RWANDA

FINANCIAL STATEMENTS AT 31 DECEMBER 2016

BANK OF AFRICA

Groupe BMCE BANK

Table of contents

RWANDA

Opening date
13 October 2015

Capital as at 31/12/2016
Rwanda Francs (RWF) 6,581 million

Board of Directors as at 31/12/2016
Louis RUGERINYANYE, Chairman
Amine BOUABID
Vincent de BROUWER
Charles MPORANYI
Emmanuel NTAGANDA
Abderrazzak ZEBDANI

Auditors
ERNST &YOUNG RWANDA LIMITED

Registered office
BANK OF AFRICA
KN 46 Nyarugenge P.O. Box: 265,
Kigali - RWANDA
Tel: (250) 787 468 010
Swift: AFRWRWRW

Info@boarwanda.com
www.boarwanda.com

Principal shareholders as at 31/12/16

BANK OF AFRICA GROUP S.A. **89.4 %**

Charles MPORANYI **10.6 %**

2016 Key figures (in millions of FRW)

Activity	2015	2016	Variation
Deposits	7,585	9,438	24.4 %
Loans	5,636	8,243	46.2 %
Number of branches at the end of the financial year	11	12	9.1 %

Structure			
Total Assets	15,319	16,646	8.7 %
Shareholders' equity	7,335	6,774	-7.7 %
Number of employees at the end of the financial year	101	131	29.7 %

(*) Yearly growth 2015-2016

Income	2015	2016	Variation
Net operating income	1,306	1,712	31.1 %
Operating expenses (including depreciation and amortization)	1,179	2,108	78.8 %
Gross operating profit	128	-396	-410.5 %
Cost of risk (in value)*	24	155	557.6 %
Net income	48	-561	-1271.5 %
Operating ratio	90.2 %	123.1 %	
Cost of risk	-0.4 %	-2.2 %	
Return on Assets (ROA)	0.4 %	-3.5 %	
Return on Equity (ROE)	1.1 %	-8.0 %	

Capital adequacy ratio		
Tier 1	7,322	6,541
Tier 2		
Risk Weighted Asset (RWA)	6,738	11,236
Tier 1 + Tier 2 / RWA	108,7 %	58.2 %

(*) Including general provision

Financial analysis

In 2016 BANK OF AFRICA – RWANDA (BOA–RWANDA) published its **first year accounts** as a full commercial bank. Until end of 2015, it was a micro finance institution. **Significant investment** was required to bring about this transition, in particular in terms of head office and branch relocation and new branding. Net income, not a significant indicator given the exceptional context of this financial year, was **down 1,271.5%.**

Given this same context, operating expenses understandably increased by 78.8%, in particular due to the recruitment of new staff, mainly to fill key positions. With investment in a **new core banking system** and new IT infrastructure, depreciation and amortization costs also contributed to that increase.

All unsecured loans have been fully provided for, resulting in an increase in the cost of risk, which was also affected by **the allocation of provisions for all accounts** with negative balance for more than a year and for which no line of credit had been granted.

These two measures resulted in an increase in the cost of risk of **557.6%.**

Net loans and advances rose by 46.2%, a performance in line with market opportunities.

Customer deposits also increased by 24.4%. With its new status as a commercial bank and thanks to the Group's synergies, the **Bank has enhanced its reputation** and, consequently, customer deposits have increased. It has also benefited from economic growth and its strategy of setting up new branches.

In conclusion, BANK OF AFRICA - RWANDA will continue its expansion programme and is expecting to open two new branches in 2017. It will also continue to expand its product range, including the introduction of a new product for Small and Medium Enterprises.

Corporate information

Registered office

The address of the registered office is:

BANK OF AFRICA - RWANDA Limited
KN 46 Avenue
Nyarugenge, Legacy House
P.O. Box 265
Kigali
Rwanda

Bankers

National Bank of Rwanda
P.O. Box 531
Kigali, Rwanda

BPR (Part of Atlas Mara)
P.O. Box 1348
Kigali, Rwanda

Bank of Kigali Limited
P.O. Box 175
Kigali, Rwanda

I&M Bank (Rwanda) Limited
P.O. Box 354
Kigali, Rwanda

Cogebanque Limited
P.O. Box 5230
Kigali, Rwanda

Auditor

Ernst & Young Rwanda Limited
Mpeace Plaza, Executive Wing, 6th Floor
Avenue de la Paix
P. O. Box 3638
Kigali, Rwanda

Directors' Report

For the year ended 31 December 2016

The directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2016, which disclose the state of affairs of the Bank.

Activities

The Bank is engaged in the business of banking. The bank has a total of 12 branches and 1 outlet in Rwanda.

Results

The results of the Bank for the year are set out on page 10.

Directors

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

Directors	Position	Remarks
Louis Rugerinyange	**Chairman -Independent**	
Emmanuel Ntaganda	Independent Director	
Charles Mporanyi	Non-executive Director	
Amine Bouabid	Non-executive Director	
Vincent De Brower	Independent Director	
Abderrazzak Zebdani	Non-executive Director	

Auditors

In accordance with the auditor rotation regulations issued by the National Bank of Rwanda, the term of the bank's current auditor, Ernst and Young Rwanda Limited has ended.

By order of the board

Company Secretary

30th March 2017

Statement of corporate governance

For the year ended 31 December 2016

BANK OF AFRICA - RWANDA Limited is committed to the best principles of Corporate Governance in running the operations of a Bank. The bank strives to ensure the compliance of all the rules, regulations and laws of the country in the conduct of its business. The bank is administered in pursuit of earning credibility in the market and increasing value for the stakeholders. The decision making and powers are exercised with integrity, responsibility, accountability and transparency.

Board of Directors

The directors who served during the year ended 31 December 2016 are listed on page 2.

Though the overall responsibility of monitoring and controlling the operational and financial performance of BANK OF AFRICA - RWANDA Limited vests with the Board of directors, the day to day management of the company has been delegated to Managing Director

Board Meetings and Attendance

In 2016, the attendance at Board meetings is set out below:

Names	Role	Meetings held	Meetings attended
Louis Rugerinyange	Chairman	4	4
Emmanuel Ntaganda	Director	4	4
Charles Mporanyi	Director	4	4
Amine Bouabid	Director	4	4
Vincent De Brower	Director	4	4
Abderrazzak Zebdani	Director	4	4

The Board of Directors meets at least quarterly and is chaired by a non-executive director.

Board Committees

The Board has instituted various committees to assist it in fulfilling its role of monitoring key activities of BANK OF AFRICA - RWANDA Limited. The Board reviews the reports and minutes of the committees and is accountable for their decisions and functions.

Board Audit Committee

The Board Audit Committee comprises of the Chairperson and a non-executive director. Its key objective is to assist the Board in providing an independent review of the effectiveness of the financial reporting process. It reviews and approves annual audit plan prepared by Internal Auditor and oversees its execution. It recommends appointment, reappointment and removal of external auditors and assesses their independence. It ensures the effectiveness and quality of external auditor services. It ensures that External Auditor receives due assistance from management and staff to enhance the quality of audit report.

In 2016, the Board Audit Committee members and attendance of meetings is set out below:

Names	Role	Meetings held	Meetings attended
Vincent De Brower	Chairperson	1	1
Abderrazzak Zebdani	Member	1	1

The Audit Committee meets at least quarterly and is chaired by a non-executive director.

Board Assets and Liability Committee

The Board Assets and Liability Committee comprises of the chairperson and a non-executive director. Its key objective is to devise strategy for the proper mix of assets and liabilities of the bank. It identifies statement of financial position management issues that may lead to underperformance and recommends corrective actions. It ensures sustainable funding of the statement of financial position. It gives directions on mitigating risks related to movement in interests rate, foreign exchange exposure and capital adequacy.

The board assets and liability committee meets at least quarterly and is chaired by a non-executive director.

In 2016, the Board assets and liability committee members and attendance of meeting is set out below:

Names	Role	Meetings held	Meetings attended
Emmanuel NTAGANDA	Chairperson	1	1
Louis Rugerinyange	Member	1	1
Abderrahmane Belbachir	Member	1	1

Board Risk Management Committee

The Board Risk Management Committee comprises of the chairperson and a non-executive director. Its key objective is to oversee the risk management strategy and risk management Policy of the bank. It monitors overall exposure to risk and ensures that it remains within the limits set by the board. It sets out the nature, role, responsibility and authority of risk management department of the bank and outlines the scope of risk management work. It meets quarterly to monitor developments relating to the practice of corporate accountability, providing independent and objective oversight and reviewing the information presented by management on corporate accountability and associated risks.

