2009
Annual Report

1966 **44** 2010

Bank of Kigali
Your Trusted Partner in Wealth Creation

The Banker
Bank of the Year 2009
RWANDA


"We are passionate about the conservation of the rare *Mountain Gorilla*"

OUR VISION

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

OUR MISSION

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

OUR VALUES

Customer focus

Resilience

Integrity

Quality

Unique

Excellence

OUR MOTTO

“Your Trusted Partner in Wealth Creation”

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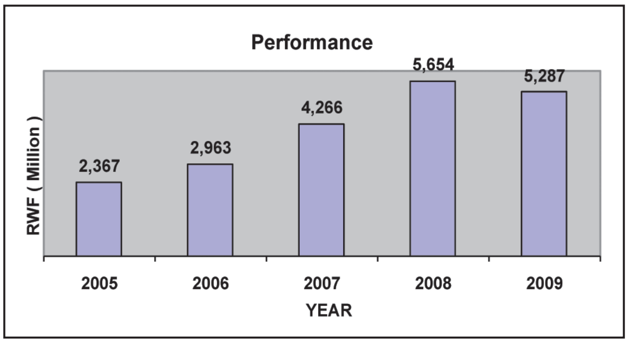
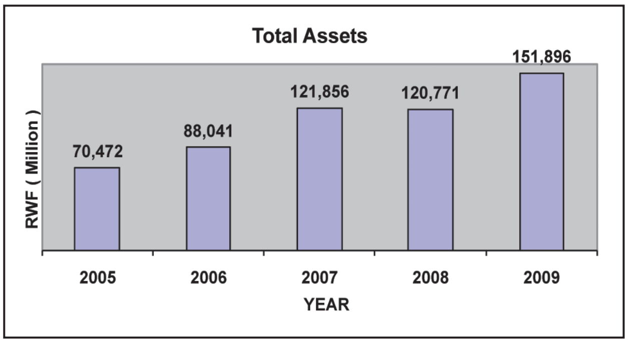
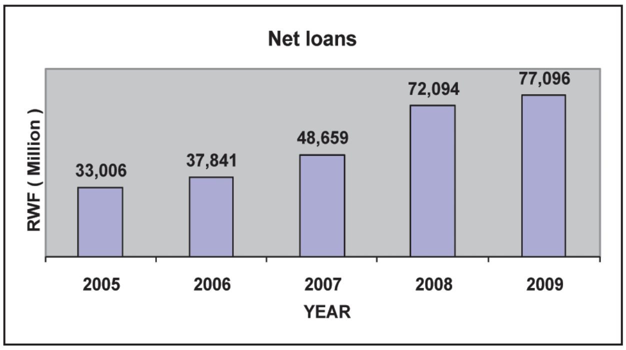
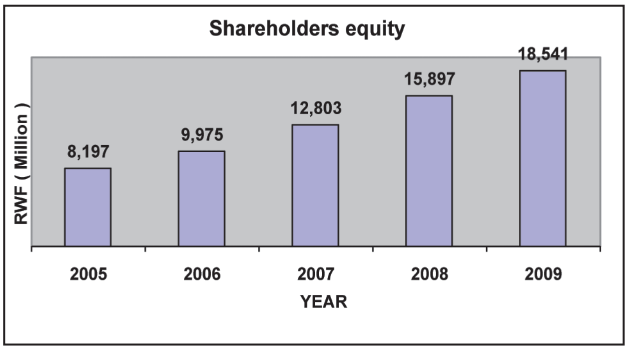
FIVE YEARS PERFORMANCE ANALYSIS

PERFORMANCE & STATUTORY RATIOS	2005	2006	2007	2008	2009
Core Capital to total weighted assets	18%	19%	14%	15%	17%
NPLs to Gross loans	24.2%	23.6%	19.3%	15.4%	8.4%
Earning assets to total assets	80.5%	81.0%	81.7%	82.5%	87.5%
Return on average equity	34.7%	30.7%	37.3%	39.4%	27.0%
Cost to income	55.0%	58.0%	55.0%	53.0%	64.6%
Overhead to income	48.5%	48.8%	32.2%	32.0%	32.4%









VALUE ADDED STATEMENT

VALUE ADDED STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	%	2008	%
Value Added				
Interest,commissions and other revenues	19,545,985		16,130,693	
Interest paid to depositors and costs of other services	6,584,882		3,392,537	
Wealth created	**12,961,103**		**12,738,156**	
Distribution of wealth				
Employees	**3,055,815**	24%	**2,501,087**	20%
Salaries, wages and other benefits	3,055,815		2,501,087	
Government	**3,714,927**	29%	**3,833,209**	30%
Shareholders	**2,643,482**	20%	**0**	0%
Dividends paid to shareholders	2,643,482		0	
Retentions to support future business growth	**3,546,880**	27%	**6,403,860**	50%
Retained surplus	2,643,482		5,654,357	
Depreciation and amortisation	903,398		749,503	
Wealth distributed	**12,961,103**	**100%**	**12,738,156**	**100%**

Taxes Paid

2009		2008
2,175,441	Corporate Tax	2,132,729
312,961	Value Added Tax	284,228
315,198	Withholding Tax	223,044
7,427	District Tax	11,497
788,358	Staff PAYE	616,509
119,538	Capital gains tax deferred	555,201

Annual Report 2009

Message from the Chairman

"Market leadership is a big responsibility, and the talented team of Bank of Kigali understands this well."

Dear Stakeholders of Bank of Kigali,

I feel privileged to have been elected Chairman of the Board at such a critical time in the Bank's development. In 2009, Bank of Kigali achieved commendable results in spite of the challenging operating environment in the aftermath of the global financial crisis. The slight decline in the Bank's net income, to RwF 5.3 billion in 2009 from Rwf 5.6 billion in 2008, is a testimony to its resilience taking into consideration that the overall decline in profits of all banks in the market was 59% while the decline for the Bank was only 6%. I am particularly pleased that the Bank also managed to achieve market share gains in 2009, as set out in the table below.

Year	Market share by total assets	Market share by net loans	Market share by client deposits
2009	27%	27%	26%
2008	23%	24%	25%

Source: BNR.

Market leadership is a big responsibility, and the talented team of Bank of Kigali understands this well. In addition to generating superior shareholder returns by delivering value to its clients, the Bank plays an increasingly important role in deepening the financial intermediation, mobilising savings, and putting Rwanda on the global investment map. As we embark on the ambitious growth and development path, 2009 will prove, in retrospect, a pivotal year in the Bank's history, and the strategic decisions made in 2009 will drive the Bank's operating and financial performance for years to come.

At the end of 2009, the Board approved the management's three-year plan that envisages the rapid development and sustained profitable growth of the Bank. The improving global economic environment, support of the shareholders, guidance of the Board, and continued focus of the management team on delivering outstanding results - these are some of the factors that will determine the medium term future of Bank of Kigali and, to a large degree, of the Rwandan banking sector.

The Bank now enjoys an unprecedented degree of strategic clarity, aiming at maintaining and enhancing its market leadership through achieving the ubiquity of its retail footprint, investing aggressively in modernising and upgrading its electronic delivery channels, and pursuing a universal banking strategy to the extent permissible under Rwandan banking law. We can and, therefore, should aspire to banking a large segment of the Rwandan population, including hundreds of thousands of previously under-banked individuals, and by offering our corporate and retail clients an ever-expanding spectrum of banking services through our branches and electronic banking channels.

An ambitious growth plan such as ours can only succeed with financial strength and execution excellence as its core ingredients. Bank of Kigali is the best-capitalised bank in Rwanda, and I am certain that our talented management will work tirelessly on further enhancing the Bank's financial strength, including by accessing capital markets, subject to shareholder support and approval. The rapid expansion of our retail footprint and massive infrastructure investment require world-class operating efficiency and discipline, which I am certain, is well within the Bank's reach, with proper support and guidance of the Board.

As we build shareholder value on this solid foundation, we have tasked the management to strive to embrace client focus and aggressive innovation. The integrity of our business model must be maintained and further enhanced, putting the clients' interests at the heart of everything we do. We must innovate relentlessly in our quest to deliver a broad array of products and services, not previously available in Rwanda, to our growing client base.

Finally, we must press ahead without losing sight of prudence in our lending decisions, and the risk management culture and tools will be sharpened going forward.

As we get on with our business, we will never lose sight of the bigger picture, and remain a good corporate citizen, as befits the leading Bank in Rwanda. The corporate social responsibility report is presented in a subsequent section of this report.

As I close my first statement as Chairman of the Board, I wish to express my deep gratitude to our clients, who have exhibited the loyalty and confidence in the Bank which we all appreciate. I also wish to thank the talented staff of Bank of Kigali, capably led by the management team, for their determination and unwavering commitment to achieving excellence. Lastly, I would like to thank my fellow Board members for their support and many years of service to the Bank.

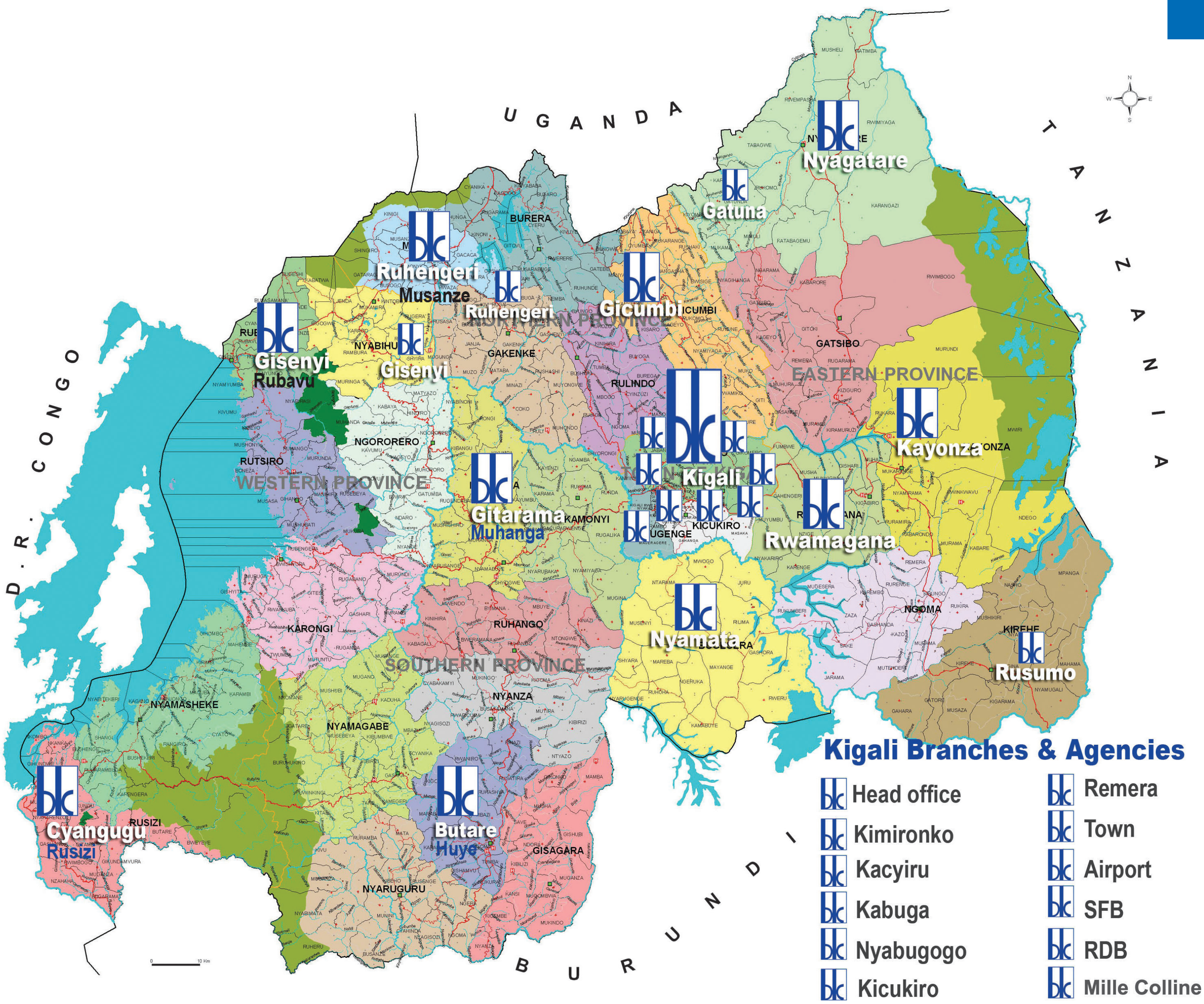
We have much to look forward to in 2010 and beyond. Let's build together on our strengths and transform Bank of Kigali into a genuine leader of the East African banking market.

Sincerely,

Lado Gurgenidze

Chairman of the Board

Bank of Kigali Branch footprint



Managing Director's Report

"We aim to maintain our number one position in the market by growing our customer base through branch network expansion and enhanced customer loyalty".

Introduction

I am pleased to report on the performance of Bank of Kigali for the year 2009. The Bank has continued to strongly position itself in reaching out to meet its customer expectations and "we aim to maintain our number one position in the market by growing our customer base through branch network expansion and enhanced customer loyalty" in the years ahead.

I must acknowledge that the year under review was challenging. Yet, we sought to continuously improve and endeavored to aggressively manage within the challenging environment. We continue to provide our customers with the products and services they need to be successful. We invest in developing new products for our customers and continue to enhance our efficiency and competitiveness in the market.

Bank of Kigali strong market positioning

Bank of Kigali is the most dominant bank in the market with market shares of above 26% for total assets, loans and deposits. It is the best capitalised Bank in the market with shareholders' funds of Rwf.18,541 million. With the capital base, it is possible to undertake large project financing and still comply with the BNR guidelines on the maximum counterparty lending limits. Over the years, the Bank has consistently accounted for over 50% of the Banking sector profits. In 2009, the overall banking sector profits fell by 59% due to high cost of funds and higher nonperforming assets provisions, our profits only dropped by 6% compared to 2008. Consequently, the Bank's profits were higher than the overall consolidated profits of the banking sector. The Bank was able to sustain its profitability due to considerable loyalty from its customers as well as its customer focused policies.

Financial Performance

Despite the volatility in the global economy, Bank of Kigali achieved a solid financial performance in 2009.

In 2009, Bank of Kigali returned a profit after tax of Rwf 5.286 million compared to Rwf 5,654 million in 2008. This makes the Bank the most profitable among all the Banks in Rwanda. The profits account for over 70% of the sector's overall profitability taking into account banks that made profits during the year. The strong performance was as a result of higher interest income arising from higher volume of loans which increased by 17%. Also recovery of non-performing assets helped boost the income.

Shareholders' Equity

Shareholders equity increased by 17% after paying a 50% dividends for the year 2009.The growth in the shareholders' equity in the last five years is as shown in the graph below. This makes Bank of Kigali one of the best capitalized Banks in the market.

Total Assets

The Bank's total assets has increased from 2008 to 2009 by 25%. However, the cumulative annual growth rate (CAGR) and growth over the 5 years were respectively 19.54% as indicated in the table below.

