BANK OF KIGALI
2013
Annual Report

BANK OF KIGALI
Financially transforming lives

AFRICAN BANKER
AWARDS 2012

BK Awards

In pursuit of excellent service

Best Bank in East Africa

Bank of the year

Best African Listing

Fire Award

Best Bank in Rwanda

In Rwanda we transform Lives, to the world we make Rwanda proud

Bank of Kigali Limited is the largest bank in Rwanda by market share of total assets, loans, deposits and shareholders' funds.

Since 2009, the Bank has been recognized for four years running as the Best Bank in Rwanda by Emeafinance and Bank of the Year by The Banker magazine. In 2012, it was further bestowed the Best East African Bank Award by the African Banker magazine as well as the Best Financial Reporting Company in Rwanda Award at the annual Financial Reporting Awards (FiRe). Bank of Kigali is the second domestic company to be listed on the Rwanda Stock Exchange in an IPO which was recognized as the Best African Listing by Africa Investor (AI).

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

BANK OF KIGALI
Financially transforming lives

AFRICAN BANKER AWARDS 2012

OUR VISION

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

OUR MISSION

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

OUR VALUES

- *Customer focus*
- *Integrity*
- *Quality*
- *Excellence*

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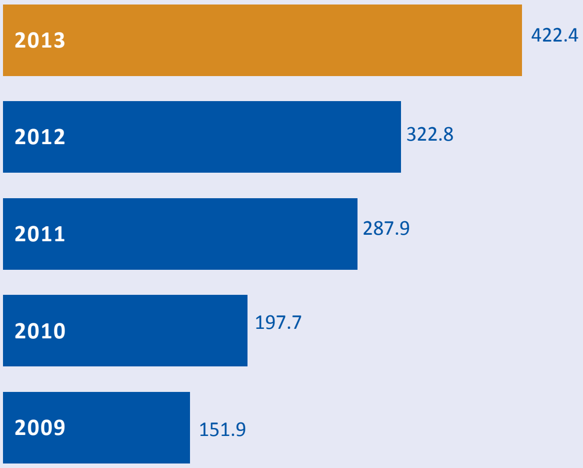
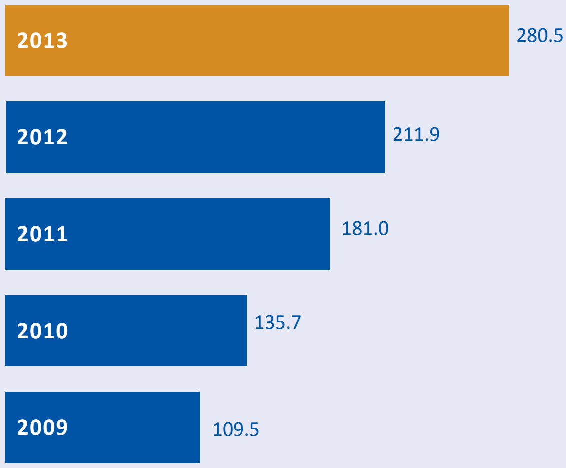
Total Assets
RwF bn

CAGR 29.1%



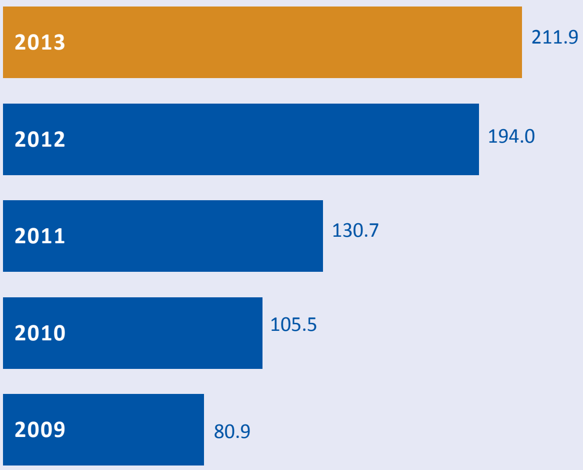
Customer Deposits
RwF bn

CAGR 26.5%



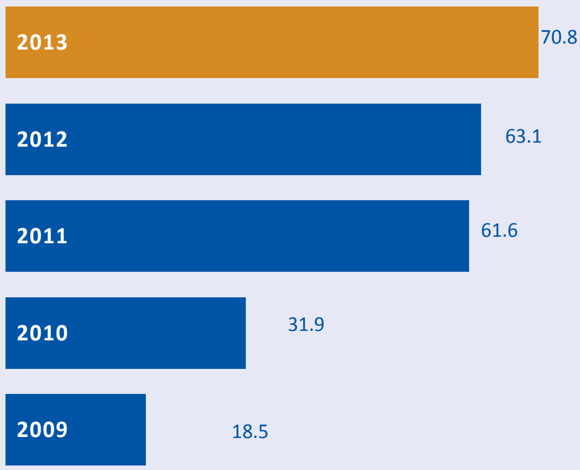
Gross Loans
RwF bn

CAGR 27.2%



Shareholders Equity
RwF bn

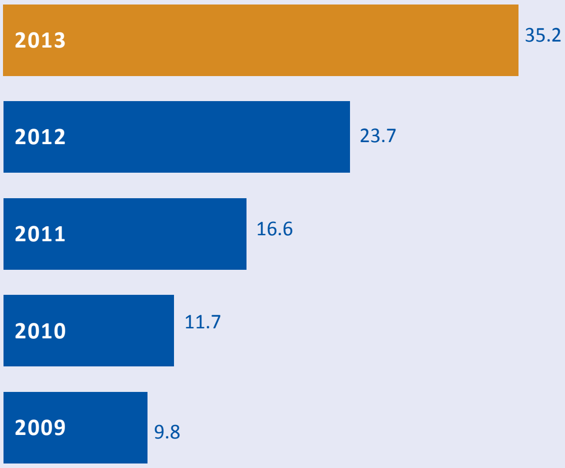
CAGR 39.8%



Financial Highlights

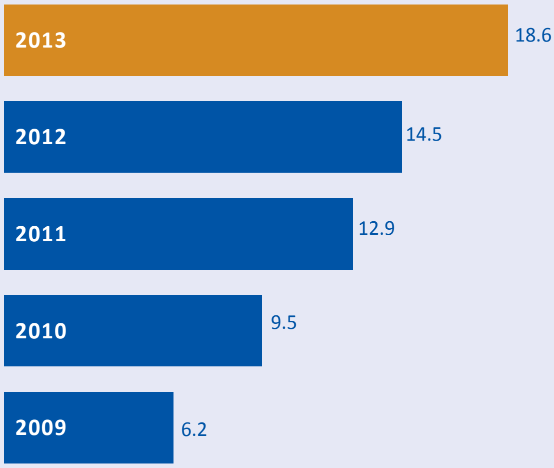
Net Interest Income
RwF bn

CAGR 37.7%



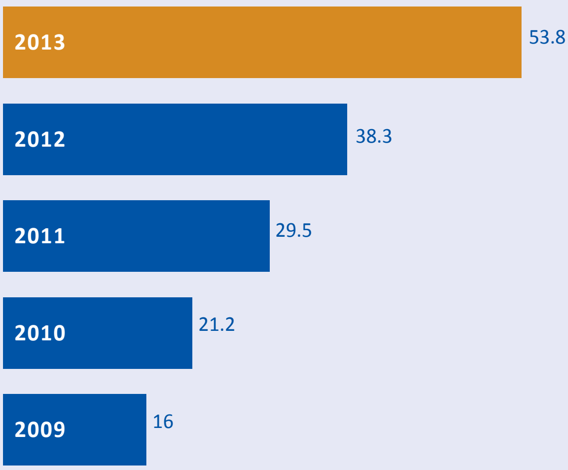
Net Non-Interest Income
RwF bn

CAGR 31.4%



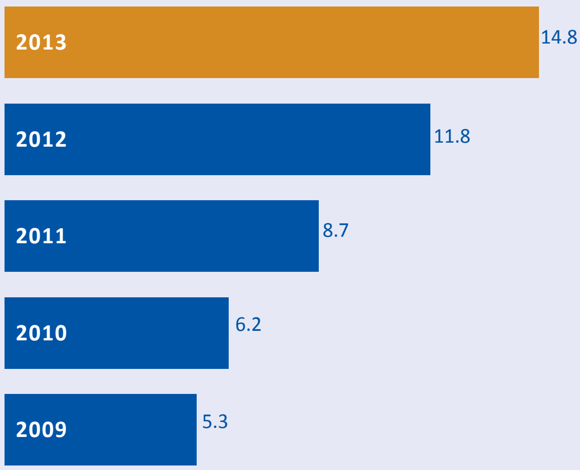
Operating income
RwF bn

CAGR 35.4%



Net profit
RwF bn

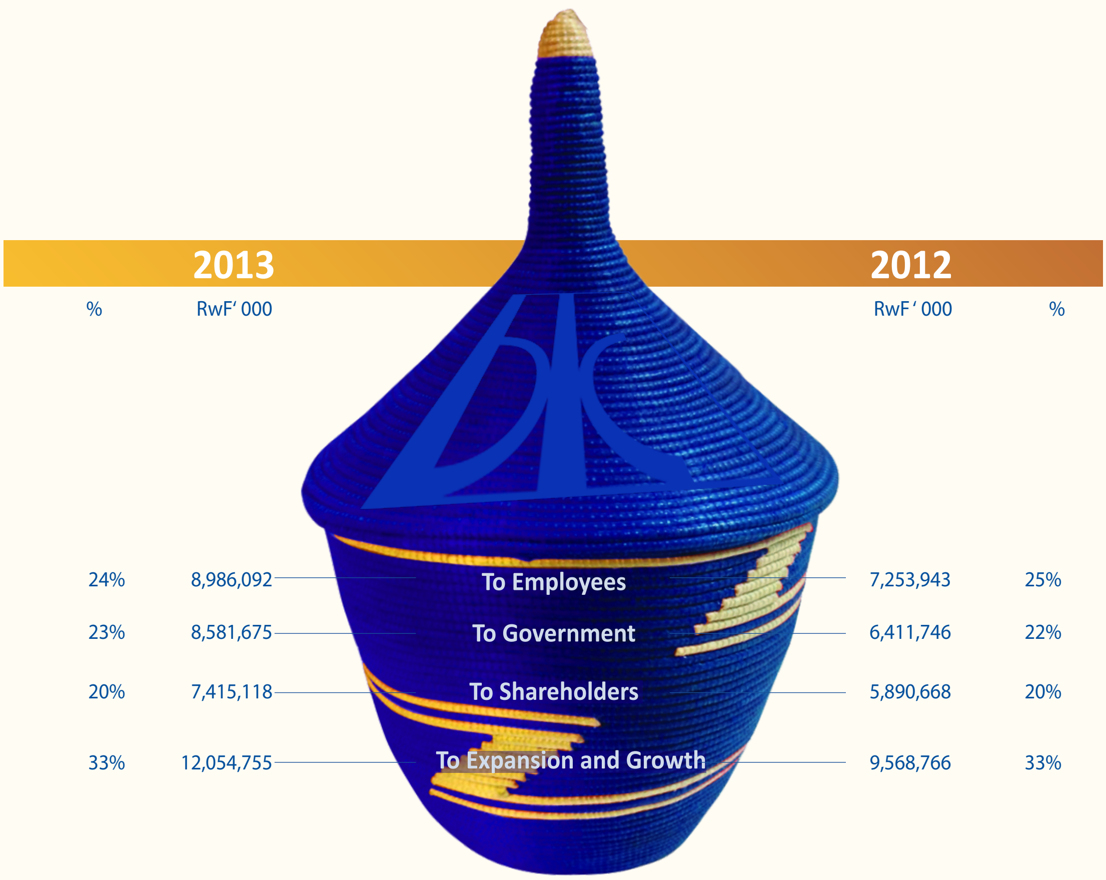
CAGR 29.4%



	2013	2012	2011
Profitability			
Return on Average Assets, %	4.0%	3.9%	3.6%
Return on Average Equity, %	22.1%	18.9%	18.6%
Net Interest Margin , %	11.1%	9.6%	8.4%
Loan Yield, %	20.5%	17.0%	16.9%
Interest Expense/Interest Income, %	22.1%	25.9%	26.8%
Cost of Funds, %	3.3%	3.4%	3.1%
Efficiency			
Cost/Income Ratio	48.3%	53.1%	48.4%
Costs/Average Assets, %	7.0%	6.7%	5.9%
Personnel Costs/Total Recurring Operating Costs	45.0%	47.5%	51.8%
Personnel Costs/Average Total Assets, Annualised	3.1%	3.2%	2.9%
Personnel Costs/Total Operating Income	21.7%	25.3%	25.1%
Net Income/Total Operating Income	27.5%	30.7%	29.5%
Total Operating Income/Average Assets %	14.4%	12.6%	12.1%
Liquidity			
Net Loans/Total Assets,%	47.1%	57.3%	42.8%
Liquid Assets / Total Assets	46.0%	31.9%	45.1%
Liquid Assets / Total Deposits	65.2%	44.7%	64.9%
Liquid Assets / Total Liabilities	55.2%	39.7%	57.4%
Total Deposits / Total Assets	70.5%	71.3%	69.5%
Total Deposits / Total Liabilities	84.7%	88.7%	88.4%
Interbank Borrowings / Total Deposits	5.8%	8.0%	9.5%
Gross Loans/Total Assets	50.2%	60.1%	45.4%
Gross Loans / Total Deposits	71.2%	84.2%	65.3%
Interest Earning Assets/Total Assets	88.4%	80.5%	82.0%
Leverage (Total Liabilities/Equity) Times	5.0	4.1	3.7
Asset Quality			
NPLs / Gross Loans, %	6.9%	6.5%	8.3%
NPL Coverage Ratio	87.4%	70.3%	69.1%
Loan Loss reserve / Gross Loans ,%	6.1%	4.6%	5.7%
Average Loan Loss reserve / Average Gross Loans ,%	5.4%	5.1%	3.9%
Large Exposures / Gross Loans	5.4%	6.5%	8.8%
Cost of Risk, Annualised	4.5%	2.2%	3.8%
Capital Adequacy			
Core Capital / Risk Weighted Assets	23.1%	22.4%	28.1%
Total Qualifying Capital / Risk Weighted Assets	23.7%	23.2%	29.1%
Off Balance Sheet Items / Total Qualifying Capital	542.5%	524.6%	363.1%
Large Exposures / Core Capital	17.9%	22.6%	21.3%
NPLs less Provisions / Core Capital	2.9%	6.8%	6.3%
Market Sensitivity			
Forex Exposure / Core Capital	(13.0)%	(41.2%)	11.7%
Forex Loans / Forex Deposits	0.7%	1.0%	0.8%
Forex Assets / Forex Liabilities	123.0%	61.0%	105.3%
Forex Loans / Gross Loans	0.3%	0.3%	0.3%
Forex Deposits/Total Deposits	34.1%	25.3%	23.8%
Selected Operating Data			
Full Time Employees	980	877	602
Assets per FTE (RwF in billion)	0.4	0.4	0.5
Number of Active Branches	65	59	44
Number of Mobibank	5	5	-
Number of ATMS	65	55	26
Number of POS Terminals	568	405	202
Number of Retail current accounts	231,409	191,632	124,248

For the Year ended 31 December 2013

Value Added Statement	2013	%	2012	%
	RwF '000		RwF '000	
Value Added Statement				
Interest, commissions and other revenues	63,769,148		46,614,695	
Interest paid to depositors and costs of services	(17,737,510)		(13,842,283)	
Net impairment loss on Financial assets	(8,993,999)		(3,647,289)	
Value added	**37,037,639**		**29,125,123**	
Distribution of Value Added				
To Employees				
Salaries, wages and other benefits	**8,986,092**	24%	**7,253,943**	25%
To Government				
Corporation Tax	3,926,001	11%	2,685,573	9%
VAT	721,802	2%	308,427	1%
Withholding Tax	1,196,456	3%	1,013,600	4%
District Taxes	16,270	0%	42,933	0%
PAYE Tax	2,721,146	7%	2,361,213	8%
	8,581,675	**23%**	**6,411,746**	**22%**
To Shareholders				
Dividends paid to shareholders	**7,415,118**	**20%**	**5,890,668**	**20%**
To Expansion and Growth				
Retained Income	7,415,118	20%	5,890,668	20%
Depreciation and amortisation	4,639,637	13%	3,678,098	13%
	12,054,755	**33%**	**9,568,766**	**33%**
Wealth distributed	**37,037,639**	**100%**	**29,125,123**	**100%**



We believe in a Borderless East Africa

The Bank is committed to bringing its banking services closer to the business community in the East Africa region.

