
Customer deposits	324,585,588	15,572	324,601,160
Tax Liability	692,518	-	692,518
Deferred tax liability	102,150	1,329,241	1,413,391
Dividends payables	5,469	-	5,469
Other liabilities	11,185,264	-	11,185,264
Long-term Finance	3,350,838	36,579,129	39,929,967
Shareholders' funds	10,990,094	78,557,640	89,547,734
Total Liabilities and Equity	365,962,036	116,645,928	482,607,964

31. Maturity Analysis of Assets and Liabilities (Continued)

At 31 December 2013

	Less than 12 months	Over 12 months	Total
	FRw'000	FRw'000	FRw'000
Assets			
Cash in hand	11,110,210	-	11,110,210
Balances with the National Bank of Rwanda	24,855,050	-	24,855,050
Balances and placements with other Financial Institutions	107,377,523	-	107,377,523
Held to maturity investments	50,820,690	-	50,820,690
Loans and advances to customers	88,100,212	110,925,029	199,025,241
Other assets	7,695,005	-	7,695,005
Equity investments	-	218,455	218,455
Intangible assets	-	239,005	239,005
Property and equipment	-	21,018,894	21,018,894
Total Assets	289,958,690	132,401,383	422,360,073
Liabilities			
Balances from other Financial Institutions	17,149,246	195,778	17,345,024
Customer deposits	280,324,953	164,510	280,489,463
Tax Liability	1,828,573	-	1,828,573
Deferred tax liability	102,150	1,518,500	1,620,650
Dividends payables	7,416,579	-	7,416,579
Other liabilities	8,705,580	-	8,705,580
Long-term Finance	3,350,839	30,839,680	34,190,519
Shareholders' funds	-	70,763,685	70,763,685
Total Liabilities and Equity	318,877,920	103,482,153	422,360,073

32. 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 from default customers for a total amount of FRw 31.0 Million (2013: FRw 142.8 Million). Having regarded the legal advice received, the management is of the opinion that these legal proceedings will not give rise to liabilities, and accordingly no provision for any claims has been made in these financial statements.

33. Related Parties Disclosures

	2014	2013
	FRw'000	FRw'000
Compensation of key management personnel of the Bank		
Short term employee benefits	797,963	633,176
Post-employment pension (defined contribution)	56,661	34,067
Terminal benefits	18,730	-
	873,354	667,243
Directors emolument	357,209	400,945

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

	2014			2013		
	FRw'000			FRw'000		
	Maximum balance during	Balance as at 31 December	Income/Expense	Maximum balance during	Balance as at 31 December	Income/Expense
Residential mortgages	139,854	131,958	12,981	195,673	190,664	10,343
Credit cards and other loans	90,235	90,325	10,560	65,039	36,130	1,509
Deposits	138,895	104,561	16	191,566	56,257	23

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

Entities with significant influence over the Bank:

	Interest Income	Interest Expense	Balance as at year end	Maximum balances during the year
	FRw '000	FRw '000	FRw '000	FRw '000
2014	38	5,301,459	51,072,731	57,505,625
2013	600	3,896,937	40,002,126	42,581,037

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 2014, the Bank has not made any provision for doubtful debts relating to amounts owed by related parties (2013: Nil).

The Bank offers loans to its employees at 7.5% and 16.0% (2013: 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.

34. Subsidiaries

Representative Office - Nairobi

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

BK Securities Limited

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

35. Comparatives

Where necessary; comparative figures have been adjusted to conform to changes in presentation in the current year.

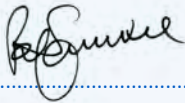
36. Post Period End Events

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

Notice is hereby given that the Annual General Meeting (AGM) of Bank of Kigali Limited will be held on Thursday 28th May 2015, at The Serena Hotel, Kigali Rwanda at 2.30 p.m. to transact the following Business:

- 1. To determine whether quorum is present;*
- 2. The Company Secretary to read the notice convening the meeting;*
- 3. To receive, consider and if thought fit, adopt the Annual Report and Audited Financial Statements for the year ended 31st December 2014 together with the Chairman's, Directors' and Auditor's reports thereon;*
- 4. Approve a dividend of FRw 10,993,914,600 (2013- 50% pay out- FRw 7,415,117,500) which represents 60% pay-out on the Banks audited IFRS-based net income in respect of the year 2014;*
- 5. Election of Directors;*
- 6. To approve the remuneration of the directors;*
- 7. Appointment of Auditor and fixing of the Auditor's remuneration;*
- 8. Any other business of which notice will have been duly received.*



By order of the Board

Dr. Byamukama Shivon
Company Secretary
Plot 6112, Avenue de la Paix
Kigali, Rwanda

Proxy

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

To be valid, a proxy form attached at the end of this Annual Report must be duly completed by the member and lodged with the Company Secretary at the Bank of Kigali Head Office, Plot 6112, Avenue de la Paix, Kigali, Rwanda not later than 10.00 a.m. on the 26th May 2015, failing which it will be invalid. In the case of a corporate body the proxy must be under its common seal.