In 2016, the Board Risk Management Committee members and attendance of meetings is set out below:

Names	Role	Meetings held	Meetings attended
Vincent De Brower	Chairperson	1	1
Emmanuel NTAGANDA	Member	1	1

Board Credit Committee

The Board Credit Committee comprises of the chairperson and two non-executive directors. Its key objective is to review and oversee the bank overall lending policy. It identifies credit risks to minimize risks of bad and doubtful loans. It assists the board in exercising its roles to review the quality of loan portfolio; adequate provisioning for bad and doubtful debts in accordance with board approved provisioning policy given central bank guidelines. It approves loans above a certain threshold based on lending policy approved by the board.

The board credit committee meets at least quarterly and is chaired by a non-executive director.

In 2016, the Board Credit Committee members and attendance of meetings is set out below:

Names	Role	Meetings held	Meetings attended
Louis Rugerinyanye	Chairperson	1	1
Abderrazzak Zebdani	Member	1	1
Abderrahmane Belbachir	Member	1	1

Board Executive Committee

The Executive Committee is the link between the board and management and is responsible for implementation of operational plans, annual budgeting and periodic reviews of group operations, strategic plans, ALCO strategies, credit proposals review, identification and management of key risks and opportunities. The committee shall review and approve guidelines for employees' remuneration.

In 2016, the Board Audit Committee members and attendance of meetings is set out below:

Names	Role	Meetings held	Meetings attended
Louis Rugerinyange	Chairman	1	1
Abderrazzak Zebdani	Member	1	1
Abderrahmane Belbachir	Member	1	1
Béata U. Habyarimana	Member	1	1

Statement of directors' responsibilities

For the year ended 31 December 2016

The Law No. 07/2009 of 27/04/2009 requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of its operating results for that year. It also requires the directors to ensure the Bank keeps proper accounting records which disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates in conformity with International Financial Reporting Standards and the requirements of Law No. 07/2009 of 27/04/2009. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Abderrahmane BELBACHIR

Managing Director

30th March 2017

Independent auditor’s report

To the members of BANK OF AFRICA - RWANDA limited

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of BANK OF AFRICA - RWANDA Limited set out on pages 10 to 52, which comprise the statement of financial position as at 31 December 2016, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of BANK OF AFRICA - RWANDA Limited as at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of Law No. 07/2009 of 27/04/2009 relating to Companies as amended and Laws and Regulations governing Banks in Rwanda.

Basis for opinion

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

Other information

The directors are responsible for the other information. The other information comprises the Directors’ Report as required by Law No. 07/2009 of 27/04/2009 relating to Companies as amended, Law No. 07/2008 relating to organisation of Banking, and requirements of Regulation No 03/2016 of 24/06/2016 on Publication of Financial Statements and Other Disclosures by Banks. Other information does not include the financial statements and our auditor’s report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by Law No. 07/2009 of 27/04/2009 and Laws and Regulations governing Banks in Rwanda and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

The Law No. 07/2009, which was promulgated on 27 April 2009, requires that in carrying out our audit, we consider and report to you on the following matters:

We confirm that: -

i) We have no relationship, interests and debts in the Bank;

ii) 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;

iii) In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books; and,

iv) We have communicated to you through the management letter, internal control weaknesses identified in the course of our audit including our recommendations with regard to those matters.

Allan Gichuhi

For Ernst & Young Rwanda Limited

4th April 2017

Financial Statements

For the year ended 31 december 2016

Statement of Comprehensive Income as at 31 December 2016

	NOTES	2016 FRW' 000	2015 FRW' 000
INTEREST AND SIMILAR INCOME	3	1,674,791	1,282,305
INTEREST AND SIMILAR EXPENSE	4	(320,143)	(276,492)
NET INTEREST INCOME		1,354,648	1,005,813
FEE AND COMMISSION INCOME	5	258,594	228,257
NET FOREIGN EXCHANGE GAIN/(LOSSES)		(6,222)	1,542
OTHER OPERATING INCOME	6	104,779	70,476
OPERATING INCOME		1,711,799	1,306,088
IMPAIRMENT LOSSES ON FINANCIAL ASSETS	7	(154,561)	(23,505)
OPERATING INCOME AFTER IMPAIRMENT LOSSES		1,557,238	1,282,583
PERSONNEL EXPENSES	8	(823,299)	(539,883)
DEPRECIATION ON PROPERTY AND EQUIPMENT	9	(85,698)	(50,840)
AMORTISATION OF INTANGIBLE ASSETS	10	(39,112)	(9,762)
OTHER OPERATING EXPENSES	11	(1,159,566)	(578,091)
TOTAL OPERATING EXPENSES		(2,107,675)	(1,178,576)
PROFIT/(LOSS) BEFORE TAX		(550,437)	104,007
INCOME TAX CHARGE	12(C)	(10,951)	(56,086)
(LOSS) /PROFIT FOR THE YEAR		(561,388)	47,921

Statement of Financial Position as at 31 December 2016

	NOTES	2016 FRW' 000	2015 FRW' 000
ASSETS			
CASH IN HAND	13(I)	1,106,407	470,410
DUE FROM THE NATIONAL BANK	13(II)	706,952	687,499
DEPOSITS IN OTHER BANKING INSTITUTIONS	13(III)	4,542,577	7,208,685
FINANCIAL ASSETS – TREASURY BILLS	14	-	997,582
LOANS AND ADVANCES TO CUSTOMERS	15	8,242,509	5,636,402
OTHER ASSETS	16	271,569	222,694
TAX RECOVERABLE	12(A)	188,298	27,233
PROPERTY AND EQUIPMENT	9	1,354,889	44,497
INTANGIBLE ASSETS	10	233,095	12,774
DEFERRED TAX ASSET	12(B)	-	10,951
TOTAL ASSETS		**16,646,296**	**15,318,727**
LIABILITIES			
DEPOSITS FROM CUSTOMERS	17	9,438,343	7,584,845
OTHER PAYABLES	18	408,554	228,167
BORROWED FUNDS	19	25,729	170,657
TOTAL LIABILITIES		**9,872,626**	**7,983,669**
EQUITY			
SHARE CAPITAL	20(A)	6,580,870	6,580,870
SHARE PREMIUM	20(B)	871,740	871,740
ACCUMULATED LOSSES		(678,940)	(117,552)
TOTAL EQUITY		**6,773,670**	**7,335,058**
TOTAL EQUITY AND LIABILITIES		**16,646,296**	**15,318,727**

The financial statements were approved by the Board of Directors

on 30th March 2017 and signed on its behalf by:

Abderrahmane BELBACHIR
Managing Director

Statement of Changes in Equity for the year ended 31 December 2016

	SHARE CAPITAL FRW' 000	SHARE PREMIUM FRW' 000	CUMULATED LOSSES FRW' 000	TOTAL EQUITY FRW' 000
AS AT 01 JANUARY 2015	2,000,000	-	(165,473)	1,834,527
INCREASE IN SHARE CAPITAL	4,580,870	871,740	-	5,452,610
PROFIT FOR THE YEAR	-	-	47,921	47,921
AT 31 DECEMBER 2015	6,580,870	871,740	(117,552)	7,335,058
AS AT 01 JANUARY 2016	6,580,870	871,740	(117,552)	7,335,058
LOSS FOR THE YEAR	-	-	(561,388)	(561,388)
AT 31 DECEMBER 2016	6,580,870	871,740	(678,940)	6,773,670