Lado Gurgenidze,
Chairman of the Board

> “if we build it
> they will come”

Dear fellow shareholders,

2013 was a year of unqualified success in the history of your bank. As it went from strength to strength, the Bank earned net income of RwF 14.8 bn (US$22 mln), a 26% increase y-o-y, or RwF 22.2 per ordinary share. As a responsible corporate citizen, we gave generously in 2013, investing 1% of net operating income in corporate social responsibility programs.

Given our 50% dividend payout policy, RwF 7.4 bn will be paid out to the shareholders, which translates to RwF 11.06 per ordinary share. Based on the share price of RwF 330 at the time of writing, the dividend yield is 3.4%. We have improved our core profitability metrics, achieving in 2013 ROAA and ROAE of 4.0% and 22.1%, respectively (compared to 3.9% and 18.9% in 2012, respectively). This improvement was achieved despite the rapid y-o-y growth in Total Assets and Shareholders' Equity of 30.9% and 12.2%, respectively. I am pleased that the stock market has recognised your Bank's solid performance, with the share price appreciating from RwF 130 on 1 January 2013 to RwF 240 on 31 December 2013.

The numbers, however, do not tell the entire story. 2013 was the year where we have made great strides in extending our footprint through the market-leading BK Yacu agency banking effort, introduced the innovative Mobibank mobile van branches to the Rwandans and had the honor of being chosen as the global pilot partner bank of VISA for the launch of its mVISA wallet. Due to these and other initiatives aimed at improving our channels and increasing the efficiency of our service delivery, I am pleased to report that, in our estimates, your bank is currently capable of serving more than 500,000 clients. We cannot, of course, rest on our laurels, as the “if we build it they will come” story is unfolding in front of our eyes, with your Bank serving 259,995 clients as at the year-end 2013 (compared to 206,247 at the end of 2012), and the process of attracting new, previously unbanked, clients appears to be gaining momentum. We thank each and every one of our clients for their trust and loyalty and promise never to take them for granted or provide them the service of a lesser quality than we are capable of at any given point in time.

We would like to thank the Government and National Bank of Rwanda for steering the Rwandan economy capably notwithstanding the various challenges throughout the year. The historic debut sovereign Eurobond issue in 2013 will pave the way for us and other corporate borrowers.

There are some changes to the composition of our Board. I would like to welcome Dr. Daniel Ufitikirezi who replaces Mrs Angelique Kantengwa as the RSSB representative on the Board. Daniel brings on board extensive experience in investment and funding strategy. I would also like to welcome to our corporate family Mr. Reuben Karemera, who will replace Mr. Rwamuganza on the Board as the representative of the Government of Rwanda. Richard brings a wealth of experience in tax administration and fiscal management.

Last but not least, I wish to express my gratitude to our talented management team and hardworking staff for making our continued success possible.

L.G

Lado Gurgenidze
Chairman

We intend 2014 to be:

The beginning of a Good to Great transformational journey

Dr. James Gatera,
Chief Executive Officer

Introduction

Bank of Kigali is committed to financially transforming lives; the lives of our customers; our shareholders; our business partners; our staff and the communities we serve. We do this by delivering financial services through an ever expanding banking infrastructure and continuous innovation of our product and service offerings.

The Bank has laid a concrete foundation for its transformation from a Good bank to a Great bank. This is reflected in the sustainable growth of our performance, assets and market share as well as a strategy that continues to deliver above average market value to our stakeholders.

The Bank's profit after tax increased by 26% to RwF 14.8 billion reflecting a Return on Average Equity of 22.1%. The balance sheet recorded total assets of RwF 422.4 billion, representing a growth of 30.9% year on year. The growth was mainly as a result of our continued investment in branch expansion and technology driven alternative delivery channels, strong liquidity position, diversified sources of funding as well as sustained focus on retail banking.

Strong market share growth

Our continuous customer centric focus has enabled the Bank to maintain its position as the market leader. Although the Rwandan banking sector landscape continues to attract very strong Pan African and Regional players, the Bank has over the years managed to successfully defend as well as gain additional market share. Our market share of total assets was 35.6%, loans and advances 30.4% while deposits were 32.5% .

Financial performance in 2013

The Bank's net profit increased by 26% to RwF 14.8 billion up from RwF 11.8 billion realised in 2012. The performance, as in other years' account for over 50% of the total banking sector profits. The increase in profitability was mainly driven by a 48.3% growth in net interest income to RwF 35.2 billion. Non-Interest income grew by 27.6% to RwF 18.6 billion driven by an increase in fees and commissions income up 51.1 year on year. Our cost to income was 48.3% in 2013, improving from 53.1% in 2012.

Financial position in 2013

In a year that saw the economy still recovering from the effects of the suspension of aid and grants by donors and multilateral development partners, the Bank was able to sustain the growth in the balance sheet by 30.9% to RwF 422.4 billion. The growth was mainly supported by increase in customer deposits and the drawdown of lines of credit lines extended by the development financial institutions.

The loan book grew by 7.5% to RwF 199 billion, the growth rate was slowed down by delays in the drawdown of major facilities in our pipeline that were subsequently drawn down in the 1st Quarter of 2014. Our liquid assets in the form of placement with correspondent banks increased significantly to RwF 107.4 billion growing by 315% from the previous year.

We remain the best capitalized bank in the market with the ability to single handedly finance projects that would take a syndicate of at least six other local banks to finance.

Staying focused on customers

Our consistent growth and competitive advantage is hinged on our customer loyalty and their confidence in the Bank. The trust that our customers have in the BK brand has enabled us to sustain our leadership position in the face of an ever changing competitive landscape. This loyalty has seen the Bank grow at a compounded annual growth rate of more than 29% in the last five years in all of the major metrics including total assets, loans and advances and customer deposits.

We strive to continually improve our service delivery to customers and have developed a customer service promise designed to meet and exceed our customers' expectations by:

- Continually developing innovative products and services
- Recruiting and developing the best talent in the market
- Developing technology based delivery channels
- Creating an extensive branch network to make our services more accessible

To actualize the customer service promise, the Bank has continually expanded its banking infrastructure by growing the existing branch and ATM network by 6 branches and 10 ATMs during the year. The Bank has also deployed over 500 Point of Sale terminals which accept all major international cards. introducing mobile vans to service areas where it does not have presence. The Bank has also ventured into Agency Banking, recognizing the critical role that partnerships with SMEs, sole proprietorships such as supermarkets, pharmacies and other enterprises can play in providing financial access particularly in the rural areas.

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

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

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

During the year, our dedication to promoting financial inclusion in Rwanda through innovative financial solutions was recognised by Euromoney which awarded the Bank with Euromoney Award for Excellence as the Best Bank in Rwanda. Bank of Kigali was the first bank in Rwanda to receive the prestigious award. In addition, the Bank received the 2013 USD STP Excellence Award for the exception quality of payment messages awarded annually by Deutsche Bank. This achievement puts the Bank in the top tier of institutions Deutsche Bank works with globally and highlights the Bank's exceptional quality in processing USD denominated payments as well as a high rate of STP transactions overall.

Diverse customer segment and business lines

We serve customers in broadly three main segments which include business, retail and micro enterprises.

Within the business segment, we served 20,485 corporate customers as at 31st December 2013 with deposits held growing by 71%. 3,421 customers were served under the Non Business Associations sub-segment while clients served under the Small and Medium Enterprises sub-segment rose to 9,142. The SME loan book grew by 18.8 % year on year making Bank of Kigali the largest lender to the SME segment in the market with a loan book equal to the total assets of some of the banks in the industry.

Under our retail banking segment, we served 239,510 customers with loans and advances growing by 8.4% Year-on-Year and deposits rising by 18.5% Year-on-Year. Our customer base in micro lending business line grew to 10,727 customers.

Deploying technology driven alternative delivery channels

We remain focused on promoting access to financial services by continually investing in alternative delivery channels that are technologically driven such as mobile banking vans and agency banking. We have deployed full service ATMs that accept both deposits and withdrawals and will soon be configured to accept TELCO Mobile money and bill payments transactions.

The mobile branches dubbed MobiBanks have been deployed to each of the provinces in Rwanda. This service enables customers to open accounts as well as withdraw and deposit funds to their accounts. The mobile vans also support our Agency Banking through liquidity management. As at the end of the year 1,743 current accounts had been opened and RwF 9.1 billion of deposits collected through the MobiBanks.

We realise the growing influence of agency banking in the region. As such, we have made considerable investments in our systems to ensure they are fully capable of handling the increased volume expected from this channel. By the end of the year, we had partnerships with 1,029 agents across all administrative sectors in Rwanda. Our mobile and agency banking channels were consolidated under one platform branded as ***BK YACU*** which is used by the Bank's agents to connect customers to their accounts on our core banking system on a real time basis. The agents perform cash in and cash out transactions as well as open accounts for new customers. The channel also allows users to send money to any mobile subscriber in the country regardless of whether or not the recipient holds a bank account. As at December 2013, over 284,000 transactions had been conducted through the Agency Banking network, with net deposits mobilised amounting to over RwF 42.9 billion.

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

Risk Management and Compliance

We recognize that sustainable performance can only be achieved through disciplined risk management. The Board has approved an enhanced enterprise risk management framework developed during the year. We have continued to operate a hands-on approach to the development and implementation of risk principles. Risk management is also embedded within our corporate culture with every employee at every level of the organization being accountable for risk management. This approach has enabled the Bank to weather the challenges of the changing global, regional and domestic macroeconomic environment.

Inherently credit risk is the single most prevalent risk that banks face. We continue to manage credit risk and make provision for any specific risk proactively. Our non-performing loans risk coverage was 87.4% compared to the market average of 52.8%. The market has continued to benefit from the reforms that have been made both in the regulatory framework as well as in the land registry that has led to fast tracking of the provision of title deeds and foreclosures with the electronic registration of collateral now possible. In addition, the Credit Reference Bureau is increasingly becoming an important tool in credit risk management for banks.

Human capital development initiatives

Our commitment to developing our people and creating the best working environment for our staff is of critical importance to the Bank. We continue to attract and retain the best talent in the market and are an employer of choice to the young people graduating from the various universities. We currently have a staff compliment of 980 staff and are committed to creating a working environment that develops and equips staff with the skills and capabilities to effectively serve our customers.

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

During the year, the Board approved a talent management policy aimed at developing the leadership potential of self-motivated top performers with a view to placing them in senior management roles. The policy is expected to reap great returns for us as we promote staff into critical roles across the bank.

Future aspirations for 2014

We intend 2014 to be ***"The beginning of a Good to Great transformational journey"***

The Bank has already taken significant steps in channel expansion and roll out of self-services products such as mobile banking based products, card based products as well as Agency Banking. We will continue to grow our branch network with more branches expected to be opened in 2014. We will continue to deploy our top of the range deposit taking ATMs both in branch and in high footfall locations. This deployment will be aimed at bringing convenience and flexibility in service to our customers.

Our entry into Agency banking will see the roll out of all classes of agents to grow the number of outlets by more than 50%. This will also call for more mobile vans to ensure that the agents continue to offer our customers seamless service as in our branches.

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

Entry into the capital markets financial services

We received a license from the Capital Markets Authority for BK Securities Limited, a wholly owned subsidiary, to offer financial services in capital markets. Initially the company will offer brokerage services to retail and international institutional investors with plans to expand into asset management and advisory services. The company in its debut year has gained a market share of over 15%.

Funding our growth strategies

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

Harnessing our sustainable future growth

The banking sector has grown increasingly competitive following the entry of strong Pan African and Regional banks. There are also immense opportunities for up scaling in banking services given the vast underbanked population. The challenge is therefore not in the competition posed by other players in the market but on how to seize the opportunities presented by an underserved bankable population as well as the prospects for growth across various sectors of the economy.

In order to continue delivering above average market returns for our shareholders, we will remain focused on executing our business model, a model that has nurtured our profitability and growth over the years. We believe this focus will deliver value to our customers and ultimately to our shareholders and other stakeholders.

Acknowledgement

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

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

I thank the staff for their commitment and dedication that is shaping the Bank into a formidable player in financial services sector. As we face a more competitive industry and more demanding macro environment, the Bank is fortunate to have a loyal and dedicated staff compliment.

Igatera

Dr. James Gatera,
Chief Executive Officer

As the leading Bank in Rwanda, Bank of Kigali (BK) recognises the importance of its role in transforming the lives of Rwandans not only through providing the most innovative financial solutions on the market but also by giving back to the community and being a good corporate citizen. Corporate Social Responsibility (CSR) is the principle way in which the Bank seeks to transform the lives of Rwandans through positive, socially responsible corporate citizenry policies and environment friendly practices. As such, the Bank has developed a strong CSR Agenda to guide its decision making process on how best to transform the lives of Rwandans through CSR contributions. These policies are based on four strong pillars; improving access to education, promoting community health, environmental sustainability and poverty eradication.

The Bank's main objective is to give back to the community through social transformation and improve brand visibility as a good corporate citizen whose practices can be emulated by other corporate entities across the country. To support this agenda, the Bank devotes 1% of its annual net operating income to Corporate Social Responsibility (CSR) activities. The Board is committed to dedicating reasonable resources for the implementation of programmes that will ensure the Bank's adherence to the CSR agenda

CSR Committee

The Bank has put in place a Corporate Social Responsibility (CSR) Committee whose primary role is to implement the Banks CSR agenda. The Committee, composed of six members of the Management meet at least once a month to evaluate project proposals brought to the Bank and how they contribute to the CSR agenda. The Committee has also identified key strategic projects in partnership with well established organisations such as Operation Smile and *Imbuto* Foundation to support communities on a long term basis.

Pillar 1
Improving access to education

Bank of Kigali believes that for Rwanda to achieve sustainable growth and development, human capital development is a prerequisite. As such, the Bank has for four years running in partnership with *Imbuto* foundation provided scholarships to 200 secondary school students from financially disadvantaged backgrounds who may otherwise have been unable to pursue their secondary school studies. The Bank intends to continue supporting this project in 2014.

Some of the sponsored students in partnership with IMBUTO FOUNDATION partipate in community work (umuganda).

As one of only two listed local companies in Rwanda, Bank of Kigali actively promotes financial literacy on capital markets and stock exchange. It is in this regard that the Bank in partnership with Capital Markets Authority organised the Capital Markets University Challenge in 2013. The competition is geared towards creating awareness about capital markets and stock exchange and is based on a "bottom-up" model, targeting the youth segment of the population starting with university students.

National Univesity of Rwanda students receive the Univesity Challenge Award.

In addition, the Bank engages in numerous activities to promote academic excellence both at university and secondary school level. For example, the Bank supports the College of Business Education (CBE) and the College of Science and Technology and other institutions of higher learning in various initiatives including sponsoring prizes awarded to their best students in order to encourage academic excellence within the student community. The Bank also offers internship opportunities to the best performing students who, depending on their performance have an opportunity to join our team of staff.

Students interact with Bank of Kigali Staff.

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

Students at the debate competitions.

Pillar 2

Promoting Community Health

The Bank acknowledges the need for a healthy society in order to transform Rwanda's economy into a middle income country as envisaged in the country's economic blueprint *Vision 2020*. The Bank has for the past two years been one of the main sponsors of Breast Cancer Initiative East Africa (BCIEA), a non-profit organization dedicated to breast cancer surveillance which leads to improving survival rates among breast cancer sufferers. The initiative targets the most vulnerable communities among low income earners in the East African Community.

Their efforts are based on the belief that Early Detection is the Best Protection and that Knowledge Saves Lives. As such, the Bank sponsors the *Ulinzi* walk which aims to create public awareness of breast cancer emphasizing early detection as the best protection. In 2013, the Walk to End Women's Cancers was coordinated globally as people from all over the world joined hands in the first ever international relay for Gynaecology (GYN) Cancers such as breast and cervical cancers. The Breast Cancer Initiative East Africa (BCIEA) also held a dinner to raise awareness and replace fear of cancer as a death sentence with hope.

Ulinzi Walk: Promoting Breast Cancer Awareness.

In 2013, the Bank signed a three year Memorandum of Understanding with Operation Smile, a Non-Profit Organization that provides free Cleft Lip and Palate surgery to Children around the world. In Rwanda, Operation Smile created a pro-efficient Cleft team of 63 individuals from Egypt, Ireland, Kenya, South Africa, Jordan, United States, United Kingdom, Canada, Italy, Pakistan, Sweden, Paraguay, Denmark, Philippines, Ecuador and Rwanda who were able to screen 190 patients throughout the program in Musanze district. The team included plastic surgeons, anesthesiologists, pediatricians, nurses, speech pathologists, child specialists, and dentists among others. Of the 190 patients screened, 82 children and adults received life changing surgery in Musanze.

Bank of Kigali staff visit Cleft Lip and Palate patients as they get life changing operations from Operation Smile.