Closure of Register

Dividend for the year ended 31 December 2014 of FRw 10,993,914,600 will be paid to shareholders on the register of members of the Company at the close of business on Friday 12th June 2015. The dividend will be paid on or about Monday 29th June 2015.

Bank of Kigali Proxy Form

I/We _____ CSD A/C No _____

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

hereby appoint: _____

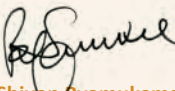
of (address) _____ or, failing him, the duly appointed Chairman of the meeting to be my/our proxy, to vote on my/ our behalf at the Annual General Meeting of the Company to be held on Thursday 28th May 2015 at 2.30 p.m, or at any adjournment thereof.

As witness to my/our hands this _____ day of _____ 2015

Signature(s) _____

Notes:

1. In case of corporate shareholders and individual shareholders who would like to be represented at the AGM, please tear this page carefully and complete as appropriate.
2. This proxy form is to be delivered to the Company Secretary at Bank of Kigali Head Office Plot 6112, Avenue de la Paix, Kigali, Rwanda not later than 10.00 a.m. on the 26th day of May 2015, failing which it will be invalid.
3. A proxy form must be in writing and in the case of an individual shall be signed by the shareholder or by his attorney, and in the case of a corporation the proxy must be either under its common seal or signed by its attorney or by an officer of the corporation.

<p>Please admit _____</p> <p>_____ to the Annual General Meeting of Bank of Kigali Limited which will be held at the Serena Hotel, Kigali, Rwanda on the 28th day of May 2015 at 2.30 p.m.</p> <p>This admission card must be produced by the shareholder or his proxy in order to obtain entrance to the Annual General Meeting.</p> <p> Dr Shivan Byamukama Company Secretary</p>	<p>Number of ordinary shares held:</p> <hr/> <p>Name of Shareholder:</p> <p>Address of Shareholder:</p> <p>CDS Account Number:</p>
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AFRICAN BANKER AWARDS 2014



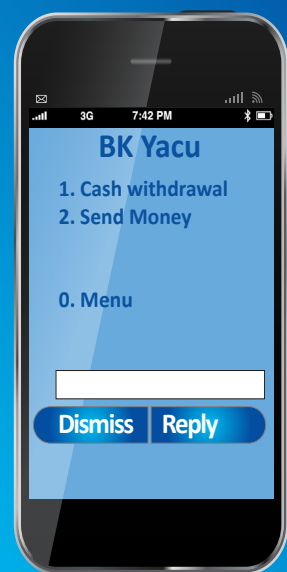
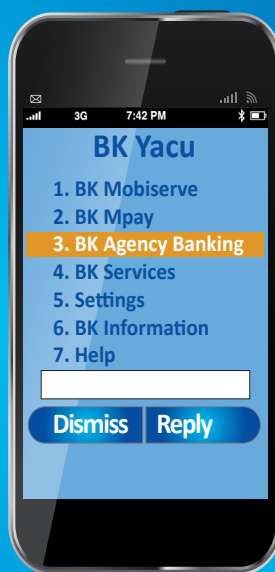
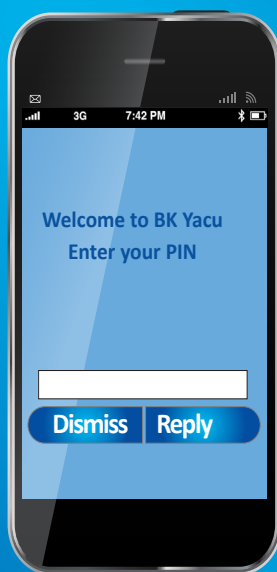
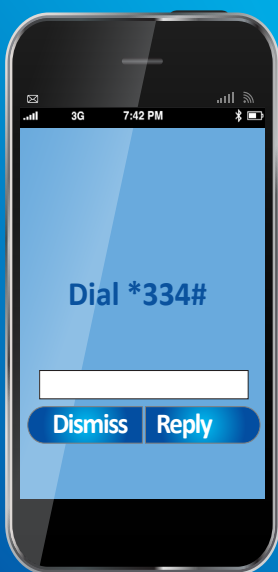


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through your nearest BK Agent



BK Yacu 
Bank wherever you are



Your Money in Transit

Sending money locally and internationally has been made easy for you with enhanced BK remittance channel which includes: BK Yacu, Money gram, Western Union, Xpress Money, MTN Mobile Money, Tigo Cash and Airtel Money

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55 days interest **free** credit



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- ... Recognition benefits with partners
- ... Premier Credit Card and Debit Card
- ... Designated Relationship Manager
- ... Global online access
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Become a member today and enjoy:

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