Statement of cash flows for the year ended 31 december 2016

	NOTE	2016 FRW' 000	2015 FRW' 000
CASH FLOWS FROM OPERATING ACTIVITIES			
(LOSS) / PROFIT BEFORE TAX		(550,437)	104,007
ADJUSTMENTS FOR:			
DEPRECIATION ON PROPERTY AND EQUIPMENT	9	85,698	50,840
UNREALISED FOREIGN EXCHANGE GAINS		(32,221)	(18,987)
AMORTISATION OF INTANGIBLE ASSETS	10	39,112	9,762
STAFF LEAVE PROVISIONS	8	64,271	-
FINANCE COSTS	4	11,484	35,230
GAIN ON DISPOSAL OF ASSETS	6	(1,077)	-
OPERATING (LOSS)/PROFIT BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		(383,170)	180,852
CHANGES IN OPERATING ASSETS AND LIABILITIES:			
(INCREASE) /DECREASE IN LOANS AND ADVANCES		(2,606,107)	323,360
DECREASE IN OTHER ASSETS		(48,875)	(720)
INCREASE IN DEPOSITS FROM CUSTOMERS		1,853,498	1,152,125
DECREASE IN OTHER LIABILITIES		116,116	28,392
DUE FROM OTHER BANKING INSTITUTIONS		1,514,446	(1,430,062)
INCREASE IN CASH RESERVE BALANCES WITH NATIONAL BANK		(101,382)	(106,369)
CASH GENERATED FROM OPERATIONS		344,526	147,578
NET CASH FROM OPERATING ACTIVITIES		183,461	121,307
CASH FLOWS FROM INVESTING ACTIVITIES			
PURCHASE OF PROPERTY AND EQUIPMENT	9	(1,396,739)	(3,500)
PURCHASE OF INTANGIBLE ASSETS	10	(259,433)	-
PROCEEDS FROM DISPOSAL OF ASSETS		1,726	-
NET CASH USED IN INVESTING ACTIVITIES		(1,654,446)	(3,500)
CASH FLOWS FROM FINANCING ACTIVITIES			
REPAYMENT OF BORROWINGS		(144,928)	(128,781)
INTEREST PAID		(11,484)	(35,230)
INCREASE IN SHARE CAPITAL	20(C)	-	5,452,610
NET CASH GENERATED (USED IN) FINANCING ACTIVITIES		(156,412)	5,288,599
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(1,627,397)	5,406,406
NET FOREIGN EXCHANGE DIFFERENCE		32,221	18,987
CASH AND CASH EQUIVALENTS AT 01 JANUARY		6,443,151	1,017,758
CASH AND CASH EQUIVALENTS AT END OF YEAR	13(IV)	4,847,975	6,443,151

Notes to the Financial Statements

For the year ended 31 December 2016

1. Corporate information

BANK OF AFRICA - RWANDA Limited (the Bank) is commercial bank licensed to provide retail banking services to corporate, small and medium size enterprises and retail customers in various parts of Rwanda. The Bank is a limited liability company incorporated and domiciled in Rwanda. The immediate holding company is BANK OF AFRICA Group SA, whereas the ultimate holding company is a Group BMCE Bank of Morocco.

2. Accounting policies

2.1. Basis of preparation

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Rwandan Francs (Frw) which is the functional and presentation currency and all values are rounded to the nearest thousand (Frw'000) except where otherwise indicated.

Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Law No. 07/2009 of 27 April 2009 relating to companies.

2.2. Changes in accounting policy and disclosures

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations.

The following new and amended standards did not have an impact on the bank.

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Annual Improvements Cycle - 2012-2014: (IFRS 5 Non-current Assets Held for Sale and Discontinued Operations Assets (or disposal groups), IFRS 7 Financial Instruments: Disclosures - Servicing contracts and applicability of offsetting disclosure requirements to condensed interim financial statements, IAS 19 Employee Benefits - Discount rate: regional market issue and IAS 34 Interim Financial Reporting
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

Standards issued but not yet effective

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Bank plans to adopt the new standard on the required effective date. Overall, the Bank expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9.

(a) Classification and measurement

The Bank does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. Loans as well as other receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Bank expects that these will continue to be measured at amortised cost under IFRS 9. However, the Bank will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9. The bank does not have any financial assets measured at fair value.

(b) Impairment

IFRS 9 requires the Bank to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Bank expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Bank expects a significant impact on its equity due to unsecured nature of some of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

(c) Hedge accounting

The Bank does not have any hedge relationships.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Bank plans to adopt the new standard on the required effective date. The Bank is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. In December 2015, the IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments are not expected to have any impact on the Bank.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Early application is permitted. The amendments are intended to provide information to help investors better understand changes in a company's debt. The amendments are effective for annual periods beginning on or after 1 January 2017. The Bank is currently evaluating the impact.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

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

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application is permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. The amendments are intended to remove existing divergence in practice in recognising deferred tax assets for unrealised losses. The amendments are effective for annual periods beginning on or after 1 January 2017. The Bank is currently evaluating the impact.

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

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

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction
- The classification of a share-based payment transaction with net settlement features for withholding tax obligations
- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application is permitted. The amendments are intended to eliminate diversity in practice, but are narrow in scope and address specific areas of classification and measurement. The amendments are effective for annual periods beginning on or after 1 January 2018. These amendments are not expected to have any impact on the Bank.

IFRS 16 Leases

The IASB issued IFRS 16 Leases on 13 January 2016. The scope of the new standard includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Key features

- The new standard requires lessees to account for all leases under a single on-statement of financial position model (subject to certain exemptions) in a similar way to finance leases under IAS 17.
- Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately.
- The new standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computer) and short-term leases (i.e., leases with a lease term of 12 months or less).
- Reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events.
- Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach.

The lease expense recognition pattern for lessees will generally be accelerated as compared to today.

Key statement of financial position metrics such as leverage and finance ratios, debt covenants and statement of comprehensive income metrics, such as earnings before interest, taxes, depreciation and amortisation (EBITDA), could be impacted. Also, the statement of cash flows for lessees could be affected as payments for the principal portion of the lease liability will be presented within financing activities.

The new standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. The new standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach.

The Bank is in the process assessing the potential effect of IFRS 16. The Bank will have a significant impact on the statement of financial position as we expect an increase in the assets and liabilities as a result of the adoption of IFRS 16.

Amendments to IAS 40- Transfers of Investment Property

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

Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of hindsight. Early application of the amendments is permitted and must be disclosed. The amendments are effective for annual periods beginning on or after 1 January 2018. These amendments are not expected to have any impact on the Bank.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

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

Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation

prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

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

Or

(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of

the reporting period in which the entity first applies the interpretation.

Early application of interpretation is permitted and must be disclosed. First-time adopters of IFRS are also permitted to apply the interpretation prospectively to all assets, expenses and income initially recognised on or after the date of transition to IFRS. The standard is effective for annual periods beginning on or after 1 January 2018. The Bank is currently evaluating the impact.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4

The amendments address concerns arising from implementing the new financial instruments Standard,

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

Temporary exemption from IFRS 9

The optional temporary exemption from IFRS 9 is available to entities whose activities are predominantly connected with insurance. The temporary exemption permits such entities to continue to apply IAS 39 Financial Instruments: Recognition and Measurement while they defer the application of IFRS 9 until 1 January 2021 at the latest. Predominance must be initially assessed at the annual reporting date that immediately precedes 1 April 2016 and before IFRS 9 is implemented. Also the evaluation of predominance can only be reassessed in rare cases. Entities applying the temporary exemption will be required to make additional disclosures.

The overlay approach

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

The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying IFRS 9. These amendments do not have any impact as the bank does not have insurance contracts.

Annual Improvement Plan 2014-2016 cycle

IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. The amendment is effective from 1 January 2018. This amendment does not have an impact on the Bank.

IAS 28 Investments in Associates and Joint Ventures

The amendments clarifies that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. The amendments does not have an impact on the bank.

IFRS 12 Disclosure of Interests in Other Entities - Clarification of the scope of the disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The amendments are effective from 1 January 2017 and must be applied retrospectively. The amendments do not have an impact on the bank.

2.3. Summary of Significant Accounting Policies

(a) Significant accounting judgments, estimates and assumptions

In the process of applying the Bank's accounting policies, management has exercised judgment and estimates in determining the amounts recognised in the financial statements. The most significant judgments and estimates used are as follows:

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 financial statements continue to be prepared on the going concern basis.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. Refer to Note 24(f).

Property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates used are set out in the accounting policy Note 2.3 (k) below.

Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Bank makes judgments about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.), concentration of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of loans within the banking industry) Refer to Note 15.

In addition to the measurement of impairment losses on loans and advances in accordance with International Financial Reporting Standards as set out above, the Bank is also required by the National Bank of Rwanda (NBR) Instruction No. 02/2011 to estimate losses on loans and advances. Where provisions determined using IFRS are lower than provisions determined using this regulation, the difference shall be treated as an appropriation from retained earnings and placed in a non-distributable reserve. Where provisions determined under IFRS are higher than those determined using this regulation, they will be considered to be adequate for the purpose of the regulation.

A specific provision for those loans and advances considered to be non-performing based on criteria and classification of such loans and advances is established by the National Bank of Rwanda.