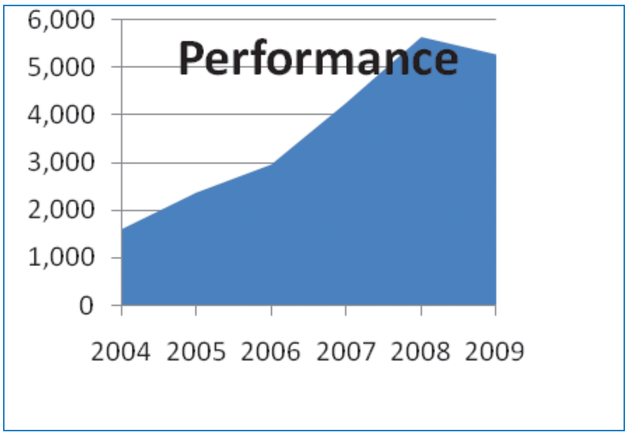
Net Loans

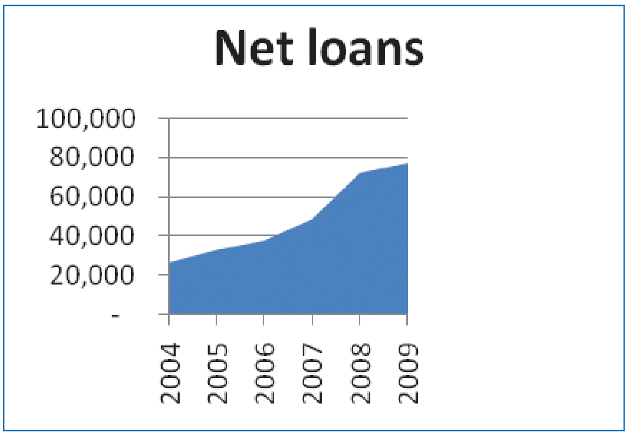
Loans and advances to customers grew by 7% between 2008 and 2009. The cumulative annual growth rate (CAGR) was 23.63% respectively over the last 5 years as indicated in the table below

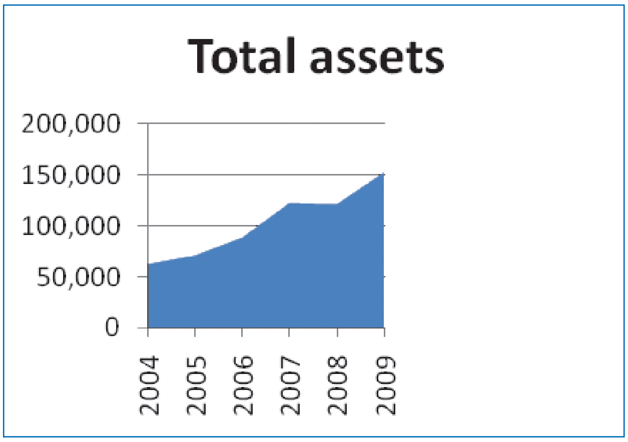
We believe that meaningful development in the country and realization of the Vision 2020 goals can only be realized through the private sector acting as the engine and financial service providers acting as a catalyst. The growth in our loan book is a clear indication of the Bank's commitment to our motto of being "trusted partner in wealth creation" through provision of credit to private sector.

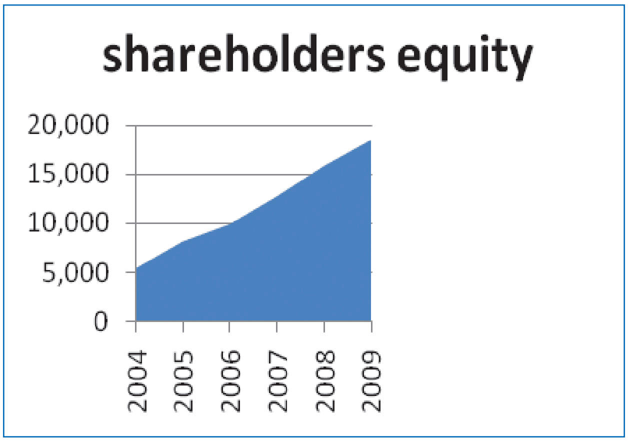
Core capital

In order to finance the ambitious business plan and enhance the Bank ability to undertake big ticket financing the shareholders decided to retain 50% of the profits in 2009. The core capital of the Bank has increased by 17% to Rwf. 18,541 million in 2009 compared to Rwf. 15,897 million in 2008. This makes Bank of Kigali one of the strongest banks in terms of capital in the Rwandan banking sector. We are now able to finance projects in excess of Rwf. 4,600 million without contravening BNR guidelines.









Risk Management and Compliance

Given the current economic situation in the world, the profile of risk management has been raised as most of the problems afflicting the failed institution is a result of poor risk management. At Bank of Kigali we have taken steps to establish the risk management and governance structures, we have undertaken an overall review of the policies and procedures as a dynamic process relative to changes in the market conditions. The policy frameworks reviewed include Risk management, Credit, Liquidity and Assets and Liability management, business continuity and disaster recovery plans.

Likewise, as part of our ongoing reforms, we are investing in risk management and compliance education and awareness to our staff. We are creating a culture of risk management in our strategic approach to business. We are enhancing the culture of compliance and accountability among all our staff. This will especially be enhanced through our human capital development initiative currently underway.

Human capital development initiative

We undertook a systematic and comprehensive organisational restructuring with emphasis to building the Bank's human capital in terms of skills and capabilities required to meet the demands of the 21st century market and competition. This will continuously be supported by our investment in staff training and development with a professional approach.

Our products and Banking Innovations

In addition, to the traditional financial products, current and fixed deposit accounts, treasury loans and overdrafts, equipment loans, mortgage and construction facilities and other loan products, the Bank employs technology to drive and distribute its products. Our technology driven products include:

B-WEB: Internet Banking

The Bank has internet Banking product – B-Web. With this product, customers can access their bank accounts and make transfers, print bank statements, order cheque books or give instructions to the Bank in one of the most secure banking services at the comfort of the customers' home or office computer. The service is a proactive cash management for those customers who would like to pay salaries and bills with a 24 hour stress free banking environment at the comfort of their offices and homes.

SMS Banking

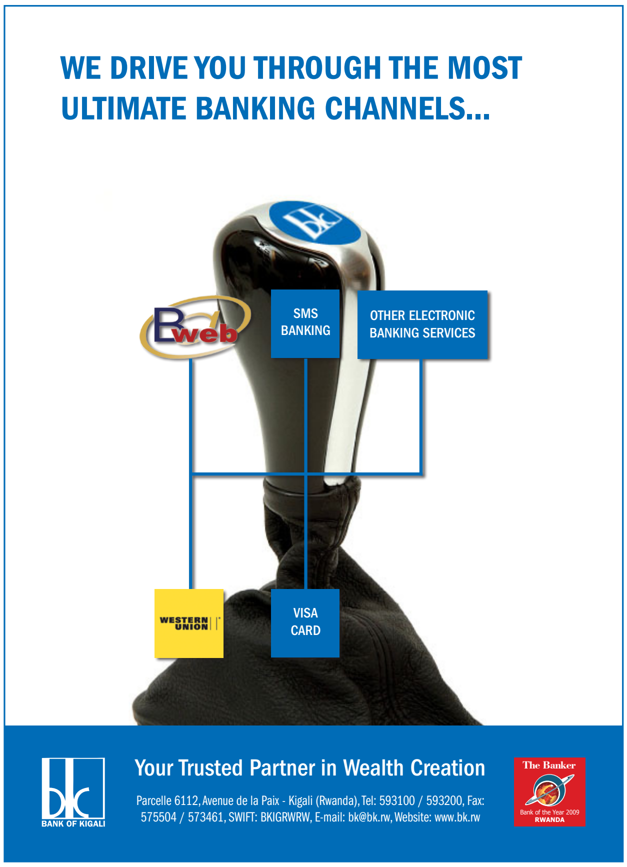
With this product, there is no longer need for our customers to queue at the Bank. One can receive instant updates on the account operations, request balances, order cheque book and most importantly pay electricity cash power wherever you are, simply by an SMS on the mobile phone and soon, you will be able to top-up your mobile. As a Bank, we are investing in making your business and social life easier and convenient.

Debit and Credit Cards

With over 25 ATM newtworks run through SIMTEL switch, our network, customers have access to cash 24 hours a day. Visa and MasterCard credit cards and local Visa Electronic debit cards.

Western Union money transfer

The Bank offers Western Union an international money transfer services across the world. Bank of kigali is the market leader in the western union transfer services in Rwanda.



Benchmarking to local and International Standards

Award	Award Presented by
2009 Bank of the Year	Award by Financial times (FT) of London
2009 Best Bank in Rwanda	EMEAFINANCE Magazine
Diamond Quality Service Summit Award	Business Initiatives Directions, Geneva
Best Tax Payer for seven years running 2002-2008	Rwanda Revenue Authority
Best taxpayer 2009	Rwanda Revenue Authority

Customer service

In line with the national call, we continue to improve on our customer service – we recognize the importance of the customer in all our business process. This is why the Bank is currently opening more branches as one way of ensuring easy access of our services to all our existing and potential customers. We also intend to increase our ATMs so that our customers can access their cash 24 hours a day in many locations.

We also continue to educate our deposit customers to build stronger relations and confidence with the Bank so that on its part the Bank can be able to reciprocate through provision of loans and advances. Customers with a good track record of saving with the Bank find it easy to access loans and advances since the Bank can be able to evaluate the customers' ability to service the loans and advances.

Technology development

We have upgraded the core Banking system and will build new modules of "Customer Relationship Management and Marketing Campaigns" which are accessible through a browser for our customers.

Bank of Kigali's ambitious vision also looks forward to a new version of our website that offers many other options to help customers, access our services online through functionalities such as SMS Banking, interfacing with service institutions as RRA, CSR, ELECTROGAZ, RWANDACEL and RWANDATEL for timely transaction exchanges.

Looking Ahead

Our aspiration is to be the best and most innovative provider of financial solutions in the region, a Bank that is the "Trusted partner in wealth creation" for our customers and the country. We believe that we can continue to meet the challenge through continuous improvement in customer service, development of innovative products, improvement and expansion of our branch network and also design and delivery of products using technology which will help us deliver quality service at comparative lower costs. Most importantly, in growing our customer base and loyalty.

Acknowledgments

We highly value our customers' loyalty and pledge to continuously improve our customer service. You are the reason behind our good performance through the years.

We appreciate the contribution of all our staff. It is through hard work and dedication to delivering strong service to all our customers that enabled the Bank to maintain its leadership position.

We thank the Board of Directors who throughout the year diligently and tirelessly guided our directions and initiatives.

My thanks to our shareholders and other stakeholders, we continue to create value for the shareholders and to be a good citizen to all our stakeholders.

Conclusion

we have built a strong foundation and we appreciate our stakeholders trust in management and the Bank. As we take on the challenges ahead, I look forward to your continued support in achieving our 2010-2012 strategic plan.

James GATERA, Managing Director

Corporate Governance Report

Bank of Kigali broadly complies with best practices for Code of Conduct of directors, officers and employees. The company pursues professional standards and norms in handling its business relationships. The Bank's corporate governance structures and programmes are in compliance with the BNR regulation 6/2008 on corporate governance.

Shareholders' responsibilities

In accordance with the Company Law, shareholders have the primary role to appoint the board of directors and the external auditors. This role is extended to holding the board accountable and responsible for efficient and effective governance. The responsibility of the shareholders is exercised through the annual and extraordinary general meetings.

List of Shareholders

A list of the shareholders is as follows:

Name of Shareholder	No. of Shares	Shareholding %
Government of Rwanda	30,182	66.33
Social Security Fund of Rwanda (CSR)	15,313	33.66
Prime Holding	1	0.002
OCIR Café	1	0.002
OCIR Thé	1	0.002
National Post Office	1	0.002
RAMA (National Health Insurance Fund)	1	0.002
Total	45,500	100

Shareholdings are distributed as follows:

Range	No. of shares	shares	% shareholding
1-500	5	5	0.01
10001-50000	2	39370	99.99
Total	8	45500	100

Boards' responsibilities

The Board of Directors is responsible for the governance of the Bank and for conducting the business and operations of the company with integrity and in accordance with the generally accepted corporate governance practices based on transparency, accountability and responsibility.

Composition of the Board of Directors

The Board of Directors is composed of nine independent non-executive directors who meet on quarterly basis or more frequently as the business demands.

The board retains full responsibility for the direction and control of the Bank as spelt in the Memorandum and Articles of Association and the Board Charter.

Appointments to the Board are made by the Shareholders through cabinet on recommendation from the Minister for Finance and Economic Planning. The mix of directors includes two non resident directors with extensive expertise in international banking practices. The seven resident independent non-executive directors include a director general of one of the largest non-Bank financial institution, a professional accountant, a practicing lawyer, other private sector and government representatives with wide business acumen. All directors have appropriate qualifications and experience to exercise direction and control of the Bank.

Board performance

The Board is the Bank's apex corporate governance body, the board committees and the individual directors are the leading authority in formulation of the Bank's policies and procedures. Key policies and procedures are in place and the strategic leadership is exercised through meetings attended as well as through holding management accountable.

Structure	Board	Audit & Risk Committee	Credit Committee	ALCO committee	Nominations &Remuneration Committee
Meetings held	6	4	12	4	5
Members	Attendance	Attendance	Attendance	Attendance	Attendance
Lado Gurgenidze	2/2	X	X	X	X
Henry GAPERI	6/6	X	12/12	X	5/5
François NKULIKIYIMFURA	5/6	X	10/12	3/4	X
Apollo NKUNDA	5/6	4/4	X	X	4/5
Perrine MUKANKUSI	6/6	X	X	4/4	5/5
Sudadi KAYITANA	6/6	4/4	11/12	X	X
Alphonsine NIYIGENA	6/6	3/4	11/12	X	X
Dativa MUKESHIMANA	5/6	3/4	X	3/4	X
Marc HOLTZMAN	2/2	X	X	X	X

Board Committees

In line with the BNR guidelines 06/2008 on corporate governance, four board committees are in place to support the board in performing its functions particularly in respect to Audit and Risk Management, Credit Risk Management, Asset and Liability Management and the Nominations and Remuneration Committee. Setting up and performance of board committees remains instrumental in reinforcing the performance of the Board and underpins its critical responsibilities. In this respect, the board committees have terms of reference which underscore the scope and context of their performance as approved by the Board and corporate governance regulation.

Audit and Risk Committee

This is the principal board committee that comprises of three independent non executive board members. The Committee meets on quarterly basis or more frequently as its business demands. The mandate of the Audit and Risk Committee is to:

a) Oversee the Bank's financial reporting policies and internal controls;
b) Review and make recommendations on management internal control programmes established to monitor compliance;
c) Appointment and review of the work of the external auditors;
d) Review of the work of the internal auditors;
e) Oversee the development of risk management policies and programmes;
f) Identify, monitor and control risk management within the Bank.

Board Credit Committee

The committee comprises of four independent non-executive directors. The committee meets on monthly basis or as required by the business demands.

The functions of the committee include appraisal and approval of credit applications. The Committee also monitors and reviews credit risk, non-performing assets and ensures adequate provisions are held against identifiable losses in accordance with BNR guidelines.

Credit facilities in excess of Rwf.250 million require Board review and approval through its Board Credit Committee.

