NATIONAL BANK OF RWANDA

BANKI NKURU Y' U RWANDA

BNR ANNUAL REPORT

2014/2015

October, 2015

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS

AACB: Association of African Central Banks

AERC: African Economics Research Consortium

AfDB: African Development Bank

AFI: Alliance for Financial Inclusion

AMCP: African Monetary Cooperation Programme

ARC-IB: Internet Banking

ATM: Automated Teller Machine

ATS: Automated Transfer System

BCM: Business Continuity Management

BISMAT: BNR Information System for Management with Technology

BNR: National Bank of Rwanda

BOP: Balance of Payments

CAR: Capital Adequacy Ratio

CEMCWG: Consumer Empowerment and Market Conduct Working Group

CIEA: Composite Index of Economic Activities

CIMERWA: Rwanda Cement Manufacturing Company (Cimenterie du Rwanda)

CMI: COMESA Monetary Institute

CMP: Common Market Protocol

COMESA: Common Market for Eastern and Southern Africa

CPI: Consumer Price Index

CPIA: Country Policy and Institutional Assessment

CPU: China Union Pay

CRB: Credit Reference Bureau

CSD: Central Securities Depository

CSR: Corporate Social Responsibility

DFS: Digital Financial Services

EAC: East African Community

EAMU: Eastern Africa Monetary Union

EAPS: East African Payment System

ECB: European Central Bank

EDPRS: Economic Development and Poverty Reduction Strategy

ERM: Enterprise Risk Management

ERP: Enterprise Resource Planning

FDI: Foreign Direct Investment

FIDWG: Financial Inclusion Data Working Group

FIRST: Financial Regulation and Strengthening

FISF: Financial Inclusion Support Framework

FPAS: Forecasting and Policy Analysis Systems

FSC: Financial Stability Committee

FSDP II: Financial Sector Development Program Phase II

G&NFS: Good and Non-Factor Services

GDP: Gross Domestic Product.

GSPWG: Global Standards Proportionality Working Group

IAIS: International Association of Insurance Supervision

ICT: Information and Communication Technology

IDA: International Development Association

IIP: Index of Industrial Production

IMF: International Monetary Fund

JCB: Japanese Credit Bureau

KRR: Key Repo Rate

MAC: Monetary Affairs Committee

MCM: Management Committee Meeting

MEFMI: Macroeconomic and Financial Management Institute

MFIs: Micro Finance Institutions

MFS: Mobile Financial Services

MINAGRI: Ministry of Agriculture

MINECOFIN: Ministry of Finance and Economic Planning

MNOs: Mobile Network Operators

MPC: Monetary Policy Committee

MPFSS: Monetary Policy and Financial Stability Statement

MPIC: Monetary Policy Implementation Committee

MTEF: Medium Term Expenditure Framework

Mvisa: Mobile visa

NBFIs: Non Bank Financial Institutions

NDA: Net Domestic Assets

NFA: Net Foreign Assets

NISR: National Institute of Statistics, Rwanda

NPLs: Non Performing Loans

NPS: National Payment System

PAT: Portfolio Analytic Tool

PFMIs: Principles for Financial Market Infrastructures

POS: Point of sale

PPI: Producer Price Indices

PSI: Policy Support Instrument

RAMP: Reserves and Advisory Management Program

REER: Real Effective Exchange Rate

REPO: Repurchase Agreement Operations

REPPS: Regional Payment Processing and Settlement System

RIPPS: Rwanda Integrated Payment Processing System

RMP: Risk Management Program

RoA: Return on Assets

RoE: Return on Equity

RSP: Remittance Services Providers

RTGS: Real Time Gross Settlement System

SACCOs: Saving and Credit Cooperatives

SSBs: Standards Setting Bodies

SWIFT: Society for Worldwide Interbank Financial Telecommunication
TA: Technical Assistance
UPI: Union Pay International
USA: United States of America
U-SACCOs: Umurenge SACCOs
WB: World Bank
YoY: Year over Year

GOVERNOR'S FOREWORD

This 2014/2015 annual report is published in accordance with the law n° 55/2007 of 30/11/2007 governing the Central Bank of Rwanda especially in its article 65. This report highlights the Bank's main achievements, global and domestic economic developments, financial statements and the audit report for the year ended 30th June 2015.

Having emerged from an economic slowdown which plunged Rwanda's GDP to a rate of 4.6% in 2013 as a result of the temporary aid suspension and bad weather, the Rwandan economy displayed continuing recovery during the past year. Indeed the real GDP grew by 7.2 % in 2014/15 against 5.1% in 2013/2014. Inflation has been kept low and relatively stable at 1.3% on average against 3.4% in 2013/2014. This was supported by accommodative monetary policy implemented by BNR since 2013 and BNR intervention in forex market.

The banking sector was regulated and supervised in line with international best practices. BNR continued to implement an accommodative monetary policy stance by maintaining the Key Repo rate at 6.5% since June 2014 which yielded positive results. During the period under review, credit to the private sector expanded by 27.5% compared to 14.1% registered the previous period, as liquidity conditions maintained their comfortable level and lending rates remained stable at 17.4% compared to 17.3% registered in the previous period.

With the guidance of the Board and the decisions taken in Financial Stability Committee quarterly meetings as well as prudential meetings with individual financial institutions, the asset quality of the industry improved with non-performing loan ratio (NPLs ratio) in banks and microfinance declining to 5.9% and 7.4% respectively as at end June 2015 compared to 6.6% and 7.6% recorded in June 2014; against a target of 5% set under BNR strategic plan.

For the year under review, the Bank implemented different projects geared towards improving its operations. Among them include: The cash automation processing project, BISMAT (T24, Enterprise Resource Planning, T-Insight and ARC-IB), Electronic Documents Management System (EDMS), usage of East African Payment System (EAPS) and Regional Payment Processing and Settlement System (REPPS). The BNR Enterprise Architecture was also developed to guide the bank in the technology to adopt and align with its vision and strategy.

In order to inform policy makers and public on monetary policy and general economic performance, the Bank held regular prudential meetings with banking and non-banking financial institutions, published the semi-annual monetary policy and financial stability statements, the annual financial stability report, the Biannual economic review, the Rwandan Banker, the 2013/2014 annual report, among others.

Going forward, BNR will continue strengthening the forward looking monetary policy and providing forecasts on key macro-economic indicators; strengthening supervisory framework of banking and non-banking financial institutions; developing capital markets; ICT and work environment modernisation and staff Development. These will facilitate the Bank to achieve its objectives, mission and vision.

On behalf of the Board, Management and staff of the Bank, I wish to acknowledge the role of all our stakeholders and partners including the Government of Rwanda, domestic and international partners for their contribution towards the Bank's achievements. I hope this report will be informative to the readers.

John RWANGOMBWA
Governor

EXECUTIVE SUMMARY

In the course of financial year (2014/2015), the National Bank of Rwanda (BNR) continued to conduct its policies in a dynamic and complex global economic environment.
In 2015, the world economy continued to develop at moderate pace with differences across countries and regions. The economic growth was slightly improving in advanced economies supported by the decline in energy prices, accommodative monetary policy and a recovery in domestic demand. The growth rate was decelerating in emerging and developing countries due to weakening activities in oil exporting countries, tighter financial conditions, political conflicts in different regions, weak global demand and tightening financial market conditions. But overall the world economy remained sustained, projected to grow by 3.3% in 2015 (IMF July estimates) lower than 3.5% projected in April 2015 due to setbacks in 2015Q1 particularly in the United States and Russia, and against 3.4% achieved in 2014.

Inflation remained subdued and well below Central Banks' targets in advanced economies, owing to weak economic activity and falling commodity prices especially energy prices. Consistently, those economies maintained an accommodative monetary policy to boost economic activities. In Sub-Saharan Africa, inflation maintained the same level at around 6% and was projected to slightly increase to 6.6% by end 2015 compared to 6.3% in 2014. Inflationary pressures eased in all EAC countries over most of the period under review before it slightly picked up from April 2015, partly owing to foreign exchange rates pass-through.

Despite the challenging global economic situation, the Rwandan economy performed well after recovering from a slowdown in 2013/14. Real GDP grew by 7.2% YoY in 2014/15 from 5.1% in 2013/14. The overall balance of payments slightly improved by USD 5 million from a deficit of USD 74 million in 2013/2014 to a deficit of USD 69 million, with reserves covering 4.02 months of imports at end of period, against a target of 4 months. Despite the depreciation of the FRW mainly due to the strengthening of US dollar, headline and core inflation remained low and relatively stable around 1.3% and 2.4% on average respectively. This stability was mainly attributed to good performance in agriculture, reduction in fuel prices, and coordination between monetary and fiscal policies.

With the low inflationary pressures, the Bank continued to implement an accommodative monetary policy stance by maintaining the policy rate at 6.5% since June 2014 which yielded positive results. During the period under review, credit to the private sector (outstanding) expanded by 27.5% compared to 14.1% registered the previous period, as liquidity conditions maintained their comfortable level. Money market (T-bills, repo and interbank) rates as well as deposit rates responded positively by declining to 4.05%, 2.01%, 4.03% and 8.2% on average compared to 5.60%, 3.70%, 5.70% and 8.5% in 2013/2014. However, lending rates remained stable at 17.4% compared to 17.3% registered in the previous period.

With regard to the exchange rate policy, the Bank kept a flexible exchange rate regime, intervening on the domestic foreign exchange market to ease excessive exchange rate volatility. As a result, the Rwandan franc depreciated by 5.4% against the US dollar in the fiscal year 2014/2015 compared to 6.2% in 2013/2014.

Over the period under review, the financial sector was stable, well capitalized, profitable and liquid. The banking sub-sector, with its FRW 2.0 trillion worth of assets, continued to dominate the system with 66.9% of the total financial sector assets. The pension, which accounted for 63.9% of the total assets for Non-Bank Financial Institutions (NBFIs), held 17.1% of the total financial sector assets whereas Insurances and Microfinance Institutions held 9.7% and 6.3% respectively.The balance sheets of financial institutions were strong with assets grown by 13.15% for banks, 27.2% for Microfinance (including Umurenge SACCOs), 32% in Umurenge SACCOs, 11% for Insurance and 13% for Pension sector (exluding private schemes) over the period. The asset quality of the industry improved with non-performing loan ratio (NPLs ratio) in banks and Microfinance declining to 5.9% and 7.4% respectively as at end June 2015 compared to 6.6% and 7.6% recorded in June 2014. However, Umurenge SACCOs NPLs deteriorated to 8.2% from 7.0% mainly due to weak enforcement of credit policies by competent SACCO organs.

Regarding the payment systems, the Bank implemented a new core banking system (T24) thus enhancing the Rwanda Integrated Payments Processing System (RIPPS) and paving the way to internet banking solution for BNR clients. Since 2011, RIPPS allows automatic gross settlements in real time as well as automatic cheque clearing. It also holds a central depository of dematerialized securities. The number of securities traded on the CSD increased by 89% to 162,295,781 at end June 2015. RIPPS was successfully linked to EAPS (East Africa Payment System) with 132 transactions settled by end of the reporting period. Other ongoing improvements on the RIPPS included cheque truncation system.

Retail payment system has also improved; the issuance of international payment card namely MasterCard has been introduced, while acquiring of Union Pay International cards was enabled on seven banks' ATMs. Mobile financial services (MFS) and internet banking services also registered tremendous development, with the number of subscribers and transactions growing by 76.7% (to 6.7 million subscribers by end June 2015) and 163% (to 209 million transactions by end June 2015) for mobile payments and by 37.6% (to 770,000 subscribers by end June 2015) and 132.6% (to 8.3 million transactions by end June 2015) for mobile banking. Positive strides were made in interoperability whereby 97% of the Smartcards market operated at all POS in the country while Visa cards were accepted at all POS.

During the period under review, the Bank pursued its modernisation with currency processing automation whereby it started the process by implementation of modern and high speed cash processing machines. The Bank also implemented the second generation of Portfolio

Analytics Tools (PAT2), reserves management software capable of generating SWIFT messages and fully interfaced with the core banking system (T24).

To ensure human resource management enhancement, the Bank implemented workload analysis recommendations by establishing a new organizational structure, performance management policy, new staff rules, career progression, and medical policy.

In 2014/15, the Bank realized a net profit of FRW 1.6 billion, excluding foreign exchange revaluation gain amounting to FRW 14.3 billion. This was a good performance, compared to the previous period where the Bank registered a loss of FRW 210 million (excluding foreign exchange revaluation gains worth FRW 31.65 billion). The BNR received unqualified (clean) external audit report for the financial year ended June 2015.

Going forward, BNR will continue to strengthen the forward looking monetary policy making framework and provide forecasts on key macro-economic indicators; continue strengthening supervisory framework of banking and non-banking financial institutions; further develop capital markets; polish started projects in ICT, work environment modernisation and staff Development; align with EAMU road map; strengthen the partnership with relevant regional and international organizations as well as develop strong and effective Enterprise Wide Risk Management.These will act as building blocks for the Bank to achieve its objectives, missions and vision to become a world class central bank.

CHAPTER I: THE BANK'S MAIN ACHIEVEMENTS AND HOW THEY WERE DELIVERED

In 2014/2015, the National Bank of Rwanda stayed its course to become a World Class Central Bank. In order to achieve its mission of price and financial stability, the National Bank of Rwanda implemented policies and strategies as outlined in its five-year strategic plan. The main achievements are hereby reported following the 5 pillars of the strategic plan; guided by its vision and mission.

VISION: To become a World-Class Central Bank

MISSION: To ensure Price Stability and a Sound Financial System

CORE VALUES: Integrity, Accountability, Mutual respect and team work, Efficiency and Effectiveness

STRATEGIC PILLARS:

-Price Stability,
-Financial system stability and inclusion,
-Foreign Reserves Management,
-Payment Systems and Currency Management,
-Institutional Development

1.1 Main deliverables for the FY 2014/2015

1.1.1 Price Stability

The main objective under this pillar is to keep inflation at single digit with a stable exchange rate. Working on the general guidance from the Board as well as decisions taken at Monetary Policy Committee quarterly meetings and monitored in Monetary Policy Implementation Committee weekly meetings, the Bank performed the following:

- Supervised movements in monetary base and market liquidity on daily basis in line with the targets set in the macroframework, and performed the related econometric modelling;
- Carried out nine (9) researches aimed at strengthening forward looking monetary policy as a pre-condition to inflation targeting and keeping inflation at a single digit as the Bank's main objective;

- Conducted regular economic analysis and cash flow forecasting, in coordination with the Ministry of Finance and Economic Planning through the Treasury Management Committee and Debt Management Committee;
- Maintained the key repo rate at 6.5%, an accommodative stance that was reflected in the behaviour of money market rates and deposit rates (decline);
- Ensured low and stable inflation rate where headline inflation stood at 1.3% on average by June, 2015 and core inflation was at 2.4%;
- Managed to keep the stability in foreign exchange market, with a moderate depreciation of 5.4% in times where many comparable markets saw their depreciation rates in two-digit numbers;
- Anchored expectations of economic agents through information sharing, including Governor's Monetary Policy and Financial Stability Statement made in August 2014 February 2015 as well as other channels such as press conferences and publications including the Rwandan banker among others ;
- Contributed to economic growth through the financing of the economy, thereby improving GDP growth rate by 1.3 percentage points from 6.0% in 2013/2014 to 7.3% in 2014/2015.

1.1.2 Financial System Stability

The main objective for this pillar is to promote financial sector stability with NPLs not exceeding 5% and increase financial inclusion to 80%. Again with the guidance of the Board and the decisions taken in Financial Stability Committee quarterly meetings as well as prudential meetings with individual financial institutions, the Bank performed the following in the area of supervision and sector development:

- Supervised eleven commercial banks, four microfinance banks, one development bank, one cooperative bank, 493 microfinance insitutions including 416 Umurenge SACCOs, 8 non-life insurers, 4 life insurers, 2 public medical insurers, 1 public pension/social security fund, 2 payment system operators, 13 payment service providers including 3 MNOs and 9 remittence companies, 1 credit reference bureau and their agents/service providers;
- Strengthened supervisory approaches and tools, conducted stress testing simulations, conducted quarterly prudential meetings for the banks, conducted onsite inspections, strengthened compliance and customer satisfaction, adopted supervisory framework for MFIs and SACCOs and conducted on and off site surveillance to ensure NBFIs stability;
- Ensured the rate of non performing loans (NPLs) declined to 5.9% for banks and 7.4% for microfinance against a target of 5% set by the strategic plan;
- Drafted regulations implementing the new Pension Law published in the official gazette in May 2015;
- Started reforms geared at streamlining the foreign exchange bureau business;
- Initiated the second Finscope Survey with an intention to measure progress in formal financial services. Findings of the survey are expected in the first quarter of 2016;

The National Bank of Rwanda (BNR) was awarded the Alliance for Financial Inclusion (AFI) Policy Award in recognition of its innovative and impactful financial inclusion policies.

1.1.3 Foreign Reserves Management

This function gets guidance from the Board and is monitored by the Reserves Management Committee in its monthly meetings. The target for the Bank in this pillar is to manage foreign reserves more efficiently and effectively in order to ensure at least 4 months of import cover with a benchmark on return of 0.5% annually. Currently, the National Bank of Rwanda holds foreign exchange reserves in order to cover foreign exchange needs and external obligations, to support monetary and exchange rate management policies; limit external vulnerability and absorb shocks during times of crises. The Bank has managed its reserves by adherence to the three investment principles of Capital preservation, liquidity and reasonable income generation, in respective order of priority. The actual status of Gross Reserves as at June, 2015 was 885.71 Million USD covering 4.02 months against 4 months targeted in 2018/19. Over the period, the Bank returned 0.73% on average on investment of the reserves against the benchmark of 0.5% set by the strategic plan.

To enhance its reserves management operations, the Bank has implemented the second generation of Portfolio Analytics Tools (PAT2), reserves management software built on an ORACLE database and with interfacing capabilities. This software is being interfaced with the core banking (T24) and has SWIFT messages generation capabilities.

1.1.4 Payment systems and Currency Management

The main objective for this pillar is to ensure an effective and efficient national payment system with full automation of currency processing. With the aim of automating all business processes, the Bank implemented the BISMAT project phase one that comprised of T24 core banking and Enterprise Resource Planning (ERP). The phase two of the same project which consists of T-insight went live in May 2015 and is operational while ARC-IB (internet banking) will go live in October 2015.

The Bank monitored banknotes circulation and issued new banknotes of RWF 5000 and RWF2000 to keep the green house stock at acceptable level and took that opportunity to enhance the security features of the old versions.

The cash automation processing project was implemented and is operational since September 2015. The Bank also improved on the quality of external payment services and settlements process, monitored and managed RIPPS system, kept settlements and securities safe, where 1671 CSD accounts were opened.

The Bank promoted the usage of EAPS and REPSS, enhanced oversight framework to ensure safe, efficient payment, settlement system and usage of e-payments with the following outcomes:

- Licensed two cross border mobile networks;
- Diversified into new mobile financial services including Pull and Push, tax payment, bill payment and fuel buying on mobile;
- Card interoperability increased with 97% Smartcash cards accepted on POS (joining initial Visa cards accepted 100% at all POS);
- Petrol stations accepting cards and mobile money; etc.

1.1.5 Institutional Development

The main objective for the BNR in regard to institutional development is to modernize internal support systems and provide adequate resources to attain the core mandate of the Bank. This was looked at from two main angles, namely ICT modernization as well as Human Resource and capacity development.

To start with ICT modernization has been thought as a key enabler to business success, and an indispensable means to achieving BNR vision and mission. From 2009 to now, several systems have been implemented and are now operational including Rwanda Integrated Payment processing system (RIPPS), T24 core banking system, and Enterprise Resource planning. During the period of 2014/2015, BNR continued its IT modernization and below are some key achievements:

The BISMAT project phase I was concerned with the implementation of T24 Core Banking system for core business operations and Enterprise Resources Planning (ERP) to assist in bank administration processes. Both systems have been successfully implemented in 2014 and the financial year 2014-2015 emphasis was put on stabilizing them and starting BISMAT phase II which concerns Internet Banking and T- Insight projects implementation.

BNR T-Insight (Business Intelligence) system is initially used to collect, analyze and provide reports from T24 system. It will later be integrated with other systems like ERP, Fina, and Banknet. BNR T-Insight went live on 30/04/2015 and is now operational.

The internet banking solution named ARC-IB is ongoing and expected to give access BNR’s accounts holder ability to initiate transactions such as inter-account transfers, outwards RIPPS transactions or consulting account information from their respective desk’s office. This will affect the management of all Government accounts on daily basis. The implementation of this project is at its final phases and expected to go live end October 2015.

Electronic Documents Management System was also initiated in the Bank. To move from paper work to paperless, BNR has implemented an EDMS system which provides support for case management, collaborative and ad-hoc processes, structured processes, document management, records management and imaging optimized for web based applications.
EDMS went live on 20th November, 2014 with four main modules: Incoming mail, outgoing mail, internal Memo and Transport request.

The four implemented modules have significantly changed the existing manual work processes towards a paperless work environment.

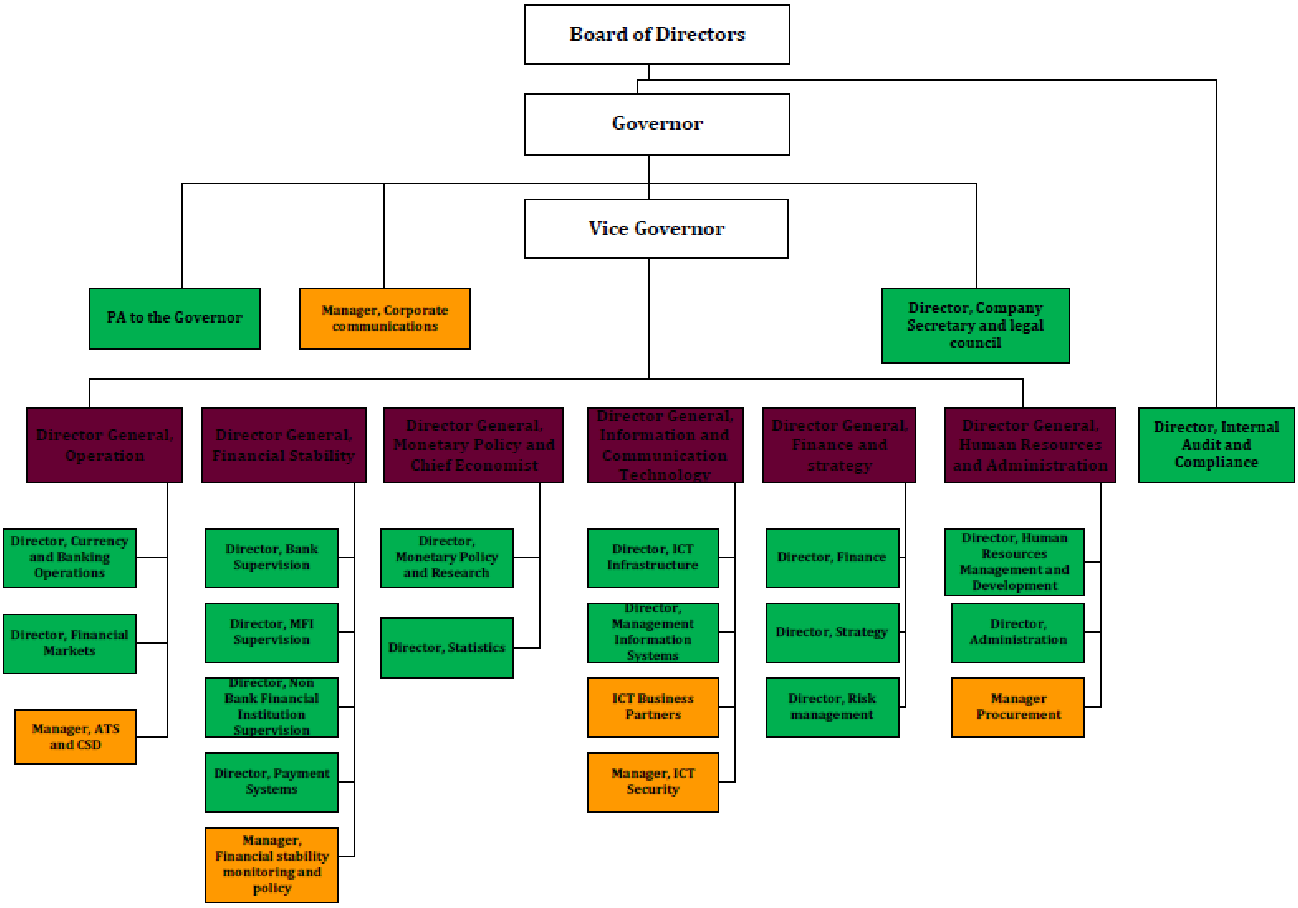
The BNR Enterprise Architecture was developed to guide the bank in the technology to adopt and align with its vision and strategy. This guides the bank about when and how to invest in IT systems and results into an efficient way of implementing IT systems while enabling BNR to achieve the right balance between IT efficiency and business innovation. The project started in October 2014 and was completed in July 2015.

The Bank also initiated new projects: Network Upgrade, Swift Upgrade, Disaster Recovery Solution and Enterprise Data Ware House. These projects aim at achieving reliable ICT systems and institutional development and will be implemented during the next financial year 2015/16.

Under human resource development; workload analysis recommendations were implemented by establishing a new organizational structure, followed by the staff placement and a revised salary structure focused on reducing existing challenges as distortions.

Below is the BNR new structure as at June 2015:

BNR ORGANIZATION STRUCTURE



The performance management was improved to promote a culture of Excellency as a major ingredient for innovation. In the year under review, Ninety four (94) members of staff were trained in various business areas, and others have undertaken professional courses. By the end of this reporting period, a new business plan and budget were developed aligned to the Bank's MTEF and the strategic plan.

1.2 Governance Structures

This section highlights key structures that were behind the implementation of BNR's activities during the FY 2014/2015.

1.2.1 The Board and Board committee

As provided by BNR Law no.55/2007 of 30/11/2007, the Bank is managed by the Board of Directors composed of two executive members (Governor and Vice Governor) and four non-executive members appointed by the Prime Minister's Order (Draft law was tabled to harmonise this provision with Constitution that states that members shall be appointed by a Presidential Order). According to the BNR Law, the four non-executive members are chosen among personalities with competence and wide experience in the monetary, financial and economic fields.

The Board is chaired by the Governor with the Vice Governor as Deputy Chairperson.
During the Financial Year 2014/15, the Board of Directors of BNR held four ordinary meetings and two extra-ordinary meetings.