Bank of Kigali also supports Operation Smile in its efforts to train Cleft Lip and Palate teams in Rwanda that will eventually be able to take over the care of all new Cleft patients in Rwanda. So far the team has worked with and trained five medical professionals from Ruhengeri Hospital who have received training in surgical technique, administration of anesthesia, pre and post-operative nursing, operating room nursing and speech therapy. Operation Smile will continue to work extensively with this group over the next several years to develop their skills as a Cleft care team.

Operation Smile team changing a child's life.

During the program, 20 staff of Ruhengeri hospital received Basic Life Support Training to execute cardio pulmonary resuscitation (CPR), recognise life threatening emergencies, use an Automatic External Defibrillator (AED), and relieve chocking in a timely and effective manner to both children and adults.

Operation Smile team provides training to Rwandan local teams in Cleft Lip and Palate care.

Pillar 3

Environmental sustainability

The Bank is mindful of its environmental obligations both internally and externally and as such has strategically integrated environmental and social considerations into its business operations. The Bank has ensured that there are guidelines and procedures in place to assess the environmental impact of all projects prior to approval of facilities and that compliance to these procedures and guidelines are adhered to.

In respect of protecting our environment, the Bank invested in the following initiatives in 2013:

Saving Trees by introducing paperless communication in business

In 2010, the Bank introduced electronic based bank statements and use of electronic channels such as mobile and internet banking that enable the customers to access their accounts without the need to view printed statements. These initiatives are designed to save paper thereby conserving our forests while promoting a cleaner Rwanda. The Bank will continuously invest in promoting paperless business operations and communication.

Bank of Kigali promotes paperless banking.

Mountain Gorilla conservation

The Bank has for the 9th year running in partnership with the Rwanda Development Board supported the annual gorilla naming ceremony *kwita Izina* that takes place at Volcanoes National Park. Rwanda's mountain gorillas tourism contribute almost 90 percent of revenues accrued from national parks in tourism receipts, and are a key driver of rural economic and social empowerment especially in the communities surrounding the National Park.

Naming the newly born gorillas at the Kwita Izina Ceremony.

In the spirit of the national practice of *Umuganda*, our staff participate in community work on a monthly basis. Given our extensive branch network, our community participation is spread nationwide. Also on a quarterly basis, our employees engage in a specific community *Umuganda* in different sectors. One of the main *umuganda* activities involved in 2013 included planting of trees in Mont Jali, Gasabo District.

The Chief Operating Officer of Bank of Kigali joins the BK team in planting trees at umuganda in Gasabo District.

Pillar 4

Poverty Eradication

Bank of Kigali is committed to deepening financial inclusion and broadening financial access as we truly believe this leads to sustainable social economic growth. It is in this spirit that the Bank launched the micro lending business line in 2011 targeting the Youth, Women and Senior Citizens. As at 31st December 2013, the Bank had provided micro loans to over 7000 eligible customers enabling them to start or expand their businesses.

Since 2009, Bank of Kigali engaged in an aggressive agenda to ensure universal banking for all. Between 2009 and 2013, the Bank opened 47 branches bring the total number of branch network to 65. In addition, the Bank introduced Agency Banking to support the existing network. As at 31st December 2013, the Bank had an agent network of 1029 agents. The agents perform cash in and cash out transactions as well as open accounts for new customers. The channel also allows users to send money to any mobile subscriber in the country regardless of whether or not the recipient holds a bank account.

Bank of Kigali has gone a step further to introduce mobile vans dubbed BK MobiBank. There are currently five mobile Banking vans that have been deployed to serve each province in the country with plans underway to increase the number to nine in 2014. The introduction of the mobile vans has enabled the Bank to bridge the divide between the banked and the unbanked by bringing financial services one step closer to Rwandans living in areas where easy access to these services remains a challenge.

Bank of Kigali mobile Banking Vans dubbed MobiBank.

Poverty Eradication through the CSR Agenda

In addition to the efforts made by the Bank through its "financial access to all" agenda, the Bank has contributed to poverty eradication by giving back to the community through its CSR agenda.

In 2013, Bank of Kigali partnered with Unity Club, a local NGO to construct 20 homes for orphans. The Club aims to promote unity while contributing to the socio-economic development of the country following the 1994 genocide. The Unity Club built 20 descent houses for orphans. These orphans were among a group of seventy children currently living in tented camps at Noel de Nyundo Orphanage in Rubavu District.

Some of the houses built for orphans in partnership with Unity Club.

April 2013, Bank of Kigali staff visited genocide survivors in Rubona, Rwamagama district providing them with ten fresian cows and building a craal for each of the cows distributed.

The Chief Executive Officer James Gatera gives fresian cows to genocide survivors of Rubona in Rwamagana District.

Conclusion

Bank of Kigali believes it has an important role to play, as a good corporate citizen, to fight the greatest iniquities that affect a progressive society which according to our CSR pillars are: lack of education, health, environment sustainability and poverty. In 2014, the Bank will continue to implement its robust CSR agenda by taking on new initiatives while continuing to support already existing CSR partnerships.

Bank of Kigali is committed to upholding the highest standards of Corporate Governance and business ethics. We believe that good corporate governance is the cornerstone of the Bank's success. As such, we have put in place systems to ensure that the highest standards of corporate governance are maintained at all levels and ensure compliance with the National Bank of Rwanda's regulations on Corporate Governance, Rwanda's Law Relating to Companies, the Law Relating to Banking and the BNR Guidelines as well as the Capital Markets Authority laws and regulations.

Board of Directors

The Board of Directors meets at least once every quarter and has a formal schedule of matters reserved for it. It is chaired by a non-executive Chairman and is composed of eight non executive members who have a wide range of skills, experience and independent judgment. The Board of Directors is responsible for the overall leadership of the Bank through oversight and guidance on key strategic and risk issues. It plays a pivotal role in setting up the system of corporate governance within the Bank to ensure safeguard of policies and procedures and aligning the incentives of the managers with those of the shareholders. The Board also ensures that Management conducts its business and operations with integrity and in accordance with best corporate governance practices. It ensures that in carrying out its duties, Management complies with relevant laws and regulation and risk management while balancing the interests of the various stakeholders.

The Chairman, who has overall responsibility for the Board, ensures overall leadership and long term success of the Bank. His role is distinct from the Chief Executive Officer. A cordial relationship exists between the Chairman and the Chief Executive Officer based on mutual understanding of their respective roles. The Chairman ensures that the Board focuses on the right matters reserved for the Board by approving all Board Agendas in collaboration with the Chief Executive Officer and the Company Secretary. The Chairman, with the support of the Company Secretary also ensures that Board members receive timely and relevant information for the board meetings and that the members are kept informed of key developments in the Bank. He is also responsible for ensuring that the interests of the Bank's shareholders are safeguarded and that there is effective communication with them.

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

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

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

Appointment, Retirement and Re-election of Directors

Reuben Karemera was appointed to the Board on 14th April 2014. His appointment will be tabled before the Shareholders meeting of the 30th May 2014 for approval as required by the Banks Memorandum and Articles of Association. The Bank will thereafter seek the approval of the Central Bank as required by the National Bank Regulations. Reuben replaces Caleb Rwamuganza on the Board as the representative of the Government of Rwanda, one of the Banks major shareholders. Reuben is the Deputy Accountant General in charge of Treasury Management with vast experience in the area of taxation. He holds a Master Degree in International Taxation from The University of Sydney - Australia, a Bachelor Degree in Economics from Makerere University -Uganda and a Diploma in Trade Policy from The University of Nairobi.

Daniel Ufitikirezi was appointed to the Board on the 5th May 2014. His appointment will also be tabled for approval at the Annual General meeting and the Central Bank. Daniel replaces Angelique Kantengwa, the former Director General of Rwanda Social Security Board (RSSB) and the Vice Chairperson of the Board. Daniel is Director General of RSSB, one of the Bank's major shareholders. He has extensive experience in Investment and Finance and has held numerous management positions in the public and private sector. He holds a first class degree in Business Management from Bangalore University-India, a Master's in Business Administration from Bharathiar University-India and a PhD from Golden State University, India.

On the 12th July 2013, Sudadi Kayitana Senganda who had served for five years resigned from the Board.

Attendance at Board and Board Committee meetings

In 2013, the Board held four Board meetings, four Audit Committee meetings, four Risk Committee meetings, 11 Credit Committee meetings, four ALCO Committee meetings and two Nominations and Remuneration Committee meetings. The table below indicates the director's attendance of board and board committee meetings.

Directors' attendance in Board and Board Committee meetings in 2013

Structure	Category	No. of Board Meetings	Audit Committee	Risk committee	Credit Committee	ALCO Committee	HR Committee
No. of Meetings held		**4**	**4**	**4**	**11**	**4**	**2**
Lado Gurgenidze	Non-executive	4/4					
Angelique Kantengwa	Non-executive	4/4		4/4	8/11	4/4	
Sudadi S.Kayitana	Non-executive	1/4	1/4		4/11		
Caleb Rwamuganza	Non-executive	4/4		4/4	11/11		2/2
Apollo M. Nkunda	Non-executive	3/4	4/4				2/2
Marc Holtzman	Non-executive	4/4					1/2
Lilliane Igihozo*	Non-executive	4/4	1/4	2/4			2/2
Alphonsine Niyigena	Non-executive	4 /4	4/4		11/11	4/4	
Julien Kavaruganda	Non-executive	4/4		4/4		4/4	

* Lilliane Igihozo was elected on the Board Audit Committee and moved from the Risk Committee in the Board meeting of the 28th August 2013

Composition of the Board of Directors and its Committees

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

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

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

Audit Committee

This is the principal Board Committee comprising of three independent non executive board members who meet on a quarterly basis or more frequently as its business demands. The Committee was chaired by Sudadi S. Kayitana, a professional accountant who resigned from the Board on the 13th July 2013. He was replaced by Ms Alphonsine Niyigena, a financial consultant. Other members Include: Lilliane Igihozo and Apollo M. Nkunda. The Audit Committee is responsible for ensuring that the Bank's internal controls and procedures are adequate and adhered to, making recommendations where necessary. It is also charged with the appointment and review of the work of the external auditors. This also extends to overseeing the Bank's financial reporting policies and disclosures to ensure that they are produced in accordance with International Financial Reporting Standards and meet the all the necessary regulatory requirements.

Credit Committee

The committee comprises of three independent non-executive directors who meet monthly or more frequently as its business demands. The Committee was chaired by Caleb Rwamuganza until his resignation on 28th March 2014. Other Committee Members include: Alphonsine Niyigena and Angelique Kantengwa until her resignation on the 22nd February 2014.

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

Risk Management Committee

This Committee comprises of three independent non executive board members and meets on quarterly basis or more frequently as its business demands. The Committee was chaired by Angelique Kantengwa until her resignation on the 22nd February 2014. Other members include: Julien Kavaruganda and Lillian Igihozo. The mandate of the Risk Management Committee is to ensure that the Bank's enterprise risk management policies and procedures are updated to ensure that the risks are properly tackled, effectively controlled and managed.

Assets-Liability Management Committee

The Board Asset-Liability Management Committee, Chaired by Alphonsine Niyigena comprises of three independent non-executive directors who meet on quarterly basis or more frequently as its business demands.

The committee is responsible for monitoring and managing the Bank's balance sheet to ensure that various business risks such as liquidity, capital, market and currency risks are monitored and mitigated in compliance with the Bank's policies and Central Bank guidelines.

Nominations and Remuneration Committee

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

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

Management committees

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

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

Disclosures

Related Party Transactions

During the financial year 2013 there were no materially significant transactions entered into between the Company and its promoters, directors or the management or other related parties that may have potential conflict with the interests of the Company at large.

Statutory Compliance, Penalties and Strictures

The Company has complied with the requirements of the National Bank of Rwanda and the Law Relating to Companies on all matters related to the banking and company business. In 2011, the Bank began to comply with the requirements of the Capital Markets Authority and the Rwanda Stock Exchange. No penalties or strictures have been imposed on the Bank by these authorities.

Shareholders' Responsibilities

In accordance with the Laws Relating to Companies N°07/2009 of 27/04/2009 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.

Shareholding Structure

The Bank's shares are listed on the Rwanda Stock Exchange. The table below shows the Bank's shareholding as at 31st December 2013.

	31-Dec-13	
Stratification	**Total number of shares**	**Sum of %**
Employees and Directors	10,153,800	1.5%
Government of Rwanda	198,534,600	29.7%
Other State Owned Entities	687,900	0.1%
International Institutional Investors	141,260,400	21.1%
Local Institutional Investors	7,307,600	1.1%
Retail Investors	94,904,300	14.2%
Regional Institutional Investors	13,905,600	2.1%
Rwanda Social Security Board	201,695,800	30.2%
Grand Total	**668,450,000**	**100%**


საქართველოს ელექტროენერგეტიკა და აუთვისებელი ჰიდრორესურსი
ნოემბერი, 2013
Forbes
GEORGIA
ლადო გურგენიძე
ANGEL INVESTING - ბანკირის ახალი გატაცება
ასევე ნომერში
ბანკირი, კულტურის მენეჯერი და ბროკერი, რომლებმაც საქართველოში არა მხოლოდ საკუთარი კომპანიები, არამედ მთლიანი სფეროები განავითარეს.
წარმატებული მენეჯერები
გუგა ცანავა: დასავლეთიდან - აღმოსავლეთამდე, სტენფორდიდან - რაკიას ხელმძღვანელობამდე.







Our Board

Board of Directors

Lado Gurgenidze, *Chairman of the Board*

Lado Gurgenidze, 43, is a career banker who, after a decade spent at several investment banks in Warsaw, Moscow and London, returned to his native Georgia in 2004 and spearheaded, as Executive Chairman and Chief Executive Officer, a turnaround of **Bank of Georgia** (LSE: BGEO). During Lado's three-year tenure, the bank's total assets and net income grew to **855%** and **1,775%**, respectively, achieving ROAE of 16.2% and ROAA of 3.6% in 2007. As its market share grew from **18%** to **34%**, Bank of Georgia became the leading universal bank in Georgia and the region, with market capitalisation exceeding US$900 million at the time of Lado's departure (up from less than US$30 million at the time of his arrival; share price grew by **1,461%**). Bank of Georgia was the first-ever issuer from the Caucasus and second FSU bank to list its GDRs on the London Stock Exchange (November 2006, US$130 mln). In February 2007, Bank of Georgia became the first-ever Georgian entity to issue Eurobonds (US$200 mln 5 yr).

In 2007-2008, Lado served as Prime Minister of Georgia, leading the Georgian economy through the final stage of free-market reforms, including tax cuts, financial services sector reform as well as privatisation and liberalisation policies. In April 2008, Lado led the effort to issue Georgia's debut sovereign US$500 mln 5yr Eurobond. In the aftermath of the August 2008 conflict with Russia, Lado was instrumental in stabilising the Georgian economy and its financial sector, as well as securing a US$750 million IMF stand-by arrangement and a US$ 4.5 billion multi-donor aid package. Some of the largest-ever Georgian privatisation transactions, including the sale of Poti Port and Tbilisi Water Company were concluded under Lado's leadership.

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

Since September 2009, Lado has been spearheading the turnaround of **Liberty Bank** as its Executive Chairman and Chief Executive Officer. In the past four and a half years, Liberty Bank's total assets grew **366%** (vs. 119% for the banking sector) to US$746 million, and its market share by total assets grew from 3.5% to 7.7%. Net Loans grew **660%** (vs. 118% for the banking sector), client balances & deposits grew **632%** (vs. 178% for the banking sector) to US$656 mln and the bank's revenue doubled over the same period. Liberty Bank is currently the third largest bank in Georgia, has been profitable since 2010 and serves 1.4 million clients through 603 branches and distribution outlets.

Since October 2009, Lado served as Chairman of the Board of **Bank of Kigali**, the largest bank in Rwanda, and has led the bank's modernisation, with the cumulative asset growth of **190%** and net loans growth of **186%** and a successful US$62.5 million IPO in September 2011 (awarded the Best African IPO award by Africa investor (Ai) magazine in September 2012). As at 31 December 2013, Bank of Kigali held market share of 35.6%, 30.4% and 32.5% by total assets, net loans and client balances & deposits, respectively. 2013 ROAA reached 4.0% and ROAE of 22.1%.

Liberty Capital, the investment company 96.5% of which is owned by Lado, owns 80% of Liberty Securities, and, in addition, is the controlling shareholder of Georgia's first startup incubator, Smartex (www.smartex.ge), which owns controlling stakes in the country's largest digital wallet and other electronic payments businesses, leading ecommerce players and VoIP provider and has made early-stage investments in several high-profile online financial services startups in Europe and the United States, including Coinbase, TransferWise and Saving Global.