Nominations and Remuneration Committee

The nominations and remuneration committee reviews and recommends the remuneration to directors based on the responsibilities allocated to them. The committee carries out regular reviews to ensure that it adequately compensates the directors for the time spent on the affairs of the Bank. The committee also approves the HR policies and remuneration of management and staff of the Bank. The committee meets once a year or more frequently as the business demands.

Assets-Liability Management Committee

The Board Asset-Liability Management Committee comprises of three independent non-executive directors. The Committee meets quarterly or more frequently as appropriate to monitor and manage the Bank's balance sheet to ensure that various business risks such as liquidity, capital, market and currency risks are monitored and managed.

Management Committees

Management committees assist the Managing Director in the day to day implementation of the policies. The committees include;

Management Committee

This committee comprises of the Managing Director, Chief Operating Officer, Chief Shared Services Officer and the heads of departments. The committee is charged with assisting the Managing Director in the implementation of the board policies and strategies in the Bank. The committee meets on monthly basis.

Credit Committee

This committee comprises the Managing Director, Chief Operating Officer, Head of Credit, Head of Retail Banking and Head of Corporate Banking. It is charged with the credit risk management, appraisal of loans and advances and other credit related matters. The committee meets every week.

Assets-Liability Committee

The Bank has a Management Asset-Liability Committee (Management ALCO), which is chaired by the Bank's Managing Director, comprises the Chief Operating Officer and includes Head of Retail, Head of Corporate Banking, Head of Risk and Compliance and Head of Finance and Accounts. The committee meets on a daily basis as part of the Banks' treasury and liquidity and balance sheet management.

Human Resources Committee

The Human Resources Committee which comprises all heads of departments is chaired by the Chief Shared Services Officer and is responsible for the implementation of the Boards' human resources policies and directions. The committee recommends the recruitments, promotions, changes in compensation and other human resources operations. The committee meets once a month.

Procurement Committee

The procurement committee comprises all heads of departments and is chaired by the Chief Shared Services Officer. It is responsible for handling the review and appraisal of all tenders and procurement of goods and services above Rwf.10 million.

BOARD OF DIRECTORS

From left:

Mr. Apollo M. Nkunda - Director

Ms. Perrine Mukankusi - Director

Mr. Marc Holtzman - Director

Ms. Alphonsine Niyigena - Director

Mr. James Gatera - Managing Director

Mr. Lado Gurgenidze - Chairman

Ms. Dativa Mukeshimana - Director

Mr. Sudadi S. Kayitana - Director

Mr. Francois Nkulikiyimfura - Director

Mr. Henry Gaperi - Vice Chairman (not in picture)

DIRECTORS PROFILE

Lado GURGENIDZE, Chairman

Lado Gurgenidze is a career banker who after a decade spent at several investment banks in Eastern Europe and London returned to his native Georgia in 2004 and spearheaded, as Executive Chairman and CEO, a turnaround of Bank of Georgia (LSE: BGEO). During Lado's three-year tenure, the bank's total assets and net income grew 760% and 1,563%, respectively. As its market share grew from 18% to 34%, Bank of Georgia became the leading universal bank in Georgia and the region with market capitalisation exceeding US$900 million at the time of Lado's departure (up from US$30 million at the time of his arrival).

In 2007-2008, Lado served as Prime Minister of Georgia, leading the Georgian economy through the final stage of free-market reforms, including tax cuts, financial services sector reform as well as aggressive privatisation and liberalisation policies.

Since he stepped down as Prime Minister, Lado has been a frequent public speaker on issues of economic liberty and free-market reforms in developing countries and co-chairs the Emory Center for Alternative Investments. In October 2009, he was invited to join, as Chairman, the board of Bank of Kigali, the largest bank in Rwanda.

In September 2009, Lado established, together with Dinu Patriciu, Liberty Investments, an investment company focusing on financial services institutions in frontier markets with low corruption, low taxes and open economies. In the same month, Liberty Investments announced the acquisition of a controlling equity interest in Liberty Bank, which has the largest client base in Georgia, serving some 1.2 million clients and a branch network of 181 branches.

He is a Georgian and British citizen and received his MBA from Goizueta Business School of Emory University in 1993, following undergraduate studies at Middlebury College and Tbilisi State University.

Apollo M. NKUNDA, Director

Apollo is a practising lawyer, and a Partner with Trust Law Chambers. Apollo has over ten years experience in legal practice from both the public and private sector. He specialises in banking and finance law, labour law and government procurement .

Apollo holds a Master's degree in Business and Trade law from Erasmus University Rotterdam, the Netherlands, and a Bachelors of Law from the National University of Rwanda.

He is a member of the Rwanda Bar Association, the East African Law Society, an associate member of the Chartered Institute of Purchasing and Supply, a founding member of the Centre for Arbitration and honorary counsel to the Kigali Golf Club.

Perrine MUKANKUSI, Director

Perrine is Economic Researcher in Prime Minister's Office with wide experience in planning, monitoring and evaluation. Perrine has held various responsibilities in Public service for over 10 years, and was Director for Planning in the Ministry of Justice for over 5 years.

Perrine holds a Master's degree in Business Administration from the School of Finance and Banking, and a Bachelor of Commerce degree from Kigali Institute of Technology and Management.

Alphonsine NIYIGENA, Director

Alphonsine is chairperson of the Union Investments Corporation (UIC), vice chairperson of Liberal professionals Chamber, one of the nine chambers of the Rwanda Private Sector Federation.

She serves as Board Member of Motor Guarantee Fund and Rwanda Institute of Administration and Management (RIAM).

Alphonsine is the Managing Director of WorldWide Initiatives sarl, a regional consulting firm registered in Rwanda and has conducted national and international consultancies as an independent consultant in the areas of Finance, economic planning, and audit. Prior to joining the private sector, Alphonsine served in the Office of Auditor General for 5 years as senior auditor and team leader.

Alphonsine holds a Master's Degree in Business Administration majored in Finance from Maastricht University, Netherlands.

Dativa MUKESHIMANA, Director

Dativa is the Executive Secretary for Duterimbere Asbl, which is a Women Entrepreneurial Association in Rwanda. Dativa has vast experience with programme management and financing of NGOs, and gender related programmes.

Dativa holds a Bachelor's degree in Economics, majored in money and banking from Kigali Independent University.

Sudadi S. KAYITANA, Director

Sudadi is a qualified and practicing professional accountant with technical experience in Insurance industry. He has wide finance and audit experience especially in the Insurance Industry, and the international community organisations including UNDP.

He is an affiliate of the Association of Certified Chartered Accountants (ACCA), qualified professional of supply chain management specialising in Internal Purchasing and is a member of Institute of Purchasing and supply (MCIPS). He also holds an Associate degree in Economics from the National University of Rwanda.

Marc HOLTZMAN, Director

Marc is Vice Chairman of Barclays Capital. He has considerable international experience in areas of finance and investment, socio economic development and is widely recognised as a leading authority on economic and political developments in emerging markets. Marc also served as President of The University of Denver with approximately 10,000 students and as Colorado's first Secretary of Technology. Marc draws on almost three decades of political and public service in The United States. He holds a Bachelor of Arts Degree in Economics from Lehigh University.

Annual Report 2009

EXECUTIVE MANAGEMENT PROFILE

James GATERA
Managing Director

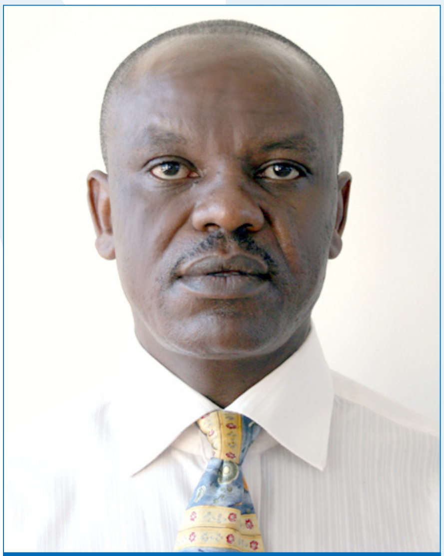
James is the Managing Director. He is a progressive leader with a consistent record of successfully leading complex organisations through change. For the last four years, from 2005 to 2009, he has grown the Bank PBT from Rwf 3.797 million to 7.059 million (186%), total assets from Rwf 70.472 million to 151.896 million (216%), shareholders equity from Rwf 7.012 million to Rwf 18.541 million (264%), PAT from Rwf 2.367 to Rwf 5.589 (223%) and Deposits from Rwf 56.692 to Rwf 123.130 (217%).

He has vast experience in corporate governance and serves as non-executive director on various boards including Common Wealth Business Council.

Mr. Gatera holds a Bachelor of Arts degree from Simon Fraser University-Canada and Bachelor of Commerce from National University of Lesotho.

Lawson is the Chief Operating Officer. He has been with the Bank for over one year. He has wide experience in strategic Management processes, financial accounting advisory, corporate Governance, risk management and compliance experience gained from over 15 years post qualification service. Prior to joining the Bank, Lawson was an associate director specialising in transaction services and due diligence at KPMG Nairobi.

Mr. Naibo is a business strategy and financial services advisor and holds MBA in strategic management and Bsc in Financial services. He is also a qualified Accountant and Chartered Banker.



Lawson NAIBO
Chief Operating officer

Louis RUGERINYANGE
Chief Shared Service Officer

Louis has been with the Bank for over 30 years. He has served in various capacities including a range of management positions.

He holds a Bachelors' Degree in Economics from the National University of Rwanda.

Prior to holding his new role as CSSO, Louis was the head of Administration and HR and was responsible for the growth in staff and branch network.

Flora NSINGA
Head of HR & Administration

Flora is the head of Human Resources and Administration Department. She has been with the Bank since 2008. Prior to joining the Bank, she worked in the telecommunication industry.

Flora holds a Bachelor's degree in Business Administration with specialisation in Human Resources from Kigali Institute of Science, Technology and Management (KIST).

Adolphe is the Head of Retail Banking, and has been in the Bank for over 10 years. Adolphe held various responsibilities in the Bank including Branches management, Commercial and heading Corporate Banking Departments.

Adolphe is a holder of a Bachelor's degree in Economics from the University of Bujumbura in Burundi.

Adolphe NGUNGA
Head of Retail Banking

Martin KANA MULISA,
Head of Corporate Banking

Martin is Head of Corporate Banking Department and has been with the Bank since 2009.

Martin has wide experience in credit analysis, relationship management, and corporate Banking gained from his service in management positions with the Rwandan Banking sector.

Martin holds a Bachelor's degree in management from the National University of Rwanda.

Innocent MUSOMINARI
Head of Credit Department

Innocent Heads Credit Department, and has worked with the Bank since 2004. Innocent has wide experience in credit analysis and management gained from having worked with the Rwandan Banking sector for over seven years.

Innocent is a holder of a Bachelor's degree in Economics from the National University of Rwanda.

Alex is the Head of Information and Communication Technology and has been with the Bank since 2009. Prior to joining the Bank, Alex was head of applications Division G7 charged with management of all software and application in place at Rwanda Revenue Authority.

Alex holds a Bachelor's degree in Technical Electromechanical Engineering with information technology option, from the National University of Rwanda.

Alex NGABONZIZA
Head of ICT

John Bugunya KAIJUKA
Head of Finance & Budget

John Heads Finance and Budget Department. He has worked with the Bank since 2009. John has vast experience in the financial sector as a financial consultant, audit manager in Ernest and Young in the U.K and Uganda.

John holds a Bachelor's degree in Business Administration from Makerere University-Uganda, MBA-Accounting & Finance from Oxford Brookes University, UK and is a member of Certified Chartered Accountants –UK (ACCA).

Frances IHOGOZA
Head of Corporate Affairs

Currently Head of Corporate Affairs, Frances has worked with the Bank for over one year. She has ten years experience in management positions in Public Service, and has served as a non-executive director on the Board of Directors for various organisations, with training in Corporate Governance.

Frances holds a Master's degree in Public Administration from the University of Liverpool, UK and Bachelor of Commerce degree from Kigali Institute of Science Technology and Management.

Gerald heads Internal Audit and Control Department. He joined the Bank in 2009 and has vast experience in Audit and Finance especially from the financial sector and telecommunication industry.

Gerard holds a Bachelor of commerce degree from Makerere University-Uganda, and Bachelor's of Accounting degree from Transki University-Republic of South Africa. He is also a member of Certified Chartered Accountants – UK (ACCA) and Institute of Certified Public Accountants – Rwanda (ICPAR).

Gerald NYANGEZI
Head of Internal Audit

Yves GATSIMBANYI
Head of Risk & Compliance

Yves is the Head of Risk and Compliance since early 2010. Yves has vast experience in the Rwanda financial sector, including 10 years as Bank examiner at the National Bank of Rwanda and later held the position of Internal control and Compliance within the Banking sector in Rwanda.

He holds a Bachelor's degree in Economics from the National University of Rwanda.

Corporate Social Responsibility

Bank of Kigali pursues a robust and consistent Corporate Social Responsibility strategy which ensures that the Bank continues to play its role of a good corporate citizen. We ensure environmental sustainability and to a great extent limit any social disruption resulting from our funded projects.

In line with our corporate social responsibility strategy, we contribute to the improvement of the social economic development conditions for the communities in which we operate mainly through the sectors of education, health, and environmental conservation.

In our last year's annual report we outlined a number of projects and cultural orientations to realize the Board CSR policy. In 2009, these projects were sustained and new ones initiated. Detailed below are some of our achievements in 2009.

Best Tax payer since 2002-to-date.

Our good corporate citizenship extends to tax compliance. Bank of Kigali has been, in the last 8 years, recognized by Rwanda Revenue Authority, due to its tax compliance. The Bank has consistently been awarded best tax payer annually since 2002 with the latest award being the "Best taxpayer Award: 2009".

H.E the President Paul Kagame presenting Bank of Kigali with the award of the Best Tax Payer in 2009

H.E the President Paul Kagame presenting an award to Mr. Theobold Bavugamenshi (a BK customer) one of the best Tax Payers in 2009.

Participation in Social and Economic Development

The Bank is committed to contributing to the social and economic development of the country through alliances and partnerships.

Partnership in Business Development

The Bank partners with organisations promoting the same ideals of economic development especially the Private Sector Federation which spearheads promotion and development of the country's private sector. In 2009, Bank of Kigali participated in funding the international trade fair, organised by the Private Sector Federation in Rwanda and was awarded certificate of merit. This emphases good relationship with the Federation as expressed in various activities over the years.

The Rt. Hon. Prime Minister Bernard Makuza listens to the MD of BK explaining the Bank products at the International Trade Fair 2009 in Kigali

Mr. James GATERA (left), Managing Director receiving a certificate of appreciation for the Bank of Kigali's contribution to hosting the 2009 International trade fair, from Mr. MBUNDU (right) representing the Private Sector.

2nd Best Financial Exhibitor: International Trade Fair, 2009 Bank of Kigali's Managing Director, Mr. James GATERA receiving the 2nd Best Financial Exhibitor award by the then Permanent Secretary in the Ministry of Commerce.

Partnership in Social Development

The Bank's CSR strategy focus on promoting participation in uplifting the lives of less fortunate members of the population through education, health and environmental conservation as indicated in the sections below.