During the year under review, the Board of Directors adopted the following key decisions and directions:

- The Board continuously reviewed developments in the monetary and financial stability areas, providing necessary guidance where called for.
- The Board approved the new BNR Staff Rules in February 2015
- The Board approved the new BNR Grading and Salary Structure
- The Board approved the new BNR Medical Scheme
- The Board analyzed and responded to the BNR ex staff appeals addressed to it
- The Board approved the draft new Insurance Law and forwarded it to the Ministry of Finance and Economic Planning to be tabled before Cabinet
- The Board approved the new BNR Staff Career and new Performance Management Frameworks.
- The Board approved the following regulations:
    - ✓ Regulation on Foreign Exchange Exposure Limits.
    - ✓ Regulation on Foreign exchange Operations.
    - ✓ Regulation on Bouncing Cheque.
    - ✓ Regulation on administrative sanctions to the operators of payment and securities settlement systems and payment services providers.
    - ✓ Regulation implementing the Law Governing Credit Information System.
- The Board approved the following Policies:
    - ✓ The BNR new Policy on Insurance and Pension Schemes.
    - ✓ The BNR Project Management Policy
    - ✓ The BNR new Transport Policy
    - ✓ The Bank ICT Policy
    - ✓ The BNR new Investment Policy

The following are BNR Board members:

Mr.RWANGOMBWA John
Board Chairman

Dr. NSANZABAGANWA Monique
Board Vice Chairperson

Ms. HABIYAKARE Chantal
Board member

Dr. BIZOZA Alfred
Board member

Mr. RUGWABIZA MINEGA Leonard
Board member

Ms. KYANTENGWA Lillian
Board member

Audit and Risk Board Committee

During the year 2014 -2015, the Audit and Risk Board Committee was met 4 times during this reporting period. They reviewed internal audit reports in order to assess the adequacy and appropriateness of internal control systems. A high focus was put on ICT modernization to see eventual challenges and necessary advises were provided for the well-functioning of new systems. The committee also paid increased attention to the preparation and review of the financial statements for the year 2014/15 towards the clean audit report.

Human Resources Management Board Committee

During the year under review, the Human Resources Board Committee conducted four ordinary meetings with 100% attendance of the committee members. The Committee mainly focused its efforts on concluding HR reforms that the bank had started one year back which included restructuring of the bank, reviewing HR policies so as to meet world class human resources, which is one of the key long term priorities of the Bank.

Taking from the high level and long term strategic goals of the bank, human capital development being one of them, the Board committee specifically guided formulation of new HR policies including Career Management Framework and Performance Management Policies. The Committee also reviewed with ultimate approval of the newly reviewed policies on general staff rules, staff remunerations, job grading, and welfare.

The HR Board committee also worked on recommendations to the full Board regarding closure of former staff claims that had emerged due to job suppression with eventual staff termination. The Committee also supervised recruitments of senior positions in the Bank as one of its core functions.

Strategy and IT Board Committee

Strategy and IT Board Committee was established in October 2014 and met 3 times since its creation up to June 2015 to review and give both technical and strategic inputs and recommendations regarding working documents in the fields of ICT and Strategy.

For the first time, this board committee guided the development of the annual business plan, budget and Medium Term Expenditure Frame Work (MTEF). These working documents were aligned to the strategic plan. It is against this background that the board committee accomplished reviewing and improving among others the following before Board's Approval:

- ✓ The Annual Business Plan and Budget for 2015/16 and MTEF 2015-19.
- ✓ Project Management Draft Policy and Procedure
- ✓ ICT Draft Policy

1.2.2 Policy Committees

BNR has two policy committees, namely the Monetary Policy Committee and the Financial Stability Committee.

Monetary Policy Committee (MPC)

The Bank's Monetary Policy Committee (MPC) is responsible for the formulation of the monetary policy stance. The MPC meets on quarterly basis and when it is deemed necessary.

During the fiscal year 2014/2015, the Monetary Policy Committee (MPC) met 4 times to decide on the policy stance in line with economic and financial developments in domestic, regional and international environment. Consistent with the developments in inflation drivers and banking system liquidity, the MPC decided to maintain Key Repo Rate at 6.5% over the whole fiscal year to further stimulate the financing of the economy by the banking sector. The MPC continued to ensure market driven exchange rate, intervening on the domestic foreign exchange market to smoothen excessive volatility.

The Bank's commitment to transparent monetary policy has resulted in several initiatives to improve the communication of its policies to the public. At the conclusion of every MPC meeting, a press release was issued through and a press conference by the Governor of the Bank explaining the reasons for the MPC's policy stance.

Financial Stability Committee

In Financial year 2014/15, the financial stability Committee (FSC) held its regular quarterly meetings to discuss key development in financial sector, and to take measures on any potential risks underlying the sector. Overall, the FSC noted that in FY 2014/15, Rwandan financial system remained robust and stable. After observing that lending rates remained high due to high operating costs, the FSC decided to regularly engage financial institutions on overhead cost management.

The FSC also held a strong stance on consumer protection (financial service consumers). The committee expressed the need for full disclosure of credit information and actual cost of credit. Due to this stance in FY2014/15, the Bank started strengthening its financial consumer protection regulatory framework and the related regulations are at final stages.

1.2.3 Internal Management Committees

Management Committee

Management Committee is one of the Bank's organs in charge of daily management of the Bank. It holds meetings on a weekly basis and is composed of the Management (Governor and Vice Governor), Directors General, Directors and some managers with special assignments.

It is an important organ of the Bank which is in charge of overseeing the implementation of the strategic policies and documents such as Bank Strategic Plan, Business Plan, Board decisions, MPC and MPIC decisions.

In the reporting period, the Management Committee had 28 meetings and took 135 decisions and 85% of them were implemented.

For the proper flow of information, self-assessment and planning, in May 2015 an Annual Management Committee retreat was organized in Rubavu District, Western Province.

Reserves Management Committee

The Reserves Management Committee has the mission to oversee the management of the reserves by installing an operational framework governing the reserves management activities; and the formulation of technical and operational recommendations in matter of the reserves management.

Despite the challenging low yield and volatile environment, the Committee ensured the preservation of the capital and liquidity, and the strict observance of the Reserves Management Policy and Guidelines, while seeking for reasonable returns. During the period under review, the Committee assessed the relevance of the Strategic Assets Allocation and recommended to maintain it to 55% invested in Bonds and 45% invested in cash, without increasing the risk appetite and taking additional risk. The Committee also recommended the inclusion of a limited exposure to the Chinese currency (Renminbi) given the growing importance of that currency as a trade and reserve currency globally. The Committee revised, and recommended to the Board for approval, the Reserves Management Policy and Guidelines in order to accommodate market trends and the changes recommended by external auditors.

ICT Steering Committee

The IT Steering Committee is one of the Committees of the Bank. It is responsible for matters pertaining to IT Strategies, IT Resources, IT investments, and monitoring of IT projects to ensure that the Bank is well supported with robust and sound IT systems while managing their related risks.

The IT Steering committee meetings are convened once every quarter and delegates to the steering committees of the ongoing IT projects for closer monitoring and taking of actions required in shorter periods before the committee convines.

Some of the major Strategic directives made by the IT steering Committee and whose objectives are either realized or on course of implementation include; the Internet Banking aimed at providing all Government Institutions with online banking services, Swift upgrade with modules for transaction monitoring and anti-money Laundering across the whole banking sector, development of a reliable Business Continuity and Disaster recovery site, Video Conferencing to support inter institutional and international meetings, and Network upgrade to accommodate emerging technologies.

Monetary Policy Implementation Committee (MPIC)

The Monetary Policy Implementation Committee is responsible for the implementation of the MPC decisions. Moreover, it also has to monitor developments in the domestic, regional and international economic environment and advise on policy actions and measures to contain any inflationary pressures. The committee meets every Friday.

In the financial year 2014/2015, the MPIC was convened on a weekly basis with the main focus on quantitative targets set in the monetary program under the Policy Support Instrument (PSI) between the Government of Rwanda and the International Monetary Fund (IMF). All quantitative monetary targets on Reserve Money and Net Foreign Assets were met.

CHAPTER II: ECONOMIC PERFORMANCE AND STABILITY

2.1 GLOBAL ECONOMIC DEVELOPMENTS

In 2015, the world economy continued to develop at moderate pace with differences across countries and regions. The economic growth was slightly improving in advanced economies supported by the decline in energy prices, accommodative monetary policy and a recovery in domestic demand. Though sustained in general, the economic growth was decelerating in emerging and developing countries due to weakening activities in oil exporting countries, tighter financial conditions, political conflicts in different regions, weak global demand and tightening financial market conditions.

In July 2015, IMF revised down the world economic growth projection to 3.3% in 2015 lower than 3.5% projected in April 2015 and against 3.4% achieved in 2014 due to setbacks in 2015Q1 particularly in the United States, Russia and Brazil.

Therefore, global trade momentum remained weak but survey indicators suggested a gradual improvement by end 2015. Inflation remained subdued and well below Central Bank targets in advanced economies owing to weak economic activity and falling commodity prices especially energy prices. Consistently, monetary policy remained accommodative to boost economic activities in advanced economies.

2.1.1 Economic Growth and Outlook

Global economy growth continued to face significant challenges with recovery process remaining uneven among economies. As mentioned, in July 2015, IMF revised down the world GDP growth forecast at 3.3% in 2015 lower than 3.5% projected in April 2015 and 3.4% achieved in 2014 and 2013. In advanced economies, growth was revised to 2.1% compared to 2.4% previously forecasted and compared to 1.8% recorded in 2014.

Table 1 : World Economic growth developments (annual real growth rate)

	2010	2011	2012	2013	2014	2015
World	**5.4**	**4.2**	**3.4**	**3.4**	**3.4**	**3.3**
Advanced Economies	**3.1**	**1.7**	**1.2**	**1.4**	**1.8**	**2.1**
- United-States	2.5	1.6	2.3	2.2	2.4	2.5
- Japan	4.7	-0.5	1.8	1.6	-0.1	0.8
- Euro Zone	2.0	1.6	-0.8	-0.4	0.8	1.5
- United Kingdom	1.7	1.1	0.3	1.7	2.9	2.4
Emerging and Developing	**7.4**	**6.2**	**5.2**	**5.0**	**4.6**	**4.2**
Sub-Saharan Africa	6.7	5.0	4.2	5.2	5.0	4.4
-Nigeria	10.0	4.9	4.3	5.4	6.3	4.5
-South Africa	3.0	3.2	2.2	2.2	1.5	2.0
Asia	9.6	7.7	6.8	7.0	6.8	6.6
-China	10.4	9.3	7.8	7.7	7.4	6.8
-India	10.3	6.6	5.1	6.9	7.3	7.5

Source*:* IMF, World Economic Outlook, April 2015 and July 2015.

In the United States, the 2015Q1 weak economic growth was due to reported harsh weather and port closures; energy related investment cuts and a stronger USD which was impacting the export sector. These factors behind the US economic setback were short lived and American economy increased by 2.3% in 2015Q2. Solid labor market, accommodative financial conditions and lower energy prices were likely to continue supporting the economic recovery. Due to poor performance in 2015Q1, the US GDP growth forecast in 2015 was revised down to 2.5% from 3.1% previously expected against 2.4% in 2014.

In Euro zone, the economy was gradually improving, thanks to easing monetary policy by ECB, weakening euro currency, improving confidence among businesses and consumers as well as continued falling oil prices. GDP growth increased by 1.2% in 2015Q2 against 1.0% in 2015Q1 and would improve further to 1.5% on average by end 2015 after 0.8% in 2014. Nevertheless, the Eurozone was still facing downside risks related to Greek impasse, fragilities in the banking system and high unemployment rate.

Supported by housing investment and private consumption, the Japanese economy grew by 4.5% in 2015Q1 after a recovery by 1.4% in 2014Q4 from two quarters of recession following April 2014 tax hike. However, due to a decline in exports and consumer spending, the economic activity declined by 1.6% in the second quarter 2015 and foreseen to average 0.8% by end 2015 after a contraction of 0.1% in 2014.

While decelerating, growth in emerging and developing economies remained sustained. The real GDP was projected to decelerate to 4.2% in 2015 against initial forecast of 4.3% and 4.6% achieved in 2014.

In Asia, the economy remained robust with growth expected to stand at 6.6% by end 2015 after 6.8% in 2014 driven by India and China despite the slowdown in the latter. Chinese economy rose by 7.0% in 2015Q2, the same level as in 2015Q1 and against 6.8% previously expected. Due to weak demand, the appreciation of the Renmibi, increased wage cost and following adjustments in sectors with excess capacity of production, Chinese economic growth was projected to decelerate to 6.8% in 2015 against 7.4% achieved in 2014.

In Sub-Saharan Africa, the economy was expected to slow to 4.4% in 2015 from 5% in 2014 due to waning terms of trade, conflicts and epidemic diseases. Growth in oil exporting countries has been revised downward while it was almost unchanged in oil importers where favorable oil effect is offset by lower prices of their commodity exports. For instance, in Nigeria, the real GDP growth was expected to slow down to 4.5% in 2015 against 4.8% initially projected and 6.3% recorded in 2014 while the South African economy was projected to improve by 2.0% as initially projected after an increase of 1.5% the previous year.

2.1.2 Inflation

Inflation remained subdued and well below Central Banks targets in advanced economies owing to weak economic activity and falling commodity prices especially energy prices. By end 2015, inflation in developed countries was expected at 0.0% against 1.4% in 2014.

In Eurozone, inflation slightly increased in the second quarter 2015 to 0.2% from -0.3% in 2015Q1 following a recent increase in the underlying inflation and the euro depreciation pass-through.

Table 2 : Inflation in major economies (% p. a)

	2013	2014	2015						2014	2015proj
	Jun.	Jun.	Jan.	Feb.	Mar.	Apr.	May	Jun.		
USA	1.8	2.1	-0.1	0.0	-0.1	-0.2	0.0	0.1	2.0	2.1
Euro Area	1.6	0.5	-0.6	-0.3	-0.1	0.0	0.4	0.2	0.5	0.9
Japan	0.2	3.6	2.4	2.2	2.3	0.6	0.5	0.4	2.7	2.0
United Kingdom	2.9	1.9	0.3	0.0	0.0	-0.1	0.1	0.0	1.5	0.1
China	2.6	2.4	0.8	1.4	1.4	1.5	1.2	1.4	3.0	3.0

Source: EUROSTAT, Countries bureaus/office of statistics

In USA, inflation lowered to 0.1% in June 2015 from 2.1% in June 2014 on the back of declining oil prices and the dollar appreciation. In Japan, annual inflation reduced to 0.4% in June 2015 from 3.6% in June 2014 due to weaker demand. In Sub-Saharan Africa, inflation was expected at 6.6% by end 2015 from 6.3% in 2014.

2.1.3. World trade

The global trade growth remained weak in line with the sluggish world production growth and following weak consumer demand and declining commodity prices. The trade volume as measured by the average exports and imports of merchandise increased modestly by 0.7% in 2015Q1 lower than in the previous two quarters. World exports of merchandise rose by 0.4% in 2015Q1 lower than 2.1% achieved in 2014Q4 while imports increased by 0.9% after an increase of 1.5% in the previous quarter.

This moderate trade growth mirrored the slowdown in the pace of demand for both imports and exports in developed as well as in emerging and developing economies. In 2015Q1, imports and exports increased by 0.6% and 1.5% respectively in in emerging and developing countries. In developed countries, imports went up by 1.3% in 2015Q1 while their exports contracted by 0.5% mainly due to a 4.5% decline in US exports.

Table 3 : World trade developments (annual percent change)

	2010	2011	2012	2013	2014	2015 proj
Trade in volume	**12.6**	**6.7**	**2.9**	**3.3**	**3.2**	**4.1**
Exports (goods & services)						
Advanced Economies	12.3	6.3	2.0	3.1	3.3	3.2
Emerging markets and developing countries	13.6	7.4	4.4	4.6	3.4	5.3
Imports (goods and services)						
Advanced Economies	11.7	5.5	0.9	2.1	3.3	4.5
Emerging markets and developing countries	14.1	9.8	6.0	5.2	3.4	3.6
Terms of trade						
Advanced Economies	-0.9	-1.7	-0.6	0.9	0.2	-0.2
Emerging markets and developing countries	2.0	3.6	0.7	-0.3	-0.6	-3.7
World price in dollars						
Manufactured products	2.3	6.0	0.4	-1.1	-0.2	-0.5
Oil	27.9	31.6	1.0	-0.9	-7.5	-38.8
Non-petroleum products	26.5	17.9	-10.0	-1.2	-4.0	-15.6
Food	11.9	19.9	-2.4	1.1	-4.2	-15.8
Beverages	14.1	16.6	-18.6	-11.9	20.7	-9.7
Agricultural raw materials	33.2	22.7	-12.7	1.6	1.9	-6.8
Metals	48.2	13.5	-16.8	-4.3	-10.3	-16.6

Source: IMF, World Economic Outlook, April and July 2015

Survey indicators suggest a gradual improvement in global trade volume projected to increase by 4.1% in 2015 against 3.2% recorded in 2014. Positive outlook in the United States for the remainder of the year and improving economic prospects in the European Union are likely to support the trade growth although terms of trade are expected to continue to deteriorate for both advanced and emerging & developing economies. In advanced economies, imports of goods and services are projected to increase by 4.5% against 3.3% in 2014 and exports growth would decelerate to 3.2% against 3.3% in 2014. In emerging and developing economies, imports are projected to increase by 3.6% and exports by 5.3% against an increase of 3.4% for both of them in 2014. Terms of trade would decline on average by 0.2% in advanced economies and by 3.7% in emerging and developing economies against 0.2% and -0.6% respectively in 2014.

On commodity markets, for the fourth straight year, prices continued to decline further in 2015 reflecting abundant supply, weak global demand and strong US dollar. In 2014, overall commodity price index fell by 6.2%, oil prices by 7.5% and non-fuel commodities by 4.0% against a decline of 1.5%, 0.9% and 1.2% respectively in 2013.

Between June 2014 and June 2015, oil prices fell by 43.4% due to ample supply and strong US dollar. Brent price dropped by 44.3% standing at USD 62.34/barrel in June 2015 from USD 111.87/barrel in June 2014. On quarterly basis, after a drop of 30.9% in 2015Q1, oil prices rose by 17.2% in 2015Q2 due to improved global demand, expectations that oil production growth in USA will slow faster than initially projected and geopolitical tensions in oil producing countries.

According to IMF forecasts, oil prices are projected to fall by 38.8% on average in 2015 after a decline of 7.5% in 2014 due to a weak global demand together with abundant oil supply following the increased OPEC production and shale oil production in North America.

For non-energy commodities, prices fell on annual basis by 14.3% in June 2015 against a decline of 2.7% in June 2014. Prices dropped by 16.6% for metals and minerals and by 14.2% for agricultural commodities while it rose by 1.6% for fertilizers. On average, metals prices are projected to fall by 21.0% in 2015 because of slowing demand in China together with increased supply for most of metals. Coffee prices will drop by 25.3% for Arabica and by 15.2% for Robusta mainly reflecting improved supply conditions for Arabica coffee in Brazil.

Tea prices are expected to increase by 34.8% on average by end 2015 due to dry weather conditions in Kenya, the third global tea producing country over the period 1993 - 2013.

2.1.4. Financial Markets

In 2014/2015, monetary policy in developed countries remained accommodative to boost economic activities. Central bank rates were kept unchanged at 0.25% in USA, 0.5% in UK and 0.10% in Japan. However, US monetary policy stance is expected to be tightened as US economy is gaining momentum. The Fed ended its assets buying with October 2014 and intends to increase its fund rate by September 2015. The Bank of Japan is pursuing a quantitative monetary easing to achieve and maintain the inflation target of 2%. In the Euro area, faced with the background of deflationary pressures and low economic recovery, the ECB reduced its fund rate twice in 2014 and its deposit facility to negative rates to deter bank deposits and drive up the economy. On June 5th 2014, the ECB reduced its key policy rate from 0.250% to 0.150% and revised down its deposit facility to -0.1% with the aim to drive up the economy. On 4 September 2014, the policy rate was further reduced to 0.05% and the deposit facility to -0.2%. In January 2015, the ECB set up additional range of unconventional monetary policy stimulus including targeted longer-term refinancing operations and future outright purchases of assets-backed securities among others to inflate the economy.

10-year government bond yields have been declining in the beginning of the year 2015 in advanced economies due to geopolitical tensions as well as uncertainties about global economic growth. Since April 2015, 10-year government bond rates rose as traders around the world have been selling off government bonds bringing down bond prices and, in turn, driving up the 10-year bond yield. 10-year bond rates are expected to rise further, as the Eurozone economy is gaining momentum and the US economy improving after 2015Q1 economic slowdown.

Table 4 : 10-year Government Bond rate (% p.a)

	Mar.14	Jun.14	Sept.14	Dec.14	Jan.15	Feb.15	Mar.15	Apr.15	May	Jun.
USA	2.718	2.5304	2.4888	2.1712	1.6407	1.993	1.9231	2.0317	2.1214	2.3549
Euro zone	1.566	1.245	0.947	0.541	0.302	0.328	0.180	0.366	0.487	0.764
Japan	0.642	0.566	0.531	0.329	0.278	0.335	0.405	0.342	0.394	0.465
UK	2.736	2.670	2.425	1.756	1.330	1.796	1.576	1.834	1.813	2.024

Source: Bloomberg database

On the foreign exchange markets, the dollar remained strong in 2015 supported by the strength of US economy, higher US 10-year government bond yield which made US government security more attractive for foreign investors. Compared to end June 2014, in June 2015, the dollar gained 8.9% against the Pound, 22.9% against the Euro and 20.9% against the Yen.

2.1.5. EAC Member Countries

In EAC, the Rwandan economy rebounded to 7.2% in 201/15 from 5.1% in 2013/14 on the back of good performance in all sectors of the economy while economic growth was around the previous levels elsewhere in the region. In Burundi, real GDP growth was stable at 4.7% in 2014 as in 2013, mainly supported by a rebound in coffee production, a strong construction sector, and implementation of major infrastructure projects.

Kenyan economy rose by 5.6% in 2014 against 5.7% in 2013 with poor performance in agriculture, forestry and fishing sector reflecting insufficient rains in some parts of the country and a decline in accommodation and food service activities. In Tanzania, supported mostly by increased crop production following good weather conditions, increased construction activities, wholesale and retail trade, transport and storage, as well as manufacturing; real GDP growth remained strong in 2014, at 7.2% though lower than 7.3% recorded in 2013. In Uganda, real GDP increased to 5.2% in 2014 from 5.7% recorded in 2013. This slowdown was largely due to weak private consumption, weak investment as well as decline in regional trade.

Looking ahead, regional macroeconomic conditions are expected to remain stable apart from the Burundian economy that is facing downward risk. In 2015, Kenyan economy growth is projected at 6.9% from 5.6% recoded in 2014 helped by developments on the global arena and in the East African region which are expected to be reflected in the demand for exports of goods and service while Ugandan and Tanzanian economies are expected to grow by 5.4% and 7.2% respectively; the levels around last year performance.

In Uganda, growth will be supported by a fast tracking of delayed infrastructure projects. Recovery in private consumption, which was anticipated to also boost growth, may be dampened by a further tightening of monetary policy following sustained pickup in inflation driven by significant exchange rate depreciation. Kenyan economy will benefit from developments in the global arena and in the East African region that are likely to be reflected in the demand for exports of goods and services.

Table 5 : Economic growth developments in EAC countries (in %)

	2012	2013	2014	2015 Proj.
Sub-Saharan Africa	5.1	5.2	5.0	4.4
Burundi	4.2	4.7	4.7	4.8
Kenya	4.6	5.7	5.6	6.9
Rwanda	8.0	4.7	7.0	6.5
Tanzania	6.9	7.3	7.2	7.2
Uganda	5.8	5.7	5.2	5.4

Source: EAC Central Banks and IMF WECO, April, 2015.

Regional inflation has been moderate but increasing during the second half of 2015 due to high depreciation of regional currencies against the US dollar and partly to seasonal factors that affect food production.

Table 6 : Inflation in EAC countries (in % p.a)

	2013	2014			2015					
	Dec	**Jun**	**Sep**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**
Uganda	6.7	4.9	1.4	1.8	1.3	1.6	1.9	3.6	4.9	4.9
Kenya	7.2	7.4	6.6	6.0	5.5	5.6	6.3	7.1	6.9	7.0
Tanzania	5.6	6.4	6.6	4.8	4.0	4.2	4.3	4.5	5.3	6.1
Burundi	9.0	3.3	5.5	3.8	3.5	1.2	4.7	7.5	7.2	7.7
Rwanda	3.7	1.4	0.2	2.1	1.4	0.7	0.8	0.9	2.2	2.8

Source: Countries Bureaus of Statistics

Box 1

- ✓ World Economic growth (2015 proj): 3.3 %
- ✓ World Annual inflation (2015 proj) :

0.0 % (Advanced Economies)

6.6 %(Sub-Saharan Africa)

2.2 NATIONAL ECONOMIC PERFORMANCE

The Rwandan economy performed well in 2014/2015 after recovering from a slowdown of 2013/2014. The real GDP grew by 7.2% in 2014/2015 against 5.1% in 2013/2014. Despite the depreciation of FRW mainly due to the strengthening of US dollar, inflation has been kept low and relatively stable around 1.3% on average against 3.4% in 2013/2014 mainly due to BNR intervention in the foreign exchange market, declining international commodity prices and good agricultural harvest.

2.2.1. Economic growth

Rwandan economy increased by 7.2% in 2014/2015 from 5.1% in 2013/2014 and 6.9% 2012/2013. The good performance was driven by increases in services sector, which contributed 49% to real GDP and recording a growth of 8.0%, followed by Agriculture and Industry sectors with a share of 30% and 15% respectively and a growth of 5.0% and 7.0% respectively. Furthermore, economic growth was bolstered by accommodative monetary policy implemented by BNR since 2013 which led to the increase in financing of the private sector by the banking sector.