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

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

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

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

Dr. Daniel Ufitikirezi, *Director (Appointed 5th May 2014)*

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

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

Apollo M. Nkunda, *Director*

Mr. Nkunda is a practicing Lawyer and a Partner with Trust Law Chambers. He has over fifteen years experience in legal practice from both the Public and Private sector. Apollo specialises in Banking and Finance Law, Labour Law and Government procurement. Prior to joining the Private sector, he was Head of Legal Services at the National Tender Board, now the Rwanda Procurement Authority.

Apollo holds a Masters' degree in Business and Trade Law from Erasmus University Rotterdam, The Netherlands, and a Bachelor's degree 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 director of Hashi Energy Ltd and honorary counsel to the Kigali Golf Club.

Marc Holtzman, *Director*

Marc Holtzman is Chairman of Meridian Capital HK, a private equity firm with investments in natural resources, real estate, food, agriculture and transportation. Meridian has offices in Hong Kong, London and Moscow.

Prior to joining Meridian, Mr. Holtzman served as Vice Chairman of Barclays Capital and as Vice Chairman of ABN Amro Bank. Previously, as co-founder and President of MeesPierson EurAmerica (a firm which was acquired by ABN Amro) and as Senior Adviser to Salomon Brothers, he lived and worked in Eastern Europe and Russia from September 1989 until October 1998.

Mr. Holtzman currently serves as a member of the Board of Directors of FTI Consulting (NYSE); as a member of the Board of Directors of Sistema JSFC, Russia's largest publicly listed investment company (London Stock Exchange); as a member of the Board of Directors of The Bank of Kigali, Rwanda's largest commercial bank and on the

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

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

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

Drawing on more than three decades of political and public service in the United States, Mr. Holtzman has developed close relationships with a wide range of leading governmental and political leaders around the world. Former Polish President Aleksander Kwasniewski asked Mr. Holtzman to co-found and serve as a member of the Board of Directors of "Poland for Europe", a non-partisan, non-profit group which was instrumental in promoting Poland's early entry into the European Union. On January 24, 1999, in recognition of his pioneering work contributing to Eastern Europe's economic resurgence following the fall of the Berlin Wall, then Polish President Aleksander Kwasniewski presented Mr. Holtzman with *The Commander's Cross of the Order of Merit* --- Poland's highest civilian honor --- for his service to the country.

On August 29, 2005, in appreciation for his contribution to the development and improvement of relations between The Russian Federation and The Republic of Tatarstan, then Prime Minister (and now President) Rustam Minnikhanov of Tatarstan awarded Mr. Holtzman the Russian Medal, *In Commemoration of Millenary of Kazan.*

Mr. Holtzman is widely recognized as a leading authority on economic and political developments in Eastern Europe, Russia, Africa and Asia. As a frequent guest lecturer, Mr. Holtzman has advocated the process of continued market reforms and democratization before audiences including the World Economic Development Congress and Harvard University's John F. Kennedy School of Government and has appeared as a guest on CNN, ABC News, Sky News, the British Broadcasting Corporation's BBC World and CNBC among others.

Mr. Holtzman was co-founder of the Denver School for Science and Technology, a charter high school which claims the highest percentage of minority and under-privileged students of any charter high school in Colorado. Mr. Holtzman led the effort to fund the school was instrumental in persuading Bill and Melinda Gates to make the initial seed contribution.

During the first term of the Reagan Presidency, Mr. Holtzman previously served as Executive Director of Citizens for America, former President Ronald Reagan's national issues advocacy group. In 1989, Mr. Holtzman was nominated by President Reagan to the Peace Corps National Advisory Council.

Mr. Holtzman is passionate about his work and with the Point Point Foundation --- a UK based charity which supports Rwandan orphans and is a longtime supporter and former Trustee of the Colorado Animal Rescue Shelter. Mr. Holtzman also serves as a National Trustee of National Jewish Health --- America's leading respiratory hospital. He holds a Bachelor of Arts degree in Economics from Lehigh University and lives with his wife and three children in Hong Kong.

Alphonsine Niyigena, *Director*

Alphonsine is a business woman with extensive experience in trade, investment and entrepreneurship in Rwanda and in East African Community. She is the Vice Chairperson of the Rwanda Private Sector Federation and served for two mandates as Vice Chairperson of East African Business Council, an umbrella organization representing the business community in Rwanda and in the East African Countries.

Alphonsine has conducted national and international consultancies as an independent consultant in the areas of Finance, Economic Planning, and Audit. Prior to joining the private sector, Alphonsine served in the Office of Auditor General for 5 years as Senior Auditor and team leader. She is the Chairperson of Military Medical Insurance Company (MMI); a Board member of Special Guarantee Fund, Rwanda Institute of Administration and Management (RIAM) and Impact Policy Analysis and Research Institute (IPAR).

Alphonsine holds a Master's degree in Business Administration majored in Finance from Maastricht University, Netherlands and a Bachelor Degree in Economic Studies.

Reuben Karemera, *Director (Appointed 14th April 2014)*

Reuben is the Deputy Accountant General in charge of Treasury Management. He is a Qualified Accountant with a background in Economics. He has vast experience in the area of taxation especially the International Aspect of Taxation gained both from formal training and 11 years of working with the Tax Administration.

Prior to joining the Ministry of Finance and Economic Planning, Reuben Worked with Rwanda Revenue Authority where he occupied various positions in the Customs Services Department, the Commissioner General's Office and finally serving as the Chief Finance Officer.

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

Julien Kavaruganda, *Director*

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

He serves as a Director on the Board of the Rwanda Bar Association, Kigali International Arbitration Center and New Bugarama Mining Company Ltd.

Julien was called to the Brussels Bar in (2004) and is member of the Rwanda Bar Association and the East African Law Society.

He holds a Bachelor and Masters' degree in Law from the Université Catholique de Louvain in Belgium.

Liliane Igihozo Uwera, *Director*

Lilliane is the Vice Rector, in charge of Administration and Finance, at the College of Business Education formerly School of Finance and Banking (SFB). Prior to joining CBE, she was the Chief Executive Officer of the Rwanda Investment Group (RIG), one of the largest private venture capital firms in Rwanda.

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

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

Management Team

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

James Gatera has been the Managing Director and Chief Executive Officer of Bank of Kigali since 2007. Under his stewardship, the Bank has had sustained profitability and market leadership with approximately 35% market share across all key balance sheet metrics. During his tenure, the Bank increased its branch network from to 10 to 65 branches as at the end of the year. In addition, James has spearheaded an aggressive strategy to ensure that all Rwandans have access to financial services through expansion of alternative channels such as mobile banking vans dubbed mobivans, agency banking, full service ATMs and Points of Sale terminals.

During his tenure, the Bank became the second domestic company to be listed on the Rwanda Stock Exchange in 2011 and received the Best African Listing by Africa Investor (AI). The Bank has received international recognition for its performance for five years running as the 'Best Bank in Rwanda' by Emeafinance. Bank of Kigali has also been rated A+/A1 by the Global Credit Rating Agency of South Africa.

Prior to becoming the Managing Director and Chief Executive Officer, James was the Deputy Managing Director in Bank of Kigali from 2005-2007. He played a key role in leading the Bank when Belgolaise SA sold its 50% stake to the Government of Rwanda.

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

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

Lawson Naibo, *Chief Operating Officer*

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

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

Flora Nsinga, *Chief Shared Services Officer*

Flora is the Chief Shared Services Officer. Prior to this, she was Head of Human Resources and Administration Department and has been with the Bank since 2008. Flora joined the Bank with about ten years experience from the telecommunication industry.

Flora has been responsible for the growth in branch network and staff since 2008, she has been instrumental in leading the Bank through various organisational reforms during 2009. She has overseen the Bank's strategic human resources restructuring from a product driven structure to a customer focused structure. Flora holds a Bachelor's degree in Business Administration with specialisation in Human Resources from Kigali Institute of Science, Technology and Management (KIST).

John Bugunya, *Chief Finance Officer*

John is the Chief Finance Officer. He has been with the Bank since 2009 and he brings in a wealth of experience from financial advisory and assurance services gained from over 8 years post qualification experience with EY and Deloitte. Prior to joining the Bank, John was an Audit Manager with Deloitte in the United Kingdom specialising in financial services.

John is a Fellow of the Association of Certified Chartered Accountants –UK (ACCA) and also a member of the Institute of Certified Public Accountants of Rwanda (ICPAR). He also holds a Bachelor's degree in Business Administration and an MBA in Accounting & Finance.

Dr. Shivon Byamukama, *Company Secretary*

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

Prior to joining Bank of Kigali, she was the Company Secretary and Chief Legal Officer for RwandAir, Rwanda's national carrier. Shivon was an influential member of the team that transformed the airline which began operating its own aircrafts in 2009, growing its fleet to 7 aircrafts and its destinations to 14 by early 2012. She played a central role in the negotiations of all major aircraft transactions for the company including; the acquisition contracts of the aircrafts, aircraft financing and insurance arrangements, aircraft maintenance and technical support contracts, corporation agreements with other airlines, and Bi-lateral agreements.

Shivon has also previously worked with the International Criminal Court at The Hague, Glasgow Caledonian University, UK, Rwanda National Bureau of Standards, Rwanda Ministry of Commerce, Industry, Investment Promotion in different capacities. Shivon also serves as a Director on the Board of Rwanda Development Board.

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

Patrick Masumbuko, *Chief Representative Officer - Nairobi*

Patrick is currently the Chief Representative Officer at the Nairobi Office. He was previously Head of Corporate Banking Department. Patrick joined the Bank in 2011 as Corporate Banking Manager with over ten years experience from the Banking sector and private sector. He also held various positions in Non Governmental Organizations.

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

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

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

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

He has worked with senior management to implement HR Policies and objectives, especially in attracting, retaining, motivating and developing key talents. Enock joined the Bank in 2009 as the General Services Manager with over seven years' experience in supply chain management, logistics and administration from the public sector.

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

Innocent Musominari, *Head of Credit Department*

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

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

Adolphe Ngunga, *Head of Retail Banking*

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

Allan Mwangi, *Head of Retail Credit Risk*

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

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

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

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

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

Carine Umutoni, *Head of Treasury& Trade Finance*

Carine Umutoni is the Head of Treasury and Trade Finance at Bank of Kigali. She has 9 years of banking experience in Treasury, Trade Finance and Institutional Banking. She is responsible for the liquidity management, foreign exchange operations, assets and liabilities management as well as the trade finance operations of the bank.

Carine holds a Bachelor degree in Banking and Finance from Damelin Institute of South Africa and a MBA- Economic policy and corporate strategy from Maastricht School of Management.

Alex Ngabonziza, *Head of Information and Communications Technology*

Alex is the Head of Information and Communication Technology and has been with the Bank since 2009. He has been instrumental in developing the Bank's IT capabilities through the computerization and networking of the branches and other technology driven channels to support the growth of the Bank's distribution network.

He has been working in the industry for over 14 years. Prior to joining the Bank, Alex was Head of Applications Division in Rwanda Revenue Authority. He has also worked as an IT consultant for the Department for International Development and Head Developer and Database Administrator at Alpha-Soft, a software development firm.

Alex holds a Bachelor's degree in Technical Electromechanical Engineering and Bachelor's degree in Information Technology, from the National University of Rwanda.

Gerard Nyangezi, *Head of Internal Audit & Control*

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

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

Yves Gatsimbanyi, *Head of Risk & Compliance*

Yves is the Head of Risk and Compliance since early 2010 with vast experience from the banking sector. Yves served as Bank examiner at the National Bank of Rwanda for ten years. Prior to joining the Bank he held the position of Internal Control and Compliance Commercial Bank of Rwanda now I&M Bank.

He hold an MBA in finance and accounting from Mount Kenya University and a Bachelor`s degree in Economics from National University of Rwanda and a diploma in Risk management in Finance and Banking.

Alex Bahizi, *Head of Legal Services & Collections Department*

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

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

Prior to joining the Bank, Alex was a State Attorney in the National Social Security Fund. He was also a key member of the reform team in charge of modernizing the Social Security industry. As a practicing Lawyer, he was a member of the Kigali Bar Association and a Member of the East African Law Society.

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

Financial Report

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

Directors

Mr. Lado Gurgenidze	*- Chairman*
Mrs. Angelique Kantengwa	*- Resigned on 22nd February 2014*
Mr. Marc Holtzman	
Mr. Apollo Nkunda	
Mrs. Alphonsine Niyigena	
Mr. Sudadi Kayitana	*- Resigned on 12th July 2013*
Mr. Caleb Rwamuganza	*- Resigned on 28th March 2014*
Mr. Julien Kavaruganda	
Mrs. Liliane Igihozo	
Dr. Daniel Ufitikirezi	*- Appointed on 5th May 2014*
Mr. Reuben Karemera	*- Appointed on 14th April 2014*

Secretary

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

Auditors

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

Registered Office & Principal Place of Business

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

Advocates

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

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

The directors have the pleasure of submitting their report together with the audited financial statements for the year ended 31 December 2013 which disclose the state of affairs of the Bank. The Bank was incorporated on 22 December 1966 and issued with a Banking license to operate in Rwanda by the National Bank of Rwanda on 11 February 1967. Operations commenced on 27 February 1967.

1. Principal activities

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

2. Results

The results for the year are set out in the attached financial statements on pages 39 to 89.

3 Dividends

(a) During the Annual General Meeting held on 27 April 2012, the Shareholders approved a dividend policy of 50% of the Bank's audited IFRS-based net income in respect of the years 2011, 2012 and 2013.

(b) The total dividend for the year is RwF 7,415,117,500 (2012 – RwF 5,890,668,170) for ordinary shareholders.

4. Reserves

The reserves of the Bank are set out on page 83 to 84 note 28.

5. Directors

The directors who served during the year and up to the date of this report are set out on page 34.

6. Auditors

The auditors, KPMG Rwanda Limited, were appointed in 2012 and have indicated their willingness to continue in office in accordance with regulation n°04/2009 on accreditation and other requirements for external auditors of banks, insurers and insurance brokers.

7. Approval of financial statements

The financial statements were approved by the directors on..27... March 2014.

By order of the board

....

Dr. Shivon Byamukama
Company Secretary

Date: 27/03/2014

Financial Report

The directors are responsible for the preparation and presentation of the financial statements of Bank of Kigali Limited as set out on pages 39 to 89 which comprise the statement of financial position of the Bank as at 31 December 2013, 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.

The Directors' responsibilities include: determining that the basis of accounting described in Note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and presentation of financial statements in accordance with International Financial Reporting Standards and in the manner required by Law No: 07/2009 of 27/04/2009 relating to Companies and laws and regulations governing Banks in Rwanda and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the Law No: 07/2009 of 27/04/2009 relating to Companies, the Directors are required 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 the operating results of the Bank 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.

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 in the manner required by the Law No: 07/2009 of 27/04/2009 relating to Companies. 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 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.

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

Approval of the financial statements

The financial statements, as indicated above, were approved by the Board of Directors on ..27...March 2014 and were signed on its behalf by:

Director

Director

Dr. Shivon Byamukama
Company Secretary

Date: 27/03/2014

Report on the Financial Statements

We have audited the financial statements of Bank of Kigali Limited as set out on pages 39 to 89. These financial statements comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the Financial Statements

As stated on page 36, the Bank's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Law No: 07/2009 of 27/04/2009 and the regulations governing banks in Rwanda, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the 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 depend on our 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 consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2013, and the Bank's financial performance, cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Law No. 07/2009 relating to Companies and the regulations governing banks in Rwanda.