Education

We acknowledge that being a partner in education is key to our role in development. Bank of Kigali continues to invest in responding to the national and global call to support the education of the children from less privileged background. We thus, maintained our investment in education, project/ programme that started in 2008 providing scholarship for 200 students through Imbuto Foundation.

Joining efforts in support of the Orphans of genocide

The Bank together with its staff as Rwandan citizens contribute to the support of the orphans of genocide in commemoration of the. 1994 Genocide In 2009, we visited the orphans and shared with them in Ndera, Gasabo district district.

Here below is their acknowledgement.

REPUBULIKA Y'U RWANDA

Ndera, kuwa 15/10/2009

AKARERE KA GASABO

UMURENGE WA NDERA

AKAGARI KA MUKURU

UMUDUGUDU W' AKAMUSARE

DUSHYIGIKIRANE

Tel:0788358772

E-mail: ildephon008@yahoo.fr

Impamvu: raporo yo gusura kwa BK

Imfubyi n'abapfakazi batuye

umudugudu wa mukuyu

Bwana Umuyobozi wa BK

Twe bwe abagize umudugudu wa Mukuyu "DUSHYIGIKIRANE" tunejejwe no kubandikira iyi baruwa tubashimira inkunga ikomeye mwaduteye ubwo tariki ya 10/10/2009 hamwe n'abakozi banyu mwadusuraga.

Dushingiye kuneza, umutima ukunda mwatugaragarije, inkunga mwaduteye ni ntagereranywa kuko abenshi muri twe tutari kuyigezaho kandi n'inkunga iramba. Ibyo twarabibashimiye dukomeje no kubibashimira, tunasaba ko twagirana umubano uhamye ushingiye kubufatanye bwacu na BK kandi ngirango ibyo mwarabitwemereye. Kumugereka w'iyi baruwa murasanga ibyo mwatuzaniye n'amazina y'abatuye umudugudu.

Mugire amahoro y'Imana

Umuyobozi w'Ishyirahamwe DUSHYIGIKIRANE

UGIRINGABIRE Ildephonse

Bimenyeshejwe

Akarere ka Gasabo

Umurenge wa Ndera

Health

We have started consultations for partnership with non-government organisations and are in process of developing alliances to promote health initiatives. We are especially passionate about being part of the global and national efforts to reduce/ eliminate maternal death rate, malaria and HIV/AIDS pandemics.

Environmental conservation

In addition, the Bank seeks to proactively support environment conservation, managing environment risks, minimize direct and indirect environment impact that might arise and enhance ecological conservation and sustainable development. Bank of Kigali especially supports the annual national function on conservation of the rare mountain gorillas.

Mountain Gorilla Conservation

At Bank of Kigali, we are passionate about conservation and protection of the world's rare Mountain Gorillas. Over the years we have been active in joining the rest of Rwandans and the world at large in the annual celebration of gorilla naming "Kwiti Izina" through direct participation and sponsoring of the event. In 2009, Bank of Kigali in Silver category sponsored the Kwiti Izina and most importantly, named a baby gorilla "Ngwino".

Mr. James Gatera, Managing Director names baby gorilla: 2009.

Staff Community Services and Umuganda

The staff of Bank of Kigali invests in promoting environment conservation through tree planting and participation in community work "Umuganda" over the years in order to support our environment.

International Recognition Awards

Below is the extract of the EMEAFINANCE magazine

African Banking Achievement Awards

emeafinance

Rwanda

Best bank: Bank of Kigali

The banking sector in Rwanda has become highly competitive in recent years with the entry of foreign shareholders. In 2007, more than US$53bn in foreign direct investments flowed into Africa, up from US$9bn in 2000, according to the United Nations Conference on Trade and Development. The estimate for 2008 is more than US$72bn. According to a United Nations report, Africa provided the highest rate of returns on FDI for 2006 and 2007.

In Rwanda, the banking sector consists of the central bank, eight commercial banks, two development banks and about 120 microfinance institutions.

In common with other countries in the region, Rwanda has a very significant unbanked population – all its banks, including Bank of Kigali, are targeting this unbanked population with branch expansion programmes and innovative product strategies.

Bank of Kigali dominates the market with shares of 23%, 24% and 25% in total assets, loans and customer deposits respectively. The bank's profits for 2008 accounted for more than 54% of the sector's profits. The bank also leads the board of Rwanda's banks in its return on assets (4.7%) and its return on equity (35.6%).

In the wake of the global recession, Bank of Kigali made a deliberate decision not to increase lending rates. Thus, its non-performing loan ratio at June 2009 came down to 11% against the market average of 19.1%. From 10 branches one year ago, the bank reached 15 this year.

2009 Bank of the year-Rwanda by the Financial Times.

The Banker award was given to the best banks in their country based on their performance over the year. This was especially based on the skills with which these banks had been managed through the most challenging financial crisis that characterised the time. Bank of Kigali was the winner of the Best Bank in Rwanda, 2009.

World Quality Commitment Award

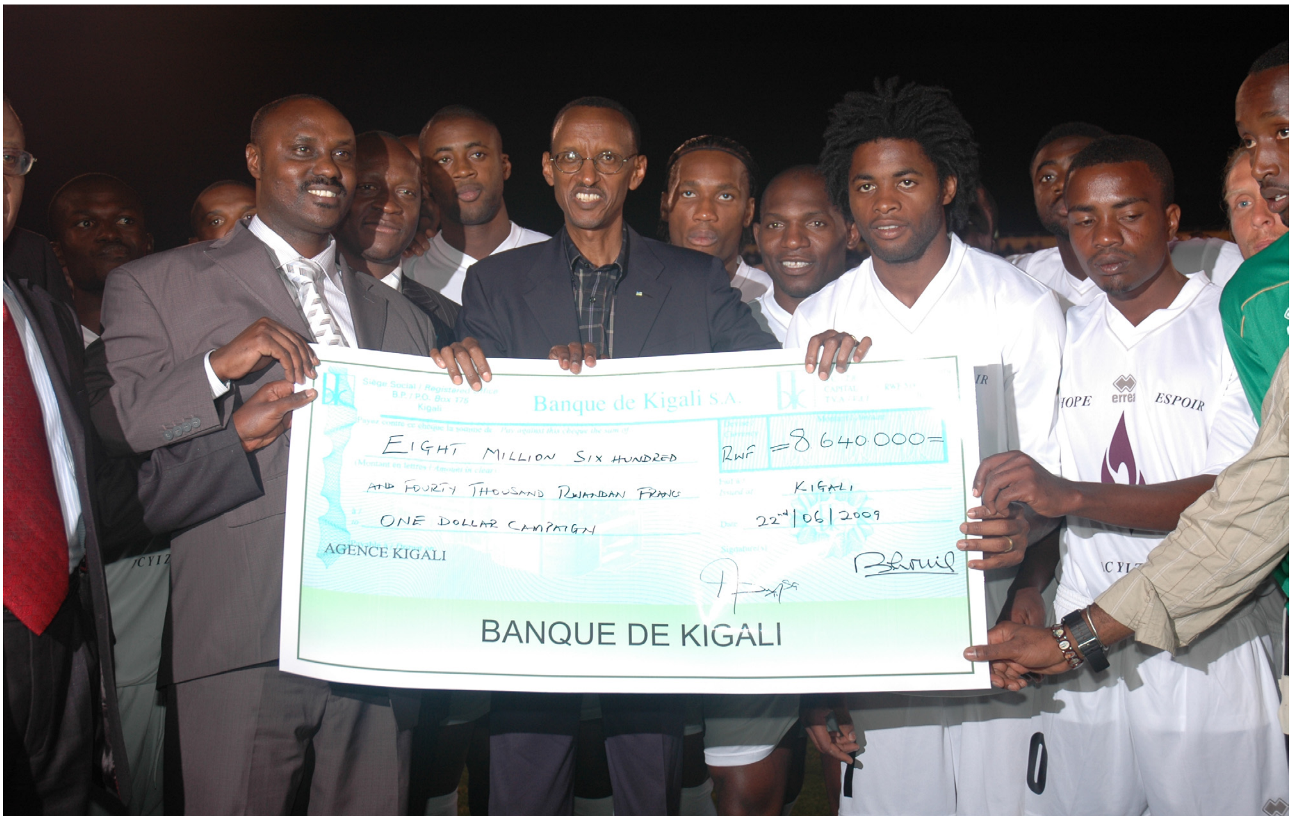
In 2009, the Bank was bestowed with an International recognition award – Diamond Star by Business Initiatives Directions of the World Commitment in Paris. The Bank has previously been awarded the Quality Summit Award and the International Star for Quality and Excellence, in 2007 and 2008 respectively by the same Geneva based quality organization.

Mr. Louis RUGERINYANGE, Bank of Kigali' Chief Shared Services Officer (right) together with Mr. Jose E. Prieto of the Business Initiatives Directors, at the World Quality Commitment Award function.

One Dollar Campaign

One Dollar Campaign is a charity initiative to mobilise a symbolic one dollar per person to raise money to provide shelter for Genocide survivors in different parts of Rwanda. The initiative was supported by Rwandans in the country and in the Diaspora and many friends of Rwanda around the world.

Bank of Kigali too was there as part of the Rwandan community and a partner in development where the Bank as an organization together with its staff made a humble contribution to this cause.



One Dollar Campaign: H.E Paul KAGAME with a team of African Foot Ballers and Bank of Kigali team acknowledging the Bank's Contribution to one Dollar campaign.

Bank of Kigali in partnership towards Unity and Reconciliation

During the year, the Bank partnered with the Unity and Reconciliation Commission in support of the Youth Programmes of "Ingando". This was specifically with a series of student groups ahead of their enrolment in various Universities.

Aspiring university students in Ingando prepared by the National Unity and Reconciliation Commission in partnership with BK

Sports Enhancement-Golf

Bank of Kigali also extends its passion to supporting sports and activities of social relationship with the region. The Bank was a partner in hosting the President's Golf Open held at Nyarutarama on 23-24 May 2009. This attracted professional golfers from Burundi, Kenya, Tanzania, Uganda and the host Rwanda.

Promoting work-life balance

The Bank's football team participates in competition with other organizations in order to promote health living among our staff and communities. Bank of Kigali plays friendly match with banks and other organizations in the country and is a winner of a wide range of wards. The most recent one was awarded on Labour Day 2010

Conclusion

The Bank will continue to streamline its corporate social responsibility policy in line with the changing needs of our society. Our mission includes focus on adding value to the wider society as an important component or our value system. Our business approach will be to 'do things right' so as to create long term stakeholder value by embracing opportunities and managing risks that arise in the environment in which we operate. Our objective is to provide one percent of our net operating revenue to CSR activities. Our activities are principally through strategic alliances with established organisations working with the marginalised groups.

Photo of the most recent football award received on Labour Day

REPORT OF DIRECTORS

The Directors submit their report and the audited financial statements for the year ended 31 December 2009, which show the state of Affairs of the Bank.

1. PRINCIPAL ACTIVITIES

The Bank offers corporate and retail banking services.

2. RESULTS

The results for the year are set out on page 34 of this report.

3. DIVIDENDS

The directors recommended the payment of a dividend of Rwf 2,643,482,000 in respect of the year ended 31 December 2009.

4. RESERVES

The reserves of the Bank are set out in note 16

5. DIRECTORS

The directors who served during the year and the date of this report.

Mr. Lado Gurgenidze - Chairman (Appointed 25th August 2009)

Mr. Henry Gaperi - Vice Chairman

Mr. Marc Holtzman (Appointed on 25 August 2009)

Mr. Francois Nkulikiyimfura

Mrs. Perrine Mukankusi

Mr. Apollo Nkunda

Mrs. Alphonsine Niyigena

Mrs. Dativa Mukeshimana

Mr. Sudadi Kayitana

6. MANAGEMENT

Mr. James Gatera - Managing Director

7. AUDITORS

Ernest & Young have expressed their willingness to continue in office.

By Order of the Board

19 April 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2009

The Companies Act of Rwanda 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 judgments and estimates in conformity with International Financial Reporting Standards and the requirements of the Companies Act of Rwanda. 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.

....

Director

....

Director

19th April 2010

....

Ernst & Young
Quality In Everything We Do

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BANK OF KIGALI

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Banque de Kigali SA as set out on pages 34 to 76, which comprise the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, 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.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depended on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the accompanying financial statements give a true and fair view of the state of financial position of the Bank as at 31 December 2009, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act of Rwanda.

Ernst & Young
Quality In Everything We Do

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The Companies Act of Rwanda 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;

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.

GURMIT S. SANTOKH

FOR ERNST & YOUNG (RWANDA) SARL

KIGALI

19th April 2010

	Note	2009	2008
		Rwf 000	Rwf 000
Interest and similar income	17	14,138,367	11,451,845
Interest and similar expense	18	(3,409,474)	(1,859,931)
Net interest income		10,728,893	9,591,914
Net fee and commission income	19	1,337,622	1,176,260
Foreign exchange gains	20	3,335,299	2,584,758
Other income	21	598,649	821,076
Total operating income		16,000,463	14,174,008
Impairment loss on financial assets	6(e)	(1,500,046)	(255,147)
Net operating income		14,500,417	13,918,861
Personnel expenses	22	(3,055,815)	(2,501,087)
Depreciation and amortization		(903,398)	(749,503)
Operating expenses	23	(3,099,306)	2,422,737)
Total operating expenses		(7,058,519)	(5,673,328)
Profit before taxation		7,441,898	8,245,533
Income tax expense	24	(2,154,935)	(2,591,176)
Comprehensive Income for the year		**5,286,963**	**5,654,357**
Basic and diluted earnings per share	**25**	**116.19**	**124.27**

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	Note	2009	2008
ASSETS		**Rwf 000**	**Rwf 000**
Cash in hand	3	4,623,520	3,817,445
Cash balances with the National Bank of Rwanda	4	19,099,158	6,183,850
Placements and balances with other banking institutions	5	28,754,599	25,050,666
Loans and advances to customers	6	77,095,866	72,094,224
Financial investments – held-to-maturity	7	12,312,906	4,494,583
Financial investments – available-for-sale	8	340,108	340,108
Other assets	9	3,277,799	3,218,892
Intangible assets	10	16,892	13,069
Property and equipment	11	6,375,155	5,558,552
TOTAL ASSETS		**151,896,003**	**120,771,389**
LIABILITIES AND EQUITY			
Customer deposits	12	109,482,804	93,838,479
Deposits and balances from banks and other financial institutions	13	15,103,987	7,299,453
Tax payable	24	1,036,637	1,032,867
Other payables	14	4,369,863	2,104,379
Provisions		43,728	43,728
Dividend Payable		2,643,482	
Deferred tax	24	674,739	555,201
TOTAL LIABILITIES		**133,355,240**	**104,874,107**
SHAREHOLDERS' EQUITY			
Share capital	15	5,005,000	5,005,000
Reserves	16 (i)	10,892,282	5,237,925
Retained earnings	16(ii)	2,643,481	5,654,357
TOTAL SHAREHOLDERS' EQUITY		**18,540,763**	**15,897,282**
TOTAL LIABILITIES AND EQUITY		**151,896,003**	**120,771,389**