Table 7: Real GDP Growth Rates at Constant 2011 Prices, in %

ACTIVITY DESCRIPTION	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
GROSS DOMESTIC PRODUCT (GDP)	**8.0**	**8.3**	**4.3**	**5.8**	**9.5**	**6.9**	**5.1**	**7.2**
AGRICULTURE, FORESTRY & FISHING	**4.0**	**5.0**	**5.0**	**2.0**	**8.0**	**6.0**	**3.0**	**5.0**
Food crops	*4.0*	*6.0*	*7.0*	*3.0*	*10.0*	*6.0*	*3.0*	*5.0*
Export crops	*-1.0*	*-1.0*	*-1.0*	*-6.0*	*14.0*	*19.0*	*-9.0*	*3.0*
Livestock & livestock products	*2.0*	*3.0*	*4.0*	*4.0*	*5.0*	*6.0*	*7.0*	*9.0*
Forestry	*4.0*	*3.0*	*3.0*	*3.0*	*3.0*	*4.0*	*2.0*	*3.0*
Fishing	*3.0*	*3.0*	*3.0*	*5.0*	*-4.0*	*3.0*	*5.0*	*3.0*
INDUSTRY	**9.0**	**5.0**	**0.0**	**13.0**	**13.0**	**12.0**	**6.0**	**7.0**
Mining & quarrying	***4.0***	***-22.0***	***-16.0***	***23.0***	***19.0***	***4.0***	***15.0***	***2.0***
TOTAL MANUFACTURING	***4.0***	***1.0***	***6.0***	***6.0***	***9.0***	***5.0***	***5.0***	***2.0***
Electricity	***9.0***	***15.0***	***19.0***	***10.0***	***22.0***	***10.0***	***8.0***	***8.0***
Water & waste management	***9.0***	***15.0***	***19.0***	***13.0***	***12.0***	***7.0***	***4.0***	***1.0***
Construction	***18.0***	***22.0***	***-2.0***	***18.0***	***15.0***	***20.0***	***5.0***	***11.0***
SERVICES	**12.0**	**11.0**	**4.0**	**7.0**	**10.0**	**7.0**	**7.0**	**8.0**
TRADE &TRANSPORT	***15.0***	***18.0***	***1.0***	***9.0***	***14.0***	***9.0***	***8.0***	***7.0***
Maintenance & repair of motor vehicles	*14.0*	*18.0*	*0.0*	*13.0*	*6.0*	*8.0*	*4.0*	*5.0*
Wholesale & retail trade	*14.0*	*18.0*	*0.0*	*9.0*	*15.0*	*8.0*	*9.0*	*7.0*
Transport	*19.0*	*21.0*	*6.0*	*5.0*	*12.0*	*15.0*	*8.0*	*5.0*
OTHER SERVICES	***11.0***	***8.0***	***6.0***	***6.0***	***8.0***	***6.0***	***6.0***	***9.0***
Hotels & restaurants	*7.0*	*-5.0*	*4.0*	*6.0*	*5.0*	*4.0*	*4.0*	*3.0*
Information & communication	*19.0*	*20.0*	*6.0*	*2.0*	*25.0*	*12.0*	*5.0*	*20.0*
Financial services	*14.0*	*-3.0*	*0.0*	*34.0*	*10.0*	*15.0*	*5.0*	*8.0*
Real estate activities	*14.0*	*13.0*	*6.0*	*1.0*	*-1.0*	*-3.0*	*5.0*	*9.0*
Professional, scientific & technical activities	*14.0*	*13.0*	*6.0*	*0.0*	*2.0*	*3.0*	*5.0*	*5.0*
Administrative & support service activities	*14.0*	*13.0*	*6.0*	*-1.0*	*3.0*	*5.0*	*5.0*	*6.0*
Public administration & defense; compulsory social security	*1.0*	*9.0*	*8.0*	*9.0*	*31.0*	*13.0*	*6.0*	*5.0*
Education	*11.0*	*11.0*	*12.0*	*13.0*	*12.0*	*6.0*	*6.0*	*7.0*
Human health & social work activities	*13.0*	*12.0*	*17.0*	*5.0*	*25.0*	*3.0*	*8.0*	*14.0*
Cultural, domestic & other services	*8.0*	*-2.0*	*1.0*	*3.0*	*2.0*	*15.0*	*14.0*	*15.0*
Taxes less subsidies on products	**3.0**	**12.0**	**9.0**	**2.0**	**3.0**	**-3.0**	**0.0**	**11.0**

Source: NISR

The performance in services sector was supported by the expansion in wholesale and retail trade (7.0%), financial services (8.0%) as well as in real estate (9.0%), accounting for 26.8%, 6.2% and 13.6% of the service sector growth. The industry sector was mainly bolstered by the construction sector with a share of 50.6% and a growth of 11.0% during 2014/2015 while the Agriculture sector was boosted by food production with a share of 68.8% and a growth of 5.0%.

2.2.2 External Sector

Over this reporting period the Rwanda's the balance of payment recorded current account deterioration by 57.5% in 2014/2015 to a deficit of USD 823.43 million from a deficit of USD 522.83 million recorded in 2013/2014. The decline was mainly attributable to the fall in current transfers, which decreased by 37.8% to USD 546.02 million in 2014/2015, from USD 877.15 million recorded during the previous financial year. However, the services and income deficit improved by 13.3% to USD 162.22 million from 187.05 million, while the trade balance deficit slightly improved by 0.5 % to USD 1,207.23 million in 2014/2015 from USD 1,212.93 million in 2013/2014.

A. Trade Balance

For the fiscal year 2014/2015, the total exports (formal and informal) value grew by 0.3% amounting to USD 709.32 million from USD 707.32 million registered in 2013/2014 while for the same period, the total imports FOB reduced by 0.2% to USD 1,916.71 million from USD 1,920.25 million. As a result trade deficit slightly improved by 0.5% and exports cover of imports rose to 37.0% in 2014/15 from 36.8% registered in 2013/2014.

Table 7 : Major Balance of Payment components Developments (in USD million)

	2008	2009	2010	2011	2012	FY 2012/2013	FY 2013/2014	FY 2014/2015
A. Trade balance	**-625.2**	**-764.25**	**-786.7**	**-1,101.58**	**-1,268.26**	**-1,195.56**	**-1,212.93**	**-1,207.23**
Exports	264.82	234.97	297.28	464.24	590.75	707.30	707.32	709.48
Imports FOB	-890.02	-999.22	-1,083.97	-1,565.82	-1,859.01	-1,902.86	-1,920.25	-1,916.71
Services and income (net)	**-135.66**	**-218.41**	**-288.74**	**-238.77**	**-167.05**	**-159.79**	**-187.05**	**-162.22**
B. Services (net)	**-100.6**	**-181.62**	**-246.22**	**-186.97**	**-93.24**	**-83.49**	**-86.95**	**-33.47**
C. Income (net)	**-35.06**	**-36.79**	**-42.52**	**-51.8**	**-73.81**	**-76.30**	**-100.11**	**-128.75**
Trade, services and income balance	**-760.87**	**-982.66**	**-1,075.44**	**-1,340.36**	**-1,435.31**	**-1,355.35**	**-1,399.98**	**-1,369.45**
D. Current transfers net	**518.57**	**604.02**	**657.36**	**880.52**	**722.46**	**800.71**	**877.15**	**546.02**
Private	72.61	79.71	90.68	133.32	182.95	178.36	197.53	173.27
Public	445.96	524.31	566.68	747.2	539.51	622.35	679.62	372.75
E. Current account	**-242.3**	**-378.64**	**-418.08**	**-459.84**	**-712.84**	**-554.64**	**-522.83**	**-823.43**
F. Capital and Financial account balance	**316.12**	**426.8**	**499.36**	**682.5**	**511.47**	**780.70**	**476.33**	**748.71**
Errors and Omissions	**-19.52**	**5.33**	**-9.21**	**11.88**	**-11.06**	**-15.10**	**-27.79**	**5.73**
G. Overall balance	**54.31**	**53.49**	**72.07**	**234.54**	**-212.44**	**210.96**	**-74.29**	**-68.99**

Source: BNR

1. Formal Exports

During the fiscal year 2014/2015, total receipts from exports were valued at USD 581.43 million mainly dominated by traditional products (coffee, tea and minerals) representing 52% of the total exports receipts while other exports together with re-exports represented 48% of the total export earnings for the fiscal year 2014/2015. Other export products comprise of a set of products such as foodstuffs and other minerals, live animals among others while re-exports were mainly composed by petroleum products, machines & engines, vehicles and minerals.

Table 8 : Major formal exports Developments (Value FOB in USD million and volume (in thousands of tons)

		July 11 - June 12	July 12 - June 13	July 13 - June 14	July 14 - June 15	% change
Coffee	**Value**	78.41	69.09	47.49	64.03	34.8
	Volume	16.73	20.53	17.83	16.53	-7.3
Tea	**Value**	61.09	63.89	52.26	61.68	17.8
	Volume	22.31	22.06	21.73	24.79	14.1
Minerals	**Value**	148.36	186.31	204.28	174.10	-14.8
	Volume	8.83	8.41	10.23	9.04	-11.7
Cassiterite	**Value**	77.3	57.12	68.43	53.34	-22.1
	Volume	6.32	4.67	5.65	4.87	-13.7
Coltan	**Value**	45.29	102.22	106.38	97.09	-8.7
	Volume	0.98	1.75	2.29	2.09	-9.1
Wolfram	**Value**	25.76	26.96	29.46	23.66	-19.7
	Volume	1.53	1.99	2.29	2.08	-9.1
Hides and Skins	**Value**	9.37	16.68	17.09	12.15	-28.9
	Volume	7.21	10.91	10.99	8.96	-18.5
Pyrethrum	**Value**	5.76	9	1.61	1.55	-3.8
	Volume	0.02	0.04	0.01	0.01	-6.3
Re-exports	**Value**	63.05	133.83	167.18	150.14	-10.2
	Volume	37.12	78.29	105.35	122.33	16.1
Other export	**Value**	63.03	95.7	86.73	117.79	35.8
	Volume	121.85	181.15	139.67	181.43	29.9
TOTAL EXPORTS	**Value**	**429.07**	**574.49**	**576.64**	**581.43**	**0.8**
	Volume	**214.06**	**321.39**	**305.81**	**363.08**	**18.7**

Source: BNR

Tea and Coffee

Tea exports recorded good performance during the fiscal year 2014/2015 in both value and volume, increasing by 17.8% and 14.1% respectively due to the increase of 14.3% in production from 22432.1 tons in 213/2014 to 25629.9 tons in 2014/2015, and 3.3% in unit price from USD 2.41/Kg in 2013/2014 to USD 2.49/Kg in 2014/2015.

Despite the decrease of 7.3% in volume due to the fall in production (-5.9%), coffee exports increased by 34.8% in value due to the 45.4% increase in unit price from USD 2.66/Kg in 2013/2014 to USD 3.87/Kg in 2014/2015.

Coffee exports remain dominated by fully washed coffee representing 44% of total production and increased by 20.4% to 7446.7 tons in 2014/2015 from 6185.8 tons in 2013/2014, followed by ordinary coffee representing 41.4% and decreased by 21.7% from 8931.1 tons to 6997.2 tons in 2014/2015. Other categories of coffee representing 14.6% decreased by 13.3% from 2839.3 tons to 2461.8 tons in 2014/2015.

Minerals

Exports of minerals registered poor performance in 2014/2015, declining by 11.7% in volume and 14.8% in value, from USD 204.28 million in 2013/2014 to USD 174.10 million in 2014/2015, due to the fall in unit prices of cassiterite (-9.6%) and wolfram (11.7%).

In terms of value, cassiterite exports earnings decreased by 22.1% to USD 53.34 million from USD 68.43 million while wolfram decreased by 19.7% to USD 23.66 million from USD 29.46 million. Despite the rise of its unit price by 0.4%, coltan decreased by 8.7% in value to USD 97.09 million from USD 106.38 million in 2013/2014. However, coltan still dominates the mineral exports in terms of value with a share of 55.7%. In general, minerals declined as a result of falling international prices due to high supply as well as slowing demand from China.

With regard to volume, mineral exports remain dominated by cassiterite representing 53.9% of the total mineral exports while coltan and wolfram represented 23.1% and 23.0% respectively.

Hides and Skins

Compared to the previous fiscal year, hides and skins exports recorded poor performance in 2014/2015, decreasing by 18.5% in volume and 28.9% in value due to the decline in unit prices by 12.8%. In total, 8,955.11 tons of skins and hides were exported at the value of USD 1.36/Kg compared to 10,993.12 tons exported at the value of USD 1.55/Kg in 2013/2014.

Pyrethrum

During the fiscal year 2014/2015, pyrethrum exports recorded poor performance decreasing by 3.8% in value from USD 1.61 million in 2013/2014 to USD 1.55 million in 2014/2015, driven by the fall in volume of pyrethrum exports which fell by 6.3% from 9.46 tons to 8.87 tons in 2014/2015 albeit the increase in unit price by 2.75 to USD 174.5/Kg in 2014/2015 from USD 170.0/Kg recorded in the previous fiscal year.

Non-traditional exports

Non-traditional exports recorded a significant increase in both value and volume by 35.8% and 29.9% respectively. Among the non-traditional exports, products of the milling industry that constitute 28.1% of total non-traditional exports rose by 71.1% followed by cement and textiles which increased by 63.9% and 10.1% respectively. Regarding re-export products which include other minerals, petroleum products, machines and engines, vehicles mainly exported to the neighboring countries, they declined in value by 10.2% but rose by 16.1% in volume.

Table 9 : Evolution of some non-traditional exports (Value FOB in (USD million and volume in thousands of tons)

	July 11 - June 12		July 12 - June 13		July 13 - June 14		July 14 - June 15		% change	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Livestock	4.93	7.02	4.85	7.5	8.4	8.0	9.3	7.4	10.8	-8.0
Edible Vegetables, roots and tubers	19.15	2.77	28.3	4.82	12.4	2.4	36.3	6.9	193.1	183.0
Cereals	1.86	0.24	9.83	3.2	5.2	1.6	1.6	0.5	-69.9	-65.6
Products of the milling industry	36.98	17.8	49.62	23.49	39.8	19.4	62.3	33.1	56.5	71.1
Mineral Water and Beer	10.94	7.42	14.94	12.71	8.3	4.9	2.6	1.2	-68.5	-75.9
Cement	20.29	1.8	35.51	3.11	20.6	4.7	28.9	7.7	40.7	63.9
Cosmetic products	0.36	1.21	0.67	1.91	0.7	1.7	0.8	1.6	8.9	-6.0
Plastics and articles thereof	0.73	1.66	1.57	3.64	2.2	3.6	1.1	1.3	-50.9	-63.7
Textiles and textile articles	0.2	0.42	0.1	0.47	0.4	1.6	0.4	1.7	26.3	10.1
Footwear	0.47	1.53	0.57	0.63	0.4	0.2	0.7	0.6	68.8	145.2
Handcrafts	0.03	0.39	0.03	0.38	0.0	0.4	0.0	0.6	49.2	52.5
Scraps Iron	9.16	0.72	12.27	1.92	9.8	1.0	9.1	1.1	-7.4	11.2
Iron and steel	3.15	2.92	7.73	6.4	9.0	8.7	4.9	6.8	-45.8	-21.5

Source: BNR

2. Formal imports

During the fiscal year 2014/2015, imports CIF decreased by 2.6% in value to USD 2,325.98 million from USD 2,387.16 million in 2013/2014 while imports volume grew by 12.1% to 2,005.28 tons against 1,788.32 tons recorded in 2013/2014. The formal imports value were mainly dominated by intermediary goods, accounting for 29.7% of the total imports value, followed by consumer goods (29.5%), capital goods (26.9%) and energy products (13.9%). With regard to the value of imports, all categories of imports recorded a decline except consumer goods category which rose by 4.9%. Intermediary goods declined by 3.5%, capital goods by 1.5% and energy and lubricants by 15.4%. In terms of volume, total imports rose by 12.1% during the period under review. This was driven by the increase in consumer goods by 15.3%, intermediary goods by 12.4% and energy and lubricants by 7.7%, while capital goods decreased by 0.6%.

Table 10: Evolution of imports CIF adjusted (Value CIF in USD million, Volume in thousands of tons)

	2011/2012		2012/2013		2013/2014		2014/2015		% change	
	Volume	**Value**	**Volume**	**Value**	**Volume**	**Value**	**Volume**	**Value**	**Volume**	**Value**
Total imports	**1481.02**	**2078.26**	**1,774.80**	**2,209.70**	**1,788.32**	**2,387.16**	**2,005.28**	**2,325.98**	**12.1**	**-2.6**
Consumer goods	499.53	569.34	599.01	649.26	571.08	653.37	658.25	685.38	15.3	4.9
Capital goods	58.96	552.52	61.47	572.68	63.29	635.31	62.93	625.77	-0.6	-1.5
Intermediates goods	687.32	583.49	854.80	616.11	878.60	715.60	987.43	690.83	12.4	-3.5
Energy and lubricants	235.22	372.91	259.52	371.66	275.35	382.88	296.67	324.00	7.7	-15.4

Source: BNR

Consumer goods

Imports value of consumer goods, accounting for 29.5% of the total imports value increased by 4.9% from USD 653.37 million in 2013/2014 to USD 685.38 million in 2014/2015, and in volume by 15.3% from 571,083.72 tons to 658,381.25 tons in 2014/2015, driven by the rise in volume of food products (+19.0%), articles of clothing (+20.8%), health and care (+3.8%), beverage and tobacco (+12.8%) and domestic use (+26.5%).

Food products constitute a big share with 37.0% of the total value of consumer goods; they increased by 9.5% in value, and 19.0% in volume. The increase was mainly attributed to the rise in cereals, flour and seeds (+31.9%) which represent 40.9% of total foods product, vegetables, fruits and spices (+3.2%) as well as sugar and sweets (+33.3%) which represent 23.5% of total imports of food products.

Health and care products which account for 22.6% of the total value of consumer goods increased in both value and volume by 3.2% and 3.8% respectively as a result of the increase in imports volume of pharmaceutical products which increased by 10.5%. Imports of goods for domestic use rose by 14.2% in value, and 26.5% in volume mainly due to the increase in imports volume of dishes and other kitchen articles (+15.5%).

Capital goods

In 2014/2015, capital goods representing 26.9% of total imports declined by 1.5% in value to USD 625.77 million from USD 635.31 million in the previous fiscal year. In terms of volume, they slightly declined by 0.6% due to imports of machinery representing 48.7% of total imports of capital goods and these were dominated by imports of phones and material for network as well as imports of different companies including former EWSA and RWANDAIR.

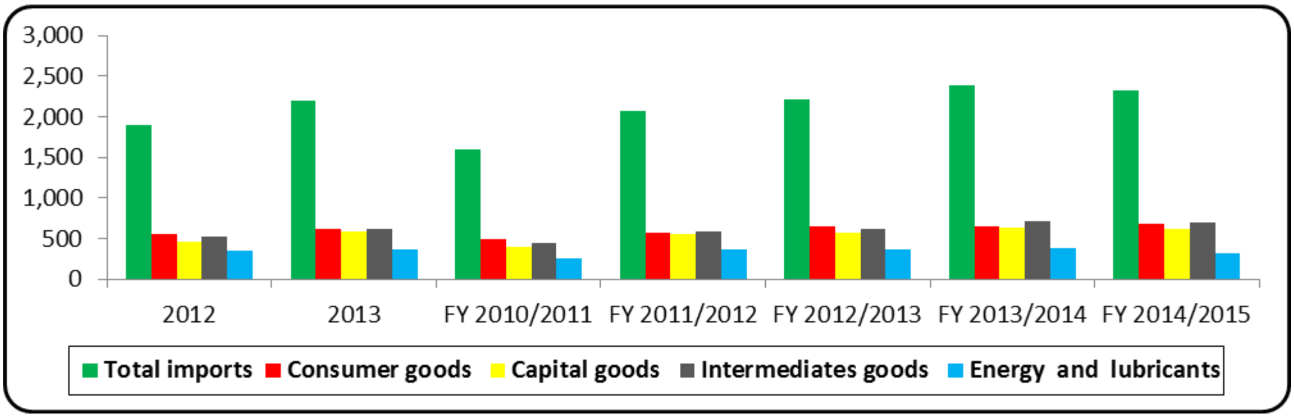
Intermediary goods

Driven by higher domestic demand for construction materials and industrial products, the imports of intermediary goods in 2014/2015 representing 29.7% of the total value of imports decreased by 3.5% in value and increased by 12.4% in volume. Construction materials accounting for 33.7% of total value of imports of intermediary goods decreased by 2.9% in value and increased by 13.8% in volume of which a big chunk is attributable to the imports of cement and other similar products that increased by 9.6% in volume. Industrial products representing 50.0% of the total value of intermediary imports increased by 5.6% in value and 8.6% in volume largely on the account of the increase in imports of paper and chemicals industries.

Energy and lubricants

The imports of energy and lubricants (of which 95% are petroleum products) decreased by 15.4% in value to USD 324.00 million from USD 382.88 million, but increased by 7.7% in volume mainly due to the fall in the price of imports of petroleum products by 16.6% in value.

Figure 1 : **Structure of imports developments (value in US million)**



Source: BNR

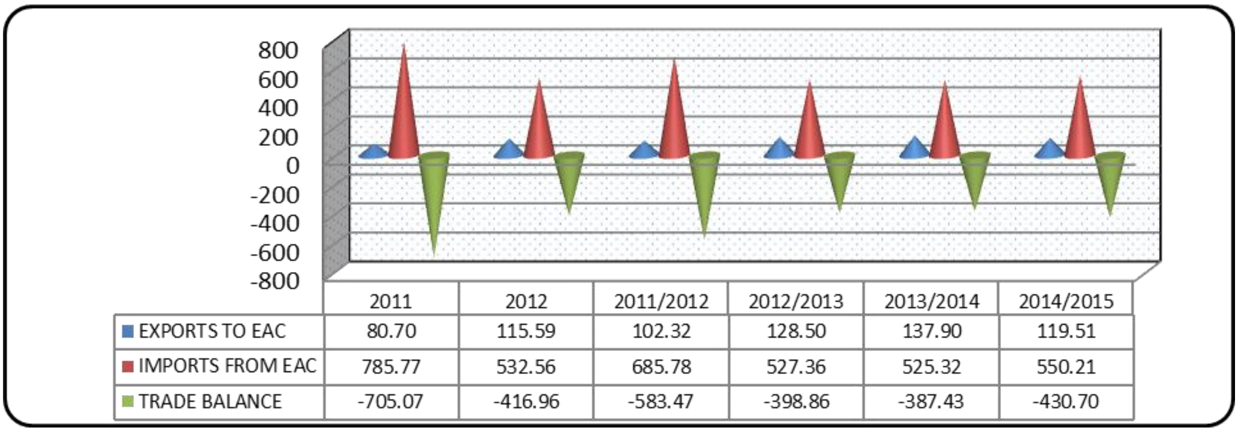
3. Trade with EAC countries

Rwanda's total trade with EAC partner states registered poor performance in exports while imports increased. Total trade value with EAC slightly increased by 1.0% in 2014/2015 to USD 669.72 million from USD 663.22 million registered in the previous fiscal year.

Rwanda's exports to EAC amounted to USD 119.51 million in 2014/2015 from USD 137.90 million in 2013/2014 which is a decrease of 13.3%, while imports from EAC increased by 4.7%, amounting to USD 550.21 million from USD 525.32 million the previous fiscal year.

As a result, trade deficit widened to USD 430.70 million from USD 387.43 million in 2013/2014. Rwanda's main exports to EAC countries in 2014/2015 were tea (Mombasa auction), raw hides and skins of bovine, coffee, leguminous vegetables, and beer made from Malt. On the other hand, major imports from EAC countries were cement, refined and non-refined palm oil and other cooking oils, animals or vegetable fats and oils, cane or beet sugar and chemically pure sucrose, among others.

Figure 2 : **Evolution of Rwanda's trade with EAC in USD million (2011 – 2014/2015)**



Source: BNR

4. Informal cross border trade

Table 11: Rwanda informal cross border trade (in USD million)

	2011	2012	2011/2012	2012/2013	2013/2014	2014/2015	% change
Exports	71.51	101.77	92.04	106.85	105.67	106.65	0.9
Imports	23.51	22.63	21.10	21.45	17.21	20.93	21.6
Trade balance	**48.00**	**79.14**	**70.94**	**85.40**	**88.46**	**85.72**	**-3.1**

Source: BNR

The external sector was also supported by informal cross border trade where exports slightly increased by 0.9%, amounting to USD 106.65 million in 2014/2015 from USD 105.67 million in 2013/2014, representing 18.3% of formal exports. During the same period, the informal imports also increased by 21.6% from USD 17.21 in 2013/2014 to USD 20.93 million in 2014/2015, leading to a decline in Rwanda's positive trade balance with neighbouring countries (USD 85.72 million from USD 88.46 million in 2013/2014). The informal cross border trade is dominated by crop products and live animals, and the main trading partners are DRC in exports and Uganda in imports with respective shares of 82.43% and 52% in FY 2014/2015.

B. Balance of Services and Income

Regarding the balance of services and income, both income and services accounts continued to record a deficit totalling USD 193.97 million for the fiscal year 2014/2015 compared to USD 187.05 million for fiscal year 2013/2014. This deficit is mainly attributed to the income account which registered a negative balance, amounting to USD 160.50 million while the services deficit stood at USD 33.47 million representing 83% and 17% of the overall income and services account (net) respectively.

With regard to the services account, inflows came mostly from tourism receipts (USD 298.35 million), and other services income (USD 225.61 million) including posts and telecommunication and ICT receipts. On the debit side, freight & insurance and other transportation costs amounted to USD 322.30 million and USD 89.68 million respectively while travel and technical assistance registered USD 88.00 million and USD 89.53 million respectively (51%, 14%,14% and 14% respectively of the total service outflows).

Table 12: Evolution of Services and Incomes (in USD million)

	2008	2009	2010	2011	2012	FY 2012/2013	FY 2013/2014	FY 2014/2015
Services (net)	**-100.60**	**-181.62**	**-246.22**	**-186.98**	**-93.23**	**-83.49**	**-86.95**	**-33.47**
Credit/Inflows	**419.86**	**341.05**	**310.36**	**431.43**	**425.36**	**448.34**	**468.68**	**596.07**
Freight and insurance	5.15	4.61	4.77	4.26	4.03	4.74	3.77	4.96
Other transportation	37.74	49.04	21.68	45.64	54.81	51.74	65.85	67.16
Travel	186.00	174.46	201.65	251.80	281.80	296.50	292.50	298.35
Others services	190.97	112.94	82.26	129.73	84.72	95.37	106.56	225.61
Debit/Outflows	**-520.46**	**-522.66**	**-556.57**	**-618.41**	**-518.59**	**-531.83**	**-555.63**	**-629.54**
Freight and insurance	-208.21	-246.05	-293.68	-352.25	-270.12	-297.68	-292.75	-322.30
Other transportation	-75.75	-76.03	-43.19	-52.96	-53.72	-44.61	-66.43	-89.68
Travel	-69.99	-71.83	-77.01	-39.00	-78.57	-62.04	-80.00	-88.00
Operating cost of embassies	-17.90	-15.45	-17.80	-17.80	-20.51	-22.22	-26.99	-29.68
Technical assistance	-106.69	-78.96	-96.54	-71.17	-72.83	-81.60	-72.21	-89.53
Others services	-41.91	-34.35	-28.36	-85.23	-22.83	-23.67	-17.24	-10.35
Income (net)	**-35.06**	**-36.79**	**-42.52**	**-51.80**	**-73.82**	**-76.30**	**-100.11**	**-160.50**
Credit/Receipts	**28.27**	**14.91**	**16.13**	**20.06**	**10.70**	**13.81**	**10.40**	**17.54**
Investment income	23.72	10.42	7.86	12.01	3.57	2.37	1.40	8.36
Labor services income	4.49	4.49	8.26	8.03	7.14	11.44	9.00	9.18
Property income	0.05	0.00	0.01	0.02	0.00	0.00	0.00	0.00
Debit	**-63.33**	**-51.71**	**-58.65**	**-71.86**	**-84.52**	**-90.11**	**-110.51**	**-178.00**
Income paid on direct investments	-16.42	-4.66	-3.74	-12.10	0.00	0.98	-1.00	-23.37
Income paid on other investments	-7.74	-9.41	-11.97	-13.07	-33.47	-54.86	-72.31	-83.14
Public sector	-6.93	-7.27	-7.83	-8.11	-9.20	-19.53	-37.59	-46.24
Private sector	-0.81	-2.15	-4.14	-4.95	-24.27	-35.33	-34.72	-36.90
Labor services Income	-37.95	-36.40	-42.92	-46.69	-50.19	-35.73	-37.20	-70.76
Property income	-1.23	-1.23	-0.02	0.00	-0.86	-0.50	0.00	-0.73

Source: BNR

Further on income balance, for the fiscal year 2014/2015, the deficit stood at USD 160.50 million reflecting mostly payment of labour services (USD 70.76 million) and on investments other than the direct investments totalling USD 83.14 million of which USD 46.24 million of interest payments on external public debt. With regard to income inflows, USD 9.18 million was recorded as compensation of employees.