Report on other legal requirements

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

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

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

(iii) The statement of comprehensive income and statement of financial position are in agreement with the books of account;

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

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

John Ndunyu
KPMG Rwanda Limited
Certified Public Accountants
PO Box 6755
Kigali
Rwanda

Date: 31 MARCH 2014

	Note	2013 RwF'000	2012 RwF'000
Interest income	7	45,210,752	32,069,789
Interest expense	8	(10,015,908)	(8,338,615)
Net interest income		**35,194,844**	**23,731,174**
Net Fees and commission income	9	10,272,081	6,797,680
Foreign exchange related income	10	7,476,135	7,031,504
Other operating income	11	810,180	715,722
Operating income before impairment losses		**53,753,240**	**38,276,080**
Net impairment on loans and advances	12	(8,993,999)	(3,647,289)
Net operating income		**44,759,241**	**34,628,791**
Personnel costs	13(i)	(11,707,238)	(9,615,156)
Depreciation and amortisation	13(ii)	(4,639,637)	(3,678,098)
Administration and General expenses	13(iii)	(9,656,130)	(6,868,628)
Total operating expenses		**(26,003,005)**	**(20,161,882)**
Profit before tax		**18,756,236**	**14,466,909**
Income tax expense	14(a)	(3,926,001)	(2,685,573)
Net profit for the year		**14,830,235**	**11,781,336**
Comprehensive income			
Other comprehensive income net of taxes:		-	-
Total comprehensive income for the year		**14,830,235**	**11,781,336**
Basic earnings per share in RwF	15	**22.20**	**17.65**
Diluted earnings per share in RwF		**22.13**	**17.65**
Dividend per share in RwF		**11.06**	**8.83**

The notes set out on pages 43 to 89 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Note	2013 RwF'000	2012 RwF'000
Assets			
Cash on hand	29 (a)	11,110,210	9,595,769
Balances with the National Bank of Rwanda	29 (b)	24,855,050	54,304,202
Due from banks	16	107,377,523	25,898,920
Held to maturity investments	17(a)	50,820,690	13,119,325
Loans and advances to customers	18(a)	199,025,241	185,066,752
Equity Investments	17(b)	218,455	218,455
Other assets	19	7,695,005	12,624,707
Property and equipment	21	21,018,894	21,627,964
Intangible assets	22	239,005	338,120
Total Assets		**422,360,073**	**322,794,214**
Liabilities			
Due to banks	23	17,345,024	18,418,926
Deposits and balances from customers	24	280,489,463	211,865,068
Tax Payable	14(b)	1,828,573	320,745
Deferred tax liability	25	1,620,650	2,454,218
Dividends Payable	20	7,416,579	5, 894,345
Other liabilities	26	8,705,581	14,788,641
Long-term finance	27	34,190,519	5,944,978
Total Liabilities		**351,596,389**	**259,686,921**
Capital and Reserves			
Share Capital (page 41)	28(i)	6,684,500	6,673,370
Share Premium (page 41)	28(ii)	18,236,171	18,108,176
Revaluation Reserves (page 41)	28(iii)	6,946,241	7,354,844
Statutory Credit Risk Reserves (page 41)	28(iv)	-	19,100
Other Reserves (page 41)	28(v)	29,949,395	24,058,727
Retained earnings (page 41)	28(vi)	8,947,377	6,893,076
TOTAL EQUITY		**70,763,684**	**63, 107,293**
Total Liabilities and Equity		**422,360,073**	**322,794,214**

The financial statements were approved by the Board of Directors on ...27.....March 2014 and were signed on its behalf by:

Director: ____________ Director: ____________

Date: 27/03/2014 Date: 27/03/2014

The notes set out on pages 43 to 89 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Issued capital	Share Premium	Revaluation	Retained earnings	Statutory credit risk reserve	Legal reserves	Special reserves	Other reserves	Total
	RwF'000	RwF'000	RwF'000	RwF'000	RwF'000	RwF'000	RwF'000	RwF'000	RwF'000
2012									
As at 1 January 2012	6,673,370	18,233,653	7,763,446	9,199,518	-	3,418,748	3,503,982	12,791,615	61,584,332
Decrease in share premium	-	(125,477)	-	-	-	-	-	-	(125,477)
Appropriation of profit -2011	-	-	-	(4,344,382)	-	434,438	434,438	3,475,506	-
Transfer to statutory credit risk	-	-	-	(19,100)	19,100	-	-	-	-
Dividend Paid	-	-	-	(4,344,383)	-	-	-	-	(4,344,383)
Dividend Accrued-2012	-	-	-	(5,890,668)	-	-	-	-	(5,890,668)
Transfer of Excess depreciation	-	-	(408,602)	510,755	-	-	-	-	102,153
Total Comprehensive Income	-	-	-	11,781,336	-	-	-	-	11,781,336
As at 31 December 2012	**6,673,370**	**18,108,176**	**7,354,844**	**6,893,076**	**19,100**	**3,853,186**	**3,938,420**	**16,267,121**	**63,107,293**
2013									
As at 1 January 2013	6,673,370	18,108,176	7,354,844	6,893,076	19,100	3,853,186	3,938,420	16,267,121	63,107,293
Appropriation of profit - 2012	-	-	-	(5,890,668)	-	589,067	589,067	4,712,534	-
Increase in Share Capital	11,130	127,995	-	-	-	-	-	-	139,125
Statutory credit risk reserve	-	-	-	19,100	(19,100)	-	-	-	-
Total Comprehensive Income	-	-	-	14,830,235	-	-	-	-	14,830,235
Dividend accrued – 2013	-	-	-	(7,415,118)	-	-	-	-	(7,415,118)
Transfer of Excess depreciation	-	-	(408,603)	510,752	-	-	-	-	102,149
As at 31 December 2013	**6,684,500**	**18,236,171**	**6,946,241**	**8,947,377**	**-**	**4,442,253**	**4,527,487**	**20,979,655**	**70,763,684**

The notes set out on pages 43 to 89 form an integral part of these financial statements

	Note	2013 RwF'000	2012 RwF'000
Cash flows from operating activities			
Profit before tax		**18,756,236**	**14,466,909**
Adjusted for:			
Depreciation of property and equipment	13(ii)	4,303,044	3,466,258
Amortization of intangible assets	13(ii)	336,593	211,840
Gains on disposal of Fixed Assets	21	(24,753)	(51,182)
Dividend received		-	(96)
Cash flows before changes in working capital		**23,371,120**	**18,093,729**
Changes in Working capital			
Increase in Loans and Advances	18(a)	(13,958,489)	(61,936,066)
Decrease in other assets	19	4,929,704	2,295,732
Increase in clients balances and deposits	24	68,624,395	27,404,925
Decrease in other liabilities	26	(6,370,132)	(208,848)
Income tax paid	14(b)	(2,862,521)	(2,578,194)
Net cash generated from operating activities		**73,734,077**	**(16,928,722)**
Investing Activities			
Purchase of intangible assets	22	(237,478)	(403,610)
Purchase of property and equipment	21	(3,874,221)	(5,594,737)
Proceeds from sale of fixed assets	21	205,000	106,000
Increase in held to maturity investments	17(a)	(37,701,365)	(4,928,801)
Dividends received		-	96
Net cash flows from investing activities		**(41,608,064)**	**(10,821,052)**
Financing Activities			
Increase in share capital	28(i)	11,130	-
Increase in share premium	28(ii)	127,995	(125,477)
Receipts from long term finance	27	28,245,541	946,866
Dividends paid	20	(5,892,885)	(4,340,706)
Net cash flows from financing activities		**22,491,781**	**(3,519,317)**
Net increase/(Decrease) in cash and cash equivalent		54,617,794	(31,269,091)
Cash and cash equivalents at 1 January		71,379,965	102,649,056
Cash and cash equivalent at 31 December	**29(c)**	**125,997,759**	**71,379,965**

The notes set out on pages 43 to 89 form an integral part of these financial statements.

1. Corporate Information

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

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

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

2. Basis of Preparation

(a) Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and Law NO. 07/2009 of 27/04/2009 relating to companies in Rwanda and the Law NO. 08/99 relating to Regulations Governing banks and other Financial Institutions.

In respect of the subsidiaries indicated in note 35 to the financial statements, the bank has exercised exemption from fully satisfying the presentation and disclosure requirements of IFRS 10: Consolidated Financial Statements and IAS 28: Separate Financial Statements. The directors are of the view that the departure does not significantly affect the results of the Bank.

The financial statements for the year ended 31 December 2013 were authorised for issue by the directors on .27...... March 2014.

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis and are presented in Rwandan Francs (RwF), which is also the bank's functional currency. All values are rounded to the nearest thousand (RwF'000) except when otherwise indicated.

The bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non- current) is presented in note 32.

(c) Going concern

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

(d) Use of estimates and judgments

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

2. Basis of Preparation *(Continued)*

(d) Use of estimates and judgments *(Continued)*

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

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

3. Significant Accounting Policies

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

(a) Recognition of income and expense

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

(i) Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing financial instruments classified as available-for-sale financial instruments, interest income or expense is recognised at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. 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 effective interest rate and the change in carrying amount is recognised as interest income or expense.

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

(ii) Fees and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

Commissions and fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

Other fees and commission income including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. Other fees and commission expense relate mainly to transaction and services fee, which are expensed as the services are received.

(iii) Dividends

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

3. Significant Accounting Policies *(Continued)*

b) Property and equipment

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

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

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

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

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

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

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

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

Property and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the Continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is de-recognised.

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

c) Provisions

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

3. Significant Accounting Policies *(Continued)*

d) *Financial instruments*

(i) Recognition

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

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

(ii) De-recognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the bank is recognised as a separate asset or liability.

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

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

(iii) Classification

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

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

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

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

3. Significant Accounting Policies *(Continued)*

d) Financial instruments (Continued)

(iii) Classification (Continued)

Foreign exchange forward and spot contracts are classified as held for trading. They are marked to market and are carried at their fair value. Fair values are obtained from discounted cash flow models which are used in the determination of the foreign exchange forward and spot contract rates. Gains and losses on foreign exchange forward and spot contracts are included in foreign exchange income as they arise.

- **Loans and receivables**

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

- **Held to maturity**

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

- **Available for sale**

  Available for sale financial investments are those non derivative financial assets that are designated as available for sale or are not classified as any other category of financial assets. Available for sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in other comprehensive income and presented in the available for sale fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is re-classified to profit or loss.

(iv) Offsetting of financial assets and liabilities

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

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

(v) Fair value of financial instruments

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

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

3. Significant Accounting Policies *(Continued)*

d) ***Financial instruments*** *(Continued)*

(v) Fair value of financial instruments (Continued)

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

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

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

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

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

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

(vi) Identification and measurement of impairment of financial assets

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

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

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

3. Significant Accounting Policies *(Continued)*

d) *Financial instruments (Continued)*

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

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

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

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

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

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

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

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

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

3. Significant Accounting Policies *(Continued)*

e) *Cash and cash equivalents*

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

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

f) *Foreign exchange forward and spot contracts*

Foreign exchange forward and spot contracts are classified as held for trading. They are marked to market and are carried at their fair value. Fair values are obtained from discounted cash flow models which are used in the determination of the foreign exchange forward and spot contract rates. Gains and losses on foreign exchange forward and spot contracts are included in foreign exchange income as they arise.

g) *Income tax expense*

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

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

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

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

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

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

h) *Leasing*

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

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

3. Significant Accounting Policies *(Continued)*

h) Leasing

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

- **Operating lease**

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

- **Finance lease**

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

i) Financial guarantees

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

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

j) Fiduciary assets

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

k) Intangible assets

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

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

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

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

3. Significant Accounting Policies *(Continued)*

k) *Intangible assets*

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

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

Computer software *2 years*

There are no intangible assets with indefinite useful lives.

l) *Dividends on ordinary shares*

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

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

m) *Employee benefits*

- **Retirement benefit costs**

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

- **Short-term benefits**

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

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

n) *Segment reporting*

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

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

3. Significant Accounting Policies *(Continued)*

o) Contingent liabilities

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

p) Earnings per share

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

q) Related parties

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

r) New standards and interpretations not yet adopted

The standards and interpretations below became effective in the current financial year and have been adopted by the Bank:

- IFRS 10 *'Consolidated Financial Statements'* (effective for annual periods beginning on or after 1 January 2013). IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC 12 Consolidation – Special Purposes Entities. IFRS 10 establishes a single control model that applies to all entities including special purposes entities. The changes introduced by IFRS 10 require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. IFRS 10 had no impact on the financial statements of the bank

- IFRS 11 – *'Joint arrangements'* (effective for annual periods beginning on or after 1 January 2013). IFRS 11 supersedes IAS 31 and SIC-13 relating to Jointly Controlled Entities. The objective of this IFRS is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. It focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It further distinguishes joint arrangements between joint operations and joint ventures; and requires the equity method for jointly controlled entities that are now called joint ventures. IFRS 11 had no impact on the financial statements of the bank

- IFRS 12 – *'Disclosure of interests in other entities'* (effective for annual periods beginning on or after 1 January 2013). The objective of this IFRS is to require an entity to disclose information that enables users of its financial statements to evaluate: the nature of, and risks associated with, its interests in other entities; and the effects of those interests on its financial position, financial performance and cash flows. The Bank has no interests in other entities. The standard had no impact on the financial statements of the bank.

- IFRS 13 – '*Fair value measurement' (*effective for annual periods beginning on or after 1 January 2013). IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

3. **Significant Accounting Policies** *(Continued)*

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

- IAS 27 (2011) – '*Separate Financial Statements (*effective for annual periods beginning on or after 1 January 2013). IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The amendment carries forward the existing accounting and disclosure requirements for separate financial statements with some minor clarifications.

- Amendments to IAS 1'Presentation of Items of Other Comprehensive Income' (effective 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. It however does not change the existing option to present profit or loss and other comprehensive income in two statements but changes the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. The amendment has no significant impact on the financial statements of the bank.

The following new standards are not yet effective for the year ended 31 December 2013, and have not been applied in preparing these financial statements:

- IFRS 9 *Financial Instruments*. IFRS 9 (2010) will be adopted by the Bank for the first time for its financial reporting period ending 31 December 2015. The standard will be applied retrospectively, subject to transitional provisions. IFRS 9 (2010) addresses the measurement and classification of financial liabilities and will replace the relevant sections of IAS 39.

  Under IFRS 9 (2010), the classification and measurement requirements of financial liabilities are the same as per IAS 39, except for the following two aspects:

  Fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability will be presented in other comprehensive income (OCI). The remaining amount of the fair value change is recognized in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed.

  Under IFRS 9 (2010) derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value. IFRS 9 (2010) incorporates, the guidance in IAS 39 dealing with fair value measurement and accounting for derivatives embedded in a host contract that is not a financial asset, as well as the requirements of IFRIC 9 *Reassessment of Embedded Derivatives.*

  The impact on the financial statements for 31 December 2015 cannot be reasonably estimated as at 31 December 2013.

- IFRIC 21 *Levies*

  IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognizes a liability for a levy when – and only when – the triggering event specified in the legislation occurs. IFRIC 21 is not expected to have a material effect on the Bank's financial statements.

3. Significant Accounting Policies *(Continued)*

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

- IAS 32 amendment

  The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Early application is permitted. The bank is still evaluating the potential effect of the adoption of the amendments to IAS 32.

  This amendment will be adopted by the Bank for the first time for its financial reporting period ending 31 December 2014. The impact on the financial statements for 31 December 2014 cannot be reasonably estimated as at 31 December 2013.

4. Financial Risk Management

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

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

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

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

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

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

(a) Credit risk

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

4. Financial Risk Management *(Continued)*

(a) Credit risk *(Continued)*

(i) Management of credit risk

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

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

(ii) Credit risk measurement

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

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

4. Financial Risk Management *(Continued)*

(a) Credit risk (Continued)

(ii) Credit risk measurement (Continued)

The Bank's internal ratings scale is as follows:

Grade 1: *Normal risk (between 0-30 days)*
Grade 2: *Watch risk (between 31-90 days)*
Grade 3: *Sub-standard risk (between 91-180 days)*
Grade 4: *Doubtful risk (between 181-360 days)*
Grade 5: *Loss (over 360 days)*

(iii) Impairment and provisioning policies

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

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

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

	2013 RwF'000	2012 RwF'000
Individually impaired		
Grade 3: Substandard risk	3,770,485	2,766,663
Grade 4: Doubtful risk	4,440,377	5,395,495
Grade 5: Loss risk	6,481,694	4,514,161
Gross amount	**14,692,556**	**12,676,319**
Allowance for impairment		
Specific provision for impairment	(9,967,748)	(7,535,319)
Net Carrying amount	**4,724,808**	**5,141,000**

Non–performing loans

Non-performing loans and advances on which interest income has been suspended amount to RwF 14,693 million (2012: 12,676 million) for the Bank, with total impairment allowance of RwF 12,835 million (2012: RwF 8,911 million). Interest on these accounts is fully provided for in loans loss provision as these advances are classified as non-performing at the year end. Discounted value of securities held in respect to those loans and advances are valued at RwF 6,129 million (2012: RwF 11,245 million) and are considered adequate.

4. Financial Risk Management *(Continued)*

(a) Credit risk (Continued)

(iii) Impairment and provisioning policies (Continued)

Past due but not impaired loans and advances

Past due but not impaired loans and advances are those for which contractual interest or principal payments are past due, but the Bank believes that impairment is not appropriate on the basis of stage of collection of amounts owed to the Bank.

As at 31 December, the ageing analysis of past due but not impaired loans and advances was as follows:

	2013	2012
	RwF'000	RwF'000
Grade 1: Normal risk	134,461,313	166,488,415
Grade 2: Watch risk	62,706,848	14,813,156
Allowance for collective assessment	(2,867,728)	(1,375,819)
Net Carrying amount	**194,300,433**	**179,925,752**

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

Loans and advances graded 1 and 2 are not individually impaired. Allowances for impairment losses for these loans and advances are assessed collectively. Grade 2: Watch risk include credit facilities which are currently up-to-date with their repayments but evidence suggests that certain factors could, in the future, affect the borrowers' ability to service the account properly. The grade also includes clients' commitments whose overdrafts and credit lines may have exceeded their limit or with low turnover at the reporting date.