These financial statements were approved by the Board of Directors on 29th March 2010 and signed on its behalf by: -

....................................)
)
) Directors
)
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	Share capital	Legal reserves	Special reserves	Other reserves	Retained earnings	Dividends	Total
	Rwf 000	**Rwf 000**	**Rwf 000**	**Rwf 000**	**Rwf 000**	**Rwf 000**	**Rwf 000**
At 1 January 2008	5,005,000	1,279,854	1,365,088	886,474	4,266,248	-	12,802,665
Appropriation of prior year's profit	-	427,000	427,000	852,509	(4,266,248)	2,559,739	-
Dividends paid	-	-	-	-	-	(2,559,739)	(2,559,739)
Total comprehensive income	-	-	-	-	5,654,357	-	5,654,357
At 31 December 2008	**5,005,000**	**1,706,854**	**1,792,088**	**1,738,983**	**5,654,357**	**-**	**15,897,282**
At 1 January 2009	5,005,000	1,706,854	1,792,088	1,738,983	5,654,357	-	15,897,282
Appropriation of prior year's profit	-	565,400	565,400	4,523,557	(5,654,357)	-	-
Dividends Paid					(2,643,482)		(2,643,482)
Total comprehensive income	-	-	-	-	5,286,963	-	5,286,963
At 31 December 2009	**5,005,000**	**2,272,254**	**2,357,488**	**6,262,540**	**2,643,482**	**-**	**18,540,760**

Financial Reports

	Note	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		**Rwf 000**	**Rwf 000**
Profit before taxation		7,441,898	8,245,533
Adjustment for:			
Depreciation		886,506	736,434
Amortisation of intangible assets		16,892	13,069
Dividends income		-	(48,576)
Reversal of provisions on equity investments		-	(166,400)
Cash flows generated from operating activities before changes in working capital		8,345,296	8,780,060
Loans and advances to customers		(5,001,642)	(23,435,456)
Other assets		(58,907)	(100,943)
Customer deposits		15,644,325	(8,014,183)
Other accounts payable		2,265,484	1,020,948
Cash flows generated from /(used by)operations		21,194,556	(21,749,574)
Income taxes paid		(2,031,627)	(2,211,019)
Net cash flows (used by)/ from operating activities		**19,162,929**	**(23,960,593)**
Cash flows from investing activities			
Proceeds from sale of held to maturity investments		(7,818,323)	21,584,442
Dividends received		-	48,576
Purchase of property and equipment		(1,703,109)	(2,047,827)
Purchase of intangible assets		(20,715)	(8,084)
Net cash flows (used in)/ from investing activities		(9,542,147)	20,564,972
Cash flows used in financing activities			
Dividends paid		-	(2,559,739)
Net cash flows used in financing activities		-	(2,559,739)
Net increase/(decrease) increase in cash and cash equivalents		9,620,782	(5,955,360)
Cash and cash equivalents at the beginning of the year		27,752,508	33,707,868
Cash and cash equivalents at the end of the year	**26**	**37,373,290**	**27,752,508**

1. CORPORATE INFORMATION

Bank of Kigali SA is a financial institution licensed to provide corporate and 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.

2. ACCOUNTING POLICIES

2.1. Basis of preparation

The financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. The financial statements are presented in Rwandan Francs(Rwf) and all values are rounded to the nearest thousand (Rwf '000) except when 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).

2.2 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Bank has adopted the following new and amended IFRS and IFRIC interpretations where applicable as of 1 January 2009:

- IFRS 2 Share-based Payment: Vesting Conditions and Cancellations effective 1 January 2009
- IFRS 2 Share-based Payment: Cash-settled Share-based Payment Transactions effective 1 January 2010 (early adopted)
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements(Amended) effective 1 July 2009(early adopted) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IFRS 7 Financial Instruments: Disclosures effective 1 January 2009
- IFRS 8 Operating Segments effective 1 January 2009
- IAS 1 Presentation of Financial Statements effective 1 January 2009
- IAS 23 Borrowing Costs (Revised) effective 1 January 2009
- IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation effective 1 January 2009
- IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items effective 1 July 2009 (early adopted).
- IFRIC 9 Re-measurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 13 Customer Loyalty Programmes effective 1 July 2008
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation effective 1 October 2008
- IFRIC 18 Transfers of Assets from Customers effective 1 July 2009(early adopted)
- Improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009) (early adopted)

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Bank, its impact is described below:

IFRS 3 (Revised 2008) Business Combinations and IAS 27 (Revised 2008) Consolidated and Separate Financial statements

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3 (Revised 2008) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, for future business combinations, the reported results in the period that an acquisition occurs and future reported results. IAS 27 (Revised 2008) requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction.

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 34.

IFRS 8 Operating Segments

IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. The Bank's Chief operating decision maker does not review segment assets and liabilities; the Bank has not disclosed this information.

IAS 1 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Bank has elected to present one statement of comprehensive income.

IAS 23 Borrowing Costs

The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Bank's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended IAS 23, the Bank has adopted the standard on a prospective basis. Therefore, borrowing costs are capitalised on qualifying assets with a commencement date on or after 1 January 2009. During the 12 months to 31 December 2009, there were no borrowing costs capitalised on qualifying assets included in property and equipment (Note 11).

IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation. The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfil a number of specified criteria. The adoption of these amendments did not have any impact on the financial position or the performance of the Bank.

IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Bank has concluded that the amendment will have no impact on the financial position or performance of the Bank, as the Bank has not entered into any such hedges.

Improvements to IFRSs

In May 2008 and April 2009 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Bank:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.
- IFRS 8 Operating Segment Information: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Bank's chief operating decision makers do not review segment assets and liabilities, the Bank has not disclosed this information.
- IAS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Bank analysed whether the expected period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the statement of financial position.
- IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will not impact the presentation in the statement of cash flows.

2. ACCOUNTING POLICIES (continued)

- IAS 16 Property, Plant and Equipment: Replaces the term "net selling price" with "fair value less costs to sell". The Bank amended its accounting policy accordingly, which did not result in any change in the financial position.
- IAS 18 Revenue: The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:
  - Has primary responsibility for providing the goods or services
  - Has inventory risk
  - Has discretion in establishing prices
  - Bears the credit risk
- The Bank has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements. The revenue recognition accounting policy has been updated accordingly.
- IAS 20 Accounting for Government Grants and Disclosures of Government Assistance: Loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates. This amendment did not impact the Bank as there was no government assistance received during the year.
- IAS 23 Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one - the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Bank has amended its accounting policy accordingly, which did not result in any change in its financial position.
- IAS 36 Impairment of Assets: When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment had no immediate impact on the financial statements of the Bank because the recoverable amount of its cash generating units is currently estimated using 'value in use'.
- The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Bank as it does not have goodwill in its financial statements.
- IAS 38 Intangible Assets: Expenditure on advertising and promotional activities is recognized as an expense when the Bank either has the right to access the goods or has received the service. This amendment has no impact on the Bank because it does not enter into such promotional activities.
- The reference to there being rarely, if ever, persuasive evidence to support an amortization method of intangible assets other than a straight-line method has been removed. The Bank reassessed the useful lives of its intangible assets and concluded that the reducing balance method is appropriate.
- Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Bank:
  - IFRS 2 Share-based Payment
  - IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)
  - IFRS 7 Financial Instruments: Disclosures
  - IAS 8 Accounting Policies, Change in Accounting Estimates and Error X
  - IAS 10 Events after the Reporting Period
  - IAS 19 Employee Benefits
  - IAS 27 Consolidated and Separate Financial Statements
  - IAS 28 Investments in Associates
  - IAS 31 Interest in Joint Ventures
  - IAS 34 Interim Financial Reporting
  - IAS 38 Intangible Assets
  - IAS 40 Investment Properties
  - IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement
  - IFRIC 13 Customer Loyalty Programmes

- IFRIC 16 Hedge of a Net Investment in a Foreign Operation

The Bank has chosen not to early adopt the following standards, amendments and interpretations to existing standards that were issued, but not yet effective, for accounting periods beginning on 1 January 2009. The Directors have assessed the relevance of the new standards, interpretations and amendments to existing standards with respect to the Bank's operations and concluded that, except for IFRS 9, they will not have any significant impact on the Bank's financial statements in the period of initial application but additional disclosures will be required. The Directors are still evaluating the impact of IFRS 9 on the company's financial statements

- IFRS 9 Financial Instruments
- IAS 24 Related Party Disclosures (Revised)
- IAS 32 Classification of Rights Issues (Amendment)
- IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)
- IFRIC 17 Distribution of Non-Cash Assets to Owners
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

2.3. Summary of Significant Accounting Policies

(a) Significant accounting judgments and estimates

In the process of applying the Bank's accounting policies, management has used its judgments and made estimates in determining the amounts recognized in the financial statements. Although these estimates are based on the management's knowledge of current events and actions, actual results ultimately may differ from those estimates. The most significant use of judgments and estimates are as follows:

Going concern

The Board 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 Board 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.

Impairment losses on loans and advances

The Bank individually reviews significant loans and advances at each statement of financial position 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.), concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

The Bank has made provisions for impairment in accordance with the National Bank of Rwanda Instruction No. 03/2000 as follows:

2. ACCOUNTING POLICIES (continued)

Class	Minimum provisions required
Normal	0%
Watch list	0%
Substandard	20%
Doubtful	50%
Loss	100%

The interest income on non performing loans is suspended and accrued as income on receipt basis.

Impairment of available-for-sale investments

The Bank reviews its debt securities classified as available-for-sale investments at each statement of financial position date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

The Bank also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Bank evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

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.

(b). Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(i) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

(iii) Derivatives recorded at fair value through profit or loss

The Bank uses derivatives such as interest rate swaps and futures, credit default swaps, cross currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in profit or loss.

Derivatives embedded in other financial instruments, such as the conversion option in an acquired convertible bond, are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held-for-trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in profit or loss.

(iv) Financial assets or financial liabilities held-for-trading

Financial assets or financial liabilities held-for-trading are recorded in the statement of financial position at fair value. Changes in fair value are recognised in profit or loss. Interest and dividend income or expense is recorded in profit or loss according to the terms of the contract, or when the right to the payment has been established.

Included in this classification are debt securities, equities and short positions and customer loans which have been acquired principally for the purpose of selling or repurchasing in the near term.

(v) Financial assets and financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are those that have been designated by management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss. Interest earned or incurred is accrued in 'Interest income' or 'Interest expense', respectively, using the effective interest rate (EIR), while dividend income is recorded in 'Other income' when the right to the payment has been established.

Included in this classification are loans and advances to customers which are economically hedged by credit derivatives and do not qualify for hedge accounting, as well as notes issued which are managed on a fair value basis.

(vi) Available-for-sale financial investments

Available-for-sale investments include equity and debt securities. Equity investments classified as available-for sale are those which are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in other comprehensive Income. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in profit or loss in 'Other income'. Where the Bank holds more than one investment in the same security they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR. Dividends earned whilst holding available-for sale financial investments are recognised in profit or loss as 'Other income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in profit or loss in 'Impairment losses on financial investments' and removed from the 'Available-for-sale reserve'. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

(vii) Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest and similar income' in profit and loss. The losses arising from impairment of such investments are recognised in profit or loss line 'Impairment loss on financial assets'.

If the Bank were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Bank would be prohibited from classifying any financial asset as held to maturity during the following two years.

(viii) Due from banks and loans and advances to customers

Due from banks' and 'Loans and advances to customers', include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank upon initial recognition designates at fair value through profit or loss;
- Those that the Bank, upon initial recognition, designates as available-for-sale; or

- Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, amounts 'Due from banks' and 'Loans and advances to customers' are subsequently measured at amortised cost using the EIR, less allowance for impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest and similar income' in profit or loss. The losses arising from impairment are recognised in profit or loss in 'Impairment loss on financial assets'.

The Bank may enter into certain lending commitments where the loan, on drawdown, is expected to be classified as held-for-trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss.

Where the loan, on drawdown, is expected to be retained by the Bank, and not sold in the short term, the commitment is recorded only when the commitment is an onerous contract and it is likely to give rise to a loss (for example, due to a counterparty credit event).

(ix) Debt issued and other borrowed funds

Financial instruments or their components issued by the Bank, which are not designated at fair value through profit or loss, are classified as liabilities under 'Debt issued and other borrowed funds', where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt issued and other borrowings 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.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on the quoted market prices for similar debt instruments). The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the debt component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

(ix) Reclassification of financial assets

Effective from 1 July 2008, the Bank may reclassify, in certain circumstances, non-derivative financial assets out of the 'Held-for-trading' category and into the 'Available-for-sale', 'Loans and receivables', or 'Held-to-maturity' categories. From this date it may also reclassify, in certain circumstances, financial instruments out of the 'Available-for-sale' category and into the 'Loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

The Bank may reclassify a non-derivative trading asset out of the 'Held-for-trading' category and into the 'Loans and receivables' category if it meets the definition of loans and receivables and the Bank has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

For a financial asset reclassified out of the 'Available-for-sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is recycled to profit or loss.

(xi) Reclassification of financial assets (continued)

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Bank does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

(c) Derecognition of financial assets and financial liabilities

2. ACCOUNTING POLICIES (continued)

2.3. Summary of Significant Accounting Policies (continued)

(i) Financial assets

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:
- the Bank has transferred substantially all the risks and rewards of the asset, or
- 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.

(ii) Financial liabilities

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

Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(d) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR. When the counterparty has the right to sell or repledge the securities.

(i) Repurchase and reverse repurchase agreements (continued)

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in 'Net interest income' and is accrued over the life of the agreement using the EIR. If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within 'Financial liabilities held-for-trading' and measured at fair value with any gains or losses included in profit or loss.

(e) Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised on the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in profit or loss.

(f) Determination of fair value

The fair value for financial instruments traded in active markets at the statement of financial position 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.

2. ACCOUNTING POLICIES (continued)

2.3. Summary of Significant Accounting Policies (continued)

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 to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

(g) Impairment of financial assets

The Bank assesses at each statement of financial position 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.

(g) Impairment of financial assets (continued)

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as held-to-maturity investments), 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 and similar 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. If the Bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR (Refer Note 2.3(b)(x) above) determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the 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 6 for an analysis of impairment allowance on loans and advances.

(ii) Available-for-sale financial investments

For available-for-sale financial investments, the Bank assess at each statement of financial position date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for-sale, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income is based 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 and similar income'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. The Bank treats 'significant' generally as 20% and 'prolonged' as greater than 6 months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss - is removed from equity and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in the fair value after impairment are recognised directly in other comprehensive income.

(iii) 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. 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.

(h) 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. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in statement of financial position.

(i) Leasing

The determination of whether an arrangement is a lease, or it 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.

2. ACCOUNTING POLICIES (continued)

Bank as a lessor

Leases where the Bank does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

(j) 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 and similar income and expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded 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'. However, for a reclassified financial asset (see Note 2.3 (b)(x)) for which the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

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.

(j) Recognition of income and expense (continued)

(ii) Fee and commission income (continued)

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) Dividend income

Dividend income is recognised when the Bank's right to receive the payment is established.

(k) Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprises cash on hand, current accounts with National Bank of Rwanda, and amounts due from banks and government securities on demand or with an original maturity of three months or less.