C. Current Transfers

With regard to current transfers, net current transfer's inflows amounted to USD 546.02 million for the fiscal year 2014/15; less than USD 877.15 million recorded in 2013/2014. Current transfers were dominated by official current transfers accounting for 68% of the total while private transfers account for 32%.

Sixty six percent (66%) of the total private transfers were made of remittances from Diaspora, amounting to USD 113.60 million against USD 128.60 million recorded in the previous fiscal year.

Table 13: Net Current Transfers (in USD million)

	2008	2009	2010	2011	2012	FY 2012/2013	FY 2013/2014	FY 2014/2015
Current transfers (net)	**518.57**	**604.02**	**657.36**	**880.52**	**722.46**	**800.71**	**877.15**	**546.02**
Current private transfers (net)	**72.61**	**79.71**	**90.68**	**133.32**	**182.95**	**178.36**	**197.53**	**173.27**
Remittances from Diaspora (net)	31.07	53.09	65.07	110.18	118.25	114.67	128.6	113.6
Private transfers for church's and associations	41.54	26.62	25.61	23.14	64.7	63.68	68.93	59.67
Current officials transfers (net)	**445.96**	**524.31**	**566.68**	**747.2**	**539.51**	**622.35**	**679.62**	**372.75**
Credit	450.08	531.67	580.04	757.62	553.80	633.86	702.68	394.79
Current support net	339.76	415.84	479.52	628.39	433.70	510.70	590.31	245.67
of which HIPC Initiative	5.60	5.21	4.53	4.53	4.79	5.08		
Social security benefits				22.19		0.20	0.00	0.00
Humanitarian aid	110.32	115.84	100.52	107.03	120.11	122.95	112.37	149.12
Debit (of which contribution to internat. Organ.)	-4.12	-7.36	-13.36	-10.41	-14.30	-11.51	-23.06	-22.04

Source: BNR

Official current transfers as a predominant subcomponent of net current transfers amounted to USD 372.75 million of which USD 245.67 million is budget support and USD 149.12 million is related to humanitarian aid.

D. Capital and Financial Operations Account

For period under review (2014/2015), the total capital and financial account totalled USD 748.71 million against USD 476.33 million registered for the previous fiscal year 2013/2014 and USD 780.70 million for the fiscal year 2012/2013. This amount was insufficient to offset the deficit in current account which stood at USD 823.43 million. Therefore, the overall balance of payments stood at a deficit of USD 68.99 million slightly lower than the deficit of USD 74.29 million registered in 2013/2014.

With regard to capital transfers, an amount of USD 216.44 million was recorded, representing 29% of the total capital and financial account balance. Mostly allocated to public investment projects (USD 162.33 million) against USD 132.36 million received in 2013/2014.

In the period under review, financial inflows stood at USD 582.57 million compared to USD 299.85 million registered by the end of 2013/2014. Estimates showed that long term capital stood at USD 532.27 million while short term accounted for USD 50.30 million.

The long term private sector capital (net) amounted to USD 399.51 million while the public capital (net) stood only at USD 132.76 million. The foreign direct investment amounted to USD 282.90 million, representing around 71% of the total private long term capital.

Table 14 : Evolution of capital and financial account (in USD million)

	2008	2009	2010	2011	2012	FY 2012/2013	FY 2013/2014	FY 2014/2015
Capital and Financial account balance	**316.12**	**433.55**	**499.36**	**682.50**	**582.47**	**780.70**	**476.33**	**748.71**
Capital Account	**210.06**	**200.00**	**285.64**	**196.66**	**171.23**	**148.98**	**176.48**	**216.44**
Capital transfers	210.06	200.00	285.64	196.66	171.23	148.98	176.48	216.44
Financial transactions account	**106.06**	**226.80**	**213.72**	**485.84**	**411.24**	**631.72**	**299.85**	**582.57**
Long Term capital	194.69	235.29	232.35	438.33	326.15	548.42	411.37	532.27
Public sector capital (LT) (net)	**104.75**	**81.35**	**51.90**	**207.21**	**92.98**	**329.60**	**157.30**	**132.76**
Disbursement	112.20	88.80	61.71	222.20	110.32	532.69	172.23	147.93
Amortization	-7.45	-7.45	-9.81	-14.99	-17.34	-203.09	-14.92	-15.17
Private (net)	89.94	153.94	180.45	231.12	233.16	218.81	254.07	399.51
Disbursement	9.48	42.72	129.02	148.78	123.56	113.07	135.71	144.81
Amortization	-4.10	-7.45	-12.29	-55.16	-56.99	-69.86	-68.64	-78.50
Investments	84.56	118.67	63.71	137.50	166.59	175.61	187.00	282.90
Other capital	**-88.63**	**-8.49**	**-18.63**	**47.51**	**85.10**	**83.30**	**-111.53**	**50.30**

Source: BNR

External Debt

Rwanda's external public debt in the fiscal year 2014/2015 increased by 10.3% standing at USD 1,851.54 million after USD 1,679.24 million the previous fiscal year, and was mostly composed of loans from Multilateral Institutions (63.9%), such as IDA, African Development Bank and IFAD representing 37.2%, 14.1% and 6.0% of the total public external debt respectively. The Euro bonds account for 21.6% of the total public external debt while the remaining 14.5% were from bilateral partners like EXIM-CHINA, EXIM-INDIA, and KUWAIT.

Table 15 : Stock of External Public debt[1] (in USD million)

CREDITOR	2009	2010	2011	End June 2012	End June 2013	End June 2014	End June 2015
1. MULTILATERAL	**628.26**	**651.14**	**832.99**	**841.66**	**895.28**	**1,051.05**	**1,182.91**
AfDB-ADF	157.88	172.59	210.62	213.33	234.61	262.37	261.61
BADEA	26.49	29.33	34.03	33.56	32.67	34.99	41.64
EIB	8.9	6.39	5.03	3.66	2.57	1.35	
EU	17.82	15.25	13.89	12.9	12.44	11.89	8.84
IFAD	99.74	103.05	107.07	107.58	106.38	114.75	110.52
IMF	15.19	14.82	14.13	13.59	12.03	10.35	6.86
IDA	253.3	258.25	391.55	401.11	435.54	548.92	688.46
NDF	16.54	16.4	16.08	15.33	16.28	17.06	13.96
OPEC	32.4	35.08	40.57	40.38	42.76	49.36	51.02
2. BILATERAL	**108.34**	**115.45**	**151.66**	**163.02**	**206.23**	**228.20**	**268.63**
AFD	4.79	3.66	2.12	1.36	0.00	0.00	0.00
CHINA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EXIMCHINA	6.17	10.36	28.60	30.70	56.02	61.93	98.51
EXIMINDIA	16,00	18.50	28.65	39.55	59.44	73.18	77.09
Abu Dhabi	1.85	1.85	2.99	2.99	2.96	2.98	2.98
Kuwait Fund	34.63	35.52	44.68	44.48	45.51	48.37	49.66
Saudi Fund	44.54	45.22	44.28	44.59	41.96	41.37	40.08
LIBYA	0.36	0.35	0.35	0.34	0.34	0.36	0.32
3. EURO BONDS					**400.00**	**400.00**	**400.00**
TOTAL	**736.6**	**766.59**	**984.65**	**1004.68**	**1,501.51**	**1,679.24**	**1,851.54**

Source: BNR

[1] Government guaranteed debt not included.

1. External public debt disbursements

The total disbursements rose by 30.3% standing at USD 225.2 million at end of the fiscal year 2014/2015 against USD 172.9 million at end of last fiscal year. The share of disbursements on Multilateral creditors was the most important and representing 79.2% of the total disbursements recorded in 2014/2015, mainly from IDA and FAD-FSN with respective shares of 72.8% and 14.1% of multilateral disbursements; followed by bilateral creditors with 20.8% of the total disbursements.

Table 16 : Development of disbursements (in USD million)

DESCRIPTION	2009	2010	2011	FY 2011/2012	FY 2012/2013	FY 2013/2014	FY 2014/2015
MULTILATERAL CREDITORS	**51.2**	**43.34**	**197.5**	**146.9**	**84.3**	**148.5**	**178.3**
Of which : IDA	**10.49**	**10.1**	**138.2**	94.7	44.6	101.2	**129.9**
FAD-FSN	**22.6**	**16.03**	**39**	35.8	30.7	26.4	**25.2**
BILATERAL CREDITORS	**24.7**	**7.3**	**24.8**	**24.9**	**22.1**	**24.4**	**46.9**
EURO BONDS					**400**	**0**	**0.0**
TOTAL	**75.9**	**50.7**	**222.2**	**171.8**	**506.4**	**172.9**	**225.2**
Of Which :							
Drawings for projects	**71.8**	**50.7**	**186.7**	83.2	493.6	99.8	**143.5**
Drawings for budget support	**0.5**	**0.0**	**35.5**	88.6	12.9	72.7	**81.7**
Drawings for BOP support (IMF)	**3.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Source: BNR

2. Public external debt servicing

External debt services are largely dominated by Euro bonds with a share of 46.3% at end of the fiscal year 2014/2015 against 40.5% at end of the previous fiscal year, followed by multilateral debt service represented 43.9% of the total external debt services at the end of the fiscal year 2014/2015 compared to 48.6% at end of 2013/2014 and bilateral debt service (9.8%).

Table 17 : Developments of external debt service (in USD million)

DESCRIPTION	2009	2010	2011	FY 2011/ 2012	FY 2012/2013	FY 2013/2014	FY 2014/2015
MULTILATERAL DONORS	**12.7**	**14.9**	**19.3**	**20.4**	**30.9**	**48.4**	**25.1**
Principal	7.3	8.8	13.3	14.3	16.1	33.3	16.5
Of which : IDA	0.0	0.5	2.4	2.8	3.6	8.3	4.6
FAD-FSN	1.1	1.2	1.7	1.7	1.8	3.1	2.0
BADEA	0.0	0.0	1.0	1.1	1.0	2.0	1.0
Interests	5.4	6.2	4.4	6.1	14.9	15.1	8.6
Of which : IDA	1.6	1.9	2.3	2.5	3.2	6.8	3.9
FAD-FSN	1.5	1.6	1.6	1.7	2.0	4.5	2.6
BADEA	0.4	0.9	0.0	0.0	0.0	0.0	0.0
BILATERAL DONORS	**1.8**	**2.9**	**4.4**	4.9	6.8	**10.8**	**5.6**
Principal	0.3	1.2	2.3	2.5	2.7	3.2	1.9
Interests	1.6	1.7	2.2	2.4	4.2	7.5	3.7
SUPPLIERS'CREDITS	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Principal	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EURO-BONDS					**7.8**	**40.4**	**26.5**
TOTAL	**14.5**	**17.8**	**23.7**	**25.3**	**45.5**	**99.5**	**57.2**
Principal	7.5	10.0	15.6	16.7	18.7	36.5	18.4
Interests	7.0	7.9	8.1	8.6	26.8	63.0	38.8

Source: BNR

b. Private external debt

The Private external debt is a debt contracted with non-resident private sector by private resident of Rwanda with or without Government guarantees. Compared to public external debt, the private debt remains low. Nevertheless, it begins to grow with the liberalization of capital account allowing private sector to borrow from foreign creditors. These last years, private external debt is dominated by non-guaranteed debt.

At the end of June 2015, the total stock of the private external debt reached an amount of USD 426.8 million against 471.3 (USD Millions) and remained dominated by non-guaranteed external private debt (USD 281.9 million) with a big share of 66.0% at end June 2015 against 71.4% at end of June 2014. The remaining 34.0% concern guaranteed external private debt (USD 144.9 million).

Table 18 : Outstanding external private debt as at 30 June 2015 (USD million)

BORROWERS	Stock March 14	Disbursements	Principal	Interest	Stock June 14	Stock March 2015	Disbursements	Principal	Interest	Stock June 2015
Guaranteed debt	137.8	0.0	2.8	2.5	135.0	152.2	0.0	7.2	2.5	144.9
Non-Guaranteed debt	302.6	46.8	13.1	8.4	336.3	296.6	0.0	14.7	6.8	281.9
Total	**440.4**	**46.8**	**16.0**	**10.9**	**471.3**	**448.8**	**0.0**	**21.9**	**9.4**	**426.8**

Source: BNR

Box 2

- ✓ Real GDP Growth (2014/15): 7.2 %
- ✓ Exports value increase (June 2015) : 0.3 %
- ✓ Imports CIF value decrease (june 2015): 2.6%
- ✓ Imports cover(end June 2015): 37.0% (Informal trade included)
- ✓ BOP (end June 2015): -68.99 USD Million

2.3. MONETARY SECTOR DEVELOPMENTS

During the fiscal year 2014/2015, the National Bank of Rwanda has maintained an accommodative monetary policy stance in a context of limited inflationary pressures to continue supporting the financing of the economy. The Bank kept the policy rate at 6.5% cut from 7% since June 2014, in response to moderate inflationary pressures, and money market rates especially Repo, T-bill and interbank rates have maintained the downward trend.

Broad money growth remained high at 16.7% in June 2015 against 27.2% in June 2014 while the reserve money evolved in line with the Policy Support Instrument (PSI) program. With ample liquid financial markets facilitated by easing monetary policy stance, a decrease of credit risk and improvement in economic activities, credit to the private sector further expanded by 27.5% in June 2015 compared to 14.1% in June 2014.

With regard to the exchange rate policy, the Bank continued implementing a flexible exchange rate regime, intervening on the domestic foreign exchange market to smoothen excessive exchange rate volatility. As a result, Rwandan franc depreciated by 5.4% against the US dollar in the fiscal year 2014/2015 after depreciating by 6.2% in 2013/2014.

2.3.1 Money Supply and Demand

During 2014/2015, broad money (M3) grew by 16.7% compared to 27.2% in 2013/2014. The growth in monetary aggregates was largely on account of expansion in Net Domestic Assets (NDA) of the banking system offsetting the significant decline in Net Foreign Assets (NFA). The NFA for the banking system declined by 18.2% following the decrease in both BNR net foreign Assets (-4.4%) and commercial banks' NFA (-62.8%).

The Net domestic assets grew by 68.7% during the fiscal year 2014/2015 due to high increase in net credit to government and in the outstanding private sector credit which rose by 27.5% compared to 14.1% in 2013/2014.

Table 19: Monetary aggregates developments (end period, in FRW billion, unless otherwise indicated)

	2013	2014			2015		% Change	
	June	June	Sept	Dec	Mar	June	Jun-14/ Jun-13	Jun-15/ Jun-14
Net foreign assets	**642.8**	**733.0**	**659.0**	**702.5**	**688.0**	**599.5**	**14.0**	**-18.2**
Net domestic assets	319.1	490.9	549.7	521.3	586.9	828.3	53.8	68.7
Domestic credit	551.0	801.8	913.8	885.9	998.3	1173.3	45.5	46.3
Central government (net)	-164.0	-13.3	54.0	-26.2	-3.4	125.3	91.9	1040.8
Autonomous Agencies	-3.0	-4.7	-4.7	0.0	0.0	0.0	57.3	-100.0
Public enterprises	1.0	2.0	5.8	5.8	6.2	5.0	103.1	147.3
Private sector	717.0	817.8	858.7	906.3	995.5	1043.0	14.1	27.5
Other items net (Assets: +)	-231.9	-310.8	-364.0	-364.6	-411.4	-345.0	-34.0	-11.0
Broad Money (M3)	**961.9**	**1224.0**	**1208.7**	**1223.9**	**1274.9**	**1427.8**	**27.2**	**16.7**
Currency in circulation	116.3	119.4	105.6	118.5	117.4	134.9	2.7	13.0
Deposits	845.6	1104.5	1103.1	1105.3	1157.5	1292.9	30.6	17.1
o/w: Transferable deposits	389.8	453.9	442.7	456.2	480.7	616.2	16.4	35.8
Other deposits	295.2	391.2	410.5	407.3	446.7	441.1	32.5	12.8
Foreign currency deposits	160.6	259.5	249.8	241.8	230.2	235.6	61.6	-9.2

Source: BNR.

The new authorized loans continued to expand in the fiscal year under review amounting FRW 688.3 billion from FRW 577.7 billion in 2013/2014, thereby recording an increase of 19.1% due to a sound liquidity in the banking system; thanks to the accommodative monetary policy stance.

Table 20 : New authorized loans by economic sectors (FRW billion)

ECONOMIC SECTOR	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
Activities not classified elsewhere	37.1	77.0	65.8	64.0	59.4
Agricultural, fisheries and livestock	9.1	11.1	9.6	8.1	12.2
Mining activities	0.0	0.0	0.0	0.2	0.6
Manufacturing activities	24.1	20.5	40.0	73.6	39.6
Water & energy activities	2.3	0.6	4.1	21.3	10.7
Public works and buildings	71.9	113.9	95.1	118.4	189.2
Commerce, restaurant and hotel	115.0	184.9	202.3	240.8	285.5
Transport & Warehousing & Communication	22.2	28.1	29.8	30.1	50.9
OFI & Insurances and ONFS	8.1	11.5	7.9	2.6	6.0
Services provided to the community	7.7	10.0	13.0	18.8	34.4
Total	**297.6**	**457.5**	**467.6**	**577.7**	**688.3**

Source: BNR

Concerning the distribution of new loans by sectors of economic activity, a large part went to commerce, restaurant and hotels (41.5%), followed by public works and buildings (27.5%) and non-classified activities (8.6%).
The share of manifacturing activities declined in 2014/2015 to 5.7% from 12.7% in 2013/2014 due to a base effect linked to more loans that were granted to some big companies.

Table 21: Distribution of new authorized loans (% share)

SECTORS OF ECONOMY	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
Activities not classified elsewhere	12.5	16.8	14.1	11.1	8.6
Agricultural, fisheries& livestock	3.1	2.4	2.1	1.4	1.8
Mining activities	0.0	0.0	0.0	0.0	0.1
Manufacturing activities	8.1	4.5	8.5	12.7	5.7
Water & energy activities	0.8	0.1	0.9	3.7	1.6
Public works and buildings	24.2	24.9	20.3	20.5	27.5
Commerce, restaurant and hotel	38.7	40.4	43.3	41.7	41.5
Transport & Warehousing& Communication	7.5	6.1	6.4	5.2	7.4
OFI & Insurances and ONFS	2.7	2.5	1.7	0.4	0.9
Services provided to the community	2.6	2.2	2.8	3.3	5.0
Total	**100**	**100**	**100**	**100**	**100**

Source: BNR

On the money demand side, the currency in circulation out of commercial banks rose by 13.0% in 2014/2015 higher than 2.7% recorded in 2013/2014. This increase is partly a result of good developments in economic activities and coffee campaign financing with FRW 17.6 billion in 2014/2015 compared to FRW 16.1 billion last fiscal year.

However, the growth of total deposits in the banking system increased by 17.1% in 2014/2015 lower than 30.6% recorded in 2013/2014 mainly due to a slowdown in the growth of time deposits (+12.8%) compared to the previous fiscal year (+32.5%) and the reduction of foreign currency deposits (-9.2%) compared to a high increase (+61.6%) in 2013/2014. The decrease in foreign currency deposits resulted from a base effect linked to the sale of MTN towers in April 2014.

2.3.2 Banking Liquidity Conditions and Interests Rates Developments

In the fiscal year 2014/2015, the banking system liquidity conditions continued to improve and remained comfortable as result of accommodative monetary policy implemented in a more flexible liquidity management framework as well as liquidity injection from fiscal operations.

To this end, total bank most liquid assets increased by 20.6% standing at FRW 354.3 billion in June 2015 compared to FRW 293.8 billion a year ago whereas stock of T-bills increased by 28.9%, outstanding repo operations reduced by 8.7%, excess reserves increased by 74.5% and cash in vault by 20.7%.

It is also important to highlight that T-bond market attracted several investors including commercial banks whereby their long-term investments in T-bond increased by 192.2% from FRW 11.5 billion in June 2014 to FRW 33.6 billion in 2014/2015 for different maturities, namely 3; 5; 7 and 10 years.

For the nonbank sector, investments in T-bond increased by 149.8% amounting to FRW 54.9 billion in the fiscal year 2014/2015 from FRW 21.9 billion in 2013/2014.

Table 22 : Outstanding Liquid Assets of Commercial Banks (FRW billion)

	2014			2015						% change
	Jun	Sep	Dec	Jan	Feb	Mar	Apr	May	Jun	Jun-15/ Jun-14
T-bills	160.2	171.6	172.3	173.3	173.4	173.4	177.0	183.0	206.5	**28.9**
Repo	86.0	63.0	47.5	51.5	34.5	46.0	52.0	36.5	78.5	**-8.7**
Excess reserves	22.0	26.3	27.7	36.4	32.0	31.4	34.2	39.9	38.4	**74.5**
Cash in vault	25.6	31.9	35.4	34.4	28.5	32.2	29.2	30.5	30.9	**20.7**
Total	**293.8**	**292.8**	**282.9**	**295.6**	**268.4**	**283.0**	**292.4**	**289.9**	**354.3**	**20.6**
Memorandum items										
Required reserves	61.3	64.9	64.5	64.5	64.9	64.9	66.2	71.3	72.8	**18.8**
Bank deposits (BNR)	75.3	84.3	92.2	100.9	97.3	96.7	100.4	111.2	111.2	**47.7**
Total bank reserves	101.0	123.1	127.6	135.5	125.5	128.9	129.6	141.7	142.1	**40.7**

Source: BNR

In line with the high level of liquidity in the banking system, money market interest rates continued to decline in the fiscal year 2014/2015. T-bills, repo and interbank rates fell respectively to 4.05%, 2.01% and 4.03% in June 2015 from 5.60%, 3.70% and 5.70% in June 2014 respectively.

Table 23:Interest rates (%)

	2014							2015					
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
BNR Policy Rates													
Key Repo Rate	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Discount Rate	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50
Money Market Rates													
Repo rate	3.70	3.90	4.40	4.20	3.90	3.20	2.80	2.68	2.25	1.95	1.92	2.02	2.01
T-Bills Rate	5.60	5.50	5.20	5.50	5.30	5.10	4.90	4.57	4.57	4.33	4.14	3.96	4.05
Interbank Rate	5.70	5.50	5.50	5.60	5.70	5.70	4.70	4.20	4.12	3.79	3.51	2.82	4.03
Market Rates													
Deposit Rate	8.60	8.40	8.80	7.30	7.30	7.60	7.80	8.50	8.49	8.12	7.98	8.73	8.80
Lending Rate	17.50	17.20	17.40	17.10	17.50	16.70	17.70	17.45	17.49	17.37	17.85	17.35	17.26
Spread	8.90	8.80	8.60	9.80	10.20	9.10	9.90	8.95	9.00	9.25	9.87	8.62	8.46

Source: BNR

In the fiscal year 2014/2015, commercial banks deposit rates decreased to 8.2% on average compared to 8.5% in 2013/2014 whereas the lending rate stood at 17.4% on average between June 2014 and June 2015 compared to 17.3% in 2013/2014.

The rigidity in lending rate reflects the structural problem due to higher operating costs incurred by banks in Rwanda as well as the limited bargaining power of individual borrowers mainly due to lack of information on terms and conditions embedded in loan contracts.

2.3.3. Inflation

The year 2014 was characterized by the slowdown in inflation, mainly due to declining international food and fuel prices as well as BNR intervention in the foreign exchange market. Following the expansionary monetary and fiscal policies and the good coordination thereof, aggregate demand progressively improved but remained non-inflationary. The decline in food prices were mainly due to good agricultural harvests whereas the reduction in energy prices resulted from the fall in international oil prices.

In fiscal year terms, inflation dropped on average from 3.4% in 2013/14 to 1.3% in 2014/15 mainly due to the reasons listed above. Fresh foods inflation eased on average from 7.0% in 2013/14 to -3.0% in 2014/15 thereby leading to the overall decline in food inflation from 4.7% to 0.4% during the same period. Energy inflation dropped on average from 3.1% to 0.4% while transport inflation also slowed from 0.5% to -2.1% during the same period. While core inflation declined on average from 3.0% in 2013/14 to 2.4% in 2014/15, it remained well above headline inflation, reflecting the progressive improvement in aggregate demand mainly resulting from the BNR accommodative monetary policy stance.
Domestic goods inflation fell from 3.9% to 1.4% while imported goods inflation eased from 1.7% to 1.1%.

However, inflation slightly edged up towards the end of the 2014/15 fiscal year, mainly due to the increase in food and energy inflation. Headline inflation reached 2.8% in June 2015 from 1.4% of the same period in 2014 following the upward revision of local pump prices (from 810 FRW/liter to 840 FRW/liter in May 2015) that led to an increase in energy prices, with the latter directly and indirectly affecting headline inflation mainly through transport inflation. In addition to the effect of the May 2015 upward revision in local pump prices, the increase in inflation for solid fuels from 1.5% in June 2014 to 12.4% in June 2015 led to the increase in energy inflation from 0.2% to 0.9% during the same period. Transport inflation climbed from -3.4% to 1.5% during the same period as inflation for cars increased from an average of -8.5% in June 2014 to 9.7% in June 2015. Consistent with the BNR accommodative monetary policy, aggregate demand continued to recover, leading core inflation to increase from 2% in June 2014 to 3% in June 2015.

Domestic goods inflation increased from 2.1% in June 2014 to 2.6% in the same period of 2015 following an increase in fresh foods inflation from -0.5% to 2.6% during the same period. Imported goods inflation jumped from a deflation of -0.4% in June 2014 to 3.2% in June 2015 mainly due to the aforementioned rise in transport inflation. However, imported inflation continued to be mitigated by the appreciation of the FRW against most of the currencies of major trading partners, especially since the second half of 2014, the moderation of inflation in the EAC region and the ease in transport inflation.