The Bank has made provisions for impairment in accordance with the National Bank of Rwanda Instruction No. 02/2011 as follows:

CLASS	MINIMUM PROVISIONS REQUIRED
NORMAL (BETWEEN 0-30 DAYS IN ARREARS)	0%
WATCH LIST (BETWEEN 30- 90 DAYS IN ARREARS)	0%
SUBSTANDARD (BETWEEN 90-180 DAYS IN ARREARS)	20%
DOUBTFUL (BETWEEN 180-360 DAYS IN ARREARS)	50%
LOSS (OVER 360 DAYS IN ARREARS)	100%

In addition to the arrears period, banks must follow subjective criteria in arriving at the classification attributable to the assets.

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. Refer to Note 12.

(b) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Bank commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, all the bank's financial assets are classified as loans and receivables.

Loans and receivables

This category is the most relevant to the Bank. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in profit or loss. The losses arising from impairment are recognised in profit or loss and presented as a line item in the statement of comprehensive income. The loans and receivables include cash balances with the National Bank and Due from other banking institutions and treasury bills.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - o The Bank has transferred substantially all the risks and rewards of the asset, or
  - o The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Bank's financial liabilities include customer deposits, other payables, loans and borrowings and financial guarantee contracts.

Subsequent measurement

(i) Deposits from customers and other payables

After initial measurement, term deposits and savings deposits, and other payables are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included as interest and similar expense in profit or loss.

(ii) Borrowings

After initial recognition, borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

(d) Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models. Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Bank's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded (Day 1 profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument. An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 24 (f).

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(e) Impairment of financial assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers are experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as placements and balances with other banking institutions, loans and advances to customers as well as treasury bills), the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income'. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Impairment loss on financial assets'.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. See Note 7 for an analysis of impairment allowance on loans and advances.

(ii) Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. The difference between the old carrying amount and the new carrying amount arising from impairment losses initially recognised is reversed. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

(f) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal 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.

(g) Leasing

The determination of whether an arrangement is a lease, 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.

Bank as a lessee

Leases which do not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight line basis over the lease term. Contingent rental payable are recognised as an expense in the period in which they are incurred.

(h) Recognition of income and expenses

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 recognition criteria must also be met before revenue is recognised.

(i) Interest income and expense

For all financial instruments measured at amortised cost, interest income or expense is recognised in profit or loss using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Other income'.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

- Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

- Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(iii) Other operating income

Other operating income comprises results arising from trading activities, including all gains and losses from changes in fair value and related interest income or expense, as well as gains on sale of property and equipment and other operating income.

(i) Operating expenses

Operating expenses include staff costs, office expenses, travel expenses, professional charges, audit fees, depreciation, amortisation, postage and communication, training expenses and other operating expenses. General operating expenses incurred in the current year are recognised in profit or loss. Any payment in excess of the expenses incurred during the year is recorded in the statement of financial position under prepayments. Expenses incurred but not paid for in the current year are accrued in the current year.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current accounts with National Bank of Rwanda, and amounts due from banks and government securities (treasury bills) with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts and restricted balances with National Bank of Rwanda.

(k) Property and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. The Bank assesses at each reporting date whether there is any indication that any item of property and equipment is impaired. If any such indication exists, the Bank estimates the recoverable amount of the relevant assets. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Freehold land is not depreciated. Depreciation on other assets is calculated on the straight line basis to allocate their cost less their residual values over their estimated useful lives, at the following annual rates:

BUILDING	10%
COMPUTERS	50%
MOTOR VEHICLES, OFFICE EQUIPMENT & OTHER EQUIPMENT	25%

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

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other income' in profit or loss in the year the asset is derecognised.

(l) Intangible Assets

The Bank's intangible assets include the value of computer software. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination 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 finite. 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 profit or loss in amortisation. 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 of 3 years.

(m) Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Such impairment is recognised in profit or loss. 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. In determining fair value less costs of disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

(n) 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 payables') 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 profit or loss, 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 profit or loss. The premium received is recognised in profit or loss in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

(o) Retirement benefit costs

The Bank 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 an employee's basic salary. The bank also contributes to separate defined contribution pension scheme with Soras Vie General. The Bank's contributions to the schemes are charged to profit or loss in the period to which they relate.

(p) Other employee benefits

The bank recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the bank's shareholders after certain adjustments. The bank recognises a provision where contractually obliged or where there is past practice that has created a constructive obligation.

(r) Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

(s) Taxes

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and,
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised directly in other comprehensive income or equity are also recognised in other comprehensive income or equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(t) Foreign currency translation

The financial statements are presented in Rwandan Franc (Frw) which is the functional currency of the entity.

Transactions in foreign currencies are initially recorded at the rates of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange at the reporting date. All translation gains and losses arising on non-trading activities are taken to 'Other operating income' in the statement of comprehensive income. Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

3. Interest and similar income

	2016 FRW' 000	2015 FRW' 000
INTEREST ON LOANS AND ADVANCES	1,136,435	1,078,083
PLACEMENT WITH OTHER BANKS	538,356	192,890
GOVERNMENT SECURITIES	-	11,332
TOTAL	1,674,791	1,282,305

4. Interest and similar expense

	2016 FRW' 000	2015 FRW' 000
DEPOSITS FROM CUSTOMERS	308,659	228,593
BORROWINGS	11,484	35,230
PLACEMENTS BY OTHER FINANCIAL INSTITUTIONS	-	12,669
TOTAL	320,143	276,492

5. Fees and commission income

	2016 FRW' 000	2015 FRW' 000
CURRENT ACCOUNT LEDGER FEES	137,563	119,546
CREDIT RELATED FEES AND COMMISSIONS	121,031	108,711
TOTAL	258,594	228,257

6. Other operating income

	2016 FRW' 000	2015 FRW' 000
GAIN ON DISPOSAL OF ASSETS	1,077	
WRITE BACK OF PROVISION FOR DEPOSITS	54,325	
OTHER INCOME	49,377	70,476
TOTAL	104,779	70,476

7. Impairment losses on financial assets

	2016 FRW' 000	2015 FRW' 000
BALANCE AS AT JANUARY	65,091	88,033
SPECIFIC PROVISIONS FOR THE YEAR	284,141	56,555
GENERAL PROVISIONS FOR THE YEAR	11,036	13,342
RECOVERIES ON PROVISIONS	(139,774)	(89,964)
LOANS WRITTEN OFF		(2,875)
TOTAL	220,494	65,091
CHARGE FOR THE YEAR :		
SPECIFIC PROVISIONS	284,141	56,555
GENERAL PROVISIONS	11,036	13,342
RECOVERIES ON AMOUNTS WRITTEN OFF	(842)	(15,417)
LOANS WRITTEN OFF		58,989
RECOVERIES ON PROVISIONS	(139,774)	(89,964)
IMPAIRMENT LOSSES ON LOANS AND ADVANCES	154,561	23,505

8. Personnel expenses

	2016 FRW' 000	2015 FRW' 000
SALARIES AND WAGES	638,972	449,677
MEDICAL EXPENSES	56,575	56,083
TRAINING	17,660	751
CONTRIBUTION TO RWANDA SOCIAL SECURITY	32,648	22,952
CONTRIBUTION TO STAFF LIFE INSURANCE	13,172	10,420
STAFF LEAVE PROVISIONS	64,271	-
TOTAL	823,298	539,883

9. Property and Equipment

a) Year ended 31 December 2016

	LAND AND BUILDINGS FRW'000'	COMPUTERS FRW'000'	MOTOR VEHICLES FRW'000'	OFFICE EQUIPMENT FRW'000'	OTHER EQUIPMENT FRW'000'	TOTAL FRW'000'
COST						
AT 01 JANUARY 2016	13,300	112,585	82,600	218,822	53,513	480,820
ADDITIONS	-	322,104	125,169	939,662	9,804	1,396,739
DISPOSAL	-	(1,770)	-	(45,022)	(2,408)	(49,200)
AT 31 DECEMBER 2016	13,300	432,919	207,769	1,113,462	60,909	1,828,359
DEPRECIATION						
AT 01 JANUARY 2016	1,884	112,335	79,449	195,152	47,503	436,323
CHARGE FOR THE YEAR	1,330	23,423	11,349	44,357	5,239	85,698
DISPOSAL	-	(1,770)	-	(44,407)	(2,374)	(48,551)
AT 31 DECEMBER 2016	3,214	133,988	90,798	195,102	50,368	473,470
NET CARRYING AMOUNT						
AT 31 DECEMBER 2016	10,086	298,931	116,971	918,360	10,541	1,354,889

b) Year ended 31 December 2015

	LAND AND BUILDINGS FRW'000'	COMPUTERS FRW'000'	MOTOR VEHICLES FRW'000'	OFFICE EQUIPMENT FRW'000'	OTHER EQUIPMENT FRW'000'	TOTAL FRW'000'
COST						
AT 01 JANUARY 2015	13,300	112,585	82,600	218,822	50,013	477,320
ADDITIONS	-	-	-	-	3,500	3,500
AT 31 DECEMBER 2015	13,300	112,585	82,600	218,822	53,513	480,820
DEPRECIATION						
AT 01 JANUARY 2015	554	110,335	58,799	176,174	39,621	385,483
CHARGE FOR THE YEAR	1,330	2,000	20,650	18,978	7,882	50,840
AT 31 DECEMBER 2015	1,884	112,335	79,449	195,152	47,503	436,323
NET CARRYING AMOUNT						
AT 31 DECEMBER 2015	11,416	250	3,151	23,670	6,010	44,497

None of the items of property and equipment has been pledged as security for liabilities.