(l) Property and equipment

Property and equipment (including equipment under operating leases where the Bank is the lessor) is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the reducing balance method to write down the cost of property and equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

Buildings	5%
Furniture, fittings and equipment	25%
Motor vehicles	25%
Computer equipment	50%

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

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

(m) 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 either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives at an annual rate of 50%.

(n) 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, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell 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. 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 to sell, 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.

For assets excluding goodwill, 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 exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

Impairment losses relating to goodwill cannot be reversed in future periods.

2. ACCOUNTING POLICIES (continued)

2.3. Summary of Significant Accounting Policies (continued)

(o) Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements (within 'Other liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less, when appropriate, cumulative amortisation recognised in 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.

(p) Statutory defined contribution pension scheme

The Bank contributes to a statutory defined contribution pension scheme, the Caisse Sociale du Rwanda (CSR). Contributions are determined by local statute and are currently limited to 5% of an employee's basic salary. The Bank's CSR contributions are charged to profit or loss in the period to which they relate.

(q) 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 profit or loss net of any reimbursement.

(r) 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 statement of financial position date.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. 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 statement of financial position 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 statement of financial position 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 statement of financial position 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.

(s) Dividends on ordinary shares

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

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

CASH IN HAND

	2009	2008
	Rwf '000	**Rwf '000**
Cash in foreign currencies	2,917,830	2,247,497
Cash in local currency	1,705,690	1,569,948
	4,623,520	**3,817,445**

4. CASH BALANCES WITH NATIONAL BANK OF RWANDA

Balances in Repos	15,700,004	4,000,000
Balances in current accounts	3,399,154	2,183,850
	19,099,158	**6,183,850**

5. PLACEMENTS AND BALANCES WITH OTHER BANKING INSTITUTIONS

Due from local banks	97,531	259,447
Due from correspondent banks	2,025,808	5,154,619
Short term Investments in foreign banks	26,631,260	19,636,600
	28,754,599	**25,050,666**

6. LOANS AND ADVANCES TO CUSTOMERS

a) Net loans and advances		
Gross loans and advances	80,913,907	78,810,798
Less: Allowance for impairment losses(Note 6 (b))	(3,818,041)	(6,716,574)
	77,095,866	**72,094,224**
b) Impairment allowance for loans and advances to customers		
Impairment allowance on loans and advances (Note 6 (d))	2,932,503	3,791,537
Interest accrued on impaired loans and advances	885,538	2,925,037
	3,818,041	**6,716,574**

c) Impaired loans and advances

Impaired loans and advances	**6,685,247**	**12,137,932**

Non performing loans and advances on which interest has been suspended amount to Rwf 6.69 billion (2008: Rwf 12.14 billion). Interest income continues to be accrued on the account balances based on the original effective interest rate but it is suspended.

	2009	**2008**
	Rwf '000	**Rwf '000**
d) Impairment allowance for loans and receivables to customers		
At 1 January	3,791,537	4,509,271
Impairment losses on financial assets	4,108,897	1,999,966
Recoveries	(2,608,851)	(1,744,818)
Amounts written off	(2,359,080)	(972,882)
At 31 December	**2,932,503**	**3,791,537**
e) Impairment losses on financial assets		
Impairment losses on financial assets	(4,108,897)	(1,999,966)
Recoveries on non performing loans	2,608,851	1,744,818
Charge for the year	**(1,500,046)**	**(255,147)**
Impairment is carried out by individual assessment. There were no repossessions and collaterals held are not considered in impairment assessment.		

7. FINANCIAL INVESTMENTS – HELD-TO-MATURITY

Treasury Bills	3,647,644	4,494,583
Treasury bonds	8,665,262	-
	12,312,906	**4,494,583**

Treasury bills and treasury bonds are debt securities issued by the Government of Rwanda and are classified as held-to-maturity. The Bank's investments in treasury bills and government bonds are carried at amortised cost.

8. AVAILABLE-FOR-SALE INVESTMENTS

	2009	2008
	Rwf '000	**Rwf '000**
Investments in unlisted shares		
Banque Rwandaise de Développement S.A	21,975	21,975
Banque de l'Habitat du Rwanda S.A	75,000	75,000
Banque de Développement des Etats de Grands Lacs S.A	5,000	5,000
Magasins Généraux du Rwanda S.A	5,000	5,000
Société des Transports Internationaux	20,000	20,000
King Faycal Hospital	46,733	46,733
Société Interbancaire de Monétique et de Télécompensation	166,400	166,400
	340,108	**340,108**

The available-for-sale Investment (unquoted equity) is recorded at cost since there is no active market for these investments.

Available-for-sale financial assets are valued using models which sometimes only incorporates data observable in the market and at other time use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

9. OTHER ASSETS

Prepayments and other receivables	570,801	404,577
Clearing effects and accounts in transit	2,689,870	2,793,395
Staff salary advances	17,128	20,920
	3,277,799	**3,218,892**
INTANGIBLES ASSETS		
COST		
At 1 January	114,107	106,023
Additions	20,715	8,084
At 31 December	**134,822**	**114,107**
AMORTISATION		
At 1 January	101,038	87,969
Charge for the year	16,892	13,069
At 31 December	117,930	101,038
NET BOOK VALUE	**16,892**	**13,069**
Intangible assets represent computer software in use at the Bank.		

PROPERTY AND EQUIPMENT

31 December 2009	Land	Building	Computer equipments	Motor vehicles	Furniture, fittings and equipment	Total
	Rwf '000	Rwf '000	Rwf '000	Rwf '000	Rwf ' 000	Rwf '000
COST						
At 1 January 2009	31,172	5,724,498	682,581	311,436	1,827,540	8,577,227
Additions	-	463,627	220,437	-	1,019,045	1,703,109
At 31 December 2009	**31,172**	**6,188,125**	**903,018**	**311,436**	**2,846,585**	**10,280,336**
DEPRECIATION						
At 1 January 2009	-	1,263,473	561,657	161,479	1,032,066	3,018,675
Charge for the year	-	306,120	170,680	37,489	372,217	886,506
At 31 December 2009	**-**	**1,569,593**	**732,337**	**198,968**	**1,404,283**	**3,905,181**
NET BOOK VALUE						
At 31 December 2009	**31,172**	**4,618,532**	**170,681**	**112,468**	**1,442,302**	**6,375,155**
At 31 December 2008	**31,172**	**4,461,025**	**120,924**	**149,957**	**795,474**	**5,558,552**

PROPERTY AND EQUIPMENT (Continued)

COST	Rwf '000	Rwf '000	Rwf '000	Rwf '000	Rwf '000	Rwf '000	Rwf '000
At 1 January 2008	23,537	1,294,916	570,907	164,372	1,146,277	4,317,256	7,517,265
Additions	7,635	112,326	111,674	147,064	681,263	-	1,059,962
Reclassifications	-	4,317,256	-	-	-	(4,317,256)	-
At 31 December 2008	**31,172**	**5,724,498**	**682,581**	**311,436**	**1,827,540**	-	**8,577,227**
DEPRECIATION							
At 1 January 2008	-	978,163	440,734	111,493	751,851	-	2,282,241
Charge for the year	-	285,310	120,923	49,986	280,215	-	736,434
At 31 December 2008	**-**	**1,263,473**	**561,657**	**161,479**	**1,032,066**	-	**3,018,675**
NET BOOK VALUE							
At 31 December 2008	**31,172**	**4,461,025**	**120,924**	**149,957**	**795,474**	-	**5,558,552**
At 31 December 2007	**23,537**	**316,753**	**130,173**	**52,879**	**394,426**	**4,317,256**	**5,235,024**

12. CUSTOMER DEPOSITS

	2009	2008
	Rwf '000	**Rwf '000**
Demand deposits	76,261,072	65,019,968
Term deposits	29,916,046	23,732,944
Current accounts and other customer deposits	3,305,686	5,085,567
	109,482,804	**93,838,479**

13. DEPOSITS AND BALANCES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Due to local banks	4,543,444	1,811,364
Term deposits	8,060,543	5,045,000
Finance borrowngs	2,500,000	443,089
	15,103,987	**7,299,453**

14. OTHER PAYABLES

Other payables to the Government	216,656	144,619
Social Security remittances	55,676	47,549
Other creditors	7,245	17,628
Transitory accounts	4,090,286	1,894,583
	4,369,863	**2,104,379**

15. SHARE CAPITAL

Authorized issued and fully paid:		
45,500 ordinary shares of Rwf 110,000 each	**5,005,000**	**5,005,000**

16. RESERVES AND RETAINED EARNINGS

(i) Reserves

	2009	2008
	Rwf '000	**Rwf '000**
Legal reserves	2,272,254	1,706,854
Special reserves	2,357,488	1,792,088
Other Reserves	6,262,540	1,738,983
	10,892,282	**5,237,925**

ii) Retained earnings

Profit for the year	**5,286,963**	**5,654,357**

The Bank transfers 20% of its profit after tax to special reesrves (10% legal reserves and 10 % special reserves. These reserves are not mandatory and are distributable.

Other reserves represent amounts transferred from retained earnings to reserves as may be decided by the General Assembly.

17. INTEREST INCOME

Interest on ordinary accounts with banks	67,140	617,421
Interest received from pension, borrowings and other debtors	555,955	204,824
Income from transactions with other banks	26,775	19,797
Interest on overdrawn accounts	2,753,111	1,796,046
Interest on overdrafts	2,205,933	1,633,235
Interest on equipment loans	630,343	509,751
Interest on consumer loans	1,001,433	897,942
Interest on mortgage loans	3,360,263	2,443,230
Interest on other loans to customers	2,398,864	2,225,866
Interest on financing commitments	531,511	404,731
Other income from transactions with customers	-	9,148
Interest on assets held to maturity	607,039	689,854
	14,138,367	**11,451,845**

18. INTEREST EXPENSE

Interest on transactions with other banks	141,760	63,742
Interest on current accounts	97,982	252,596
Interest on fixed deposits	3,169,732	1,543,593
	3,409,474	**1,859,931**

19. FEES AND COMMISSIONS INCOME

	2009	2008
	Rwf'000	**Rwf'000**
Commissions on operation of accounts	216,827	194,017
Commissions on payment facilities	768,181	681,461
Commissions on loan service	134,891	104,272
Other fees from services	217,723	196,510
	1,337,622	**1,176,260**

20. FOREIGN EXCHANGE GAINS

Gain on foreign exchange dealings	**3,335,299**	**2,584,758**

21. OTHER INCOME

Other income from banking activities	225,284	224,626
Reversal of provision on equity investments	-	166,400
Dividend income	-	48,576
Rental income	202,671	219,323
Other non banking income	170,694	162,151
	598,649	**821,076**

22. PERSONNEL EXPENSES

Salaries and wages	2,677,626	2,164,455
Social security contribution	142,801	96,859
Other staff costs	235,388	239,773
	3,055,815	**2,501,087**

23. OPERATING EXPENSES

General operating expenses	3,028,047	2,377,532
Audit fees	31,075	32,696
Directors emoluments	40,184	12,509
	3,099,306	**2,422,737**

24. TAXES

	2009	2008
a) Corporate Tax	**Rwf '000**	**Rwf '000**
Statement of financial position:		
Balance brought forward	1,032,867	1,207,911
Charge for the year	2,171,445	2,132,729
Over provision in prior year	(136,048)	(96,754)
Paid during the year	(2,031,627)	(2,211,019)
Tax payable	**1,036,637**	**1,032,867**
Statement of comprehensive income:		
Current tax at 30% (2008-30%) on the taxable profit for the year	2,171,445	2,132,729
Overprovision in prior year	(136,048)	(96,754)
Deferred tax expense	119,538	555,201
Income tax expense	**2,154,935**	**2,591,176**
Reconciliation of the total tax charge:		
Accounting profit before tax	**7,441,898**	**8,245,533**
At statutory income tax rate of 30% (2008: 30%)	2,232,569	2,473,660
Income not subjected to tax	(346,067)	(71,501)
Non deductable expenses	268,433	189,017
	2,154,935	**2,591,176**

b). Deferred tax asset

The deferred tax comprises:		
Opening balance	555,201	-
Accelerated capital allowance	119,538	555,201
Closing Balance	**674,739**	**555,201**

The deferred tax asset has been fully recognized in the financial statements and the temporary difference arises primarily on account of different rates used in the depreciation of Property and Equipment, future eligible allowance on leased assets, retirement benefits and other temporarily disallowed items which are expected to crystallize in the foreseeable future.

25. EARNINGS PER SHARE

Earnings per share is calculated on the profit after tax of Rwf 5,286,963,000 (2008: profit of Rwf 5,654,357,000) and on the total number of shares in issue during the year. Basic and diluted earnings per share are the same since the Bank did not issue any potentially dilutive instruments.

26. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise of the following balance sheet accounts:

	2009	2008
	Rwf'000	**Rwf '000**
Cash in hand	4,623,520	3,817,445
Cash and balances with the National Bank of Rwanda	19,099,158	6,183,850
Placements and balances with other banking institutions	28,754,599	25,050,666
Deposits and balances from banks and other financial institutions	(15,103,987)	(7,299,453)
	37,373,290	**27,752,508**

27. CONTINGENT LIABILITIES

a). Letters of credit

Acceptances and Letters of Credit issued	12,266,876	18,271,347
Guarantee Commitments issued	12,241,776	8,403,161
Other commitments not recognised in the statement of financial position	966,416	454,312
	25,475,068	**27,128,820**

Contingent liabilities represent transactions entered into in the normal course of business and are represented by counter indemnities or cash securities from customers for the same amount. Letters of credit, guarantee and acceptance commit the Bank to make payments on behalf of the customers in the event of a specific act, generally relating to the import and export of goods. Guarantees and letters of credit carry the same credit risk as loans.

b). Legal cases

The Bank is also party to various legal proceedings from default customers for a total amount of Rwf 1,423,059,000 (2008: Rwf 1,547,244,000). Having regarded the legal advice received, and in all circumstances, the management is of the opinion that these legal proceedings will not give rise to liabilities, which in aggregate, would otherwise have material effect on these financial statements.

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28. CAPITAL COMMITMENTS

	2009	2008
	Rwf'000	**Rwf '000**
Capital commitments	5,108,752	2,183,136
Loans approved but not disbursed	3,537,788	3,001,500
	8,646,540	**5,184,636**

29. RELATED PARTY TRANSACTIONS

(a) Due from employees and directors

The balances of gross loans and advances to shareholders, their associated companies, directors and employees include:

Loans and advances to employees	1,096,678	1,388,466
Loans and advances to directors and their associates	88,234	61,448
	1,184,912	**1,449,914**

Loans and advances are advanced to employees at an interest rate of 9%. Loans to directors are advanced at arms length in the ordinary course of business and are adequately secured.

(b) Due to employees and directors

Deposits by directors and shareholders	**10,150,702**	**9,863,236**

Directors and key management remuneration		
Key management compensation	533,170	361,123
Directors emoluments	40,184	12,509
	573,354	**373,632**

The members of the Board of Directors are listed on page 16. The key management comprise of Managing Director, Chief Operating Officer, Head of Finance and Chief Shared Services Officer.