Table 24: Inflation developments (annual % change)

	Weights	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	2013/14	2014/15
Food and non-alcoholic beverages	**2,819**	1.9	-3.1	0.7	0.8	2.9	4.7	0.4
Alcoholic beverages and tobacco	**276**	6.1	8.2	5.2	3.6	1.8	6.6	4.5
Clothing and footwear	**422**	4.5	8.7	6.2	3.2	3.0	2.0	5.2
Housing, water, electricity, gas and other fuels	**2,296**	0.8	1.0	3.6	3.8	4.5	0.0	2.9
Furnishing, household equipment and routine household maintenance	**408**	0.1	1.7	1.6	0.5	0.6	0.7	1.2
Health	**91**	10.0	9.6	9.7	-0.2	0.0	5.7	4.9
Transport	**1,774**	-3.4	-0.5	-2.0	-3.9	1.5	0.5	-2.1
Communication	**278**	-0.9	-0.9	-0.9	0.2	0.2	-1.2	-0.4
Recreation and culture	**213**	1.8	2.1	1.7	4.9	7.0	0.2	3.7
Education	**587**	7.1	7.1	7.4	0.5	0.5	21.1	3.8
Restaurants and hotels	**430**	7.8	5.8	4.6	2.9	3.6	8.3	4.4
Miscellaneous goods and services	**408**	4.1	4.7	3.9	2.9	2.0	2.9	3.5
Headline	**10,000**	**1.4**	**0.2**	**2.1**	**0.8**	**2.8**	**3.4**	**1.3**
Fresh products	**1,739**	-0.5	-11.3	-1.2	-2.5	2.6	7.0	-3.0
Energy	**775**	0.2	1.2	2.0	-0.8	0.9	3.1	0.4
Core	**7,485**	2.0	3.1	2.8	1.7	3.0	3.0	2.4
Domestic goods	**7,429**	2.1	-0.2	2.2	1.2	2.6	3.9	1.4
Imported goods	**2,571**	-0.4	2.1	1.5	-0.1	3.2	1.7	1.1

Source : NISR

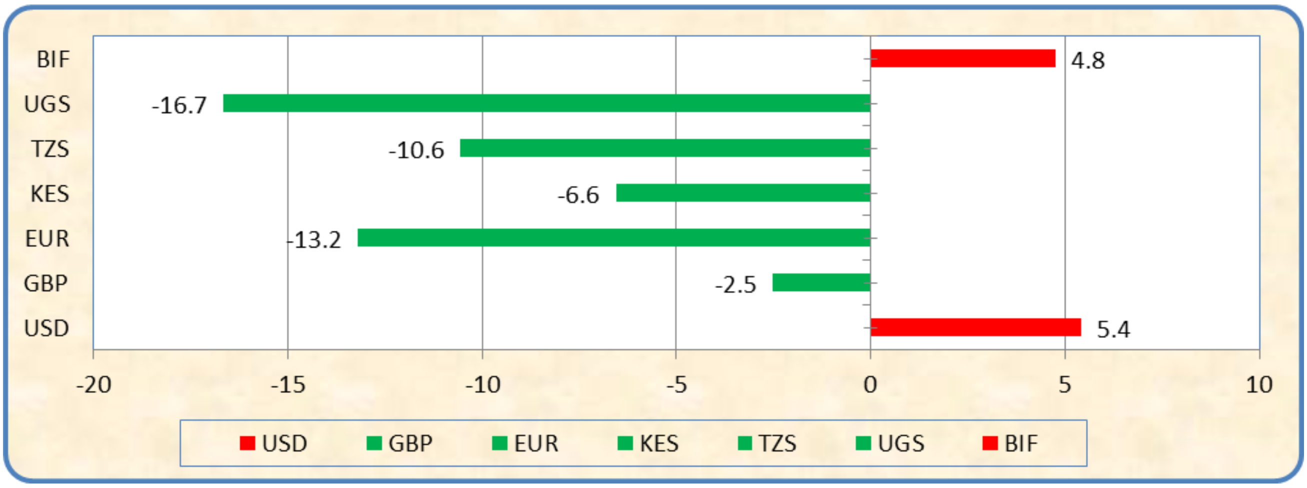
2.3.4 Exchange Rate and Forex market Developments

The Rwandan Franc has been under some pressures in 2014/2015 and continued to suffer from the persistent wide trade deficit, the strengthening of the US dollar against most of currencies around the world as well as the speculation resulting from the depreciation of currencies of major trading partners in the EAC.

Exchange rate developments

In the fiscal year 2014/2015, the FRW has depreciated by 5.4% against USD, trading between 682.54 by end June 2014 and 719.54 by end June 2015 against a depreciation of 6.2% recorded for the last fiscal year. In the same period, FRW appreciated by 2.5% and 13.2% against the GBP and EURO respectively.

Figure 3 : **FRW per unit currency (in % change compared to end June 14)**

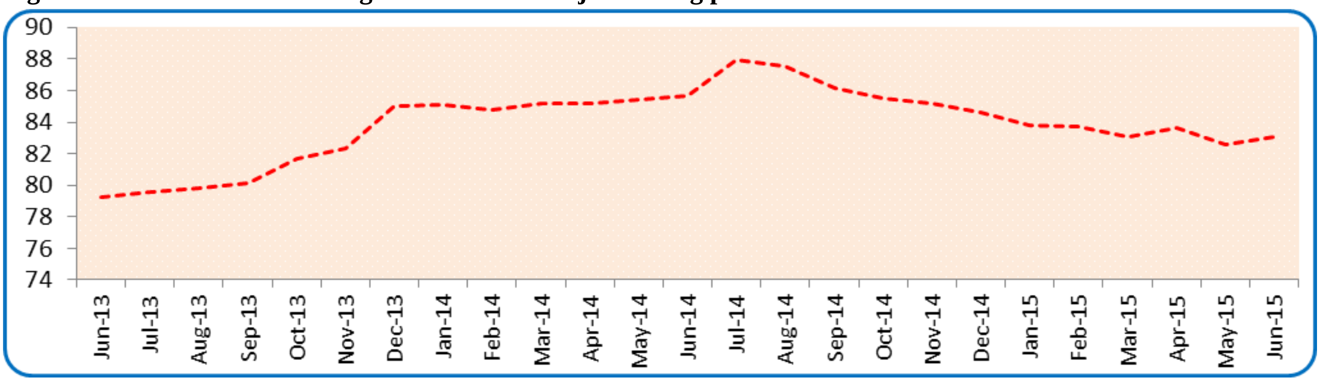


Source: BNR

Similarly, the FRW appreciated by 6.6%, 10.6% and 16.7% against the Kenyan, Tanzanian and Ugandan shillings respectively, but depreciated by 4.8% versus the Burundian franc.

The FRW Real Effective Exchange Rate (REER) has gradually appreciated during the whole fiscal year 2014/2015. It has appreciated by 3.0% by end June 2015 compared to the same period of the last year, mainly driven by the weakening of the Euro and regional currencies against the USD.

Figure 4 : **Real effective exchange rate with ten major trading partner countries**



Source: BNR

Foreign Exchange Market Developments

In the fiscal year 2014/2015, the banking system recorded a slight increase of 0.1% in forex resources and 3.3% in expenditures compared to the last fiscal year, leading to a deficit of USD 15.81 million in commercial banks.

The increase in resources was mainly attributed to transfer transactions which increased by 27.7% from USD 1,349.93 million to USD 1.723.94 million.

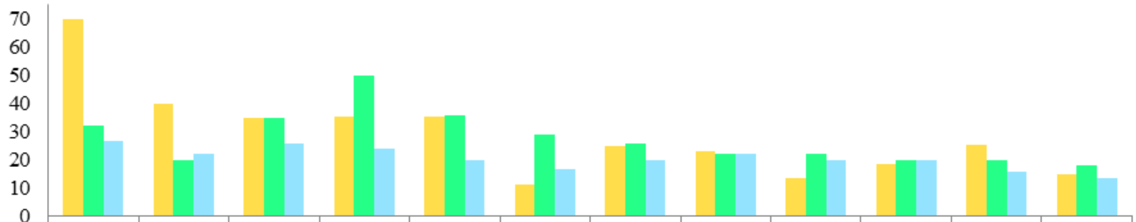
Table 25:Commercial banks forex resources and expenditures (USD million)

	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	%change
Resources	**2,599.45**	**3,086.89**	**3,217.58**	**3,841.27**	**3,843.35**	**0.1**
Transfer transactions	-	-	-	**1,349.93**	**1,723.94**	**27.7**
Exports receipts	293.17	352.91	469.05	545.65	493.14	-9.6
Receipts on services	255.90	329.06	338.05	412.19	165.37	-59.9
Private transfers received	1,785.73	1,982.71	2,064.69	2,197.84	1,065.43	-51.5
Enterprises	1,009.32	1,109.63	1,209.38	1,427.64	660.06	-53.8
NGOs	278.65	274.21	263.10	230.46	169.89	-26.3
Individuals	380.92	480.59	487.92	438.41	132.58	-69.8
Government projects	23.92	29.62	20.84	21.20	18.10	-14.7
Church's	55.50	58.52	56.74	59.48	54.04	-9.1
Associations	20.69	16.94	14.62	14.51	12.24	-15.6
Banks	16.72	13.18	12.10	6.13	17.48	185.1
Purchases forex from NBR	264.65	422.22	345.79	329.75	247.15	-25.0
Transaction in Cash	-	-	-	355.83	1,872.26	426.2
Deposit	-	-	-	309.59	1,684.27	444.0
Purchases forex from public	-	-	-	46.25	187.99	306.5
Expenditure	**2,664.94**	**2,948.03**	**3,149.08**	**3,737.56**	**3,859.17**	**3.3**
Transfer transactions	-	-	-	**1,457.14**	**2,209.25**	**51.6**
Imports of goods	1,520.51	1,834.82	2,112.35	2,400.58	1,735.91	-27.7
Imports of services	421.21	453.75	430.40	419.32	158.80	-62.1
Private transfers paid	552.18	490.01	545.84	577.67	314.55	-45.5
Sales to Forex Bureaus	171.03	169.45	60.49	53.91	31.28	-42.0
Transaction in Cash	-	-	-	286.08	1,618.63	465.8
Withdrawal	-	-	-	228.17	1,342.29	488.3
Sales to public	-	-	-	57.90	276.34	377.3
Excess (- : deficit)	**-65.49**	**138.86**	**68.50**	**103.72**	**-15.81**	**-115.2**

Source: BNR

Regarding the BNR interventions on forex markets, sales to commercial banks decreased by 25.0%, that is from USD 329.8 million sold to market in 2013/2014 to USD 247.2 million sold in 2014/2015.

Figure 5 : BNR Sales to banks in millions of USD



	July	Aug.	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2012/2013	69.9	40.0	35.0	35.4	35.6	11.2	24.9	22.9	13.3	18.3	25.5	14.9
2013/214	32.0	19.8	35.0	50.0	36.0	29.0	26.0	22.0	22.0	20.0	20.0	18.0
2014/215	26.8	22.0	26.0	24.0	20.0	16.9	20.0	22.0	20.0	20.0	16.0	13.5

Source: BNR

2.3.5. Reserves Management

The National Bank of Rwanda holds foreign exchange reserves in order to cover foreign exchange needs and external obligations, to support monetary and exchange rate management policies; and to limit external vulnerability and absorb shocks during times of crises. The Bank has managed its reserves by adherence to the three investment principles of Capital preservation, liquidity and reasonable income generation, in respective order of priority.

In the continuous aim of enhancing its reserves management operations, the Bank has implemented the second generation of Portfolio Analytics Tools (**PAT2)**, reserves management software built on an ORACLE database and with interfacing capabilities. This software is being interfaced with the core banking (T24) and has SWIFT messages generation capabilities. The implementation of this software has gone along with the enhancement of portfolio and risk management capacity building.

The market environment has been challenging, with developed economies experiencing divergent fortunes, Europe and china struggling to return to past years growth while USA economic recovery was consolidating. The USA Central Bank withdrew totally their economic stimulus but maintained their very low interests rates while pears (Eurozone, Japan,..) were embarking on quantitative stimuluses' policies which also curbed and lowered the interest rates to near zero or negative levels.

Concerning the fund performance, the average level of reserves in 2014-2015 was USD 885.71 millions compared to USD 992.72 millions in the previous financial year. Despite a challenging market environment in the financial year 2014-2015 and a lower level of reserves, the cumulative return from foreign exchange reserves investments was 0.73% compared to an expected minimum return of 0.50%.

Compared to the 2013/2014 financial year performance, the 2014/2015 year financial performance was higher by 0.16%. This is essentially due to additional limited flexibility in terms of investment unverse and risk taking allowed by the adoption of new Investment Guidelines and the growing capability of staff involved in the management of reserves.

Box 3

- ✓ Annual headline inflation rate (End June 2015): 2.8 %
- ✓ BNR Key Repo Rate (end June 2015): 6.5 %
- ✓ Annual increase of Broad Money (M3) (end June 2015): 16.7 %
- ✓ Annual FRW depreciation vs USD (as of June 2015): 5.4 %

CHAPTER III: FINANCIAL SECTOR STABILITY AND INCLUSION

3.1. Banking Sub-sector Performance

During the financial year 2014-2015 the banking sector continued to be characterized by increasing lending and deposit mobilization as well as enhanced competition with the reduction of the level of concentration by few banks. For instance, the share of three biggest banks in loans, deposits and total assets also declined from 52%, 58% and 54% in 2010 to 42%, 48% and 45% in June 2015 respectively, showing an increase in the banking sector competition.

The sector which is composed of eleven commercial banks; four microfinance banks; one development bank and one cooperative bank continues to attract international investors and 1 Commercial Bank was licensed while 3 Institutional Shareholding taker over are under process.

With regard to the supervision of banks, the supervisory approaches adopted continued to focus on identifying risks faced by the banking sector trough off and on-site analysis and address the highlighted specific weaknesses.

Parallel to the banking oversight, an emphasis was also put on the supervision of forex bureaus activities to ensure compliance with the regulatory framework and specifically eradicate all malpractices raised in the sector.

Furthermore, aiming to strengthen and improve the regulatory framework by aligning them with the international standards, the banking law is being updated.

As at end June 2015, the total assets have increased by 13.15% compared to June 2014 as shown below:

Table 26: Performance achievement (in billions of FRW)

	Jun-14	Jun-15	% change
Total assets	1,767.60	2,000.00	13.15%
Total deposits	1,230.80	1,366.50	11.03%
Total loans	940.1	1149.9	22.32%
NPLs	71.3	79.8	11.92%
Profit after tax	17.3	23.6	36.42%

Source: BNR

The total assets (amounting to FRW 2.0 trillion) were dominated by loans to private sector which accounted for 57.5%. On the other hand, total liabilities of banks were dominated by deposits which accounted for 83.8% of the total liabilities.

The sector is sound as shown by good capital levels and adequate liquidity although short term. In addition, bank's shareholders continue to support the equity of the banks with more injection of shareholders capital and mobilization of complementary capital.

From the stability perspective, the sector is sound and resilient to shocks as it remains well capitalized, profitable and liquid.

The capital adequacy ratio (CAR) stood at 24.3% compared to 23.6% recorded in June 2014 well above Basel committee benchmark of 10% and the BNR regulatory minimum requirement of 15%. This buffer means that the banking system assures confidence as regards to depositors' protection and system's stability. The asset quality of the industry improved with non-performing loan ratio (NPLs ratio) declining to 5.9% as at end June 2015 compared to 6.6% recorded in June 2014 due to BNR's close on site and off site supervision to ensure regular loan classification. The banking sector continued to register healthy profitability. The net profit after tax for the industry rose by 36.5% from FRW 17.29 billion end June 2014 to FRW 23.60 billion as at end June 2015. This is because the economy financing continued to increase, thus increasing levels of profits as well.

Table 27: Key Soundness Indicators (in percent)

Indicator	2014	2015			
	June	September	December	March	June
Solvency ratio (total capital)	23.6	24.0	24.2	25.9	24.3
NPLs / Gross Loans	6.6	6.3	6.0	6.3	5.9
NPLS net/Gross loans	5.5	5.5	5.1	4.9	4.9
Provisions / NPLs	50.0	55.3	56.8	52.3	51.5
Earning Assets / Total Assets	80.7	83.0	93.1	79.3	81.8
Large Exposures / Gross Loans	15.9	14.8	17.7	19.3	22.5
Return on Average Assets	2.1	1.9	1.9	2.7	2.4
Return on Average Equity	12.2	10.9	10.8	14.1	13.1
Cost of deposits	3.3	3.2	3.4	3.1	3.1
Liquid assets/total deposits	54.2	54.0	51.7	46.0	49.5
FOREX exposure/core capital	-1.7	-4.8	2.2	-5.5	-7.1

Source: BNR

Box 4

Financial soundness indicators (Banking system) June 2015

- ✓ Solvency: 24.3 %
- ✓ NPL: 5.9 %
- ✓ Profitability: 2.4%

Compared to the same period in 2014, Return on assets (ROA) and return on equity (ROE) slightly increased to 2.4% and 13.1% respectively from 2.1% and 12.2% as at June 2014.

The liquidity ratio measured as liquid assets to total deposits ratio and used as an indicator of liquidity position of the banking sector stood at 49.5% in the period under review, well above the prudential limit of 20%. Deposits are increasing mainly due to expanding of network, branches and agents of banks.

3.2 Microfinance sub-sector performance

The microfinance sector continued to record an increase in both assets and deposits.
During the period under review, the microfinance sector had 13 limited companies; 64 non-UMURENGE SACCOs and 416 UMURENGE SACCOs (U-SACCOs).

Microfinance sector soundness

The Microfinance sector's assets have grown by 27.2% from FRW 147.3 billion in June 2014 to FRW 187.5 as of June 2015 largely driven by loans and liquid assets which rose by 19.7% and 42% respectively.

The deposits have grown by 27.7% from FRW 82.1 billion in June 2014 to FRW 104.9 billion as at June 2015. The Capital Adequacy Ratio (CAR) and the liquidity ratio stood at 31.4% and 95.4% well above the minimum regulatory requirement of 15% and 30% respectively.

The asset quality, measured by NPL ratio slightly improved from 7.6% end June 2014 to 7.4% as at end June 2015. This improvement mainly resulted from conducting of offsite and onsite inspections of microfinance institutions and the implementation's recommendations.

Table 28: MFIs performance indicators (UMURENGE SACCOs included, in billions of FRW, unless otherwise indicated)

Denomination	30-Jun-14	31-Dec-14	30-Jun-15	Var.Jun14 /Jun15
Total Assets	**147.4**	**159.3**	**187.5**	**27.2%**
Total Liquid Assets	**53.4**	**55.3**	**76.0**	**42%**
Cash in Vaults	3.3	2.5	4.4	35.3%
Cash in Banks	50.0	52.7	71.5	42.9%
Treasury Bills& Placements	0.1	0.1	0.1	-0.9%
Loan Portfolio (Net of Provisions)	78.0	86.8	93.6	20.1%
Gross Loans	**81.2**	**90.0**	**97.2**	**19.7%**
Non-Performing Loans	6.2	6.3	7.2	16.3%
Provisions	3.2	3.1	3.6	11.2%
Other Assets	15.9	17.2	17.8	11.9%
Liabilities	**100.4**	**106.5**	**128.7**	**28.1%**
Total Deposits	**82.2**	**86.1**	**104.9**	**27.7%**
Current Accounts	62.0	63.6	79.7	28.6%
Saving Accounts	14.0	17.6	19.8	41.0%
Short Term Deposits	2.6	3.4	5.1	95.3%
Long Term Deposits	3.5	1.5	0.3	-90.8%
Borrowings& Short Term Liabilities	11.7	13.6	14.1	20.7%
Other Liabilities	6.5	6.8	9.6	47.1%
Equity	**47.0**	**52.8**	**58.8**	**25.3%**
Earnings	9.1	11.9	13.7	50.5%
Retained Earnings/Accumulated Losses	6.5	6.9	10.3	59.4%
Net Profit/Loss of Period +/- (From January)	2.6	5.0	3.4	28.6%
Paid up Capital	20.7	22.3	23.5	13.4%
Other Equity	17.1	18.7	21.7	26.4%
Total Liabilities& Equity	**147.4**	**159.3**	**187.5**	**27.2%**
NPL Ratio (Max 5%)	**7.6%**	**7.0%**	**7.4%**	
CAR (Min 15%)	**31.9%**	**33.2%**	**31.4%**	
Quick-Liquidity Ratio (Min 30%)	**86.2%**	**87.0%**	**95.4%**	

Source: BNR

UMURENGE SACCOs recorded a growth of 31% in deposits reaching FRW 58.1 billion end June 2015 from RWF 44.4 billion end June 2014 and loans granted increased to RWF 28.9 billion in June 2015 from FRW 24.2 billion in June 2014.
As result, total assets increased from FRW 68.7 billion to FRW 90.8 billion, that is an increase of 32% for the period under review. Note that U-SACCOs represent 48.4% and 55.5% of the total MFIs' assets and deposits respectively.

Regarding compliance with prudential norms, as of June, 2015 USACCOs were well capitalized at 29.4% above 15% required and sufficiently liquid at 99.2% above the minimum of 30% required. The NPLs ratio for UMURENGE SACCOs however deteriorated to 8.2% in June 2015 from 7% end June 2014 mainly due to low skills in loan portfolio management on the side of SACCOs' staff and elected organs. To address this issue, BNR committed to conduct on site inspection in the 416 Umurenge SACCOs from July, 2015 to June, 2016. This inspection will target mainly loan portfolio management and it will be using a coaching approach. The computerization of SACCOs operations and their consolidation at district or national level will contribute also to strengthening institutional capacity of SACCOs.

Table 29: UMURENGE SACCO performance indicators (in FRW billions unless otherwise stated)

Denomination	30-Jun-14	31-Dec-14	30-Jun-15	Var.Jun14 /Jun15
Total Assets	**68.8**	**72.3**	**90.8**	**32.0%**
Total Liquid Assets	**35.0**	**34.6**	**51.3**	46.6%
Cash in Vaults	1.8	0.8	2.1	18.1%
Cash in Banks	33.2	33.9	49.2	48.2%
Treasury Bills& Placements	-	-	-	-
Loan Portfolio (Net of Provisions)	23.4	26.7	27.8	18.8%
Gross Loans	**24.2**	**27.7**	**28.8**	**19.4%**
Non Performing Loans	1.7	2.0	2.4	40.7%
Provisions	0.9	1.0	1.2	35.6%
Other Assets	10.4	11.0	11.7	12.5%
Liabilities	**48.2**	**48.5**	**64.1**	**33.2%**
Total Deposits	**44.4**	**45.7**	**58.2**	**31.0%**
Current Accounts	39.5	39.9	51.7	31.0%
Saving Accounts	3.7	4.3	4.8	30.9%
Short Term Deposits	1.3	1.5	1.6	29.4%
Long Term Deposits	-	-	-	-
Borrowings& Short Term Liabilities	0.6	0.6	0.8	35.6%
Other Liabilities	3.1	2.3	5.1	64.6%
Equity	**20.6**	**23.8**	**26.7**	**29.2%**
Earnings	11.2	13.5	15.7	39.3%
Retained Earnings/Accumulated Losses	9.1	9.1	13.3	45.6%
Net Profit/Loss of Period +/- (From January)	2.1	4.4	2.3	11.6%
Paid up Capital	**7.0**	**7.7**	**8.5**	**21.7%**
Other Equity	2.4	2.6	2.5	4.4%
Total Liabilities& Equity	**68.8**	**72.3**	**90.8**	**32.0%**
NPL (Max 5%)	7.0%	7.1%	8.2%	
Liquidity Ratio (Min 30%)	88.6%	86.8%	99.2%	
CAR (Min 15%)	30.0%	32.9%	29.4%	

Source: BNR

By end June 2015; 381 out of 416 U-SACCOs (91.6%) had reached their break-even points in terms of profitability compared to 376 in June, 2014, which is a good step towards sustainability in the sector.

In terms of loan distribution by sectors of economic activities, the largest share of 48.3% of the total outstanding credit was granted to commerce, restaurants & hotels followed by public works and construction (31.1%). Given its rural base, UMURENGE SACCO interestingly financed agriculture at a share of 24.5% above 14.4% for all MFIs.

Table 30: MFI's Outstanding (in billions FRW Loans by Economic Sector

Economic Sector	UMURENGE SACCO		Other MFIs		Total	
	Jun-15	Share %	Jun-15	Share %	Jun-15	Share %
Agriculture, Livestock, Fishing	7.1	**24.5%**	6.9	**10.2%**	14.0	**14.4%**
Public Works (Construction), Buildings, Residences/Homes	3.5	**12.1%**	26.7	**39.2%**	30.2	**31.1%**
Commerce, Restaurants, Hotels	13.9	**48.3%**	20.8	**30.5%**	34.7	**35.8%**
Transport, Warehouses, Communications	1.6	**5.7%**	2.4	**3.5%**	4.0	**4.2%**
Others	2.7	**9.5%**	11.3	**16.6%**	14.1	**14.5%**
All Sectors	**28.9**		**68.2**		**97.2**	

Source: BNR

3.3 Non-Bank Financial Institutions Performance

The non-bank financial institutions are mainly comprised of insurance and pension institutions. The inclusion of NBFIs (contractual savings) supervision within the mandate of the Bank (in 2007) was in recognition of the valuable role that these institutions play in the stability of the financial system and economic growth of the country.

Currently there are eight (8) non-life insurers, four (4) life insurers, two (2) public medical insurers, fourteen (14) insurance brokers, three hundred and twenty two (322) insurance agents, nine (9) loss adjusters, one (1) pension/social security fund and fifty three (53) private pension schemes but not yet regulated by the Bank.

3.3.1 Insurance sector performance

The insurance sector continued to register considerable growth in terms of total assets, profitability and capitalization. Over the past six years, the sector has also been characterized by a flow of new market entrants both from regional or international level.

As at end June 2015, the total assets increased by 11% reaching FRW 295 billion from FRW 267 billion, end June 2014 and FRW 272 billion (end December 2014); capital and reserves increased by 9% to FRW 218 billion from FRW 200 billion, end June 2014.The increase in total assets and capital was mainly attributed to the capital restructuring of some insurers through injection of additional funds to align with/implement their business strategies.

The sector is well capitalized as reflected by an average combined solvency margin ratio of 941% that is well above the required solvency margin of 100%. The sector's ability to pay its short term obligations when they fall due is also satisfactory as the liquidity ratio stood at 312% which is far above the prudential requirements of 150%.

In comparison with the private insurers, the public (medical) insurers continue to outperform other insurers as they account for 60% of the sector's assets and 114% of the insurers' net profit. This is mainly due to the fact that public insurers are mandatory insurance schemes and they have been able to effectively control their management/operating expenses.

Table 31: Performance indicators for the insurance sector (in billions of FRW)

Key Performance Indicators	June-2014			June-2015		
	PRIVATE INSURERS	PUBLIC INSURERS	INDUSTRY	PRIVATE INSURERS	PUBLIC INSURERS	INDUSTRY
Total assets	103	164	267	117	179	295
Total capital	40	160	200	42	176	218
Total claims outstanding reserves	13	2	15	15	0.1	15
Total premiums written	42	37	79	47	38	85
Underwriting profit	(12)	14	2	(15)	15	(1)
Total net profit	(3)	27	24	(6)	45	40
Solvency margin ratio (%)	117%	2217%	243%	88%	2000%	941%
Claims ratio (%)	72%	42%	55%	74%	46%	60%
Expenses ratio (%)	62%	12%	40%	64%	6%	40%
Combined ratio (%)	133%	54%	96%	139%	52%	100%
Current ratio (%)	121%	2491%	314%	107%	4755%	312%
Insurance risk ratio -GP/CAP (%)	106%	23%	40%	112%	22%	39%

Source: BNR

By end June 2015, the insurance gross premium written was FRW 85 billion compared to FRW 79 billion as at end June 2014, reflecting an increase of 8%. The increase in premium written was attributed to managed efforts by new insurance players to underwrite new business. It was also revealed that net profit for the sector slightly rose to FRW 40 billion from FRW 24 billion end June 2014.

3.3.2 Pension sector performance

Under the pension sector, the law 05/2015 of 30/03/2015 governing the organization of pension schemes was drafted, approved and published in the official gazette number 20 of 18th May 2015. This law establishes the organization and management of private pension schemes that include the occupational and personal saving account pension schemes that are voluntary in nature. It is envisaged that with the introduction of private pension schemes, informal sector and self-employed people are likely to join the pension system and consequently increase the pension coverage ratio.

The pension sector total assets, excluding private pension schemes, increased by 13% from FRW 455.1 billion recorded end June 2014 to FRW 512.1 billion reported end June 2015. The increase in total assets is mainly attributed to better performance of specific asset classes including term deposits and cash that increased by 16% and additional investments in properties together with equities which increased by 14% and 9% respectively.