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

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

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

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

4. Financial Risk Management *(Continued)*

(a) Credit risk (Continued)

(iv) Credit –related commitment risk

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

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

(v) Concentration of credit risk

The Bank's financial instruments do not represent a concentration of credit risk because the Bank deals with a variety of customers and its loans and advances are structured and spread among a number of customers. The Bank monitors concentrations of credit risk by sector.

An analysis of concentrations of credit risk at the reporting date is shown below:

	2013	2012
	RwF'000	RwF'000
Corporate	82,614,950	78,960,972
Small and Medium Enterprises	59,237,825	49,864,739
Non-Profit Entities	3,329,943	3,652,116
Retail Banking	66,677,999	61,500,063
	211,860,717	**193,977,890**

(vi) Fair value of collateral held

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

The Bank also enters into collateralised reverse purchase agreements. Risk mitigation policies control the approval of collateral types. Collateral is valued in accordance with the Bank's risk mitigation policy, which prescribes the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral.

Collateral held against impaired loans is maintained at fair value. The valuation of collateral is monitored regularly and is back tested at least annually.

Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse purchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held as at 31 December 2012 and 2013.

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

	2013	2012
	RwF'000	RwF'000
Against Impaired loans	6,129,065	11,245,216
Against past due but not impaired loans	202,648,186	108,905,154
	208,777,251	**120,150,370**

4. Financial Risk Management *(Continued)*

(b) Liquidity risk

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

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

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

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

	2013	2012
At close of the year	65.2%	44.7%
Average for the year	53.5%	55.8%
Maximum for the year	65.2%	65.5%
Minimum for the year	44.8%	45.4%

4. Financial Risk Management *(Continued)*

*(b) **Liquidity risk*** *(Conntinued)*

The table below summarizes the Bank's liquidity risk as at 31 December 2013 and 31 December 2012, categorized into relevant maturity rankings based on the earlier of the remaining contractual maturities or re-pricing dates.

	Up to 1 month	1 - 3 months	3 – 12 months	1 - 5 years	Over 5 years	Total
	RwF'000	RwF'000	RwF'000	RwF'000	RwF'000	RwF'000
As at 31 December 2013:						
Liabilities						
Due to banks	5,532,246	21,500	11,595,500	195,778	-	17,345,024
Other Customer deposits	216,797,552	3,293,539	60,233,861	164,511	-	280,489,463
Deferred Tax	-	-	102,151	510,753	1,007,746	1,620,650
Dividend payable	-	-	7,416,579	-	-	7,416,579
Other liabilities	8,705,581	-	-	-	-	8,705,581
Long-term Finance	-	251,332	3,099,507	26,076,882	4,762,798	34,190,519
Tax payable	-	1,828,573	-	-	-	1,828,573
Total Liabilities	**231,035,379**	**5,394,944**	**82,447,598**	**26,947,924**	**5,770,544**	**351,596,389**
As at 31 December 2012:						
Liabilities						
Due to banks	6,364,278	58,808	11,965,840	30,000	-	18,418,926
Customer deposits	166,692,519	2,486,184	41,636,140	1,050,225	-	211,865,068
Deferred Tax	-	-	102,150	408,602	1,943,466	2,454,218
Dividend payable	-	-	5,894,345	-	-	5,894,345
Other liabilities	14,788,641	-	-	-	-	14,788,641
Long-Term Finance	-	-	457,838	4,076,603	1,410,537	5,944,978
Tax payable	-	320,745	-	-	-	320,745
Total Liabilities	**187,845,438**	**2,865,737**	**60,056,313**	**5,565,430**	**3,354,003**	**259,686,921**

4. Financial Risk Management *(Continued)*

(b) ***Liquidity risk*** *(Conntinued)*

	Up to 1 month	1-3 months	3– 12 months	1-5 years	Over 5 years	Total
	RwF'000	RwF'000	RwF'000	RwF'000	RwF'000	RwF'000
As at 31 December 2013						
Assets						
Cash in hand	11,110,210	-	-	-	-	11,110,210
Balances with Central Banks	24,855,050	-	-	-	-	24,855,050
Due from banks	90,195,479	17,182,044	-	-	-	107,377,523
Held to maturity investments	15,068,391	27,060,959	8,691,340	-	-	50,820,690
Loans and advances to customers	45,418,047	9,026,682	33,655,483	76,726,627	34,198,402	199,025,241
Property and equipment	-	-	-	-	21,018,894	21,018,894
Intangible assets	-	-	-	-	239,005	239,005
Equity Investments	-	-	-	-	218,455	218,455
Other assets	7,695,005	-	-	-	-	7,695,005
Total Assets	**194,342,182**	**53,269,685**	**42,346,823**	**76,726,627**	**55,674,756**	**422,360,073**
As at 31 December 2012						
Assets						
Cash in hand	9,595,769	-	-	-	-	9,595,769
Balances with Central Banks	54,304,202		-	-	-	54,304,202
Due from banks	25,835,864	-		63,056	-	25,898,920
Held to maturity investments	9,614,621	-	2,469,608	1,035,096	-	13,119,325
Loans and advances to customers	34,483,441	12,187,942	31,188,108	74,667,638	32,539,623	185,066,752
Property and equipment	-	-	-	-	21,627,964	21,627,964
Intangible assets	-	-	-	-	338,120	338,120
Equity Investments	-	-	-	-	218,455	218,455
Other assets	12,624,707	-	-	-	-	12,624,707
Total Assets	**146,458,604**	**12,187,942**	**33,657,716**	**75,765,790**	**54,724,162**	**322,794,214**
Liquidity Gap 2013	**(36,693,197)**	**47,874,741**	**(40,100,775)**	**49,778,703**	**49,904,212**	
Liquidity Gap 2012	**(41,386,834)**	**9,322,205**	**(26,398,597)**	**70,200,360**	**51,370,159**	

4. Financial Risk Management *(Continued)*

(c) Market Risk

(i) Currency risk

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

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

The table below summarises the foreign currency exposure as at 31 December 2013 and 31 December 2012:

	2013	2012
	RwF'000	RwF'000
Assets in foreign currencies	125,031,246	31,726,176
Liabilities in foreign currencies	(133,358,832)	(57,723,133)
Net foreign currency exposure at the end of the year	**(8,327,586)**	**(25,996,957)**

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

Currency	Increase/decrease in exchange rate	Effect on profit before tax	
		2013	2012
		RwF' 000	RwF' 000
USD	+/-1%	(48,031)	(317,735)
GBP	+/-1%	29,623	32,816
EUR	+/-1%	(67,869)	21,754

4. Financial Risk Management *(Continued)*

(c) Market Risk (Continued)

(i) Currency risk (Continued)

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

	USD	Euro	GBP	Other Foreign currencies	RwF	Total
Cash, deposits and advances to banks	110,920,511	5,752,931	4,764,888	477,493	21,426,961	143,342,784
Loans and advances to customers	699,110	14,960	2,133	459	198,308,579	199,025,241
Other assets, property and investments	2,398,761	-	-	-	77,593,287	79,992,048
At 31 December 2013	**114,018,382**	**5,767,891**	**4,767,021**	**477,952**	**297,328,827**	**422,360,073**
Liabilities and Equity						
Deposits from banks	1,328,746	78,186	65,482	-	15,872,610	17,345,024
Deposits from customers	85,430,047	9,953,754	1,739,209	177,866	183,188,587	280,489,463
Dividends Payable	-	-	-	-	7,416,579	7,416,579
Tax payable	-	-	-	-	1,828,573	1,828,573
Deferred tax liability	-	-	-	-	1,620,650	1,620,650
Other liabilities	395,024	-	-	-	8,310,557	8705,581
Long-Term Finance	31,667,706	2,522,813	-	-	-	34,190,519
Shareholders' Fund					70,763,684	70,763,684
At 31 December 2013	**118,821,523**	**12,554,753**	**1,804,691**	**177,866**	**289,001,240**	**422,360,073**
Net currency exposure	**(4,803,141)**	**(6,786,862)**	**2,962,330**	**300,086**	**-**	**(8,327,587)**

4. Financial Risk Management *(Continued)*

(c) ***Market Risk*** *(Continued)*

(i) Currency risk (Continued)

The various foreign currencies to which the Bank is exposed to are summarised below. All figures are in thousands of Rwandan francs (RwF'000) as at 31 December 2012:

	USD	Euro	GBP	Other Foreign currencies	RwF	Total
Cash, deposits and advances to banks	13,033,361	13,722,237	4,015,742	413,222	58,614,329	89,798,891
Loans and advances to customers	527,894	12,557	907	256	184,525,138	185,066,752
Other assets, property and intangibles	-	-	-	-	47,928,571	47,928,571
At 31 December 2012	**13,561,255**	**13,734,794**	**4,016,649**	**413,478**	**291,068,038**	**322,794,214**
Liabilities and Equity						
Deposits from banks	2,223,411	218,376	72,151	36,184	15,868,804	18,418,926
Deposits from customers	39,958,576	8,548,827	662,886	57,744	162,637,035	211,865,068
Dividends payable	-	-	-	-	5,894,345	5,894,345
Tax payable	-	-	-	-	320,745	320,745
Differed tax liability	-	-	-	-	2,454,218	2,454,218
Other liabilities	-	-	-	-	14,788,641	14,788,641
Long-term Finance	3,152,783	2,792,195	-	-	-	5,944,978
Shareholders' Fund	-	-	-	-	63,107,293	63,107,293
At 31 December 2012	**45,334,770**	**11,559,398**	**735,037**	**93,928**	**265,071,081**	**322,794,214**
Net currency exposure	**(31,773,515)**	**2,175,396**	**3,281,612**	**319,550**	**-**	**(25,996,957)**

4. Financial Risk Management *(Continued)*

(c) Market Risk (Continued)

(ii) Interest rate risk

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

Sensitivity analysis interest rate risk

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

4. Financial Risk Management *(Continued)*

(c) ***Market Risk*** *(Continued)*

(ii) Interest rate risk (Continued)

The table below summarizes the interest rate risk of the Bank as at 31 December 2013:

	Weighted interest rate	Less than 3 months	3-12 months	1 to 5 year	Over 5 years	Non-interest bearing	Total
As at 31 December 2013		RwF'000	RwF'000	RwF'000	RwF'000	RwF'000	RwF'000
Assets							
Cash in hand	-	-	-	-	-	11,110,210	11,110,210
Balances with the National Bank of Rwanda	7.3%	3,200,000	-	-	-	21,655,050	24,855,050
Balances and placements with other Banks	0.4%	19,692,392	-	-	-	87,685,131	107,377,523
Equity Investments	-	-	-	-	-	218,455	218,455
Other assets	-	-	-	-	-	7,695,005	7,695,005
Treasury bills and bonds	6.1%	42,129,350	8,691,340	-	-	-	50,820,690
Loans and advances	21.8%	54,425,130	33,655,483	74,946,976	35,713,965	283,687	199,025,241
Intangible assets	-	-	-	-	-	239,005	239,005
Property and equipment	-	-	-	-	-	21,018,894	21,018,894
Total Assets	**-**	**119,446,872**	**42,346,823**	**74,946,976**	**35,713,965**	**149,905,437**	**422,360,073**
Liabilities and Equity							
Balances and placements due to other Banks	9.1%	21,500	11,595,500	20,000	175,778	5,532,246	17,345,024
Customer deposits	3.5%	13,934,049	50,791,954	164,510	-	215,598,950	280,489,463
Tax liability	-	-	-	-	-	1,828,573	1,828,573
Deferred tax	-	-	-	-	-	1,620,650	1,620,650
Dividend Payables	-	-	-	-	-	7,416,579	7,416,579
Other liabilities	-	-	-	-	-	8,705,581	8,705,581
Long-Term Finance	1.6%	251,331	3,099,507	26,076,882	4,762,799	-	34,190,519
Shareholders' funds	-	-	-	-	-	70,763,684	70,763,684
Total		**14,206,880**	**65,486,961**	**26,261,392**	**4,938,577**	**311,466,263**	**422,360,073**
Total interest sensitivity gap		**105,239,992**	**(23,140,138)**	**48,685,584**	**30,775,388**		

4. Financial Risk Management *(Continued)*

(c) ***Market Risk*** *(Continued)*

(ii) Interest rate risk (Continued)

The table below summarizes the interest rate risk of the Bank as 31 December 2012:

	Weighted interest rate	Less than 3 months	3-12 months	1 to 5 year	Over 5 years	Non-interest bearing	Total
As at 31 December 2012	RwF'000	RwF'000	RwF'000	RwF'000	RwF'000	RwF'000	RwF'000
Assets							
Cash in hand	-	-	-	-	-	9,595,769	9,595,769
Balances with the National Bank of Rwanda	4.9%	35,900,000	-	-	-	18,404,202	54,304,202
Balances and placements with other Banks	0.5%	11,410,944	-	63,056	-	14,424,920	25,898,920
Equity Investments	-	-	-	-	-	218,455	218,455
Other assets	-	-	-	-	-	12,624,707	12,624,707
Treasury bills and bonds	12.1%	9,614,621	2,469,608	1,035,096	-	-	13,119,325
Loans and advances	17.0%	46,671,383	31,188,108	70,902,458	32,687,410	3,617,393	185,066,752
Intangible assets	-	-	-	-	-	338,120	338,120
Property and equipment	-	-	-	-	-	21,627,964	21,627,964
Total Assets	**-**	**103,596,948**	**33,657,716**	**72,000,610**	**32,687,410**	**80,851,530**	**322,794,214**
Liabilities							
Balances and placements due to other Banks	10.6%	115,016	11,965,840	30,000	-	6,308,070	18,418,926
Customer deposits	3.1%	17,789,669	26,017,659	128,785	-	167,928,955	211,865,068
Tax liability	-	-	-	-	-	320,745	320,745
Deferred tax	-	-	-	-	-	2,454,218	2,454,218
Dividend Payables	-	-	-	-	-	5,894,345	5,894,345
Other liabilities	-	-	-	-	-	14,788,641	14,788,641
Long-Term Finance	2.4%	-	-	-	5,944,978	-	5,944,978
Shareholders' funds	-	-	-	-	-	63,107,293	63,107,293
Total		**17,904,685**	**37,983,499**	**158,785**	**5,944,978**	**260,802,267**	**322,794,214**
Total interest rate gap		**85,692,263**	**(4,325,783)**	**71,841,825**	**26,742,432**	**-**	

4. Financial Risk Management *(Continued)*

(d) Operational risk

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

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

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

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

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

(e) Capital management

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

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

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

4. Financial Risk Management *(Continued)*

(e) Capital management (Continued)

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

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

Various limits are applied to elements of the capital base.

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

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

	2013	2012
	RwF 000	RwF 000
Core Capital (Tier 1):		
Ordinary share capital	6,684,500	6,673,370
Retained earnings and reserves	38,896,772	30,970,903
Share premium	18,236,171	18,108,176
Total	**63,817,443**	**55,752,449**
Supplementary Capital (Tier 2):	1,736,560	1,838,711
Total qualifying capital	**65,554,003**	**57,591,160**
Risk weighted assets	276,877,347	248,517,643
Regulatory reserve	15%	15%
Capital ratios:		
Total qualifying capital expressed as a percentage of total risk-weighted assets	23.7%	23.2%
Total tier 1 capital expressed as a percentage of total risk-weighted assets	23.0%	22.4%

5. Use of Estimates and Judgments

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

(a) Impairment losses on loans and advances

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

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

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

(b) Fair value of financial instruments

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

All financial instruments are initially recognised at fair value, which is normally the transaction price. In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market inputs.

Subsequent to initial recognition, some of the Bank's financial instruments are carried at fair value, with changes in fair value either reported within profit or loss or within other comprehensive income until the instrument is sold or becomes impaired. Details of the type and classification of the Bank's financial instruments are set out in Note 17 and the accounting policy set out in Note 18 of the financial statements.

The fair values of quoted financial instruments in active markets are based on current prices. If the market for a financial instrument is not active including for unlisted securities, the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Where representative prices are unreliable because of illiquid markets, the determination of fair value may require estimation of certain parameters, which are calibrated against industry standards and observable market data, or the use of valuation models that are based on observable market data.

The fair value for the majority of the Bank's financial instruments is based on observable market prices or derived from observable market parameters.

5. Use of Estimates and Judgments *(Continued)*

(b) Fair value of financial instruments (Continued)

Equity investments that do not have observable market prices are fair valued by applying various valuation techniques, such as earnings multiples, net assets multiples, discounted cash flows, and industry valuation benchmarks. These techniques are generally applied prior to any initial public offering after which an observable market price becomes available. Disposal of such investments are generally by market trades or private sales.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data.