30. CAPITAL MANAGEMENT

Regulatory capital

The National Bank of Rwanda (BNR) sets and monitors capital requirements for the banking industry as a whole. BNR has set among other measures, the rules and ratios to monitor capital adequacy of banks.

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

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 recognized in addition to recognizing the need to maintain a balance between the higher returns that may be possible with greater gearing and the advantages and security afforded by sound capital position.

The Bank has compiled with capital requirements.

The Bank's capital adequacy ratio as 31 December was as follows:

Net worth	18,039,966	15,897,289
Total risk weighted assets	106,506,172	106,414,729
Capital adequacy ratio	**17%**	**15%**
Minimum capital required	**10,650,617**	**10,641,474**
Excess	**7,389,348**	**5,255,809**

31. RISK MANAGEMENT

Risk management strategy using financial instruments

By their nature, the Bank's activities are principally related to the use of financial instruments. The Bank accepts deposits from customers at both fixed and floating rates and seeks to earn above-average interest margins by investing these funds in high-quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Bank also seeks to raise its interest margins by obtaining above-average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just loans and advances recognised in statement of financial position; the Bank also enters into guarantees and other commitments such as letters of credit and performance, and other bonds.

In order to manage liquidity and increase interest income the Bank takes positions in the inter bank market. The Board has set trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

31. RISK MANAGEMENT (continued)

Risk management framework

The Bank's activities expose it to a variety of financial risks including credit risk, liquidity risk, market risks, operational risks, capital/solvency risks, legal and compliance risks and interest rate risks. The Bank's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Bank's financial performance.

The Board of Directors (the board) has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established various committees, which are responsible for developing and monitoring Bank's risk management policies in their specified areas. All committees report regularly to the Board on their activities.

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

(a) Credit risk

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

Management of credit risk

The Board Credit Committee owns the credit policy and are responsible for reviewing the policy at least once in a year, ensuring it remains current

The Board of Directors is responsible for approving and periodically reviewing the credit risk strategy of the Bank, significant underwriting initiatives as defined in the Credit Policy Limits, and significant credit risk policies.

Risk Management Department is responsible for independently reviewing all limit applications and making recommendations to the Management Credit Committee and the Board Credit Committee, in terms of authority limits.

Executive management is responsible for implementing Credit Policy and recommending amendments to the Board Credit Committee. Management presents to the Board, on an annual basis, through Credit Committee its annual Credit Strategy outlining:

i) Review of current portfolio, distribution, profitability and quality;

ii) Target markets;

iii) A review of economic environment and willingness to trade with various economic sector;

iv) Its credit appetite;

v) Aggregate loan for the Bank as a proportion of total assets;

vi) Financial statements budgets

31. RISK MANAGEMENT (continued)

(a) Credit risk (Continued)

The Board is responsible for approving the Credit Risk Strategy.

The Risk Management Committee is responsible for monitoring credit and ensuring compliance with limits and that credit risk exposure do not expose undue threat on capital and compound risks. Internal audits are carried out annually and ensure compliance with authority limits, origination and documentary requirements, regulatory guidelines, other internal procedures and policies.

Once exposures are booked into the statement of financial position, the following credit risk attributes are monitored by lending department in the various business lines, and independently by Risk Management Department at least monthly:

i) Adherence to limits;

ii) Portfolio diversification by industry sector, product type and business line;

iii) Level of significant credit concentration and compliance to prudential lending limits;

iv) Maturity distribution of portfolio;

v) Past-due status and level of Non Performing Loans;

vi) Portfolio risk grading profile;

vii) Lending authority breaches.

Exposure to credit risk		
Loans and advances to customers	**2009**	**2008**
	Rwf '000	**Rwf'000**
Carrying amount of non performing loans		
Class 3: Substandard	2,172,954	3,002,209
Class 4: Doubtful	1,218,008	576,048
Class 5: Loss	2,378,006	5,602,915
Interest insuspense	916,279	2,956,760
Non performing loan portfolio	**6,685,247**	**12,137,932**
Allowance for impairment	2,932,503	3,791,537
Carrying amount	**3,752,744**	**8,346,395**

Loans and advances classified as 3, 4 and 5 in the Banks' internal credit risk grading system are considered as non performing. These are advances for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements. Specific provisions are made on these classes.

Loans and advances classified as 1 and 2 are performing loans. According to the National Bank of Rwanda guidelines, no specific provisions for these loans are required.

(b) Liquidity risk

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

31. RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

Management of liquidity risk

Assets and Liabilities Management Committee are charged with the responsibility of managing liquidity risk. They delegate the responsibility for daily management of funding requirements to the Heads of Finance and Treasury.

Management attempts to achieve a balance between the need to provide for liquidity and achieve profitability.

Identifies who is responsible for measuring liquidity risk within the Bank;

The frequency of internal reporting;

Define how senior management monitors liquidity;

Desired sources of liquidity and appropriate funding structure.

The Bank has adequate procedures and systems for monitoring liquidity. As such, the Bank:

Clearly allocates responsibility for measuring and reporting liquidity;

Assets and Liabilities Committees maintain Management Information system that can produce accurate liquidity reports promptly;

Regularly reports on the level of liquid assets and funding requirements through appropriate reports to the Management and Board.

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to total liquid liabilities.

Details of the reported Bank ratio of net liquid assets to total liquid liabilities at the reporting date and during the reporting year were as follows:

	2009	2008
	Rwf'000	**Rwf '000**
Total liquid assets	91,306,162	72,860,230
Total liquid liabilities	89,181,980	73,409,094
Liquidity ratio	**102.38%**	**99.3%**
Minimum liquidity ratio required	**100**	**100**

Management of liquidity risk (continued)

The maturity risk profile of the bank as at 31 December 2009 was as follows (amounts in Rwf '000)

Assets	Up to one month	1-3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Total
	Rwf '000	Rwf '000	Rwf '000	Rwf '000	Rwf' '000	Rwf '000	Rwf '000
Cash and balances with BNR	23,722,678	-	-	-	-	-	23,722,678
Investment in Government bonds	1,633,570	4,891,122	694,088	1,328,319	3,765,807	-	12,312,906
Investment with other banks	28,754,599	-	-	-	-	-	28,754,599
Net advances to customers	17,411,423	2,249,739	3,243,482	6,661,809	33,099,395	14,430,018	77,095,866
Other investments	-	-	-	-	-	340,108	340,108
Other assets	3,277,799	-	-	-	-	-	3,277,799
Property and equipments	-	-	-	-	-	6,392,047	6,392,047
Total assets as at 31 December 2009	**74,800,069**	**7,140,861,**	**3,937,570**	**7,990,128**	**36,865,202**	**21,162,173**	**151,896,003**
Liabilities							
Deposits and balances with other banks	8,168,986	1,005,001	2,000,000	3,930,000	-	-	15,103,987
Customer deposits	84,907,759	8,621,652	7,493,378	6,746,157	1,713,858	-	109,482,804
Tax liabilities	-	-	1,711,376	-	-	-	1,711,376
Other accounts payable	7,013,345	-	-	-	-		7,013,345
Provisions	43,728	-	-	-	-	-	43,728
Total liabilities as at 31 December 2009	**100,135,815**	**9,626,653**	**11,204,754**	**10,676,157**	**1,713,858**	**-**	**133,357,240**
Owner's equity as at 31 December 2009	-	-	-	-	-	18,540,763	18,540,763
Maturity Gap for 2009	(25,333,746)	(2,485,792)	(7,267,184)	(2,686,029)	35,151,344	(22,072)	-
Off balance sheet gap 2009	Negative Gap	Negative Gap	Negative Gap	Negative Gap	Positive Gap	Positive Gap	-

33 RISK MANAGEMENT (Continued)

(b) Liquidity risk (continued)

Management of liquidity risk (continued)

The maturity risk profile of the Bank as at 31 December 2008 was as follows (amounts in Rwf '000)

Assets	Up to one month	1-3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Total
Cash and balances with BNR	10,001,295	-	-	-	-	-	10,001,295
Investment in Government bonds	-	-	-	-	4,494,583	-	4,494,583
Investment with other banks	25,050,666	-	-	-	-	-	25,050,666
Net advances to customers	21,158,190	608,968	1,141,630	2,135,550	23,969,642	23,080,243	72,094,224
Other investments	-	-	-	-	-	340,108	340,108
Other assets	3,218,892	-	-	-	-	-	3,218,892
Property and equipments	-	-	-	-	-	5,571,621	5,571,621
Total assets as at 31 December 2008	**59,429,043**	**608,968**	**1,141,630**	**2,135,550**	**28,464,225**	**28,991,972**	**120,771,399**
Liabilities							
Deposits and balances with other banks	3,289,453	5,000	1,500,000	2,505,000	-	-	7,299,453
Customer deposits	76,577,281	5,004,481	5,304,019	6,952,698	-	-	93,838,479
Tax liabilities	-	-	1,733,687	-	-	-	1,733,687
Other accounts payable	1,959,760	-	-	-	-	-	2,104,379
Provisions	43,728	-	-	-	-	-	43,728
Total liabilities as at 31 December 2008	**81,870,222**	**5,009,481**	**8,426,039**	**9,457,698**	**-**	**-**	**104,908,059**
Owner's equity as at 31 December 2008	-	-	-	-	-	15,897,282	15,897,282
Maturity Gap for 2008	(22,441,179)	(4,400,513)	(7,395,079)	(7,322,148)	28,464,225	13,094,690	-
Off balance sheet gap 2008	25,958,024	5,781,277	1,412,803	3,344,797	11,260,341	28,055,943	75,813,185

31 RISK MANAGEMENT (Continued)

(c) **Market risk**

Market risk is the risk that fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

The most common market risk factors for the Bank are interest rates and foreign exchange rates.

Movements in market risk factors may result in adverse (or favorable) changes in the market value of an asset or commitment. The market risk of both individual financial instruments and portfolios of instruments can be a function of one, several, or all of these basic factors and, in many cases, can be significantly complex.

The Bank ensures that it adequately measures, monitors, and controls the market risks involved in its activities. Market risk is managed through the Asset and Liability Committee process for interest rate and foreign exchange risk related to asset/liability management activities. On a day-to-day basis, market risk exposures are independently reviewed and measured by the Finance department and Risk department, and appropriate management reports generated.

Interest risk exposure

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of changes in the prevailing levels of market rates but may also decrease or create losses in the event that unexpected movements arise.

The Bank actively manages the interest rate sensitivity (the exposure of net interest income to interest rate movements).

Interest rate risk is measured by evaluating the potential effect on earnings of various interest rate shocks scenarios. Interest rate sensitivity is quantified by calculating the change in rate spread and net interest income between the scenarios over a 12 month holding period. The measurement of interest rate sensitivity is the percentage change in net interest income and rate spread calculated.

Asset and Liability Committee requires frequent reviews of scenarios to examine the impact of large interest rate movements. The interest sensitive risk profile of the Bank as at 31 December 2009 (Rwf '000)was as follows:

31	RISK MANAGEMENT (Continued)
(c)	**Market risk (continued)**

Interest sensitivity risk profile (amounts in Rwf '000)

31 December 2009	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 5 years**	**Over 5 years**	**Non -interest bearing**	**Total**
Cash and balances with BNR	15,700,004	-	-	-	-	-	8,022,674	23,722,678
Investment in Government bonds	-	748,488	3,120,802	761,674	7,043,247	638,695	-	12,312,906
Investment with other banks	26,688,583	-	-	-	-	-	2,066,016	28,754,599
Net advances to customers	-	-	-	28,954,353	23,838,320	24,303,193	-	77,095,866
Other investments	-	-	-	-	-	-	340,108	340,108
Other assets	-	-	-	-	-	-	3,277,799	3,277,799
Property and equipments	-	-	-	-	-	-	6,392,047	6,392,047
Sensitive assets as at 31 December 2009	**42,388,587**	**748,488**	**3,120,802**	**29,716,027**	**30,881,567**	**24,941,888**	**20,098,644**	**151,896,003**
Deposits and balances from other banks	2,825,542	-	-	1,250,001	6,485,000	-	4,543,444	15,103,986
Customer term deposits	3,494,312	1,683,477	5,112,677	17,908,722	1,713,858	-	79,569,758	109,482,805
Tax liabilities	-	-	-	-	-	-	1,711,378	1,711,376
Other accounts payable	-	-	-	-	-	-	7,013,341	7,013,341
Provisions	-	-	-	-	-	-	43,728	43,728
Sensitive liabilities as at 31 December 2009	**6,319,854**	**1,683,477**	**5,112,677**	**19,158,723**	**8,198,858**	**-**	**92,881,651**	**133,355,240**
Owner's equity as at 31 December	-	-	-	-	-	-	18,540,763	18,540,763
Sensitive gap as 31 December 2009	**36,068,733**	**(934,989)**	**(1,991,875)**	**10,557,304**	**22,682,709**	**24,941,999**	**70,139,525**	**-**
Cumulative gap	36,068,733	35,133,744	33,141,869	43,699,173	66,381,882	91,579,950	-	
% age of Interest Sensitive assets to Interest Sensitive Liabilities	118%	(80%)	(157%)	281%	136%	100%		
Asset/Liability sensitivity	Asset	Liability	Liability	Asset	Asset	Asset		

31 RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Interest sensitivity risk profile (continued)- amounts in Rwf '000

31 December 2008	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Non interest bearing	Total
Cash and balances with BNR	4,000,000	-	-	-	-	-	6,001,295	10,001,295
Investment in Government bonds	-	-	-	-	3,671,981	822,602	-	4,494,583
Investment with other banks	19,636,600	-	-	-	-	-	5,414,066	25,050,666
Net advances to customers	-	-	-	27,065,338	20,348,607	24,680,279		72,094,224
Other investments	-	-	-	-	-	-	340,108	340,108
Other assets	-	-	-	-	-	-	3,218,892	3,218,892
Property and equipments	-	-	-	-	-	-	5,571,621	5,571,621
Sensitive assets as at 31 December 2008	**23,636,600**	**-**	**-**	**27,065,338**	**24,020,588**	**25,502,881**	**20,545,982**	**120,771,389**
Deposits and balances from other banks	-	-	-	-	5,045,000	-	2,254,453	7,299,453
Customer term deposits	5,340,116	1,554,744	3,082,111	13,755,973	-	-	70,105,535	93,838,479
Tax liabilities	-	-	-	-	-	-	1,588,068	1,588,068
Other accounts payable	-	-	-	-	-	-	2,104,379	2,104,379
Provisions	-	-	-	-	-	-	43,728	43,728
Sensitive liabilities as at 31 December 2008	**5,340,116**	**1,554,744**	**3,082,111**	**13,755,973**	**5,045,000**	**-**	**76,096,163**	**104,874,107**
Owner's equity as at 31 December 2008	-	-	-	-	-	-	15,897,282	15,897,282
Sensitive gap as 31 December 2008	18,296,484	(1,554,744)	(3,082,111)	13,309,365	18,975,588	25,502,881	(55,550,181)	-
Cumulative gap	18,296,484	16,741,740	13,659,629	26,968,994	45,944,582	71,447,463	15,897,282	-

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31	RISK MANAGEMENT (Continued)
(c)	Market risk (continued)
	Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Bank's profit before tax (through the impact on floating rate borrowings). There is only an immaterial impact on the Bank's equity.