During the period under review, total contributions increased by 8% from FRW 55.5 billion to FRW 60 billion, total benefits paid increased by 22% from FRW 12.1 billion to FRW 14.8 billion. The increase in contributions is associated to increase in the number of employees that reached 373,447 from 272,069 recorded in June 2014. Similarly the number of pension beneficiaries increased by 3% that caused corresponding increase in benefits paid and investment income increased by 7% from FRW 22.1billion to FRW 23.4 billion due to some quoted equities that generated dividends to the tune of Frw 5.6 billion from Frw 4.3 billion. The details are illustrated in the table below.

Table 32: Public pension sector financial indicators (in billions of FRW)

Indicator	Jun-2014 Audited Financial statements	Dec-2014	Jun-2015	% Change Jun-14/ Jun-15
Total assets	455.1	480.7	512.1	13%
Total Contributions Received	55.5	57.3	60.0	8%
Total benefits paid	12.1	13.2	14.8	22%
Total investment income	22.1	20.5	23.6	7%

Source: BNR

3.4 Regulatory and Supervision Framework

Aiming to strengthen and improve the regulatory framework by aligning them with the international standards, the banking law is being updated.

In addition, the process of drafting implementing regulations of the Banking Law has started and at least 6 Regulations are under process and the process of implementing Basel II/III continues under a defined roadmap.

The supervision of the foreign exchange bureaus sector is currently composed of 86 forex bureaus and the main activities relating to supervision were related to continuously monitor to eradicate malpractices. On-site inspections have been conducted for 30% of the sector which assess compliance with foreign exchange regulatory requirements.

To strengthen the supervision of MFIs more especially SACCOs scattered in rural areas; there is a team of inspectors stationed in 5 Bank branches and Headquarters. The SACCOs were coached on financial reporting and compliance with prudential norms.

Consequently, the number of on-site inspections also increased from 70 MFIs inspected in the year 2013/2014 to 174 MFIs in the year 2014/2015. Much emphasis was put on the follow up of implementation of previous on-site inspection recommendations.

In regard with Non-Bank Financial institutions, the Bank conducted onsite inspections for 10 insurance and pension companies and 2 insurance Brokers.

3.5 Access to finance

To improve access and ultimately higher financial inclusion, the Bank in conjunction with government, have designed and implemented a number of reforms. After establishment of Umurenge SACCOs in 2009, the Bank focused on supporting extension of bank networks, support of branchless banking and use of information technology, to reach the financially excluded Rwandans.

As a result of Umurenge SACCO Program and continued expansion of banks branch network, finscope (2012) findings showed that 90 percent of Rwandan lived in a radius of 5km to a financial institution. The establishment of Umurenge SACCO greatly improved the geographical accessibility to financial institutions.

Since 2012, a number of policies, by both Government and the Bank have been adopted and implemented to accelerate the level of financial inclusion.

In the course of 2014/15 financial year, in terms of setting conducive financial inclusion legal landscape, the new pension law was approved. The new pension law provides for private pension scheme to operate, a factor expected to increase the number of pension service providers.

Financial education is another anchor the Bank aims to focus on to enhance usage of financial services. Access to Finance forums was as well created at every District to facilitate the link between financial services providers and financial beneficiaries.

The Bank was awarded the Alliance for Financial Inclusion (AFI) Policy Award in recognition of its innovative and impactful financial inclusion policies.

In partnership with MINECOFIN, AFR and NISR, the Bank initiated the second Finscope survey, with an intention to measure what was achieved, or put differently, how many Rwandans were linked to formal financial services through different government and the Bank's interventions. Findings of the second finscope survey are expected in the first quarter of 2016.

Much as finscope survey provides financial inclusion data from the demand side, the Bank tracks regularly financial inclusion dynamics from administrative supply side data.

Digital financial services are another increasing and promising channel to accelerate financial inclusion. Mobile banking and mobile money transfer services have experienced accelerated growth momentum in recent past.The number of mobile accounts increased by 77 percent between June 2014 and June 2015 (From 3,826,997 to 6,763,467). In the same period, mobile banking accounts increased by 39 percent (From 552,027 to 769,497). More mobile financial services are expected to contribute to financial inclusion through availing access to finance for those Rwandans still distant from a financial institution.

More bank outreach (penetration) happened in period under review.The Total number of bank branches (country-wide) increased from 160 in June 2014 to 161 in June 2015. In the same period, total number of counters (outlets) increased by 42 (i.e. from 122 to 164).
A total of 18 additional Automatic Teller Machines (ATMs) were established, raising the total number of ATMs country wide from 343 to 361.

In FY2014/15, a total of 165 bank agents joined the market increasing the number of bank agents from 2,071 in June 2014 to 2,236 in March 2015. Bank accounts increased by 13 percent (year-on-year) to reach 2,186,052 in June 2015.

The Bank penetration by province indicated that Kigali-city held 38 percent of total bank branches (i.e., 61 out of 161), followed by Southern province (28 branches) and Western province (28 branches). The Northern Province had the lowest number of bank branches (19).

The Microfinance sector has also continued to increase access to finance. The number of accounts opened in Microfinance Institutions increased by 13.4% from 2.3 million by June, 2014 to 2.7 million as of June 2015, UMURENGE SACCO representing 75% of the accounts. The number of outstanding loans declined by 1.5% from 169.6 thousand in June 2014 to 167.0 thousand as of June 2015

Table 33 : MFIs' number of accounts and outstanding loans (in 000s)

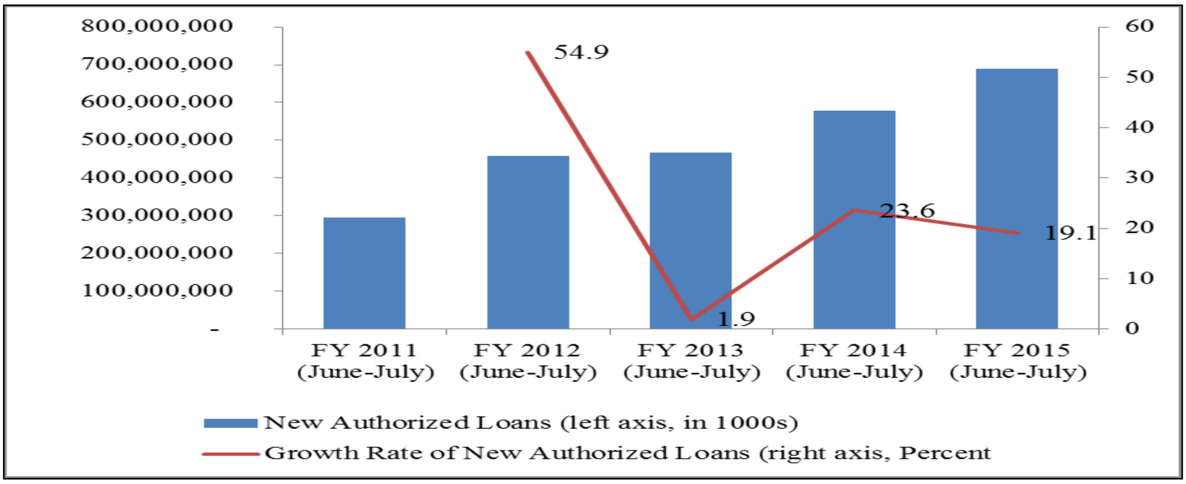
	30-June-14	**31-Dec-14**	**30-Jun-15**	**% Increase June14/June15**
Number of accounts	***2,397,000***	***2,572,124***	***2,718,892***	**13.4%**
Females	919,400	987,421	1,045,993	**13.8%**
Males	1,286,000	1,370,037	1,440,791	**12.0%**
Groups/Entities	191,600	214,666	232,108	**21.1%**
Number of outstanding loans	***169,600***	***163,153***	***167,089***	**-1.5%**
Females	52,500	48,618	49,256	**-6.2%**
Males	110,800	107,816	111,539	**0.7%**
Groups/Entities	6,300	6,719	6,294	**-0.1%**

Source: BNR

3.6 Credit Information System/Credit to the Economy

Growth of new authorized loans (from banks) to private sector slowed down compared to the previous year (FY2013/2014). New authorized loans increased by 19 percent (from Frw 577.7 billion to Frw 688.1 billion), which is lower than 23.6 percent growth registered in previous Financial year.

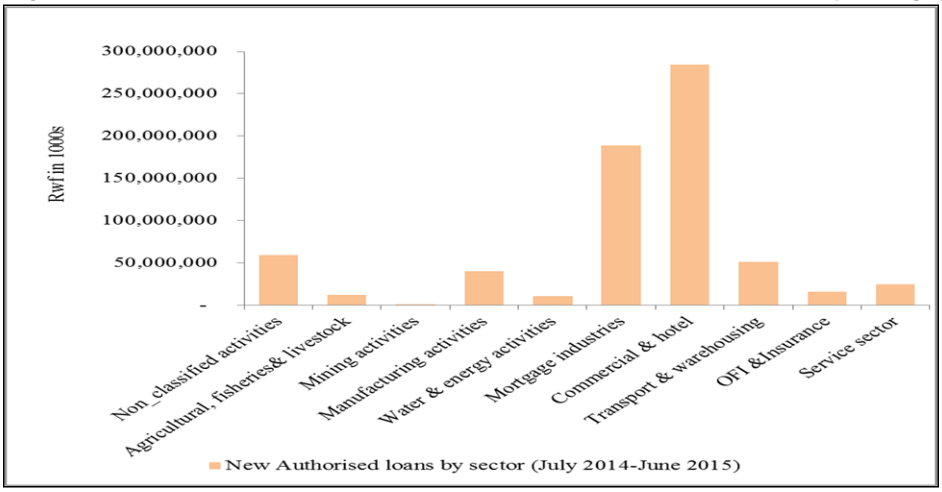
Figure 6 : Credit growth decelerated in Financial Year 2014/15



Source: BNR

The largest share (41 percent) of total new loans authorised in FY 2014/15 went to commercial activities and hotels, followed by mortgage industry (27.5 percent). Mining was the least financed sector.

Figure 7: More loans went to commercial activities and hotels, followed by mortgage



Source: BNR

The cost of borrowing declined in FY2014/15. Weighted average lending rate declined from 17.52 percent in June 2014 to 17.26 in June 2015.

New loans were unevenly distributed in provinces. Kigali city was the recipient of more loans (74%), followed by the Western province (9%). In terms of growth, the comparison of the financial year 2013/2014 and 2014/2015 shows that the annual growth in southern province was highest (43%), while the least growth was observed in Eastern province (10%).

Table 34 : Distribution of new loans by Province (FY2013/14) and (FY2014/15)

Province	FY 2013/14	FY 2014/15	% growth
Eastern	86,235,180	94,566,849	10%
Kigali City	766,120,684	987,835,935	29%
Northern	49,864,692	59,665,631	20%
Southern	57,835,662	82,644,187	43%
Western	90,182,064	116,570,572	29%
TOTAL	**1,050,238,282**	**1,341,283,173**	**28%**

Source: BNR

New authorized loans to women were 67 percent lower than loans to men. New authorized loans to women amounted to Rwf 68.7billion, while loans to men amounted to Rwf 214.3 billion. Improving women access to finance is an integral part of Rwanda's financial inclusion program, and BNR in conjunction with relevant stakeholders aims at designing and implementing policies that raise women access to finance.

Generally, the value of loans to SMEs increased by 9 percent in FY2014/15. However, mixed development happened in different sectors, with credit to SMEs significantly growing in some sectors, while declining in other sectors (Table 35). For example, loans to SMEs in commercial and hotels activities and service sectors significantly increased (both in volume and value); loans to SMEs in mining and agriculture declined in value (but increased in volume).

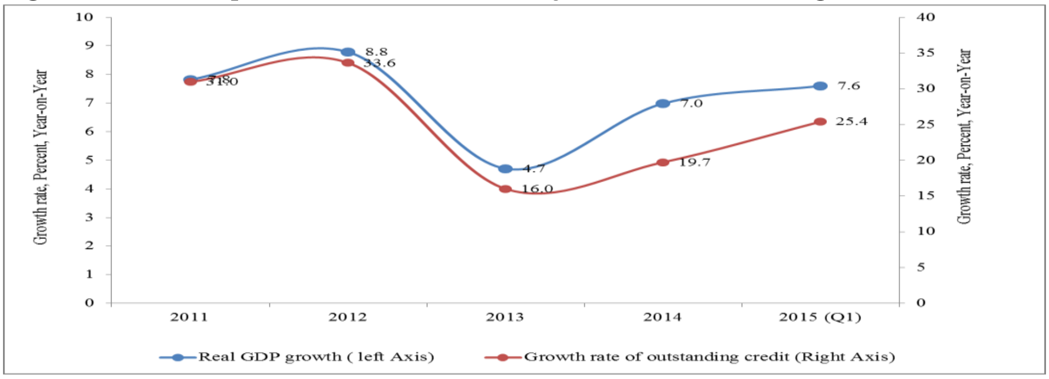
Table 35 : SMEs financing levels by economic sector

Activity Sector	FY 2013/14		June 2015		% annual change	
	Volume	**Value(FRW)**	**Volume**	**Value(FRW)**	**Volume**	**Value**
Non-classified activities	3,552	4,004,238	2,048	2,281,811	-42%	-43%
Agricultural, fisheries& livestock	2,503	17,629,953	4,750	14,307,687	90%	-19%
Mining activities	4	516,051	5	434,926	25%	-16%
Manufacturing activities	405	8,565,008	464	8,254,723	14%	-4%
Water & energy activities	4	75,729	2	683,066	-50%	802%
Mortgage industries	10,490	82,658,586	9,867	102,524,492	-6%	24%
Commercial & hotel	29,840	98,064,139	41,414	102,262,308	39%	4%
Transport & warehousing	1,217	10,902,277	1,117	10,140,925	-8%	-7%
OFI &Insurance	18	311,519	22	117,187	20%	-62%
Service sector	657	8,470,167	947	10,772,383	44%	27%
Total	**48,691**	**231,197,668**	**60,635**	**251,779,508**	25%	9%

Source: BNR

The increase of credit to private to 9% has been attributed to the government policy to enhance development of the economy through private sector, especially SMEs. Credit to private sector stimulates domestic demand, through influencing private sector investment and consumption. Improving financial deepening is one key target of the Bank. In FSDP-2, BNR targets achieving 30 percent credit (percent of GDP) in medium-term. More credit sector financing is expected to contribute to economic growth through stimulating private sector activities.

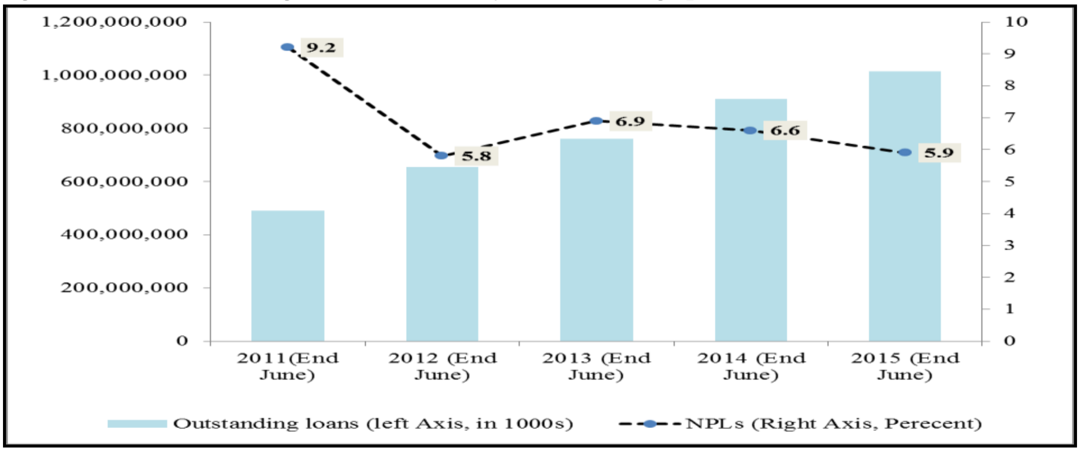
Figure 8 : Credit to private sector has been a major driver of economic growth



Source: BNR

Loan quality improved in FY2014/15. The ratio of non-performing loans to total loans (NPLs) declined by 0.7 percentage points from 6.6 percent in June 2014 to 5.9 percent in June 2015. The growth of the economy improved people's capacity to service their loans. The Bank's prudential target is at 5 percent. Although current NPLs are still above prudential target, much has been achieved to bring down high NPLs that for example stood at 19.3 percent in June 2007.

Figure 9: Non-Performing Loans declined by 0.7 Percentage points



Source: BNR

Improved loan quality observed (declining NPLs) was among other things triggered by increased usage of credit reference bureau services, also bolstered by strengthened legal framework for credit information system. In February 2015, the Bank put in place a regulation no 001/2015 of 28/01/2015 implementing the Law no 16/2010 of 07/05/2010 governing credit information system in Rwanda.

The Bank regularly conducts off-site surveillance to ascertain how institutions comply with requirements of the regulation and the law.

Usage of credit information services has helped to cushion Rwanda's financial system from potential serial defaulters. In June 2012, CRBAfrica[2] was acquired by TransUnion[3].Upon taking over; TransUnion introduced some innovation in the market and introduced a credit score tool.

Credit score is a number representing the credit risk associated with an individual credit. It uses past credit information to predict probability of default. The credit score helps lenders to make proper decision.

To ensure quality of credit information, in June 2015, the Bank conducted an on-site inspection of CRB-Africa. Following this on-site inspection, the Bank and CRBAfrica management agreed on key reforms that will enhance efficiency, accuracy of information and sustainability of credit information services. Going forward, BNR through its off-site and on-site surveillance will continue pursuing a well-functioning credit information system.

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[2] CRB Africa is private company which started offering credit information services to the Rwandan Market since July 2010

[3] TransUnion is an American company that provides credit information and information management services to approximately 45,000 businesses and approximately 500 million consumers worldwide in 33 countries.

CHAPTER IV: PAYMENT SYSTEMS MODERNIZATION AND CURRENCY MANAGEMENT

4.1. Payment Systems Modernization

Efficient payment services are essential to a well functioning economy. In addition to meeting customers' needs, payments should be executed swiftly, securely and at low cost.
The effeiciency of the Rwanda payment System has improved in the year under review. The Rwanda Integrated Payments Processing System (RIPPS) has been stable and continued to serve efficiently the payment industry and the capital market. Significant progress has been observed in the Retail payment system especially mobile Financial Fervices (MFS) and internet banking services.

Rwanda Integrated Payments Processing System (RIPPS)

RIPPS is an integrated system comprising of Real Time Gross Settlement System (RTGS), Automated Clearing House (ACH) and Central Securities Depository (CSD). The following table indicates the usage of CSD services.

Table 36: Central Securities Depository (CSD)

	2013-2014			2014-2015			Percentage change		
Security	**Number of trades/transactions**	**Number of securities traded**	**Turnover (million FRW)**	**Number of trades/transactions**	**Number of securities traded**	**Turnover (million FRW)**	**Number of trades**	**Number of securities traded**	**Turnover (million FRW)**
Equities	2,449	85,685,446	42,721	2,167	162,295,781	50,414	-12%	89%	18%
Debt Securities	-	-	-	9	-	548	-	-	-

Source: BNR

Between 2013/14 and 2014/15 equities increased by 89% and 18% in terms of number of securities traded and turnover respectively.The increase is attributed to the increase of institutional investors. On debt instruments' side, the data in the table above corresponds to the bonds traded on secondary market during the period July 2014-June 2015.

On the other side, ATS continued to smoothly process credit transfers, cheques and interbank transfers. The following table shows transactions which went through ATS during 2014/15 comparing with 2013/14.

Table 37: Automated Transfer System –ATS (FRW)

	TRANSFERS			CHEQUES			INTERBANK TRANSFERS		
	2013/14	**2014/15**	**Change**	**2013/14**	**2014/15**	**Change**	**2013/14**	**2014/15**	**Change**
volume of instructions	1,944,044	2,088,607	7%	300,676	286,134	-5%	13,797	11,546	-16%
Transaction values (Million FRW)	2,813,112	3,323,514	18%	677,655	679,686	0.2%	2,005,604	1,976,292	-1%

Source: BNR

In terms of volume of instructions, customer transfers have increased by 7% whereas cheque and interbank transfers have reduced by 5% and 16% respectively. In terms of values, customer transfers and cheques have increased by 18% and 0.2% respectively whereas interbank transfers have reduced 1%. This is mainly attributed to more usage of the automated system.

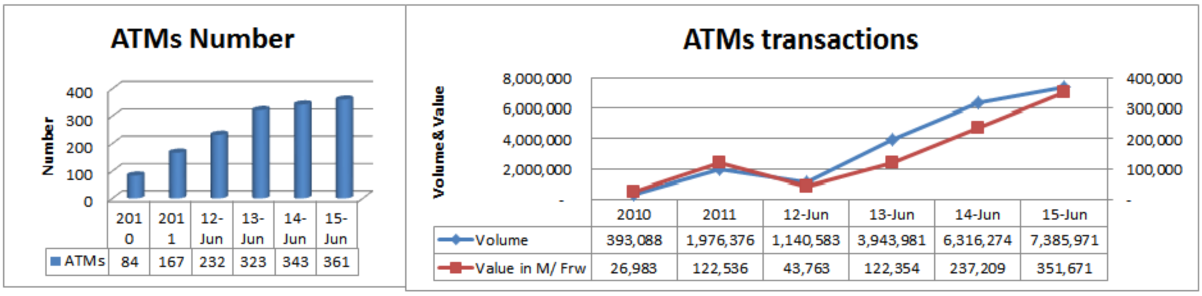
Trend in Retail Payment System

2.1. Card Based Payment System

a. ATMs transactions

Regarding ATMs, the rise in number and turnover was moderate with an increase of 5% from 343 in June 2014 to 361 ATMs in June 2015 and 16.9 % in volume of transactions. This is due to the fact that banks are investing more in non cash payment instruments. The graph below highlights the evolution of ATMs transaction since 2010.

Figure 10: ATMs transactions

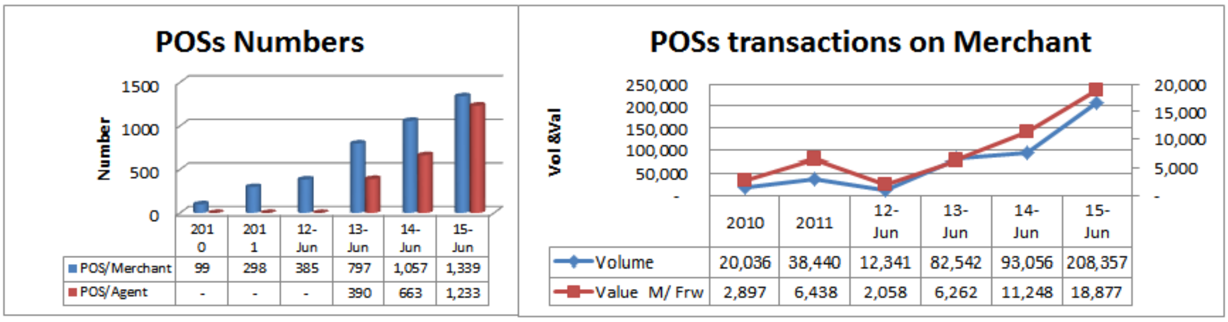


Source: BNR

b. POS transactions

POS terminals are very important in driving the Country torwards cash less economy. While the number of POS is still low to boost the usage of e-payment, the volume of transactions increased tremendeously by 123.9% (from 93,056 to 208,357 transactions) between the years 2013/14 and 2014/15. Initiatives such as persuading banks to reduce Merchant Discount Rate (MDR) and enforcement of non surcharging policy have been put in place to increase the acceptability of POS by merchants and customers. The graphs indicate POS transactions progress since 2010.

Figure 11: POS transactions

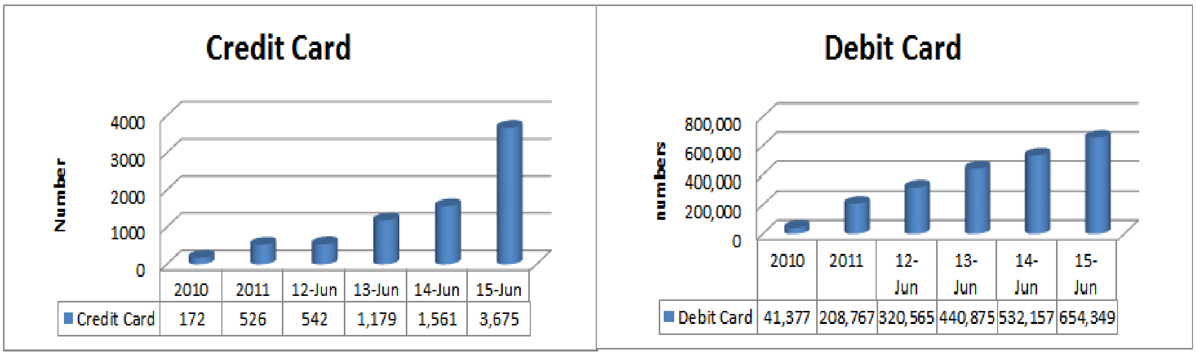


Source: BNR

c. Card Issuance

Between June 2014 and June 2015 the number of debit cards increased by 23% from 532,157 to 654,349, while the number of credit cards increased by 135% from 1,561 to 3,675cards. This increase is attributed to introduction of instant card issuance upon a customer's opening of an account especially in towns. It is important to note that despite the positive trend, the issuance rate is still low with total number of cards representing only 30% of bank accounts due to limited usage of cards in rural areas. Figures below highlight the progress achieved since 2010

Figure 12: Payment cards



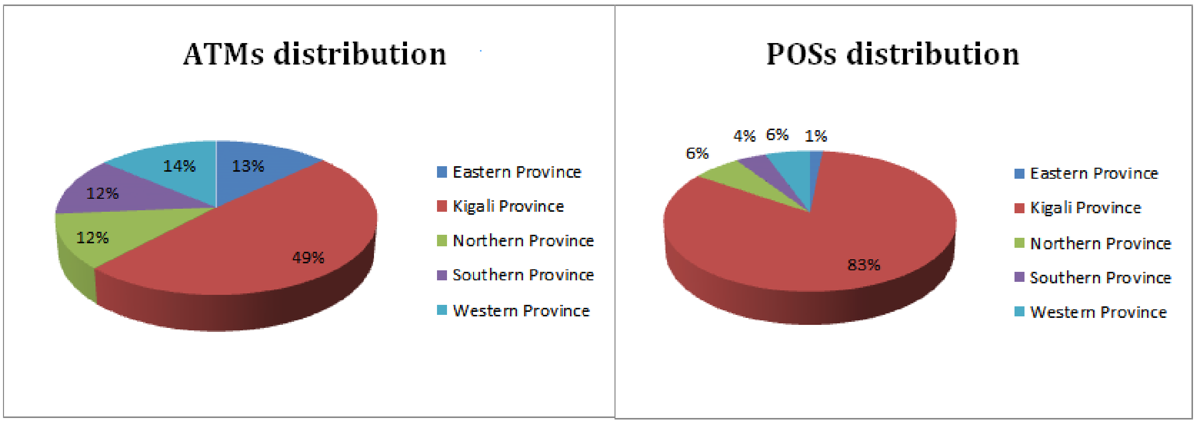
Source: BNR

d. Distribution of POS and ATMs

The graphs below indicate that existing payment terminals are concentrated in urban areas with 49% of ATMs and 83 % of POS in Kigali. These terminals concentrate in urban areas because they are expensive to be deployed in areas with less economic activities. However, strategies are already put in place to provide affordable means of payment like mobile POS (M-POS). The graphs below highlight the distribution of POS and ATMs terminals per province.