(c) Deferred tax assets

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

(d) Property and equipment

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

6. Segment Reporting

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

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

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

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

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

Statement of Comprehensive Income

	Corporate Banking	Retail Banking	Treasury Function	Total
	RwF'000	RwF'000	RwF'000	RwF'000
2013				
Interest income	29,041,797	12,734,910	3,434,045	45,210,752
Interest expense	(7,567,463)	(826,776)	(1,621,669)	(10,015,908)
Net interest income	**21,474,334**	**11,908,134**	**1,812,376**	**35,194,844**
2012				
Interest income	18,939,394	7,567,868	5,562,527	32,069,789
Interest expense	(3,356,176)	(449,071)	(4,533,368)	(8,338,615)
Net Interest Income	**15,583,218**	**7,118,797**	**1,029,159**	**23,731,174**

Statement of Financial Position

	Corporate Banking	Retail Banking	Treasury Function	Total
	RwF'000	RwF'000	RwF'000	RwF'000
2013				
Gross Loans & advances to customers	145,182,718	66,677,999	-	**211,860,717**
Customer deposits	205,938,968	74,550,495	-	**280,489,463**
Deposits from other banks	-	-	17,345,024	**17,345,024**
Sub-total	**351,121,686**	**141,228,494**	**17,345,024**	**509,695,204**
Number of customers	20,485	239,510	-	**259,995**
Current Accounts	27,712	231,409	-	**259,121**
2012				
Gross loans	132,477,828	61,500,062	-	**193,977,890**
Customer deposits	148,935,116	62,929,952	-	**211,865,068**
Deposits from other banks	-	-	18,418,926	**18,418,926**
Sub-total	**281,412,944**	**124,430,014**	**18,418,926**	**424,261,884**
Number of customers	13,090	181,602	-	**194,692**
Current accounts	19,808	191,632	-	**211,440**

7. Interest Income

	2013 RwF'000	2012 RwF'000
Interest on overdrawn accounts	9,882,349	6,003,375
Interest on treasury loans	4,235,125	3,582,970
Interest on equipment loans	3,838,218	1,781,409
Interest on consumer loans	6,465,347	4,186,255
Interest on mortgage loans	12,259,456	7,725,070
Other interest on loans to clients	4,904,323	4,261,144
Interest on deposits with banks	262,585	101,422
Interest received from reverse purchase agreements	1,423,824	2,168,962
Interest on assets held to maturity	1,939,525	2,259,182
	45,210,752	**32,069,789**

Included within various line items under interest income for the year ended 31 December 2013 is a total of RwF 3.6 billion (2012: RwF 2.1 billion) relating to impaired loans and advances.

8. Interest Expense

	2013 RwF'000	2012 RwF'000
Interest on borrowings and transactions with other banks	1,621,764	1,949,157
Interest on current accounts and saving accounts	1,089,855	403,871
Interest on fixed deposits	7,304,289	5,985,587
	10,015,908	**8,338,615**

9. Net Fees and Commission Income

	2013 RwF'000	2012 RwF'000
Fees and commission income		
Commissions on operations of accounts	2,639,702	1,066,160
Commissions on payment facilities	3,198,971	1,952,721
Commissions on loan services	2,168,032	2,375,556
Commissions received from financing commitments	595,613	190,678
Commissions received from guarantees commitments	1,078,380	833,542
Income from transactions with other banks	309,383	33,734
Other fees from services	677,353	474,922
	10,667,434	**6,927,313**
Fees and commission expense		
Commissions on credit services	320,524	129,208
Commissions on payment facilities	74,829	425
	395,353	**129,633**
Net Fees and Commission	**10,272,081**	**6,797,680**

10. Foreign Exchange related income

Gains less losses on foreign currency transactions	**7,476,135**	**7,031,504**

11. Other Operating Income

	2013 RwF'000	2012 RwF'000
Rental income	241,904	137,454
Other income from banking activities	24,858	15,530
Other non-banking activity	543,418	562,738
	810,180	**715,722**

12. Net Impairment Losses on Financial Assets

	2013	2012
	RwF'000	RwF'000
Additional specific provisions (Note 18(b))	9,097,104	4,430,158
Additional collective provisions (Note 18(c))	1,491,909	381,708
Recoveries of previously written off loans	(1,595,014)	(1,164,577)
	8,993,999	**3,647,289**

13. Other Operating Expenses

	2013	2012
	RwF'000	RwF'000
(i) Personnel expenses		
Salaries and wages	10,768,740	8,843,566
Medical expenses	267,395	187,459
Pension scheme contributions	501,736	440,982
Other benefits	169,367	143,149
	11,707,238	**9,615,156**

	2013	2012
	RwF'000	RwF'000
(ii) Depreciation and amortisation		
Depreciation of property and equipment (Note 21)	4,303,044	3,466,258
Amortisation of intangible assets (Note 22)	336,593	211,840
	4,639,637	**3,678,098**

	2013	2012
	RwF'000	RwF'000
(iii) Administration and general expenses		
Directors' Remuneration	400,945	320,263
Audit Fees	50,485	50,699
Rent, repairs and Maintenance	989,909	751,770
Utilities	413,575	294,877
Postage, Photocopying and printing	976,003	953,542
Travel and Accommodation Expenses	365,550	317,058
Security and cash in transit costs	1,075,778	558,726
Insurance	94,716	135,469
Marketing and Publicity	468,987	586,097
Legal and Consultancy Fees	362,978	208,695
Unclaimable VAT on expenditure	721,802	308,427
Telephone and Internet costs	737,361	578,147
Credit and Visa card Costs	1,179,237	903,466
Other general expenses	1,818,804	901,392
	9,656,130	**6,868,628**

14. Income Tax

The components of income tax expense for the year ended 31 December 2013 and 2012 are:

a) *Income tax expense*

	2013	2012
	RwF'000	RwF'000
Current tax	4,370,349	2,761,915
Deferred tax charge/ (credit)	(444,348)	(76,342)
Net tax charge	**3,926,001**	**2,685,573**

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

	2013	2012
	RwF'000	RwF'000
Accounting profit before tax	18,756,237	14,466,909
Tax calculated at tax rate of 20%	3,751,247	2,893,382
Tax effects on non-taxable/non-deductible items	948,053	44,826
Tax discount – staff	(328,951)	(176,293)
	4,370,349	**2,761,915**

(b) *Tax Payable*

	2013	2012
	RwF'000	RwF'000
At 1 January	320,745	137,024
Tax paid during the year	(2,862,521)	(2,578,194)
Tax charge for the year	4,370,349	2,761,915
At 31 December	**1,828,573**	**320,745**

15. Earnings per Share

	2013	2012
	RwF'000	RwF'000
Profit for the year attributable to equity shareholders	**14,830,235**	**11,781,336**
Weighted average number of shares	667,893,500	667,337,000
Effect of dilution:		
Share option (Employee share Ownership Plan)	2,319,009	101,027
Weighted average number of ordinary shares adjusted for the effect of dilution	**670,212,509**	**667,438,027**
Earnings per share:		
Basic earnings per share	22.20	17.65
Diluted earnings per share	22.13	17.65

Basic earnings per share is calculated on the profit attributable to ordinary shareholders of RwF 14,830 million (2012: RwF 11,781 million) and on the weighted average number of ordinary shares outstanding during the year of 667,893,500 (2012: 667,337,000 shares).

The Bank has potential dilutive shares equal to 7,200,000 offer shares under the Employee Share Ownership Plan ("ESOP") that may be subscribed for by the directors and eligible employees from 1st September 2012 and no later than 31st August 2017. The warrant entitle the holder one newly issued share of the bank for the cash consideration equal to offer price (RwF 125) and payable in full at the time of purchase.

At the period end date 1,113,000 shares had been exercised under this ESOP scheme.

16. Due From Banks

	2013	2012
	RwF'000	RwF'000
Placements with local financial institutions	2,520,684	187,011
Placements with foreign financial institutions	17,182,044	11,410,624
Current accounts with foreign financial institutions	87,674,795	14,301,285
	107,377,523	**25,898,920**

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

	2013	2012
	RwF'000	RwF'000
A	-	205,232
A+	80,111,147	24,011,564
AA	45,648	-
B	2,771,823	464,328
B+	24,448,905	1,199,427
BBB+	-	18,369
	107,377,523	**25,898,920**

The weighted average effective interest rate on placements and balances with other banks at 31 December 2013 was 0.4% (2012: 0.5%)

17. Investments

a) Held to Maturity Investments

	2013	2012
	RwF'000	RwF'000
Treasury bills	50,820,690	12,084,228
Treasury bonds	-	1,035,097
	50,820,690	**13,119,325**
Maturing between 3-12 months	42,129,350	12,084,228
Maturing between 1-5 years	8,691,340	1,035,097
	50,820,690	**13,119,325**

Treasury bills and bonds are debt securities issued by the Government of the Republic of Rwanda. The bills and bonds are categorised as amounts held to maturity and carried at amortised cost.

b) Equity Investments

	2013	2012
	RwF'000	RwF'000
Development Bank of Rwanda (BRD)	96,975	96,975
Magerwa	5,000	5,000
R-Switch (SIMTEL)	116,480	116,480
	218,455	**218,455**

The equity investment in unquoted entities is recorded at costs less impairment since there is no active market for these investments.

18. Loans and Advances

(a) Net loans and advances

	2013 RwF'000	2012 RwF'000
Grade 1: Normal risk	134,461,313	166,488,415
Grade 2: Watch list	62,706,848	14,813,156
Grade 3: Substandard	3,770,485	2,766,663
Grade 4: Doubtful	4,440,377	5,395,495
Grade 5: Loss	6,481,694	4,514,161
Total Gross Loans	**211,860,717**	**193,977,890**
Allowance for Impairment - Specific assessment	(9,967,748)	(7,535,319)
Allowance for Impairment - Collective assessment	(2,867,728)	(1,375,819)
Net Carrying Amount	**199,025,241**	**185,066,752**

(b) Specific provisions for impairment

	2013 RwF'000	2012 RwF'000
Principal amount		
At 1 January	5,479,956	5,773,324
Provisions made during the year	7,562,481	1,210,343
Loans written off during the year	(6,664,675)	(1,503,711)
At 31 December	**6,377,762**	**5,479,956**
Suspended Interest		
At 1 January	2,055,363	764,676
Provisions made during the year	1,534,623	1,290,687
At 31 December	**3,589,986**	**2,055,363**
Total Specific provision	**9,967,748**	**7,535,319**

(c) Collective provisions for impairment

	2013 RwF'000	2012 RwF'000
At 1 January	1,375,819	994,111
Provisions made during the year	1,491,909	381,708
At 31 December	**2,867,728**	**1,375,819**

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

	2013 RwF'000	2012 RwF'000
Maturing within 1 month	45,418,047	34,483,440
Maturing after 1 month, but before 3 months	9,026,682	12,187,942
Maturing after 3 months, but within 1 year	33,655,483	31,188,108
Maturing after 1 year, but within 5 years	89,562,102	83,578,777
Maturing after 5 years	34,198,402	32,539,623
	211,860,717	**193,977,890**

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

	2013 RwF'000	2012 RwF'000
Private sector and individuals	210,704,898	193,446,998
Government and parastatals	1,155,819	530,892
	211,860,717	**193,977,890**

18. Loans and Advances *(Continued)*

The weighted average effective interest rate on loans and advances as at 31 December 2013 was 21.8% (31 December 2012–17.0%).As at 31 December, the ageing analysis of past due but not impaired loans and advances is as follows:

	2013	2012
	RwF'000	RwF'000
Less than 60 days	54,194,023	12,187,942
Between 61 – 90 days	8,512,825	2,625,214
	62,706,848	**14,813,156**

19. Other Assets

	2013	2012
	RwF'000	RwF'000
Prepayments and other receivables	1,208,932	386,256
Clearing accounts	6,486,073	12,238,451
	7,695,005	**12,624,707**

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

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

20. Dividends Payable

	2013	2012
	RwF'000	RwF'000
At 1 January	5,894,345	-
Dividends declared - 2011	-	4,344,383
Dividends paid during the year	(5,892,884)	(4,340,706)
Dividends accrued	7,415,118	5,890,668
At 31 December	**7,416,579**	**5,894,345**

21. Property and Equipment

	Land and Buildings	Computer and IT equipment	Motor vehicles	Furniture and Fittings	Work in Progress	Total
	RwF'000	RwF'000	RwF'000	RwF'000	RwF'000	RwF'000
2013						
Cost						
At 1 January 2012	20,409,607	3,742,859	615,712	7,604,759	218,437	32,591,374
Additions	1,540,375	860,284	91,805	1,381,757	-	3,874,221
Reclassification	-	-	-	218,437	(218,437)	-
Disposal	(205,000)	-	-	-	-	(205,000)
At 31 December 2013	**21,744,982**	**4,603,143**	**707,517**	**9,204,953**	**-**	**36,260,595**
Depreciation						
At 1 January 2013	3,644,221	2,883,784	419,899	4,015,506	-	10,963,410
Charge for the year	1,073,944	1,097,163	178,265	1,953,672	-	4,303,044
Reclassification	19,055	-	-	(19,055)	-	-
Disposal	(24,753)	-	-	-		(24,753)
At 31 December 2013	**4,712,467**	**3,980,947**	**598,164**	**5,950,123**	**-**	**15,241,701**
Net Book value	**17,032,515**	**622,196**	**109,353**	**3,254,830**	**-**	**21,018,894**
2012						
Cost						
At 1 January 2012	17,958,623	1,542,197	484,281	6,189,677	927,859	27,102,637
Additions	1,523,125	1,053,121	237,431	2,562,623	218,437	5,594,737
Disposal	-	-	(106,000)	-	-	(106,000)
Reclassification	927,859	1,147,541	-	(1,147,541)	(927,859)	-
At 31 December 2012	20,409,607	**3,742,859**	**615,712**	**7,604,759**	**218,437**	**32,591,374**
Depreciation						
At 1 January 2012	2,749,762	1,266,891	306,543	3,225,138	-	7,548,334
Charge for the year	894,459	834,910	164,538	1,572,351		3,466,258
Disposal			(51,182)			(51,182)
Reclassification	-	781,983	-	(781,983)	-	
At 31 December 2012	**3,644,221**	**2,883,784**	**419,899**	**4,015,506**	**-**	**10,963,410**
Net Book Value	**16,765,386**	**859,075**	**195,813**	**3,589,253**	**218,437**	**21,627,964**

22. Intangible Assets

	2013	2012
	RwF'000	RwF'000
Cost		
At 1 January	994,840	591,230
Additions	237,478	403,610
At 31 December	**1,232,318**	**994,840**
Amortisation		
At 1 January	656,720	444,880
Amortisation	336,593	211,840
At 31 December	**993,313**	**656,720**
Net book value	**239,005**	**338,120**

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

23. Due to Banks

	2013	2012
	RwF'000	RwF'000
Current accounts	5,708,024	6,308,070
Term Treasury borrowings	11,637,000	12,110,856
	17,345,024	**18,418,926**
Maturing as follows:		
Payable within 1 month	5,532,246	6,364,278
Payable after 1 month	11,812,778	12,054,648
	17,345,024	**18,418,926**

The weighted average effective interest rate on deposits and balances from other banks as at 31 December 2013 was 9.1% (2012: 10.6%)

24. Deposits and balances from customers

	2013	2012
	RwF'000	RwF'000
Current accounts	204,953,080	160,396,748
Fixed deposit accounts	64,779,760	42,671,802
Savings accounts	2,249,528	1,264,311
Collateral and other deposits	3,972,395	4,091,718
Interest Payable	4,534,700	3,440,489
	280,489,463	**211,865,068**

The weighted average effective interest rate on interest bearing customer deposits as at 31 December 2013 was 3.5% (2012: 3.1%)

25. Deferred Tax

The following table shows deferred tax recorded on the statement of financial position in other assets and liabilities and changes recorded in the income tax expense:

	Deferred tax liability 2013	Income statement	Statement of financial position	Deferred tax liability 2012
	RwF'000	RwF'000	RwF'000	RwF'000
Revaluation of assets-Property	1,736,559	-	(102,151)	1,838,710
Capital Allowance	779,878	(120,778)	-	900,656
Other temporally differences	(895,787)	(610,639)	-	(285,148)
	1,620,650	**(731,417)**	**(102,151)**	**2,454,218**

26. Other Liabilities

	2013	2012
	RwF'000	RwF'000
Clearing accounts	3,001,043	10,722,163
Other payables	157,483	396,333
Accrued General expenses	5,547,055	3,670,145
	8,705,581	**14,788,641**

27. Long Term Finance

	2013	2012
	RwF'000	RwF'000
EIB Loan – Eur 5m 7 year (9.5% - 11.4%)	2,522,813	2,792,195
AFD Loan – USD 20m 10 year (Libor +3.74% pa)	12,566,550	3,152,783
AFDB Loan – USD 12m 10 year (Libor +4.15% pa)	4,021,296	-
EADB – USD 10m 5 year (Libor +6.65 pa)	1,675,540	-
PTA Loan – USD 10m 5 year (8% pa)	6,702,160	-
OFID Loan – USD 10m 7 year (Libor +4.0% pa)	6,702,160	-
Total	**34,190,519**	**5,944,978**

The Bank has a 7 year arrangement with European Investment Bank (EIB) for a credit of EUR 5,000,000 to be on-lent to final beneficiaries for the financing up to 50% of the total cost of eligible projects. The drawdown as at 31 December 2013 was EUR 3.8 million (2012: EUR 3.8m), and no further drawdown is expected.