2009	**Increase/decrease in basis points**	**Effect on profit before tax**
		Rwf '000
US$	+/- 10	(568,582)
JPY		+/- 10
		446
CHF	+/- 10	(2,018)
GBP	+/- 10	679
EURO	+/- 10	(24,748)
Others	+/- 10	2,183
2008		
US$	+/- 10	(235,271)
JPY	+/- 10	474
CHF	+/- 10	(22)
GBP	+/- 10	(2,124)
EURO	+/- 10	(1,224)
Others	+/- 10	3,236

Foreign currency exchange risk

The Bank records transactions in foreign currencies at the rates in effect at the date of the transaction. The Bank retranslates monetary assets and liabilities denominated in foreign currencies at the rates of exchange in effect at the statement of financial position date. All the gains or losses arising from the changes in the currency exchange rates are accounted for in profit and loss. The foreign currency sensitive risk profile of the Bank as at 31 December 2009 was as follows (amounts in Rwf '000):

31.RISK MANAGEMENT (Continued)

(c)Market risk (continued)

Foreign currency risk (Continued)

As At 31st December 2009

	Rwf '000	USD	JPY	CHF	GBP	EUR	CAD	Others	Total
Cash and balances with BNR	19,187,431	4,022,691	-	23,033	27,901	446,286	15,336	-	23,722,678
Investment in Government bonds	12,312,906	-	-	-	-	-	-	-	12,312,906
Investment with other banks	18,962	20,200,887	4,506	37,484	330,824	8,116,878	35,981	9,077	28,754,599
Net advances to customers	76,805,589	290,277	-	-	-	-	-	-	77,095,866
Other investments	340,108	-	-	-	-	-	-	-	340,108
Other assets	2,713,426	507,800	-	8	806	55,751	8	-	3,277,799
Property and equipments	6,392,047	-	-	-	-	-	-	-	6,392,047
Total assets as at 31/12/2009	**117,770,469**	**25,021,655**	**4,506**	**60,525**	**359,531**	**8,618,915**	**51,325**	**9,077**	**151,896,003**
Liabilities									
Deposits and balances from other banks	14,297,832	679,101	-	-	28,325	98,430	299	-	15,103,987
Customer term deposits	75,342,642	25,497,884	48	57,659	295,708	8,265,932	22,795	136	109,482,805
Tax liabilities	1,711,376	-	-	-	-	-	-	-	1,711,376
Other accounts payable	6,871,179	140,381	-	-	3	1,779	3	-	4,369,863
Provisions	43,728	-	-	-	-	-	-	-	43,728
Total liabilities as at 31/12/2009	**98,266,757**	**26,317,366**	**48**	**57,659**	**324,036**	**8,366,141**	**23,097**	**136**	**133,355,240**
Owner's equity									
Share capital	5,005,000	-	-	-	-	-	-		5,0005,000
Reserves	10,892,282	-	-	-	-	-	-	-	10,892,282
Net profit	2,643,481	-	-	-	-	-	-	-	2,643,481
Owner's equity as at 31/12/2009	**18,540,763**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**18,540,763**
Foreign currency gap as at 31/12/2009	**-**	**(1,295,711)**	**4,458**	**2,866**	**35,495**	**252,774**	**28,228**	**8,941**	

31. RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Foreign currency risk (Continued)

As At 31 December 2008

Assets	Rwf '000	USD	JPY	CHF	GBP	EUR	BIF	Others	Total
Cash and balances with BNR	6,348,919	3,008,544	-	44,645	66,281	523,445	-	9,460	10,001,295
Investment in Government bonds	4,494,583	-	-	-	-	-	-	-	4,494,583
Investment with other banks	112,895	18,842,808	4,792	84,084	216,759	5,755,745	238	33,345	25,050,666
Net advances to customers	71,672,179	422,045	-	-	-	-	-	-	72,094,224
Other investments	340,108	-	-	-	-	-	-	-	340,108
Other assets	2,516,734	420,901	-	59	1,175	279,747	-	276	3,218,892
Property and equipments	5,571,621	-	-	-	-	-	-	-	5,571,621
Total assets as at 31/12/2008	**91,057,039**	**22,694,298**	**4,792**	**128,788**	**284,215**	**6,558,937**	**238**	**43,081**	**120,771,389**
Liabilities									
Deposits and balances from other banks	7,035,548	210,664	-	-	13,419	39,822	-	-	7,299,453
Customer term deposits	64,971,239	21,617,569	49	84,309	224,575	6,939,514	-	1,224	93,838,479
Tax liabilities	1,732,687	-	-	-	-	-	-	-	1,732,687
Other accounts payable	1,753,796	198,949	-	53	1,136	5,552	-	274	1,959,760
Provisions	43,728	-		-	-	-	-	-	43,728
Total liabilities as at 31/12/2008	**75,536,998**	**22,027,182**	**49**	**84,362**	**239,130**	**6,984,888**	**-**	**1,498**	**104,874,107**
Owner's equity									
Share capital	5,005,000	-	-	-	-	-	-	-	5,005,000
Reserves	5,237,925	-	-	-	-	-	-	-	5,237,925
Net profit	5,654,357	-	-	-	-	-	-	-	5,654,357
Owner's equity as at 31/12/2008	**15,897,282**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15,897,282**
Foreign currency gap as at 31/12/2008	**-**	**667,116**	**4,743**	**44,426**	**45,085**	**(425,951)**	**238**	**41,583**	**-**

31. RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Foreign currency risk (Continued)

Foreign currency sensitivity;

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates for the major currencies, with all other variables held constant, on the Bank's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Bank's equity (due to changes in the fair value of forward exchange contracts and net investment hedges). There is only an immaterial impact on the Bank's equity.

2009	**Increase/decrease in basis points**	**Effect on profit before tax**
		Rwf '000
US$	+/- 10	(129,571)
JPY	+/- 10	446
CHF	+/- 10	287
GBP	+/- 10	3,550
EURO	+/- 10	25,277
Others	+/- 10	3,717
2008		
US$	+/- 10	66,712
JPY	+/- 10	475
CHF	+/- 10	4,445
GBP	+/- 10	4,509
EURO	+/- 10	(42,595)
Others	+/- 10	4,182

(d) Operational risk

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

Risk management department is responsible for overseeing the development and implementation of policies and procedures, continuous assessments and control of operational risks, and reporting significant operational risks to Executive Management, heads of business units and staff. The department measures operational risk losses and ensure risks are consciously reduced through appropriate management interventions, policies, and functional controls.

An effective operational risk analysis involves an attempt to quantify the potential financial impact of operational risks on capital and financial performance. The risk management department has developed quantifiable means of tracking and reporting on all operational risks.

Operational risk loss data are collected regularly, and incorporated in risk management reports. Significant losses are communicated to the risk committees; significant losses comprise any loss equal or greater than Rwf 10 million.

(e) Capital/Solvency risk

The solvency risk is the risk that the Bank will be unable to absorb losses with the available capital. As such, the Bank's capital level defines the amount of solvency risk in the Bank where the potential losses in all risk positions are properly measured. The role of capital is to act as a buffer against future and unidentified losses that may be incurred.

The Board of Directors is responsible for making sure that the Bank's capital is adequate for safe and sound operation. Fulfilling this responsibility entails monitoring and evaluating the capital adequacy positions on a regular basis and planning for future capital needs.

The Board ensures that:

The Bank's capital structures are appropriate for businesses;

The adequacy of capital cushion against risks by measurement and monitoring trends in regulatory capital adequacy ratios;

Determines capital structure and quality of capital. The capital structure may contain permanent shareholders equity and revenue reserves, supplemented by other qualifying capital in terms of the banking regulations;

The adequacy of capital to support the level of current and anticipated business activities;

The adequacy of reserves;

Access to further capital.

The Bank maintains a Capital Adequacy Ratio of no less than 10% at any one time. The capital is adjusted to levels that match the valuation of risks.

(f) Legal and compliance risk

The compliance risk is the current and prospective risk to earnings or capital arising from violations of, or nonconformity with, laws, rules, regulations, prescribed practices, internal policies, procedures, or ethical standards.

The Board and senior management recognize the consequences associated with noncompliance and devote sufficient resources to ensure that the Bank has an adequate compliance program, covering the legal and compliance issues associated with the Bank's operations to this end.

Management is also responsible for instilling a compliance culture throughout the Bank.

32. COMPARATIVES

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

33. CURRENCY

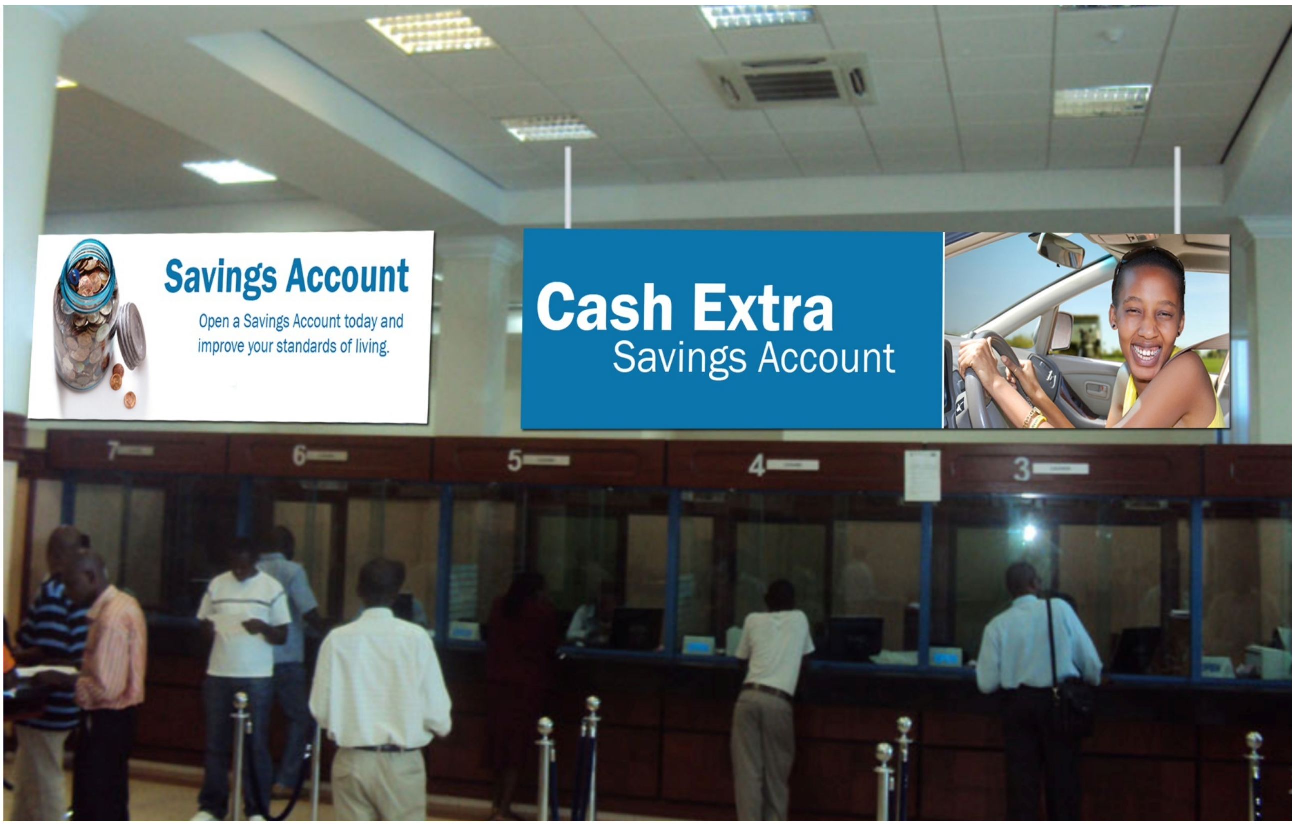
The financial statements are presented in Rwandan Francs and are rounded to the nearest thousands (Rwf '000)

34. INCORPORATION

The Bank is incorporated and domiciled in Rwanda.

Our Addresses

Name of the branch	Location	Address
1. Head Office	Avenue de la Paix	Kigali Plot 6112 P.O Box 175 Kigali-Rwanda Tel : (+250) 252 593100 Fax :(+250) 252 573461/ 252 575504 Swift :BKIG RW RW,E-mail: bk@bk.rw,Website: www.bk.rw
2. Airport Branch	Kigali International Airport	Airport, Tel: (+250) 0252 580136 Fax: (+250) 0252 587998 GSM: (+250) 788 305163
3. Kacyiru Branch	Kacyiru	Kacyiru, Tel: (+250) 0252 582380 Fax: (+250) 0252 582370 GSM: (+250) 788 302461
4. Kabuga Branch	Kabuga	Kabuga, GSM: (+250) 788 301215
5. Nyabugogo Branch	Nyabugogo	Nyabugogo, GSM: (+250) 788 302472
6. Remera Branch	Remera- Kisimenti	Remera Tel: (+250) 0252 587999 Fax: (+250) 0252 587998 GSM: (+250) 788 304957
7. Town Branch	Kigali Town	GSM: (+250) 788 302514
8. Ruhengeri Branch	Musanze District	Musanze District, P.O. Box 50 Tel: (+250) 0252 546250 Fax: (+250) 0252 546233 GSM: (+250) 788 302515
9. Rwamagana Branch	Rwamagana	Rwamagana, P.O. Box 90 Tel: (+250) 0252 567142 Fax: (+250) 0252 567141 GSM: (+250) 788 302471
10.Gisenyi Branch	Rubavu District	Rubavu District Tel: (+250) 0252 540279 Fax: (+250) 0252 540676 GSM: (+250) 788 302068
11. Gitarama Branch	Muhanga District	Muhanga, P.O Box 90 Tel: (+250) 0252 562558 Fax: (+250) 0252 562559
12. Cyangugu Branch	Rusizi District	Rusizi, P.O. Box 221 Tel: (+250) 0252 537067 Fax: (+250) 0252 537067 GSM: (+250) 788 302067
13. Kayonza Branch	Kayonza	Kayonza, P.O. Box 175 Kigali GSM: (+250) 788 301214
14. Nyagatare Branch	Nyagatare	Nyagatare, P.O. Box 175 Kigali Tel: (+250) 0252 565427 GSM: (+250) 788 303008
15. Butare Branch	Huye District	Huye, P.O. Box 624 Tel: (+250) 0252 530358 Fax: (+250) 0252 530350 GSM: (+250) 788 302484
16. Gicumbi Branch	Gicumbi	Gicumbi , GSM: (+250) 788 301695
17. Gatuna Branch	Gicumbi	Gicumbi , GSM: (+250) 788 301695
18. Western Union	Banque de Kigali Head office	Tel: 0252 593154 Fax: (+250) 0252 571286 GSM: (+250) 788 537338
19 RDB	Nyarutarama	Tel:+(0252) 593100
20. SFB	Gikondo	Tel: +(0252) 593100
21. Kimironko	Kimironko	Tel: +(0252) 593100
22. Nyamata	Nyamata	Tel: +(0252) 593100
23. Rubavu Town Agency	Rubaru Town	Tel: +(0250) 540279
24. Town Agency Musanze	Musanze	Tel: +(0252) 546250
25. Rusumo	Rusumo	Tel: +(250) 788 389004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