POSs distribution

Figure 13: Distribution of Payment Terminals



Source: BNR

e. International acquiring

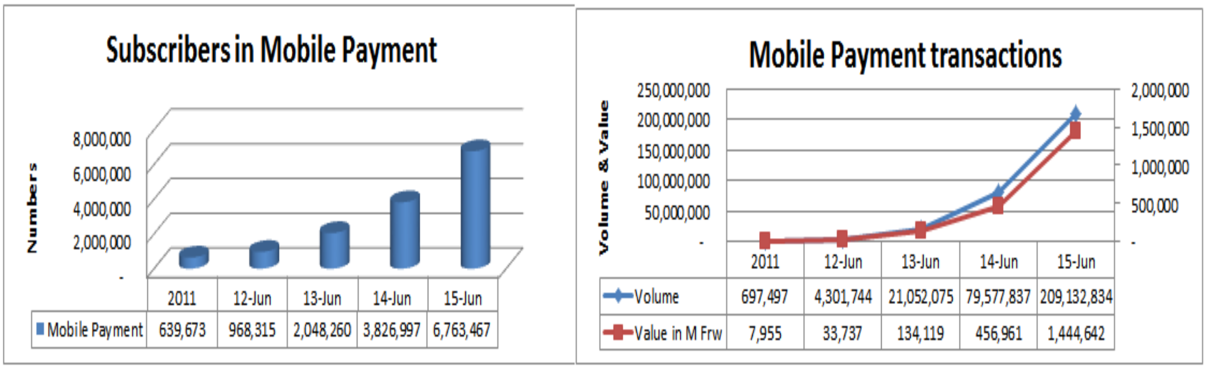
Regarding the international card issuing and acquiring, it is worth noting that one bank introduced the issuance of MasterCard cards, while in the same period the acquiring of union Pay international (UPI) cards was enabled on seven banks ATMs. This achievement will promote competition in the market, enabling resident cards holders to use their cards abroad and tourists holding UPI cards to use local payment terminals.

2.2. Mobile Financial Services

Mobile Financial Services continue to show a sharp increase since 2013. Between 2013/14 and 2014/15 Mobile Payment subscribers and transactions increased respectevly by 76.7% and 163% while number of Mobile Banking subscribers and transactions increased respectively by 37.6% and 132.6%. This is because MNOs have been aggressive in providing mobile money service.

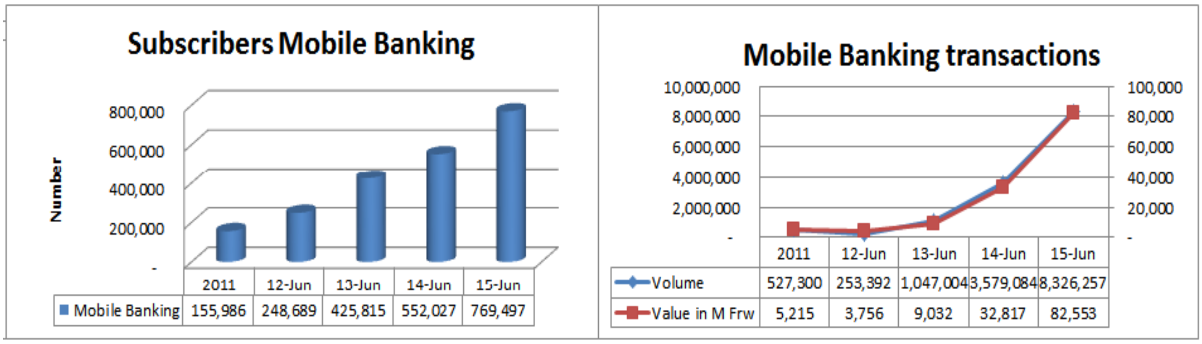
The graphs below highlight the growth in Mobile Financial Services from 2011.

Figure 14: Trend of Mobile Payment Services



Source: BNR

Figure 15 : Trend of Mobile Banking Service



Source: BNR

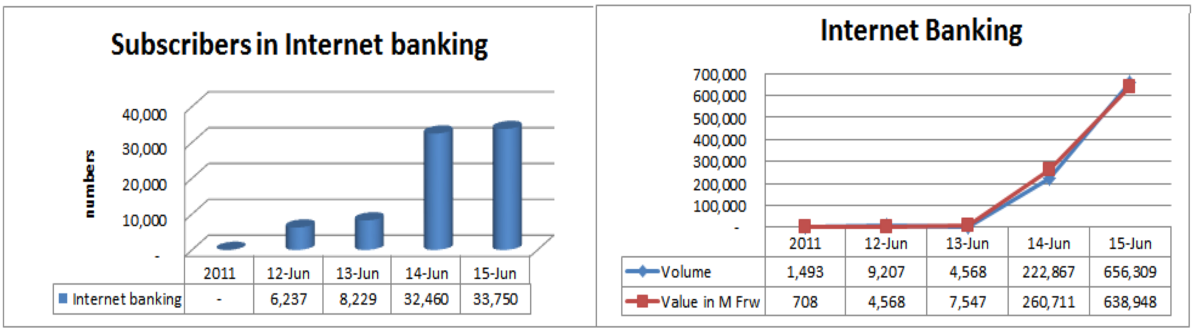
With regards to the number of agents for mobile payments all over the country, the number was 35,863 at the end of June 2015 comparing with 13,671 agents at the end of June 2014. This increase was as a result of flexible regulation on payment agents. In addition, 34.6 % of mobile payment accounts were active (2,342,880 among a total of 6,763,467) at the end of June 2015.

It is important to highlight that Mobile Network Operators (MNOs) have introduced innovative products that will promote financial inclusion and increase the cashless payments. Those products include mobile saving in partnership with banks, whereby within two months as end June 2015, 16,000 customers opened bank saving accounts using mobile payment channel and saved Frw 277 million. Other products include payments of water bills, tax, fuel at petrol stations, school fees, etc.

2.3. Internet Banking Service

The Internet Banking Service was mainly boosted by the introduction of the e-tax apayment. Seven banks are currently offering internet based tax payment service. Regarding the usage, the number of subscribed remained almost the same with an increased of 4% while the number of transactions registered a significant increase of 194% between the years 2013/14 and 2014/15 due to BNR's effort to provide quality and timely services to the public. The graph below illustrates this.

Figure 16: Trend of Internet banking Service



Source: BNR

Regarding E-commerce, one local bank has completed the project and two merchants completed the integration with their systems. One switch has launched an e-payment gateway that allows local cards to be accepted online by one local company**.**

Payment Systems Interoperability

Interoperability is an important factor that contributes towards an inclusive cashlite society. In this regard, BNR and the payment systems stakeholders are working together to establish an efficient and comprehensive interoperability of payment systems in Rwanda, especially in relation to Mobile Financial Services and local cards to be accepted on all POS terminals. Today, Smartcash cardholders from seven banks out of eight banks (97% of the Smartcards market) can pay at merchants POS in the country while Visa Cards are accepted at all POS.

With regard to interoperability in mobile payment, three MNOs have partnered with some banks to enable bank account to e-money account transfers for the same client and vice versa. Further, fully interoperable transfers between bank account and e-money account of different clients are enabled between one bank and one MNO.

1. Regional integration initiative

Since December 2014, the Rwanda market has joined the East Africa Payment System. The usage of the system is still low. Only 132 transactions were settled on Rwanda side. In this respect BNR together with all stakeholders, is planning to carry out a sensitization campaign in order to promote the usage of electronic payments and EAPS system.

Further 7,644 cross border mobile transactions amounted at 285 million FRW were carried out between July 2014 and June 2015 and additional two mobile payments services providers were approved to offer cross border mobile transfers.

2. Oversight of Payment and Securities Systems

The Bank pays the role of operator, regulator, overseer and catalyst for changes in the domain of payment system. To ensure that payment, clearing and securities settlement systems are safe and efficient, the Bank put efforts in monitoring existing and planned systems, assessing them and inducing change where necessary. Thus, during the year, BNR carried out off and on-site oversight activities involving both large value and retail payment systems.

To ensure compliance of systems opearated by the central Bank against the International standards, the RTGS and the CSD/SSS assessed against the BIS 24 Principles for Financial Market Infrastructures (PFMIs). Regarding oversight of the retail payment system, onsite oversight was conducted to one payment switch against the PFMIs as well. All remittance companies have been assessed against the principles for remittances and mobile payment providers assessed against the regulation governing payment service provider in Rwanda. Furthermore, offsite activities were carried out whereby data are collected from overseen institutions, analysed and reported on a quarterly basis. The data covered the performance of ATMs, POS, trust accounts for mobile payment which are held with commercial banks and fraud cases.

3. Regulatory and infrastructure reform and projects

During the period under review, the Central Bank as the catalyst of change worked with the payment industry to establish a new five year payment system Vision and Strategy that will drive the country towards inclusive cash less society. In addition, in order to ensure efficiency and safety of the payment and settlement systems, the Board of the National Bank of Rwanda approved the Regulation N° 03/2015 of 11/02/2015 establishing administrative sanctions applicable to Payment Service Providers and Payment System Operators. The regulation empowers the Central Bank to establish disciplinary and pecuniary sanctions.

The BNR along with the banks is of implementing cheque truncation system to improve the efficiency in cheques payment process. Cheque truncation is the conversion of a physical cheque into a substitute electronic form for transmission to the paying bank. Cheque truncation eliminates cumbersome physical presentation of the cheque and saves time and processing costs. This project is expected to go live in October 2015.

4.2 Currency Management

4.2.1. Overview of cash processing automation

In the process to become a World Class Central Bank, the National Bank of Rwanda developed a modernization strategy that considered cash processes as one of the key area that must be automated. For the period under review, the Bank started implementation of modern and high speed cash processing machines at BNR's headquarters. Those machines will allow the Bank to move from usage of low speed processing machine and manual process toward high processing machines. The key systems that constitute the solution are: Banknotes Processing System (BPS M7) with the theoretical processing capacity of 22 Banknotes per second; Banknotes Destruction System (BDS 200 SC 300) of the capacity of 850 Kg, and Nota Pack for packing system. The aim with cash processing automation is to build capacity, both at head office and branches, for immediate counting of all deposited funds.

4.2.2 Issuance of Currency

Following a comprehensive review of the Rwandan banknotes, new 500 FRW denominations was introduced in 2013 and upgraded new notes of 2000 FRW and 5000 FRW was launched and issued in December 2014.This was in the line with international best practices of reviewing banknotes periodically taking into account new change in technology, security features and counterfeiting risks.

Considering the recorded currency issuance for last three financial years, there is a significant increase of 85.1% compared to the issuance recorded from July 2012 to end June 2013 while an increase of 9% was achieved from July 2014 up to June 2015. This growth is explained by the replacement of old and unfit banknotes by the new one issued in 2013 and 2014 especially for 500 FRW, 2000FRW and 5000 FRW.

The net issuance of coins remains low with a share of 0.6% from July 2014 up to June 2015 versus 0.7% the previous year for the same period.

From the total issuance of coins totaling 485 million of FRW, the 100 FRW coin and 50 FRW coins represent 69.3% and 26.3% respectively while the 20 FRW, 10 FRW and 5 FRW have a share of 2.3%, 1.6% and 0.4% respectively.

Table 38:Banknotes issued (face value FRW billion)

DENOMINATION	July 2012/ June 2013	July 2013/ June 2014	July 2014/June 2015	**% change** (July 2012/June 2013-July 2013/June 2014)	% change (July 2013/June 2014-July 2014/June 2015
5000	21.4	26.1	31.0	22.3%	18.8%
2000	13.2	13.3	29.4	0.7%	121.1%
1000	11.9	17.2	6.5	44.5%	-37.8%
500	6.07	13.2	9.2	117.5%	-69.7%
Total	**52,61**	**69,84**	**76.1**	**32.7%**	**9%**

Source: BNR

Table 39: Coins Issued (Face value FRW million)

Denomination	**July 2012/ June 2013**	**July 2013/ June 2014**	**July 2014/June 2015**	**% change** (July 2012/June 2013-July 2013/June 2014)	% change(July2013/June 2014-July 2014/June 2015
100	339.80	381.60	336.0	12.3%	-11.9%
50	83.6	115.30	133.0	37.9%	15.4%
20	13.04	9.52	11.1	-27.0%	16.6%
10	4.15	3.85	8.2	-7.2%	113.0%
5	2.35	1.25	2.4	-46.8%	92.0%
1	0	0	0	0	0
Total	**442.94**	**511.42**	**490.7**	**15.5%**	**-4.1%**

Source: BNR

4.2.3 Counterfeiting status

Big denominations are more attacked by counterfeiters considering their face value.The issuance of new upgraded family notes resulted into a decrease of number of fake notes of 5000 FRW and 2000 FRW from 1235 and 2203 to 689 and 1043 in 2012/13 and 2013/14 respectively. . At the end of June 2015 it was recorded 782 and 370 fakes notes for 5000 FRW and 2000 FRW respectively.

Counterfeited notes of 1000 FRW and 500 FRW reached a number of 7 and1 respectively in 2015 compared to 185 and 59 fakes notes the previous year. The threat of counterfeiting is low compared to the acceptable ratio of 1% of fake notes to the total number of banknotes in circulation. This decline in counterfeit notes results from BNR's effort to upgrade 5000FRW and 2000FRW notes with strong security features.

Table 40:Counterfeit banknotes from 2011 to end June 2015 (Local currency)

year / Denomination	5000	2000	1000	500	TOTAL
2010/2011	217	300	94	19	**630**
2011/2012	306	192	189	13	**700**
2012/2013	1235	2203	51	759	**4248**
2013/2014	689	1043	185	59	**1976**
2014/2015	782	370	7	1	**1160**

Source: BNR

CHAPTER V: INSTITUTIONAL DEVELOPMENT

5.1 ICT Modernisation Projects Implementation

The National bank of Rwanda is aiming to become a world class central bank, the journey started in 2009 after the recommendations from his Excellency Paul Kagame the President of the Republic of Rwanda, when he visited the bank. It is in this perspective that ICT modernization has been thought as a key enabler to business success, and an indispensable means to achieving BNR vision and mission. From 2009 to now, several systems have been implemented and are now operational including Rwanda Integrated Payment processing system (RIPPS), T24 core banking system, Enterprise Ressource planning and a modern data center. During the period of 2014/2015, the Bank continued the IT modernization as highlighted below:

5.1.1 Core Banking and ERP implementation project Phase II

The implementation of core banking system and ERP project under the name “BISMAT Project” started in 2012. BISMAT project phase I concerned the implementation of T24 Core Banking system for core business operations and Enterprise Resources Planning (ERP) to assist in bank administration processes. Both systems have been successfully implemented in 2014 and the financial year 2014-2015 emphasis was put on stabilizing them and starting BISMAT phase II which concerns Internet Banking and INSIGHT projects implementation.

5.1.1.1 T-Insight

T-Insight is a BI (Business Intelligence) solution that aims at collecting data from enterprise information systems, analysing the information and producing understandable reports that enable decision makers to take the right decisions based on facts. BNR T-Insight system will initially be used to collect, analyze and provide reports from T24 system and later be integrated with other systems like ERP, Fina, and Banknet. BNR T-Insight went live on 30/04/2015 and is now operational.

5.1.1.2 Internet Banking

The internet banking solution named ARC-IB is expected to give access BNR’s accounts holder ability to initiate transactions such as inter-account transfers, outwards RIPPS transactions or consulting account information from their respective desk’s office. This will affect the management of all Government accounts on daily basis. The system will allow BNR customers to access their account for enquiries and perform payment transanctions from their office. The implementation of this project is in its final phases and expected to go live end October 2015.

5.1.2 Electronic Documents Management System

The need to exchange information in modern organizations today has become a key performance indicator in measuring efficiency and effectiveness of lead and cycle times for business transactions. Considering the need to move from paper work to paperless, BNR has implemented an eDMS system which provides support for case management, collaborative and ad-hoc processes, structured processes, document management, records management and imaging optimized for web based applications. EDMS went live on 20th November, 2014 with four main modules : Incoming mail, outgoing mail, internal Memo and Transport request. The four implemented modules have significantly changed the existing manual work processes towards a paperless work environment in BNR.

5.1.3 BNR Enterprise Architecture

Enterprise Architecture (EA) is a well-defined practice for conducting enterprise analysis, design, planning, and implementation, using a holistic approach at all times, for the successful development and execution of strategy. The purpose of BNR Enterprise Architecture is to guide the bank to adopt the technology aligned with its vision and strategy. It will guide the bank about when and how to invest in IT systems. This will result into an efficient way of implementing IT systems when it is needed and helps in increasing the bank productivity and effectiveness. It will also enable BNR to achieve the right balance between IT efficiency and business innovation. At the same time, it will assure the needs of BNR for an integrated IT Strategy, permitting the closest possible synergy across BNR. The project started in October 2014 and completed in July 2015 and comprises of five modules: BNR business architecture, application architecture, infrastructure architecture, opportunities and solutions and migration plan. The development of BNR enterprise architecture took into account available modern technologies, harmonization of IT Infrastructure and solutions for EAC central banks and BNR strategic plan 2014-2019. However, Enterprise Architecture is a living document and the Bank will keep on enriching it in order to make ICT a real key enabler to BNR business success.

5.1.4 Network upgrade and Disaster Recovery

As the Bank continues to enhance its services through the implementation of different IT systems, IT infrastructure is a key element for systems availability, effectiveness and efficiency. It is in this perspective that, considering the target of BNR to reach 99.99 % of its systems availability, network upgrade and disaster recovery projects have been initiated from July 2014 and currently their implementation are expected to start soon. BNR disaster recovery will be located at Rwamagana branch whereby the Bank will be having IT systems in synchronization with the one located at headquarter so that in case of headquarter's system failure or disaster, the business will not be interrupted as Rwamagana site will automatically take over. On the other hand network upgrade will essentially eliminate one point of failure and hence increase network security in order to protect BNR systems.

Both network upgrade and disaster recovery projects are funded by the African Development Bank (AfDB) through EAC Payment and Settlement System Integration Project (EAC-PSSIP) and they will cost around 2,249,000 USD. Though the projects were initiated in the financial year 2014-2015, they are expected that they will be completed by May, 2016.

5.1.5 Swift Upgrade

The Rwandese financial market activities are expanding beyond the domestic environment. Together, its financial market infrastructures need to meet higher standards of reliability, availability and resiliency to continue contributing to the economic growth and development. SWIFT is a member-owned cooperative through which the financial world conducts its business operations with speed, certainty and confidence. They provide communications platform, products and services that allow their customers to connect and exchange financial information securely and reliably. It is in this regards that BNR will upgrade its Swift infrastructure in order to support the growth of International exchanges. The project will be complete by June 2016. This project has the following 3 components:

Transactions monitoring: Transaction monitoring solution is a Swift solution which automatically duplicates predefined international transactions of all Banks in Rwanda and forwards them to the central bank in real time. It will allow BNR to receive a copy of all outgoing transactions sent to any country and all incoming transactions from any country. The system includes also a business intelligence solution, which facilitate reporting, it allows production of statistics of international payment by country, by currency and by Bank.The system assists Statistics department to receive data to be used in balance of payment easily while the financial market department knows daily the amount of foreign currency sent or received in the country.

Sanction screening: Sanction screening is a SWIFT product which allows checking all international transactions sent or received by BNR against updated terrorism sanction lists. This solution allows BNR to comply with best practices in Anti money laundering.

Direct connection to Swift: Currently the Bank is connected to Swift through a service bureau based in Kenya (KENEX). This project component allows BNR to have a direct connection to Swift without passing through any intermediate. Once completed, the connectivity will be shared with other Banks where needed specifically microfinance institutions

5.1.6. IT security and Governance

Cyber security is becoming a nightmare for all organization specifically in banking industry. During the implementation of all systems, security is taken seriously. In addition to implied security, the Bank conducted regular security awareness, vulnerability assessement and penetration testing to ensure that systems are protected, sound and stable. The Bank implemented aworld class software for database and logs monitoring.

To enhance IT Governance the National Bank of Rwanda adopted COBIT 5 as a framework for ITG implementation. In this context, twelve priority COBIT processes were developed and a full COBIT 5 will be implemented by 2015/2016.

5.2 Human Resources Management and Development.

To implement workload analysis recommendations as conducted in the previous financial year, a new organizational structure was established, followed by the staff placement and a revised salary structure focused on reducing existing challenges and distortions. Indeed, the review of the Staff Rules, Performance Management, Career Management and BNR Medical Policies adopted by the Bank was intended to promote a culture of Excellency as a major ingredient for the world class journey.

Furthermore, as a Bank, we recognize that efficient staff is the main asset thus; capacity building is an important investment to enhance professionalism. In the year under review, ninety four (94) members of staff were trained in various business areas, and others have undertaken professional courses. The Bank also acknowledges the role of strategic partners such as MEFMI, IMF, World Bank, African Development Bank, COMESA in the area of capacity building for its staff.

The Next financial year results will focus on: skills assessment to establish capacities available and capacity gaps, upon which basis the capacity building framework is to be based on as one of the major strategic pillars to deliver the mission and vision of the Bank. On the other hand, continues review of policies to adopt international best practices remains an important component.

5.3 Enterprise Risk Management

In the framework of Institutional Development, Enterprise Risk Management (ERM) in collaboration with other functions played a key role to create an appropriate environment to assess and improve achievement of the Bank's objectives.

The National Bank of Rwanda in its various activities linked to its mission uses ERM as an approach to manage risks and integrating internal control related to the achievement of the business objectives. In this regard, the Risk management was activated to assessing and addressing all risks that threaten achievement of the Bank's objectives

In its management, the Bank made compliance with standards, policies and procedures elaborated to manage risks. Consequently, the rate of implementation of risk mitigation measures in 2014-2015 has an increase of 8% comparatively to the previous financial year. The ERM approach encouraged proactive management practices at all levels and in various domains and the risk management culture is spreading within the Bank with positive effects.

In 2014-2015, BNR staffs were trained on various risks as well as Business Continuity Management (BCM) framework, which enabled business units within the Bank to update and consolidate their risk profiles.

In fact, ERM created a better proactive control environment that supports effective and efficient achievement of Bank's objectives.

5.4 Corporate Social Responsibility

5.4.1 Staff Commitment

The Bank staff made a commitment to an annual contribution of 5% of one of their bonus payment towards CSR efforts. This has created a greater social impact especially when it comes to poverty eradication to the very deprived families within our communities.

In October 2014; over a 100 staff including the senior Management team joined the local citizens at Mageragere sector, in Nyarugenge District in community work (Umuganda) and contributed their 5% (20,322,540 Frw) for food of the genocide survivors and opening their SACCO accounts to enhance financial inclusion and promoting saving culture among Rwandans.

On the left, the Governor, staffs of BNR and the Mayor of Nyarugenge District were participating in umuganda with local residents of Mageregere Sector on 25/10/2014. On the right, some of the survivors of 1994 genocide received 8 units of modern houses financed by BNR.

5.4.2. Financial support to the Families of former BNR staff killed in 1994 Genocide

In 2013, while the BNR was commemorating its 27 staff killed in 1994 Genocide against the Tutsis, the Bank committed a sustainable financial support to families of former BNR staff killed in 1994 to start income generating activities to improve their lives and for the Bank to keep a cordial relationship with the family members. BNR financed their projects, each family member project not exceeding 5 million payable in phases of project implementation.

Effective implementation of projects started 2014-2015 Financial Year under implementation and supervision of Survivors Fund (SURF) Rwanda. SURF is a non-profit organisation duly organised and registered under Rwandan law with proven number of years of experience of working with Genocide Survivors.

Out of 27 proposed beneficiaries, 22 have been financed to implement their projects which include: supermarkets, photo shops, piggery keeping, retail shops, residential homes rehabilitation, rehabilitation of business shops and paultry farming. These projects were generated according to the beneficiaries' choices and business plans.

Supermarket financed by BNR in empowerment projects of families of former BNR staff killed in 1994 Genocide against Tutsis.

In commemoration of its staff killed in 1994 Genocide against Tutsi, the Bank paid tribute to 27 former staff killed in 1994 Genocide against Tutsis. Different from previous years, this year's commemoration took place at Kigali Genocide Memorial Site. It started by a walk to remember from BNR Headquarters. Families of the deceased together with the Bank Management and CNLG representative laid flowers to BNR Genocide Memorial before leaving BNR to Kigali Genocide Memorial Site.

On left, the Bank Management, Board members, staff, the members of the deceased families and CNLG representatives started their walk to remember from BNR Headquarters to Kigali Memorial Site. On right, the Bank Management together with families of the deceased and staff laid flowers on the tomb of victims of 1994 Genocide against Tutsi at Kigali Memorial Site.

5.5. Communication Strategy

Throughout the year, the Bank enhanced its communication strategy by engaging its stakeholders through different communication channels. First, the Bank capitalized on the presentation of the Monetary and Financial Stability Statement, a platform where the Bank presents the economic outlook of the country to 500 participants; thus engaging different stakeholders ranging from policy makers, the business community, academicians, decision makers, economists and students.

Further to this, the presentation of the statement was taken to provinces where the Governor engaged with academicians and stakeholders from the financial sector in Musanze District and students from Universite Libre de Kigali (ULK). The Bank also embarked on the publication of its activities through the BNR Economic Review and the Rwandan Banker – BNR's Magazine that is published twice a year and distributed during the MPFSS.

The Bank also engaged media through quarterly press conferences that were held immediately after the Monetary Policy and Financial Stability Committee Meetings.

The Bank vigorously embraced digital media where different digital platforms were used to attract and engage stakeholders on the different activities of the Bank. The website and twitter pages were frequently updated.

The Management of the Bank and other Senior Managers also featured in different publications and media houses such as the European Times, New Times, TVR, Radio 10, Radio Rwanda, Isango Star, to discuss issues related to the BNR mandate.

Internally, to effectively communicate the BNR mandate in a concise and consistent way, the Bank established a communications manual that acts as a guideline document on who, when and how information will be disseminated within and outside the Bank.

5.6. Internal Control

Internal controls encompass a set of rules, policies, and procedures an organization implements to provide reasonable assurance that its financial reports are reliable, its operations are effective and efficient, and its activities comply with applicable laws and regulations.

During the business year 2014-15, the Bank pursued its commitment to strengthen controls. With its continual objective of providing independent and objective assurance on the status of internal control system, an oversight function was carried out using risk based audit approach. Audit assignments conducted were mainly oriented to putting in place policies, procedures and regulations for proper guidance of daily activities.

The audit scope covered notably effectiveness and efficiency of T24 and ERP implementation and access controls, internal and external network security problem and vulnerabilities; assessment of foreign exchange analysis and investment of foreign exchange reserves. It provided opinion on the reliability of monthly TMU data and conducted the monitoring implementation of the previous audit recommendations.