10. Intangible assets

COST	2016 FRW'000'	2015 FRW'000'
AS AT 01 JANUARY	82,538	82,538
ADDITIONS	259,433	-
DISPOSAL	(72,184)	-
AT 31 DECEMBER	269,787	82,538
AMORTISATION		
AS AT 01 JANUARY	69,764	60,002
CHARGE FOR THE YEAR	39,112	9,762
DISPOSAL	(72,184)	-
AT 31 DECEMBER	36,692	69,764
NET CARRYING AMOUNT		
AT 31 DECEMBER	233,095	12,774

The bank's intangible assets relate to computer software.

11. Other operating expenses

OFFICE RENT	364,617	243,705
CONSULTANCY FEES	257,886	87,984
OTHER OPERATING EXPENSES	141,901	74,710
COMMUNICATION FEES	94,697	55,082
OFFICE SUPPLIES EXPENSES	65,813	44,173
ADVERTISING EXPENSES	64,201	2,578
BOARD ALLOWANCES	49,329	14,552
PERDIEM	42,680	8,570
TRAVEL EXPENSES	32,975	4,553
PROFESSIONAL FEES	16,930	10,471
INSURANCE FEES	11,698	2,746
LEGAL FEES	9,730	22,609
BANK CHARGES	3,750	1,127
RATES AND TAXES	3,209	4,191
DONATIONS	150	1,040
TOTAL	1,159,566	578,091

12. Taxation

(i) Statement of financial position:

(a) Tax Recoverable

	2016 FRW' 000	2015 FRW' 000
BALANCE BROUGHT FORWARD	(27,233)	(67,999)
CHARGE FOR THE YEAR	-	67,037
PAYMENTS DURING THE YEAR	(161,065)	(26,271)
TOTAL	(188,298)	(27,233)

(b) Deferred tax asset

DEFERRED TAX RELATES TO THE FOLLOWING:	01 JAN FRW'000	2016 FRW' 000 CURRENT YEAR CHANGE TO PROFIT OR LOSS	2015 FRW' 000 31 DEC FRW'000
31 DECEMBER 2016			
ACCELERATED DEPRECIATION ON PROPERTY AND EQUIPMENT	(10,951)	10,951	
31 DECEMBER 2015			
ACCELERATED DEPRECIATION ON PROPERTY AND EQUIPMENT		(10,951)	(10,951)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. The bank has not recognised the deferred tax on tax losses of Frw 1,178,582,552, Staff leave provisions of Frw 64,270,763 and deferred tax on accelerate depreciation on property and equipment of Frw 876,295,708 (2015 Nil) as it is currently in a loss position and may recognise in future if sufficient profits are available. Deferred tax asset arising from loss may be deducted from the tax profit in the next five (5) tax periods, earlier losses being deducted before later losses.

UNRECOGNIZED DEFERRED TAX ASSETS RELATES TO THE FOLLOWING	2016 FRW '000'	2015 FRW '000'
ACCELERATED DEPRECIATION ON PROPERTY AND EQUIPMENT	(262,889)	-
TAX LOSSES	353,575	-
STAFF LEAVE PROVISIONS	19,281	-
	109,967	-

STATEMENT OF COMPREHENSIVE INCOME:	2016 FRW '000'	2015 FRW '000'

(c) Income tax charge

CURRENT TAX AT 30% ON THE TAXABLE PROFIT	-	67,037
DEFERRED TAX CREDIT/(CHARGE)	10,951	(10,951)
TOTAL	10,951	56,086

A reconciliation between income tax expense to tax based on accounting loss:

ACCOUNTING PROFIT / (LOSS) BEFORE TAX	(550,437)	104,007
TAX AT RWANDA'S STATUTORY TAX RATE OF 30% (2015: 30%)	(165,131)	31,202
TAX EFFECT ON NON-DEDUCTIBLE EXPENSES	66,115	24,884
EFFECT OF DEFERRED TAX NOT RECOGNIZED (NOTE 12 B)	109,967	-
TOTAL	10,951	56,086

(i) Cash in hand

	2016 FRW '000'	2015 FRW '000'
CASH IN FOREIGN CURRENCIES	749,401	94,106
CASH IN LOCAL CURRENCY	357,006	376,304
TOTAL	1,106,407	470,410

ii) Due from the National Bank

	2016 FRW '000'	2015 FRW '000'
BALANCES IN LOCAL CURRENCY	510,619	442,030
BALANCES IN FOREIGN CURRENCIES	196,333	245,469
TOTAL	706,952	687,499

(iii) Deposits in other banking institutions

	2016 FRW '000'	2015 FRW '000'
CURRENT ACCOUNTS WITH OTHER BANKS	1,437,961	2,854,299
MONEY MARKET PLACEMENTS	3,104,616	4,354,386
TOTAL	4,542,577	7,208,685

(iv) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following as at 31 December:

	2016 FRW '000'	2015 FRW '000'
CASH IN HAND	1,106,407	470,410
DUE FROM THE NATIONAL BANK	706,952	687,499
CASH RESERVE BALANCES WITH THE NATIONAL BANK	(492,345)	(390,963)
DUE FROM OTHER BANKING INSTITUTIONS	4,542,577	7,208,685
DUE FROM OTHER BANKING INSTITUTIONS – MATURING AFTER 3 MONTHS	(1,015,616)	(2,530,062)
FINANCIAL ASSETS – TREASURY BILLS	-	997,582
CASH AND CASH EQUIVALENTS	4,847,975	6,443,151

For the purpose of statement of cash flows, cash and cash equivalents comprise cash on hand, current accounts with National Bank of Rwanda, and amounts due from banks and government securities (treasury bills) with an original maturity of three months or less, net of outstanding bank overdrafts and restricted balances with National Bank of Rwanda. Banks are required to maintain a prescribed minimum cash balances with the National Bank of Rwanda that is not available to finance day to day activities. The amount is determined as 5% of the average outstanding customer deposits over a cash reserve cycle period of one month.

14. Financial assets - Treasury bills

	2016 FRW '000'	2015 FRW '000'
GOVERNMENT DEBT SECURITIES - TREASURY BILLS		997,582

15. Loans and advances to customers

	2016 FRW '000'	2015 FRW '000'
MORTGAGE LOANS	1,410,763	1,490,001
EQUIPMENT LOANS	790,701	868,203
CONSUMER LOANS	1,561,933	407,951
OVERDRAFTS	842,376	593,409
TREASURY LOANS	2,620,886	2,173,989
OTHERS	1,236,344	167,941
TOTAL	8,463,003	5,701,494
INDIVIDUAL IMPAIRMENT	(175,736)	(31,370)
COLLECTIVE IMPAIRMENT	(44,758)	(33,722)
NET LOANS AND ADVANCES	8,242,509	5,636,402
CURRENT (TO BE RECOVERED NO MORE THAN 12 MONTHS AFTER THE REPORTING PERIOD)	5,180,102	3,463,355
NON-CURRENT PORTION (TO BE RECOVERED MORE THAN 12 MONTHS AFTER REPORTING PERIOD)	3,062,407	2,173,047
TOTAL	8,242,509	5,636,402

16. Other assets

	2016 FRW '000'	2015 FRW '000'
PREPAYMENTS	219,082	160,647
ADVANCES TO EMPLOYEES	894	2,157
INVENTORY*	2,380	19,822
CLEARING ACCOUNTS	14,883	9,651
OTHER RECEIVABLES	34,330	30,417
TOTAL	271,569	222,694

Other receivables are non-interest bearing and are generally on short-term period of 30 to 90 days.