In 2011, the Bank signed a two ten year credit lines with Agence Francaise de Development (AFD) and the African Development Bank (AFDB) for USD 20 million and 12 million respectively. As at period end, the AFD credit lines was fully drawn down, whilst the AFDB credit line was USD 6 million.

During the year ended 31 December 2013, the Bank signed three long-term credit lines of USD 10m each with the East African Development Bank (EADB), Eastern and Southern African Trade and Development bank (PTA) and OPEC Fund for International Development (OFID) respectively. As at year end 2013, the Bank had fully drawn down on the PTA and OFID credit lines, whilst the drawdown on the EADB credit line was USD 2.5m.

28. Capital and Reserves

(i) Share capital

	2013 RwF'000	2012 RwF'000
Authorised: Share capital of 702,460,000 shares of RwF 10 each	7,024,600	7,024,600
Issued and fully paid: 668,450,000 (2012: 667,337,000) ordinary shares of RwF 10 each	**6,684,500**	**6,673,370**

(ii) Share Premium

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

	2013 RwF'000	2012 RwF'000
Share premium	**18,236,171**	**18,108,176**

(iii) Revaluation reserve

	2013 RwF'000	2012 RwF'000
Buildings	7,354,844	7,763,446
Effect of change in tax rate	-	-
Transfer of excess depreciation	(510,753)	(510,753)
Deferred tax on transfer	102,150	102,151
	6,946,241	**7,354,844**

Revaluation reserves arose from the periodic revaluation of freehold land and buildings. The carrying amount of these assets is adjusted to the revaluations. Revaluation surpluses are not distributable.

(iv) Statutory credit risk reserve

	2013 RwF'000	2012 RwF'000
At 1 January	19,100	-
Transfer from retained earnings	-	19,100
Release of provisions no longer required	(19,100)	-
At 31 December	-	**19,100**

Where impairment losses required by legislation or regulations exceed those calculated under International Financial Reporting Standards (IFRS), the excess is recognised as a statutory credit risk reserve and accounted for as an appropriation from retained earnings. These reserves are not distributable.

(v) Other Reserves

	2013 RwF'000	2012 RwF'000
Legal reserves	4,442,253	3,853,186
Special reserves	4,527,487	3,938,420
Other reserves	20,979,655	16,267,121
	29,949,395	**24,058,727**

The Bank transfers 20% of its profit after tax to reserves (10% legal reserves and 10% special reserves). These reserves are not mandatory and neither are they distributable.

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

28. Capital and Reserves *(Continued)*

(vi) Retained Earnings

	2013	2012
	RwF'000	RwF'000
Opening balance	6,893,076	9,199,518
Appropriation of prior year profit	(5,890,669)	(4,344,382)
Dividend for year 2011	-	(4,344,383)
Profit for the current year	14,830,237	11,781,336
Dividends accrued	(7,415,119)	(5,890,668)
Excess loan loss provision	19,100	(19,100)
Deferred tax	510,752	510,755
	8,947,377	**6,893,076**

29. Analysis of Cash and Cash Equivalents

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

(a) Cash in hand

	2013	2012
	RwF'000	RwF'000
Cash in foreign currency	5,088,980	4,794,701
Cash in local currency	6,021,230	4,801,068
	11,110,210	**9,595,769**

(b) Balances with National Bank of Rwanda

	2013	2012
	RwF'000	RwF'000
Restricted balances (Cash Reserve Ratio)	14,664,989	11,342,175
Unrestricted balances	10,190,061	42,962,027
	24,855,050	**54,304,202**

The Cash Reserve Ratio is non-interest earning and is based on the value of deposits as adjusted per the National Bank of Rwanda requirements. At 31 December 2013, the Cash Reserve Ratio requirement was 5% (2012 - 5%) of all deposits amounting to RwF 297.8 billion (2012: RwF 230.3 billion). Mandatory cash reserve ratio is not available for use in the Bank's day-to-day operations.

The unrestricted balances include BNR reverse purchase agreement (REPO) amounting to RwF 10.0 bn (2012: 42.8 bn).

(c) Analysis of cash and cash equivalents

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

	2013	2012
	RwF'000	RwF'000
Cash in hand	11,110,210	9,595,769
Balances with the National Bank of Rwanda	24,855,050	54,304,202
Due from banks	107,377,523	25,898,920
Due to Banks	(17,345,024)	(18,418,926)
	125,997,759	**71,379,965**

30. Held to Maturity Security investment

	2013	2012
	RwF'000	RwF'000
Treasury Bills	50,820,690	12,084,228
Treasury Bonds	-	1,035,097
	50,820,690	**13,119,325**

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

	2013			2012		
	Treasury Bills	Treasury Bonds	Total	Treasury Bills	Treasury Bonds	Total
	RwF'000	RwF'000	RwF'000	RwF'000	RwF'000	RwF'000
1 January	12,084,228	1,035,096	13,119,324	5,517,221	2,673,303	8,190,524
Additions	256,932,372	-	256,932,372	156,248,742	599	156,249,341
Maturities	(218,195,910)	(1,035,096)	(219,231,006)	(149,681,735)	(1,638,805)	(151,320,540)
31 December	**50,820,690**	**-**	**50,820,690**	**12,084,228**	**1,035,097**	**13,119,325**

The weighted average effective interest rate on Government and other securities held to maturity at 31 December 2013 was 6.1% (2012: 12.1%)

31. Classification of Financial Assets and Financial Liabilities

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

At 31 December 2013	Loans and receivables	Other amortized cost	Held to Maturity	Available for sale	Total carrying amount
	RwF'000	RwF'000	RwF'000	RwF'000	RwF'000
Assets					
Cash and balances with central bank	-	35,965,260	-	-	35,965,260
Balances due from other Banks	-	107,377,523	-	-	107,377,523
Government securities	-	-	50,820,690	-	50,820,690
Loans and advances to customers	199,025,241	-	-	-	199,025,241
Equity Investments	-	-	-	218,455	218,455
Other assets (uncleared effects)	-	7,695,003	-	-	7,695,003
Total financial assets	**199,025,241**	**151,037,786**	**50,820,690**	**218,455**	**401,102,172**
Liabilities					
Balances due to other Banks	-	17,345,024	-	-	17,345,024
Customer deposits	-	275,954,763	-	-	275,954,763
Other liabilities	-	13,240,281	-	-	13,240,281
Long Term Borrowing	-	34,190,519	-	-	34,190,519
Total financial liabilities	**-**	**340,730,587**	**-**	**-**	**340,730,587**

31. Classification of Financial Assets and Financial Liabilities *(Continued)*

At 31 December 2012	Loans and receivables	Other amortized cost	Held to Maturity	Available for sale	Total carrying amount
	RwF'000	RwF'000	RwF'000	RwF'000	RwF'000
Assets					
Cash and balances with central bank	-	63,899,971		-	63,899,971
Balances due from other Banks	-	25,898,920		-	25,898,920
Government securities	-	-	13,119,325	-	13,119,325
Loans and advances to customers	185,066,752	-	-	-	185,066,752
Equity Investments	-	-	-	218,455	218,455
Other assets (uncleared effects)	-	12,624,707	-	-	12,624,707
Total financial assets	**185,066,752**	**102,423,598**	**13,119,325**	**218,455**	**300,828,130**
Liabilities					
Balances due to other Banks	-	18,418,926	-	-	18,418,926
Customer deposits	-	208,424,579	-	-	208,424,579
Other liabilities	-	18,229,130	-	-	18,229,130
Long Term Borrowing	-	5,944,978	-	-	5,944,978
Total financial liabilities	-	**251,017,613**	-	-	**251,017,613**

32. Maturity Analysis of Assets and Liabilities

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

At 31 December 2013	Less than 12 months	Over 12 months	Total
	RwF'000	RwF'000	RwF'000
Assets			
Cash in hand	11,110,210	-	11,110,210
Balances with the National Bank of Rwanda	24,855,050	-	24,855,050
Balances held with other Financial Institutions	107,377,523	-	107,377,523
Held to maturity investments	50,820,690	-	50,820,690
Loans and advances to customers	88,100,212	110,925,029	199,025,241
Other assets	7,695,005	-	7,695,005
Equity investments	-	218,455	218,455
Intangible assets	-	239,005	239,005
Property and equipment	-	21,018,894	21,018,894
Total Assets	**289,958,690**	**132,401,383**	**422,360,073**

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

At 31 December 2013	Less than 12 months	Over 12 months	Total
	RwF'000	RwF'000	RwF'000
Liabilities			
Balances from other Financial Institutions	17,149,246	195,778	17,345,024
Customer deposits	280,324,953	164,510	280,489,463
Tax Liability	1,828,573	-	1,828,573
Deferred tax liability	102,150	1,518,500	1,620,650
Dividends payables	7,416,579	-	7,416,579
Other liabilities	8,705,581	-	8,705,581
Long-term Finance	3,350,839	30,839,680	34,190,519
Shareholders' funds	-	70,763,684	70,763,684
Total Liabilities and Equity	**318,877,921**	**103,482,152**	**422,360,073**

32. Maturity Analysis of Assets and Liabilities *(Continued)*

At 31 December 2012	Less than 12 months	Over 12 months	Total
	RwF'000	RwF'000	RwF'000
Assets			
Cash in hand	9,595,769	-	9,595,769
Balances with the National Bank of Rwanda	54,304,202	-	54,304,202
Balances and placements with other Financial Institutions	25,835,864	63,056	25,898,920
Held to maturity investments	12,084,230	1,035,095	13,119,325
Loans and advances to customers	77,859,490	107,207,262	185,066,752
Other assets	12,624,707	-	12,624,707
Equity investments	-	218,455	218,455
Intangible assets	-	338,120	338,120
Property and equipment	-	21,627,964	21,627,964
Total Assets	**192,304,262**	**130,489,952**	**322,794,214**
Liabilities			
Balances from other Financial Institutions	18,388,926	30,000	18,418,926
Customer deposits	210,814,843	1,050,225	211,865,068
Tax Liability	320,745	-	320,745
Deferred tax liability	102,150	2,352,068	2,454,218
Dividends payables	5,894,345	-	5,894,345
Other liabilities	14,788,641	-	14,788,641
Long-term Finance	457,838	5,487,140	5,944,978
Shareholders' funds	-	63,107,293	63,107,293
Total Liabilities and Equity	**250,767,488**	**72,026,726**	**322,794,214**

33. Contingent Liabilities, Commitments and Leasing Arrangements

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend.

Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank.

Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credits carry similar credit risk to loans.

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

	2013	2012
	RwF'000	RwF'000
Guarantees		
Acceptances and letter of credit issued	49,594,239	41,209,649
Guarantees commitments issued	27,698,321	27,395,456
Other commitments	-	-
	77,292,560	**68,605,105**

33. Contingent Liabilities, Commitments and Leasing Arrangements *(Continued)*

Legal Claims

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

At year end, the Bank is party to various legal proceedings from default customers for a total amount RwF 142.8m (2012: RwF 928.0m). 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, and accordingly no provision for any claims has been made in these financial statements.

34. Related Parties Disclosures

	2013	2012
	RwF '000	RwF '000
Compensation of key management personnel of the Bank		
Short term employee benefits	1,327,116	1,144,933
Post-employment pension (defined contribution)	74,358	68,073
Terminal benefits	-	8,456
	1,401,474	**1,221,462**
Directors emolument	**400,945**	**320,263**

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

Transaction with key management personnel of the Bank

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

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

Key management personnel of the Bank	Maximum balance during	Balance as at 31 December	Income/ Expense	Maximum balance during	Balance as at 31 December	Income/ Expense
	2013	2013	2013	2012	2012	2012
	RwF '000	RwF '000	RwF '000	RwF '000	RwF '000	RwF '000
Residential mortgages	670,848	657,833	52,918	531,428	529,089	42,387
Credit cards and other loans	166,834	92,997	10,560	242,146	172,046	15,490
Deposits	336,005	100,767	407	296,802	103,947	1,741

34. Related Parties Disclosures *(Continued)*

Transaction with other related parties

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

Entities with significant influence over the Bank	Interest from related parties	Interest to related parties	Balance as at 31 December	Maximum balances during the year
	RwF '000	RwF '000	RwF '000	RwF '000
2013	**600**	**3,896,937**	**40,002,126**	**42,581,037**
2012	31	1,404,011	21,722,273	21,722,273

The above mentioned outstanding balances arose from the ordinary course of business. The interests charged to and by related parties are at normal commercial rates. Outstanding balances at the year-end are unsecured. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2013, the Bank has not made any provision for doubtful debts relating to amounts owed by related parties (2012: Nil).

The bank offers loans to its employees at 7.5% (2012: 7.5%). The bank closely monitors the loans to ensure they are performing. As at the end of year there were no non performing staff loans.

35. Subsidiaries

Representative Office - Nairobi

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

BK Securities Limited

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

36. Comparatives

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

37. Post Period End Events

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

Notice of Annual General Meeting

Notice is hereby Given that the Annual General Meeting (AGM) of Bank of Kigali Limited will be held on Wednesday 30 May 2014, at The Serena Hotel, Kigali - Rwanda at 2.30 pm to transact the following Business:

1. ***To determine whether quorum is present;***
2. ***The Company Secretary to read the notice convening the meeting;***
3. ***To receive, consider and if thought fit, adopt the Annual Report and Audited Financial Statements for the year ended 31 st December 2013 together with the Chairman's, Directors' and Auditors' reports thereon;***
4. ***Approve a dividend of RwF 7,415,117,500 (2012- RwF 5,890,668,170) which represents 50% pay-out on the Banks audited IFRS-based net income in respect of the year 2013;***
5. ***Election of Directors and approval their remuneration;***
6. ***Appointment of Auditors and fixing of the Auditors remuneration;***
7. ***Any other business of which notice will have been duly received.***

....

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

Proxy

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

To be valid, a proxy form attached at the end of this Annual Report must be duly completed by the member and lodged with the Company Secretary at the Bank of Kigali Head Office, Plot 6112, Avenue de la Paix, Kigali, Rwanda not later than 10.00 a.m. on the 23 May 2014, failing which it will be invalid. In the case of a corporate body the proxy must be under its common seal.

Closure of Register

Dividend for the year ended 31 December 2013 of RWF 7,415,117,500 (US$ 10.7 million) to be paid to shareholders on the register of members of the Company at the close of business on Friday 13 June 2014. The dividend will be paid on or about Friday 27 June 2014.

Bank of Kigali Proxy Form

I/We ____ CSD A/C No___________________________

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

hereby appoint:

____

of (address) ______________________________________ or, failing him, the duly appointed Chairman of the meeting to be my/our proxy, to vote on my/ our behalf at the Annual General Meeting of the Company to be held on Friday 30 May 2014 at 2.30 p.m, or at any adjournment thereof.

As witness to my/our hands this ____________________________ day of _________________________ 2014

Signature(s) ____

Notes:

1. *In case of corporate shareholders and individual shareholders who would like to be represented at the AGM, please tear this page carefully and complete as appropriate.*
2. *This proxy form is to be delivered to the Company Secretary at Bank of Kigali Head Office Plot 6112, Avenue de la Paix, Kigali, Rwanda not later than 10.00 a.m. on the 23 May 2014, failing which it will be invalid.*
3. *A proxy form must be in writing and in the case of an individual shall be signed by the shareholder or by his attorney, and in the case of a corporation the proxy must be either under its common seal or signed by its attorney or by an officer of the corporation.*

Please admit ____ _______________________ **to the Annual General Meeting of Bank of Kigali Limited which will be held at the Serena Hotel, Kigali, Rwanda on Friday 30 May 2014 at 2.30 p.m.** **This admission card must be produced by the shareholder or his proxy in order to obtain entrance to the Annual General Meeting.** **Dr Shivon Byamukama** *Company Secretary*	**Number of ordinary shares held:**
	Name of Shareholder: **Address of Shareholder:** **CDS Account Number:**


BANK OF KIGALI
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Visa Platinum
VISA INFINITE
VISA
CLASSIC