17. Deposits from customers

	2016 FRW '000'	2015 FRW '000'
CURRENT ACCOUNT DEPOSITS	5,082,448	4,481,483
SAVINGS DEPOSITS	1,836,997	1,205,877
TERM DEPOSITS	2,401,562	1,821,253
INTEREST PAYABLE	117,336	76,232
TOTAL	9,438,343	7,584,845
BREAKDOWN BETWEEN CURRENT AND NON-CURRENT:-		
CURRENT (TO BE SETTLED NO MORE THAN 12 MONTHS AFTER THE REPORTING PERIOD)	9,438,343	7,584,845
NON-CURRENT PORTION (TO BE SETTLED MORE THAN 12 MONTHS AFTER REPORTING PERIOD)	-	-
TOTAL	9,438,343	7,584,845

The summary of terms and conditions for the various categories of deposits are below:

a) Term deposits - These are high interest-bearing accounts that are opened for a specific period of time at a fixed rate of interest. Interest is calculated daily and paid only on maturity of the deposits. Interest rates are offered at competitive and attractive rates.

b) Current accounts – These are non-interest bearing accounts that are due on demand. They are operated by both individuals and institutions with the use of a cheque book. They are subject to transaction activity fees and/or monthly maintenance charges.

c) Savings accounts - This is a deposit account designed for the average income earner that enables one to save some money and earn interest.

18. Other payables

	2016 FRW '000'	2015 FRW '000'
OTHER PAYABLES	270,571	153,623
TRANSITORY ACCOUNTS	4,607	9,901
DEFERRED COMMISSION INCOME*	82,435	49,146
SOCIAL SECURITY AND TAXES	50,941	15,497
TOTAL	408,554	228,167

*Inventory comprises office supplies.

19. Borrowings

	2016 FRW '000'	2015 FRW '000'
DEVELOPMENT BANK OF RWANDA	25,729	170,657

Breakdown between current and non-current:

CURRENT (TO BE SETTLED NO MORE THAN 12 MONTHS AFTER THE REPORTING PERIOD)	25,729	144,928
NON-CURRENT PORTION (TO BE SETTLED MORE THAN 12 MONTHS AFTER REPORTING PERIOD)	-	25,729
TOTAL	25,729	170,657

The terms of the loan are as shown below:-

This is a long term loan of Frw 600,000,000 from Development Bank of Rwanda. The loan accrues interest at a fixed rate of 12% and will mature on 28 February 2017. A finance cost of Frw 11 Million (2015: 35 Million) has been included in profit or loss for the year. The loan is unsecured.

20. Equity

a) Share capital

	2016 FRW '000'	2015 FRW '000'
BALANCE AS AT 01 JANUARY	6,580,870	2,000,000
INCREASE IN SHARE CAPITAL	-	4,580,870
AUTHORISED, ISSUED AND PAID FOR SHARE CAPITAL:	6,580,870	6,580,870
658,087 (2015: 658,087) SHARES OF FRW 10,000 EACH		

Ordinary shares reconciliation

	2016 FRW' 000	2015 FRW' 000
BALANCE AS AT 01 JANUARY	658,087	200,000
ISSUE OF NEW SHARES	-	458,087
AUTHORISED, ISSUED AND FULLY PAID SHARES	658,087	658,087

b) Share premium

	2016 FRW' 000	2015 FRW' 000
AS AT 01 JANUARY	871,740	-
ISSUANCE OF SHARE CAPITAL ON ACQUISITION OF THE BANK	-	871,740
AS AT 31 DECEMBER	871,740	871,740

The share premium arose from the issuance of shares at a premium on acquisition of the bank by Bank of Africa Group SA in 2015.

*Deferred commission income relates to fees and commission revenue charged and paid upfront at the inception of loans and advances. The fees and commission charged is deferred and amortized over the life/term of the loan. This is in line with IAS 18, which requires that interest shall be recognised using the effective interest method as set out in IAS 39. IAS 39 requires that fees and commission income that are integral part of the loan shall be amortised over the period of the loan and included in the calculation of the effective interest rate over the expected life of the financial instrument.

c) For the purpose of cash flow, cash flows on issue of share capital comprise the of the following

	2016 FRW' 000	2015 FRW' 000
SHARE CAPITAL (NOTE 20 (A))	-	4,580,870
SHARE PREMIUM (NOTE 20 (B))	-	871,740
TOTAL	-	5,452,610

21. Operating Leases

The Bank leases a number of branch and office premises under operating leases. The leases typically run for a year up to five years, with an option to renew the lease after that date. Lease payments are increased accordingly to reflect market lease rentals. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments under non-cancellable operating leases as at 31 December are as follows:

	2016 FRW' 000	2015 FRW' 000
WITHIN ONE YEAR	358,793	243,705
OVER ONE YEAR UP TO FIVE YEARS	1,435,172	1,072,302
TOTAL	1,793,965	1,316,007

22. Related parties and related party transactions

a) Loans and advances to employees

	2016 FRW' 000	2015 FRW' 000
BALANCE BROUGHT FORWARD	151,974	155,481
DISBURSED LOANS	113,576	71,028
INTEREST FOR THE YEAR	13,490	22,005
REPAYMENTS	(125,981)	(96,540)
BALANCE AS 31 DECEMBER	153,059	151,974

b) Loans and advances to Directors

	2016 FRW' 000	2015 FRW' 000
BALANCE AS 31 DECEMBER	12,000	-

The interest rates charged to, and by, related parties are at normal commercial rates. Loans to related parties have maturity periods ranging from 1 year to 6 years.. Outstanding balances at the year-end are unsecured. No impairment losses have been recorded against balances outstanding during the year and no specific allowance has been made for impairment losses on balances at the year-end.

c) Key management personnel compensation

	2016 FRW' 000	2015 FRW' 000
SHORT-TERM EMPLOYEE BENEFITS	237,703	144,919
CONTRIBUTION FOR STAFF INSURANCE	5,055	7,246
CONTRIBUTION TO RWANDA SOCIAL SECURITY BOARD	12,094	3,623
TOTAL	254,852	155,788

All the transactions with the related parties are priced on arm's length basis and have been entered into in the normal course of business.

d) Deposits received from related parties

	2016 FRW' 000	2015 FRW' 000
BANK OF AFRICA GROUP S.A	250,823	
SORAS GROUP	410,319	453,240
SORAS VIE	638,596	451,957
SORAS GENERAL	262,726	157,817
KIGALI BUSINESS CENTER LTD	548	969,208
CHARLES MPORANYI	1,925	3,848
TOTAL	1,564,937	2,036,070

BANK OF AFRICA Group S.A and Charles Mporanyi are the shareholders of the bank owning 90% and 10% shares respectively. Soras Group and Kigali Business Center Ltd have a common shareholding with the bank, whereas Soras Vie and Soras General are subsidiaries of Soras Group. The above mentioned outstanding balances arose from the ordinary course of business. The balances relate to deposits held by the bank on term deposits. There have been no guarantees provided or received for any related party payables or receivables. For the year ended 31 December 2016 (31 December 2015: Nil), the Bank has not made any provision for doubtful debts relating to amounts owed by related parties. All the transactions with the related parties are priced on arm's length basis and have been entered into in the normal course of business.

The following are interest expenses arising from term deposits due to related parties that have been included in statement of comprehensive income

	2016 FRW' 000	2015 FRW' 000
SORAS GROUP	11,826	
SORAS VIE	74,626	40,375
SORAS GENERAL	788	16,998
KIGALI BUSINESS CENTER LTD	892	35,605
TOTAL	88,132	92,978

d) Directors emoluments

	2016 FRW' 000	2015 FRW' 000
NON-EXECUTIVE	49,329	14,553

23. Off statement of financial position contingencies and commitments

In the ordinary course of business, the Bank conducts business involving guarantees, acceptances and performance bonds. These facilities are offset by corresponding obligations of third parties. At the year-end, the contingencies were as follows:

	2016 FRW' 000	2015 FRW' 000
ACCEPTANCES AND LETTERS OF CREDIT	393,594	124,349

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

Letters of credit commit the Bank to make payment to third parties, on production of documents, which are subsequently reimbursed by customers.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented and reimbursement by the customer is almost immediate.

Commitments

There were no capital commitments contracted for at the reporting date.

24. Financial risk management

a) Introduction and overview

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risks

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

b) 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, amounts due from other banks and treasury bills. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

Credit-related commitment risks

The Bank makes available to its customers guarantees which may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. 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.

The Board of Directors is responsible for management and periodically reviewing the credit risk of the Bank.

A Board Credit Committee, reporting to Board of Directors is responsible for oversight of the Bank's credit risk, including:

- Formulating credit policies in consultation with credit department, 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 Credit committee as stipulated in the Bank's Credit Charter.
- Reviewing and assessing credit risk. Bank Credit Committee 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 as follows:

- 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. The responsibility for setting risk grades lies with the final approving executive / committee as appropriate. Risk grades are subject to regular reviews by the Bank's Credit Risk department.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Bank Credit department 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 credit policies and procedures, with credit approval authorities delegated from the Bank's Credit Committee. The Bank has a Head of credit who reports on all credit-related matters to local management and the Bank Credit Committee. Each department 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 Bank's approval. Regular audits of the department and Bank Credit processes are undertaken by Internal Audit.

Exposure to credit risk

i) Loans and advances to customers

	2016 FRW' 000	2015 FRW' 000
GROSS AMOUNT – MAXIMUM EXPOSURE TO CREDIT RISK	8,463,003	5,701,494
INDIVIDUALLY IMPAIRED:		
GROSS AMOUNT	764,757	460,457
ALLOWANCE FOR IMPAIRMENT	(175,736)	(31,370)
CARRYING AMOUNT	589,021	429,087
COLLECTIVELY IMPAIRED:-		
GROSS AMOUNT	7,698,246	5,241,037
ALLOWANCE FOR IMPAIRMENT	(44,758)	(33,722)
CARRYING AMOUNT	7,653,488	5,207,315
TOTAL CARRYING AMOUNT	8,242,509	5,636,402
NEITHER PAST DUE NOR IMPAIRED	7,502,086	4,809,719
PAST DUE BUT NOT IMPAIRED	196,160	431,318
IMPAIRED LOANS ADVANCES	764,757	460,457
TOTAL GROSS LOANS ADVANCES	8,463,003	5,701,494

Credit quality

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system. The amounts presented are gross of impairment allowances:

	NEITHER PAST DUE NOR IMPAIRED		PAST DUE BUT	IMPAIRED	
	HIGH GRADE FRW' 000	STANDARD GRADE FRW' 000	NOT IMPAIRED FRW' 000	LOAN ADVANCES FRW' 000	TOTAL FRW' 000
31 DECEMBER 2016					
DUE FROM THE NATIONAL BANK	706,952	-	-	-	706,952
DEPOSITS IN OTHER BANKING INSTITUTIONS	4,542,577	-	-	-	4,542,577
LOANS AND ADVANCES	6,722,320	779,766	196,160	764,757	8,463,003
OTHER ASSETS	-	50,107	-	-	50,107
TOTAL	11,971,849	829,873	196,160	764,757	13,762,639
31 DECEMBER 2015					
DUE FROM THE NATIONAL BANK	687,499				687,499
DEPOSITS IN OTHER BANKING INSTITUTIONS	7,208,685	-	-	-	7,208,685
FINANCIAL ASSETS – TREASURY BILLS	997,582	-	-	-	997,582
LOANS AND ADVANCES	4,496,982	312,737	431,318	460,457	5,701,494
OTHER ASSETS	-	42,225	-	-	42,225
TOTAL	13,390,748	354,962	431,318	460,457	14,637,485

Collective impairment has been made for loans and advances that the bank has determined that no objective evidence of impairment exists for them to be individually assessed.

(ii) Commitments and guarantees

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. 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.

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. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the statement of financial position.

	2016 FRW' 000	2015 FRW' 000
ACCEPTANCES AND LETTERS OF CREDIT	393,594	124,349

Impaired loans

Impaired loans are loans 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. These loans are graded 3, 4 and 5 in the Bank's internal credit risk grading system.

Past due but not impaired loans

These are loans where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Bank. An analysis of the age of financial assets that are past due as at the end of the reporting period but not impaired is as follows;

	1-2 MONTHS FRW' 000	2-3 MONTHS FRW' 000	TOTAL MONTHS FRW' 000
31 DECEMBER 2016	FRW'000	FRW'000	FRW'000'
LOANS AND ADVANCES	139,034	57,126	196,160
31 DECEMBER 2015			
LOANS AND ADVANCES	304,045	127,273	431,318

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Bank writes off a loan balance when credit department determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral have failed to cover the entire facility outstanding. For smaller balance standardised loans, write-off decisions generally are based on a product specific past due status.

Collateral on Loans and Advances

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 or when a borrower has cleared a loan and would like to obtain another facility at the time when the validity of the valuation has since expired.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below.

	2016 FRW' 000	2015 FRW' 000
INDIVIDUALLY ASSESSED IMPAIRED LOANS AND ADVANCES	764,757	460,457
FAIR VALUE OF COLLATERAL HELD	1,603,677	903,546

Concentration of loans and advances to customers by sector

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

	2016 FRW' 000	2015 FRW' 000
CONSTRUCTION	1,393,596	1,490,001
TRANSPORT AND COMMUNICATION	780,485	854,466
COMMERCIAL	3,936,928	2,458,165
AGRICULTURE	32,895	59,960
OTHERS	2,319,099	890,931
TOTAL	8,463,003	5,701,494

c) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

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 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. All liquidity policies and procedures are subject to review and approval by Asset and Liabilities Committee.

The table below shows details of the contractual maturities of undiscounted cash flows of Bank net liquid assets and liabilities at the reporting date.

AT 31 DECEMBER 2016	1-3 MONTHS FRW' 000	3-12 MONTHS FRW' 000	1-5 YEARS FRW' 000	OVER 5 YEARS FRW' 000	TOTAL FRW' 000
ASSETS					
CASH IN HAND	1,106,407	-	-	-	1,106,407
DUE FROM NATIONAL BANK	706,952	-	-	-	706,952
DUE FROM OTHER BANKING INSTITUTIONS	3,541,071	1,100,000	-	-	4,641,071
LOANS AND ADVANCES TO CUSTOMERS	2,088,379	3,344,388	5,177,889	104,715	10,715,371
OTHER ASSETS	50,107	-	-	-	50,107
TOTAL ASSETS	3,735,767	4,011,433	6,378,133	823,536	14,948,877
LIABILITIES					
DEPOSITS FROM CUSTOMERS	7,318,393	2,231,789	-	-	9,550,182
OTHER LIABILITIES	275,178	-	-	-	275,178
BORROWED FUNDS	26,270	-	-	-	26,270
TOTAL LIABILITIES	7,610,286	2,231,789	-	-	9,842,075
LIQUIDITY GAP-31 DECEMBER 2016	3,874,519	1,779,644	6,378,133	823,536	5,106,802
ACCEPTANCES AND LETTERS OF CREDIT	393,594	-	-	-	393,594
LIQUIDITY GAP-31 DECEMBER 2016	(393,594)	-	-	-	(393,594)

AT 31 DECEMBER 2015	1-3 MONTHS FRW' 000	3-12 MONTHS FRW' 000	1-5 YEARS FRW' 000	OVER 5 YEARS FRW' 000	TOTAL FRW' 000
ASSETS					
CASH IN HAND	470,410	-	-	-	470,410
DUE FROM NATIONAL BANK	687,499	-	-	-	687,499
DUE FROM OTHER BANKING INSTITUTIONS	5,057,593	2,680,705	-	-	7,738,298
FINANCIAL ASSETS – TREASURY BILLS	1,000,000	-	-	-	1,000,000
LOANS AND ADVANCES TO CUSTOMERS	1,611,905	2,081,464	2,918,359	6,296	6,618,024
OTHER ASSETS	42,225	-	-	-	42,225
TOTAL ASSETS	8,869,632	4,762,169	2,918,359	6,296	16,556,456
LIABILITIES					
DEPOSITS FROM CUSTOMERS	5,381,998	2,290,899	-	-	7,672,897
OTHER LIABILITIES	163,524	-	-	-	163,524
BORROWED FUNDS	39,405	118,216	26,270	-	183,891
TOTAL LIABILITIES	5,584,927	2,409,115	26,270	-	8,020,312
LIQUIDITY GAP-31 DECEMBER 2015	3,284,705	2,353,054	2,892,089	6,296	8,536,144
ACCEPTANCES AND LETTERS OF CREDIT	124,349	-	-	-	124,349
LIQUIDITY GAP-31 DECEMBER 2015	124,349	-	-	-	124,349

d) Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the fair value or future cash flows of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

All foreign exchange risk within the Bank is managed by the Treasury Department. Accordingly, the foreign exchange position is treated as part of the Bank's trading portfolio for risk management purposes.

Overall authority for market risk is vested in the Board. The Finance and Treasury Departments in collaboration with the Risk Management Department are responsible for the development of detailed risk management policies (subject to review and approval by Board Risk Management Committee) and for the day-to-day review of their implementation.

Exposure to market risks – trading portfolio

Currently, the Bank does not hold a significant trading portfolio and is therefore not largely exposed to market risks associated with such portfolios. The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The Treasury and Finance Department monitor compliance with these limits.

A summary of the Bank's interest gap position on non-trading portfolio is as follows:

AT 31 DECEMBER 2015	1-3 MONTHS FRW' 000	3-12 MONTHS FRW' 000	1-5 YEARS FRW' 000	OVER 5 YEARS FRW' 000	NON-INTEREST BEARING FRW' 000	TOTAL FRW' 000
ASSETS						
ASSETS						
CASH IN HAND	-	-	-	-	1,106,407	1,106,407
DUE FROM THE NATIONAL BANK	-	-	-	-	706,952	706,952
DUE FROM OTHER BANKING INSTITUTIONS	3,526,961	1,015,616	-		-	4,542,577
LOANS AND ADVANCES TO CUSTOMERS	1,835,714	3,344,388	3,026,629	35,778	-	8,242,509
OTHER ASSETS	-	-	-	-	50,107	50,107
TOTAL ASSETS	5,362,675	4,360,004	3,026,629	35,778	1,863,466	14,648,552
LIABILITIES						
LIABILITIES						
DEPOSITS FROM CUSTOMERS	2,221,949	2,133,946	-	-	5,082,448	9,438,343
OTHER LIABILITIES	-	-	-	-	275,178	275,178
BORROWED FUNDS	25,729	-	-	-	-	25,729
TOTAL LIABILITIES	2,247,678	2,133,946	-	-	5,357,626	9,739,250

31 DECEMBER 2015						
ASSETS						
CASH IN HAND	-	-	-	-	470,410	470,410
DUE FROM THE NATIONAL BANK	-	-	-	-	687,499	687,499
DUE FROM OTHER BANKING INSTITUTIONS	4,678,623	2,530,062		-	-	7,208,685
FINANCIAL ASSETS – TREASURY BILLS	997,582	-	-	-	-	997,582
LOANS AND ADVANCES TO CUSTOMERS	1,118,784	2,344,571	2,167,711	5,336	-	5,636,402
OTHER ASSETS	-	-	-	-	42,225	42,225
TOTAL ASSETS	6,794,989	4,874,633	2,167,711	5,336	1,200,134	15,042,803
LIABILITIES						
DEPOSITS FROM CUSTOMERS	824,282	2,202,847	-	-	4,557,716	7,584,845
OTHER LIABILITIES	-	-	-	-	163,524	163,524
BORROWED FUNDS	34,643	110,285	25,729	-	-	170,657
TOTAL LIABILITIES	858,925	2,313,132	25,729	-	4,721,240	7,919,026
INTEREST RATE SENSITIVITY GAP	5,936,064	2,561,501	2,141,982	5,336	(3,521,106)	7,123,777

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's profit before tax and equity.

	EFFECT ON PROFIT BEFORE TAX FRW' 000	EFFECT ON EQUITY FRW' 000
31 DECEMBER 2016 (+/-) 2%	99,948	69,964
31 DECEMBER 2015 (+/-) 2%	145,775	102,042

Sensitivity to profit or loss and equity is the effect of the assumed change in interest rates on interest bearing assets and liabilities. The above sensitivity analysis is unrepresentative of the interest rate risk exposure for the Bank as interest bearing liabilities are fixed within the next one year.

Foreign currency exposure

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The board of directors has set limits on foreign currency positions. The foreign currency positions and revaluations are monitored on daily basis to ensure that positions are maintained within the established limits. The table below summarises the foreign currency exposure position.

	EURO FRW' 000	OTHER FRW' 000	TOTAL FRW' 000
AT 31 DECEMBER 2016			
ASSETS			
CASH IN HAND	17,900	339,107	131,193
DUE FROM THE NATIONAL BANK	853	509,766	328,427
DUE FROM OTHER BANKING INSTITUTIONS	355,600	-	57,437
TOTAL ASSETS	374,353	959,501	517,057
LIABILITIES			
CUSTOMER DEPOSITS	342,700	362,087	37,653
TOTAL LIABILITIES	342,700	362,087	37,653
NET FINANCIAL POSITION	31,653	597,414	479,404

The following table demonstrates the sensitivity, to a reasonable possible change in the USD, with all other variables held constant, of the Bank's profit before tax due to changes in fair value of financial assets and liabilities. The Bank's exposure to foreign currency changes for all other currencies is not material.

		EFFECT ON PROFIT FRW' 000	EFFECT ON EQUITY FRW' 000
31 DECEMBER 2016	CHANGES IN EUR +/5.3%	+/-1,962	1,373
	CHANGES IN USD +/- 9.7%	+/-57,352	40,146
31 DECEMBER 2015	CHANGES IN USD +/- 4%	+/- 36,435	25,504

a) Capital management

Regulatory capital

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:

Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.

Various limits are applied to elements of the capital base; qualifying tier 2 capital cannot exceed tier 1 capital; there are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital.

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 has complied with all externally imposed capital requirements throughout the year.

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

	2016 FRW' 000	2015 FRW' 000
ORDINARY SHARE CAPITAL	6,580,870	6,580,870
SHARE PREMIUM	871,740	871,740
RETAINED EARNINGS	(678,940)	(117,552)
INTANGIBLE ASSETS	(233,095)	(12,774)
TIER 1 CAPITAL	6,540,575	7,322,284
RISK-WEIGHTED ASSETS	11,236,123	6,738,017
CAPITAL RATIOS		
TOTAL MINIMUM REGULATORY CAPITAL EXPRESSED AS A % OF TOTAL RISK-WEIGHTED ASSETS SET BY NATIONAL BANK OF RWANDA	15%	15%
TOTAL TIER 1 CAPITAL EXPRESSED AS A % OF RISK-WEIGHTED ASSETS	58.2%	109%

(d) Fair value measurement

The fair values of cash in hand, amounts due from National Bank, other assets, bank overdraft and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments. Financial instruments such as Loans and advances, Due from other banking institutions, deposits from customers and borrowed funds are stated at amortised cost and these values approximate their fair values.

25. Retirement benefit obligations

The company contributes to a statutory defined contribution pension scheme, the Rwanda Social Security Board. The Bank also contributes to a separate defined contribution pension scheme operated by a local life insurance company. The contributions are charged to profit or loss in the year to which they relate.

	2016 FRW' 000	2015 FRW' 000
CONTRIBUTIONS TO STAFF INSURANCE	13,172	10,420
CONTRIBUTIONS TO RWANDA SOCIAL SECURITY BOARD	32,648	22,952
TOTAL	45,820	33,372

26. Events after Reporting period

The directors are not aware of any events after the reporting date that require adjustments to, or disclosure in, the financial statements as at the date of this report.

Appendix 1: Other disclosures as at 31 December 2016

ITEM	FIGURES IN FRW'000
1. OFF BALANCE SHEET ITEMS	**393,594**
2. NON-PERFORMING LOAN INDICATORS	
NON-PERFORMING LOANS	764,757
NPL RATIO	8.63%
3. CAPITAL STRENGTH	
CORE CAPITAL (TIER1)	6,540,575
SUPPLEMENTARY CAPITAL (TIER 2)	-
TOTAL CAPITAL	6,540,575
TOTAL RISK WEIGHTED ASSETS	11,236,123
CORE CAPITAL/TOTAL RISK WEIGHTED ASSETS RATIO	58.2%
TIER 1 RATIO	58.2%
TOTAL CAPITAL/TOTAL RISK WEIGHTED ASSETS RATIO	58.2%
TIER 2 RATIO	-
4. LIQUIDITY	
LIQUIDITY RATIO	67.3%
5. INSIDER LENDING	
LOANS TO DIRECTORS, SHAREHOLDERS AND SUBSIDIARIES	12,000
LOANS TO EMPLOYEES	153,059
6. MANAGEMENT AND BOARD COMPOSITION	
NUMBER OF BOARD MEMBERS	6
NUMBER OF EXECUTIVE DIRECTORS	-
NUMBER OF NON-EXECUTIVE DIRECTORS	6
NUMBER OF FEMALE DIRECTORS	-
NUMBER OF MALE DIRECTORS	6
NUMBER OF EXECUTIVE COMMITTEE	4
NUMBER OF FEMALES IN THE EXECUTIVE COMMITTEE	1
NUMBER OF MALES IN THE EXECUTIVE COMMITTEE	3