5.7. External relations and partnership

5.7.1. EAC Monetary Cooperation and Financial Stability Initiatives

During the financial year under review, the Bank actively continued to engage in EAC Monetary Cooperation and Financial Stability Initiatives under the Monetary Affairs Committee (MAC). Together with delegates from other EAC partner Central Banks, staff from EAC Secretariat and IMF representatives, BNR delegates attended two MAC ordinary meetings that convened to review the progress on the implementation status of the previous decisions and to articulate strategic goals and priorities geared towards operationalizing the EAMU Protocol. In this aspect, the Bank was actively participative in several technical meetings of MAC sub-committees and capacity-building workshops for EAMU in areas related to its respective sub-committees streamlined to fast track the harmonisation process of this protocol.

Milestone made towards implementation of E.A.C Convergence Criteria

Ever since Rwanda joined the EAC regional integration process, the National Bank of Rwanda maintained high active interests in integration in EAC Monetary Cooperation and Financial Stability Initiatives through the Monetary Affairs Committee (MAC). During the financial year under review, the Bank actively operationalized under the framework that executed the previous decisions on strategic goals and priorities geared towards harmonisation of the East African Monetary Union (EAMU) Protocol. In this aspect, the bank made key milestones in implementing several areas provided in the protocol during the past recent period. These, among others include harmonization of monetary policy frameworks, macroeconomic statistics, monetary and exchange rate operations, rules and regulations governing bank supervision and financial reporting practices, modernization and integration of the payment systems (EAPS) and capacity building in preparation to the EAMU.

BNR also continued to strengthen its commitment to work with other stakeholders such as EAC partner central banks and EAC Secretariat to mention. This essentially meant to ensure that key convergence criteria of the monetary union are implemented within the timelines spelt out in the EAMU roadmap including preparation towards attainment of macroeconomic convergence during transition period; harmonization of institutional, policy, legal and regulatory frameworks and convertibility of the regional currencies. However, through national implementation committee the bank also involved in implementing the convergence criteria of the common market protocol (CMP). In particular, BNR removed related restrictions on free movement of capital and on payments connected with the movement of goods, persons, services or capital between partner states.

5.7.2. COMESA Monetary Cooperation and Financial Stability Initiatives

Under COMESA monetary and financial integration, BNR in cooperation with COMESA partner central banks unceasingly continued to show high interest in implementing the COMESA decisions aimed to improve the activities of the COMESA Monetary Institute (CMI) and the operations of the Regional Payment and Settlement System (REPSS). The Bank benefited from and actively contributed in activities of the cooperation mainly in several meetings of sub-committees and in capacity building workshops mainly in fields of financial stability, modeling and forecasting in financial markets.

5.7.3. Cooperation with MEFMI

Ever since BNR joined MEFMI, there has been close collaboration between BNR and MEFMI in areas of Macroeconomic Management; Financial Sector Management; and Sovereign Debt Management. The Bank also benefited and actively contributed to the Fellows Development Programme run by MEFMI. During the fiscal year 2014/2015, BNR benefited from capacity building in areas of macroeconomic analysis and management, payment system, statistics, financial markets, monetary policy and Research among others without forgetting fellows development programme and country mission for project on modeling and forecasting in core model of inflation in cooperation with Reserve Bank of South Africa.

5.7.4. Cooperation with East AFRITAC/International Monetary Fund (IMF)

During 2014/15, the National Bank of Rwanda and IMF continued to work together to enhance the BNR's staff with capacity in modeling and forecasting. Four technical assistance missions to build the forecasting and policy analysis systems (FPAS) macro-model have been completed in Kigali and benefited BNR and MINECOFIN researchers. This was in an effort to improve the simple version of the FPAS model, which was finalized in 2013 to tailor it to the realities of the Rwandan economy. It is increasingly being used by the BNR Monetary Policy Committee to decide about the monetary policy stance. Lastly, IFC has been a strong partner in terms of promoting the capital market development with the High level Capital Market Conference, Issuance of the Offshore Bond and capacity building.

The IMF technical assistance was extended to trainings in fields of Monetary Policy Analysis and Statistics. The EAST AFRITAC and IMF also provided technical assistance to BNR in area of Bank Supervision especially in Basel Frameworks.

5.7.5. The African Monetary Cooperation Initiatives

The National Bank of Rwanda continues to actively participate in African monetary cooperation initiatives. BNR elected as the Chair of the Association of African Central Banks (AACB) Eastern Africa Sub-Region for 2014 and hosted the 14th Ordinary Meeting of AACB Eastern Africa Sub-Region in July 2014/2015 on the status of implementation of African Monetary Cooperation Programme (AMCP) roadmap.

5.7.6. Collaboration with African Development Bank (AfDB)

During the period under review, the cooperation between the National Bank of Rwanda and the African Development Bank (AfDB) strengthened further in capacity building especially in the field of Macroeconomic forecasting and in Monetary and Financial Statistics.

5.7.7. Collaboration with the World Bank

Building on a successful FSDP-1, the World Bank is also supporting Rwanda in implementing FSDP-2 (2012-2018). Apparently, the World Bank supports BNR to implement the FSDP-2 through two broad programs: The FIRST Progam (Financial Regulation and Strengthening Program) and FISF Program (Financial Inclusion Support Framework). The former (FIRST) aims to enhance financial stability, through strengthening further the legal and regulatory framework and the latter (FISF) aims to improve financial inclusion and consumer protection. The World Bank support has provided technical, financial and advisory services. Below are specific projects under FSDP-2, the World Bank have supported.

On Consumer protection and Financial Inclusion, the World Bank supported BNR in the following initiatives:

- The World Bank is supporting BNR to develop the financial consumer protection framework (legal and regulatory framework). The development of these legal instruments is at advanced stage.
- In FY2014/15, the World Bank trained and SACCO inspectors
- To enhance financial inclusion monitoring, the WB financed a study on financial inclusion supply side data gaps. The BNR based on the findings of this study to enhance its financial inclusion data.
-

On strengthening the legal and regulatory environment, the World Bank has supported in developing the following legal instruments:

- Development of the pension law (published in the official gazette) and its implementing regulations.
- Development of the deposit guarantee law (published in the official gazette) and it's implementing regulation.
- Development of the draft banking law. This law was submitted for cabinet approval.

- Development of the draft insurance law (this was approved by BNR board) and its implementing regulations.
- Development of crisis preparedness tools (i.e emergence liquidity facility, deposit guarantee fund and; financial sector coordination committee).

In addition to the continuous annual training program on all aspects of Reserves Management, The Ramp Program assisted on the setting up of a credit risk framework that will introduce best practices in managing Credit Risk, focusing on institutional governance for credit Risk Management and selection of asset classes and counterparts within the objectives assigned by the Central Bank's Board for managing the foreign exchange reserves. The Ramp Program continued the support for the implementation of the reserves management software (Pat2 "Portfolio Analytics Tools") provided by this program for a scheduled interfacing and go live in the third quarter of 2015.

5.7.8. Collaboration with AFI

The Bank is member of Alliance for Financial Inclusion (AFI) from 2009 and member of AFI-working groups including: Financial Inclusion Data Working Group (FIDWG) dedicated to promoting and sharing information on the topic of financial inclusion measurement; Consumer Empowerment and Market Conduct Working Group(CEMCWG) which has the objective of sharing strategies for empowering and protecting financial consumers; Digital Financial Services Working Group (DFSWG) which provides a platform for policymaker discussion concerning regulatory issues over digital financial services (DFS) including agent banking, e-money, mobile financial services (MFS) and other new technologies being introduced to provide solutions for greater financial inclusion in developing countries; Global Standards Proportionality Working Group (GSPWG) which provides a platform to facilitate peer learning on issues policymakers and regulators face in achieving a balance between financial inclusion, integrity and stability, and to examine the proportionate implementation of the global standards set by global standard setting bodies (SSBs).

As member of AFI, BNR made commitment under Maya Declaration which is a global and measurable set of commitments by developing and emerging country policy makers in areas proven to increase financial inclusion. The Bank reiterated the Government commitment of achieving 80% of adult population with access to formal financial services by 2017.

In 2014, the Bank was honored to receive the AFI Policy award in recognition of its innovative and impactful financial inclusion policies. The award was received during the 2014 AFI Global Policy Forum, held in Trinidad and Tobago, from 8th to 11th September 2014.

5.7.9. African Economic Research Consortium

As a member of the African Economics Research Consortium (AERC) forum and thus of the AERC Board with joint directorship, the National Bank of Rwanda will host the meetings of the executive committee of the AERC board that are scheduled to take place on 12th-13th November at Kigali, Serena Hotel. These meetings will be a platform for the AERC and BNR senior management to engage into discussions to strengthen the already existing cordial partnership.

CHAPTER VI: FINANCIAL PERFORMANCE

6.1. Financial Management Overview

6.1.1. Financial Performance Overview

Table 41 : Statement of Comprehensive Income

	June2014	June2015	Changes	%
Interest Income	4,429	6,913	2,484	56%
Interest Expenses	(2,446)	(2,858)	(412)	17%
Net Interest Income	**1,982**	**4,054**	**2,072**	**105%**
Net Fee and Commission Income	220	(342)	(562)	(256%)
Foreign Exchange Gain/Losses	40,236	23,925	(16,311)	(41%)
Other Operating Income	5,179	7,708	2,529	49%
Operating Income	**47,617**	**35,345**	**(12,272)**	**(26%)**
Net Impairment loss on financila assets	0	0	0	
Personnel Expenses	(10,082)	(8,882)	1,200	(12%)
Depreciations and Amortisation	(1,206)	(2,783)	(1,577)	131%
other Operating expenses	(4,889)	(5,817)	(928)	19%
Total Operating Expense	**(16,177)**	**(17,482)**	**(1,306)**	**8%**
Profit for the Year	**31,440**	**17,862**	**(13,578)**	**(43%)**
Net Changes in FV on AFS assets	3,558	0	(3,558)	(100%)
Revaluation Gain on PPE		0	0	
Total Comprehensive income for the year	**34,998**	**17,862**	**(17,136)**	**(49%)**

Source: BNR

6.1.1.1. Interest Income

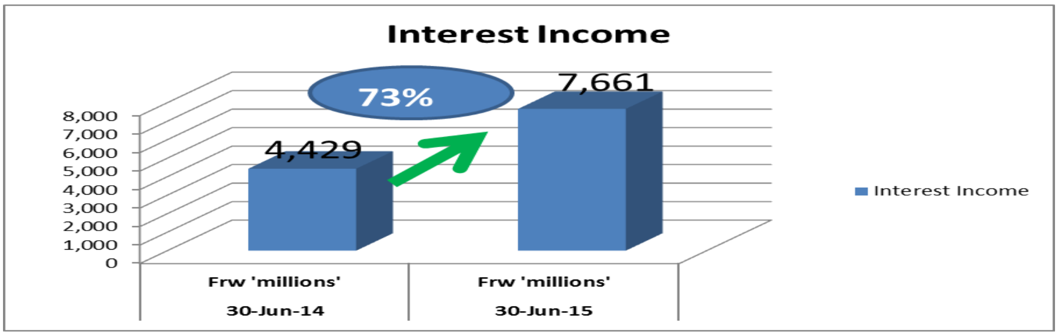
The interest income grew at 73% to Rwf 7.7 Bn end June 2015 from Rwf 4.4 Bn earned end June 2014. This is highly attributable to incomes from Rwanda Euro bond, hight volume of investments in T-Bond & foreign fixed deposits and Swap arrangement with I&M bank respectively, these investments were not operational in year 2013/14.

Table 42 : Interest income

	June 2014 (Rwf millions)	June 2015 (Rwf millions)	Change	%
Interest Income from Domestic operations	1,573	1,848	275	17%
Interest Income on Foreign currency transactions	2,856	5,813	2,958	104%
Interest income	**4,429**	**7,661**	**3,233**	**73%**

Source:BNR

Figure 17 : Interest income



6.1.1.2 Interest Expense

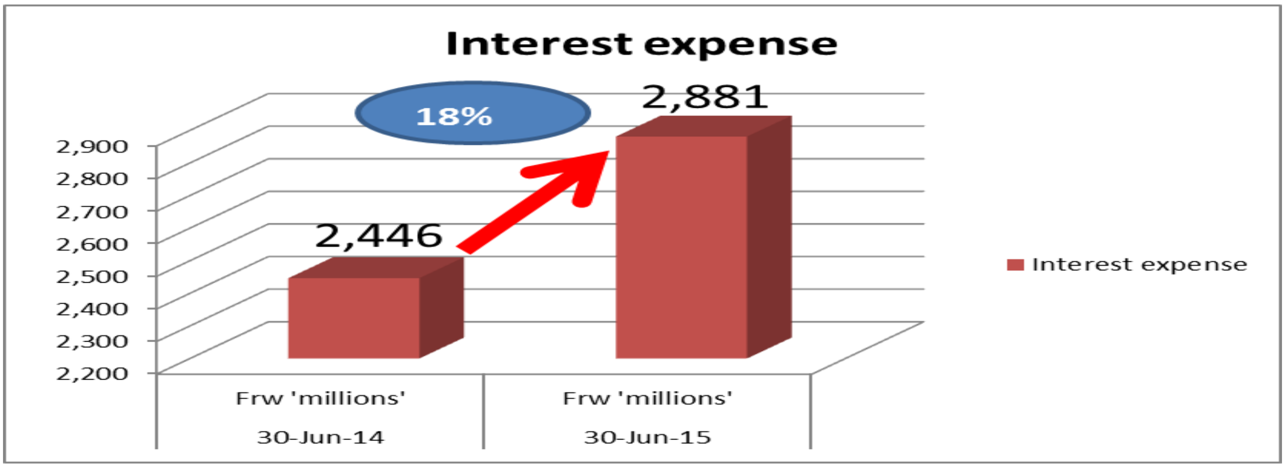
The interest expenses have increased by 18% to RWF 2.8 Bn end June 2015 from RWF 2.4 Bn incurred end June 2014; this was highly due to increase in treasury bills issued for monetary purposes also kind of induced by mopping up excess liquidity in the banking sector. However, we noted some declines in interest on IFC swap due to decrease in 3 month libor rates & continued repayments of the principals.

Table 43 : Interest Expense

	June 2014 (Rwf millions)	June 2015 (Rwf millions)	Change	%
Interest on IMF Fund	107	21	(86)	(81%)
Other interest and similar expenses	333	65	(268)	(80%)
interest Paid on Monetary policy issues	2,006	2,795	788	39%
Interest expense	**2,446**	**2,881**	**434**	**18%**

Source: BNR

Figure 18 : Interest Expense



Source: BNR

6.1.1.3 Foreign Exchange Gain

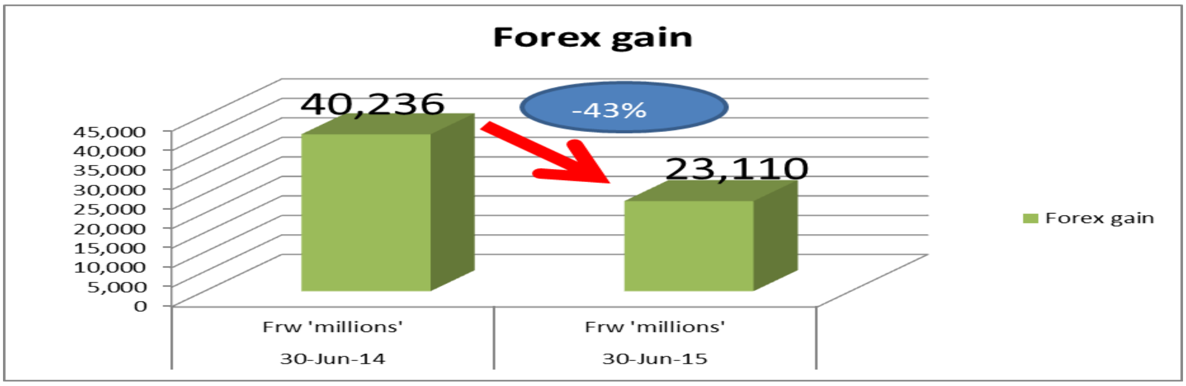
Fx gains have declined by 43% due to a reduction in revaluation of Fx gains by 55% due to a reduction in foreign assets/reserves & a decline in Fx depreciation rates this financial year (3.5%) where as in 2013/14 (6%). On a positive note, the realised Fx gains grew by RWf 356M due to earnings from DCD and increased government spending.

Table 44 : Foreign Exchange Gain

	June 2014 (Rwf millions)	June 2015 (Rwf millions)	Change	%
Exchange gain on external disbursement for Gov't and Current operations with customers.	8,493	8,359	(133)	(2%)
Net Foreign assets (Exchange) Revaluation Gain/Loss	31,650	14,290	(17,359)	(55%)
Net Realised gain/loss on foreign financial instruments	93	449	356	385%
Revaluation Gain/Loss on foreign financial instruments	1	11	10	1274%
Foreign exchange gain	**40,236**	**23,110**	**(17,126)**	**(43%)**

Source: BNR

Figure 19 : Foreign Exchange Gain



Source: BNR

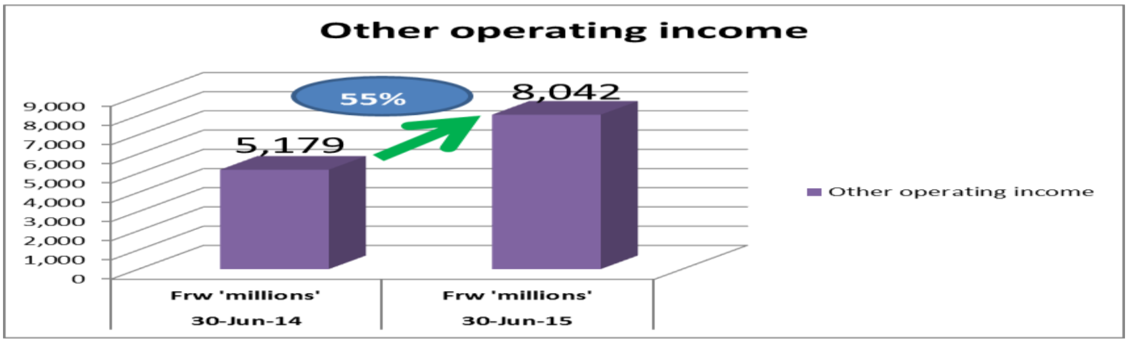
6.1.1.4. Other Operating Income

Other operating income grew at 55% highly due sale of properties, increase on refund from Goverment for money market intervention costs & recognizing incomes especially supervision fees that have been received but not yet recognized in incomes.

Table 45 : **Other Operating Income**

	June 2014 (Rwf millions)	June 2015 (Rwf millions)	Change	%
Fines, penalties and other administrative income	1,842	1,413	(429)	(23%)
Written back accruals and provisions	761	802	40	5%
Gain on sales of properties and equipment	3	495	492	19508%
Subvention from the Government of Rwanda	136	61	(74)	(55%)
Interest refund from the Government of Rwanda	2,152	2,868	715	33%
Other income	285	2,403	2,118	744%
Other operating income	**5,179**	**8,042**	**2,863**	**55%**

Figure 20 : **Other Operating Income**



Source: BNR

6.1.1.5. Operating Costs

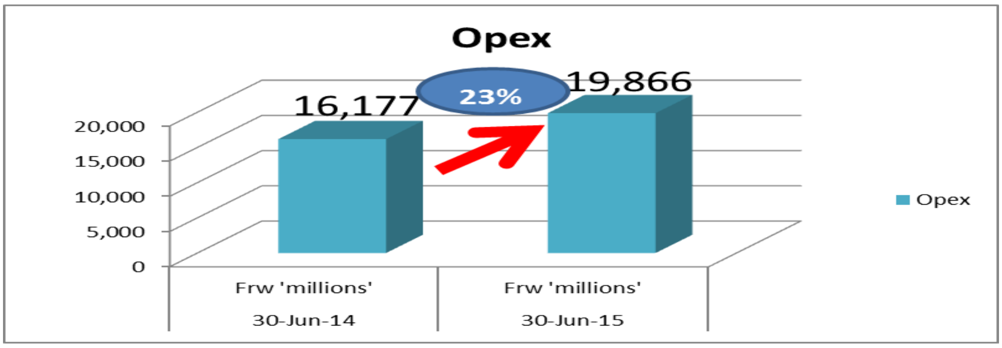
The operating costs increased by 23%, despite the reduction in staff costs by 12% as a result of job suppression in november 2014, the opex rise was due to loan impairments of ex staff for 882 Million Rwandan francs, depreciation expense also as a result of completed branches construction & increament in administration costs like mission allowances, corporate donations etc.

Table 46 : Operating Costs

	June 2014 (Rwf millions)	June 2015 (Rwf millions)	Change	%
General Administration Expenses	4,889	8,199	3,311	68%
Staff costs	10,082	8,884	(1,198)	(12%)
Loan impairments,Depreciations and Amortisation	1,206	2,783	1,577	131%
Operating expenses	**16,177**	**19,866**	**3,689**	**23%**

Source: BNR

Figure 21 : Operating Expenses



Source: BNR

6.1.1.6 Net Profit

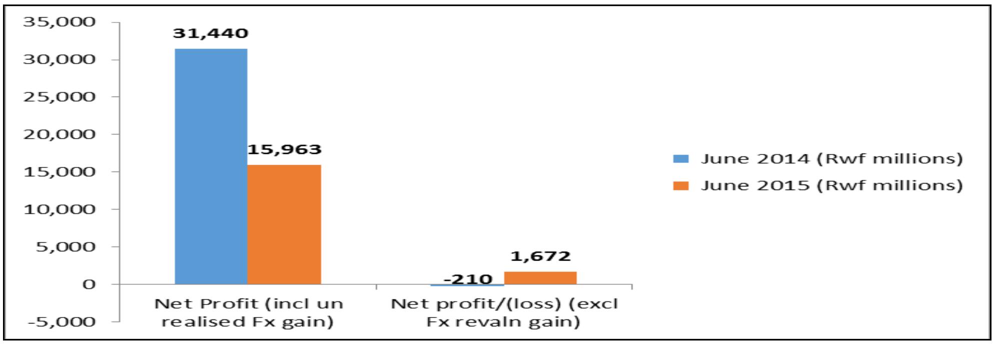
The bank realized a net profit of 1.67 Bn versus a net loss of 210 M the previous year.

Table 47 : Net Profit

	June 2014 (Rwf millions)	June 2015 (Rwf millions)	Change	%
Net Profit (incl un realised Fx gain)	31,440	15,963	(15,477)	(49%)
Net profit/(loss) (excl Fx revaln gain)	(210)	1,672	1,882	(898%)

Source: BNR

Figure 22 : Net Profit



6.1.2 Financial Position Review

Table 48 : Financial Position Review

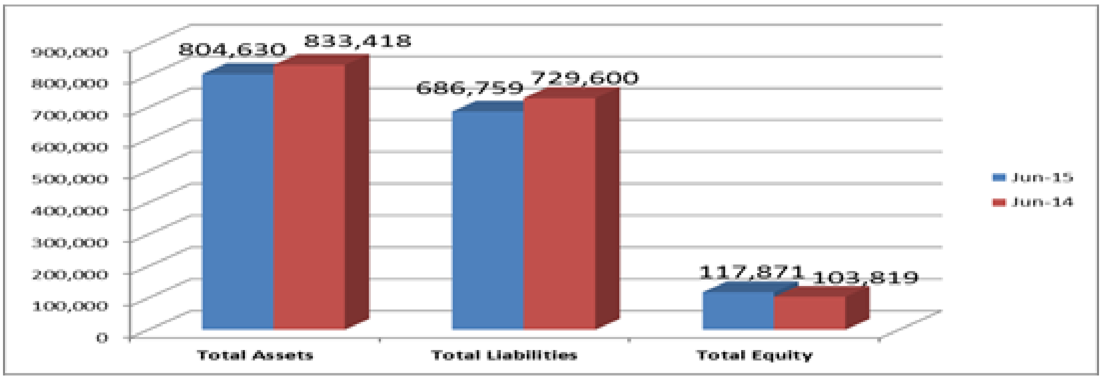
	June 2014 (Rwf millions)	June 2014 (Rwf millions)	Changes	%
Total Assets	**804,630**	**833,418**	**(28,788,229)**	-3%
Total Liabilities	686,759	729,600	(42,840,356)	-6%
Total Equity	117,871	103,819	14,052,127	14%

Source: BNR

Assets

The total assets of the bank slightly reduced by 3% largely attributed to a reduction in our foreign reserves largely caused by increased demand from government as the export receipts continues to fall short of the imports bill, repayment done on IFC SWAP loans etc.

Figure 23 : Financial Position



Liabilities

The liability side of the bank also reduced by 6%, due to a reduction in amount due to government, largely triggered by increased government spending this also had an impact on currency in circulation which steadily increased by 15%.

6.2 Audited Financial Statements

TABLE OF CONTENTS **PAGE**

NATIONAL BANK OF RWANDA

DIRECTORS, OFFICERS AND ADMINISTRATION

FOR THE YEAR ENDED 30 JUNE 2015

The directors that served during the year to the date of this report are indicated below:

DIRECTORS

John RWANGOMBWA	Governor and Chairman
Monique NSANZABAGANWA	Vice-Governor and Vice Chairperson
Lillian KYATENGWA	Member
Leonard RUGWABIZA	Member
BIZOZA Alfred	Member
HABIYAKARE Chantal	Member

REGISTERED OFFICE	**AUDITORS**	**MAIN LAWYERS**
National Bank of Rwanda	GPO Partners Rwanda Ltd	Juliette KAVARUGANDA
KN 6 Avenue, 4	KG 7 AVE AURORE BUILDING KACYIRU	Kigali, Rwanda
P.O Box 531	P.O Box 1902 Kigali, Rwanda	
Kigali, Rwanda		

BRANCHES

Southern Branch	**Northern Branch**
P.O. Box 622	P.O. Box 127
Huye, Rwanda	Musanze, Rwanda
Eastern Branch	**Western Branch**
P.O. Box 14	P.O. Box 462
Rwamagana, Rwanda	Rusizi, Rwanda

NATIONAL BANK OF RWANDA

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2015

The directors submit their report together with the audited financial statements for the year ended 30 June 2015, which shows the state of affairs of the Bank.

1. Incorporation

The Bank is incorporated under the Law No 55/2007 of 30/11/2007.

2. Principal activities

The Bank is established and administered under the law with the principal object of formulating and implementing monetary policy directed to achieving and maintaining stability in the general level of prices. It is also the responsibility of the Bank to foster liquidity, solvency and proper functioning of a stable and competitive market-based financial system.

3. Results

The results for the period are set out on page 5.

4. Dividend

The board of directors does not recommend the payment of a dividend (2014: (0))

5. Directors

The directors who served during the period and up to the date of this report are listed on page 1.

6. Auditors

GPO Partner Rwanda Limited was reappointed auditors in 2015 and has expressed their willingness to continue in office in accordance with Laws and regulations of Rwanda.

BY ORDER OF THE BOARD

BOARD CHAIRMAN

Date: 30/09/2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 30 JUNE 2015

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 Law No 55/2007 of 30 November 2007 relating to statutes of National Bank of Rwanda, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Directors are required to prepare financial statements for each year that 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 that disclose with reasonable accuracy the financial position of the Bank.

The Directors accept responsibility for the financial statements set out on pages 5 to 50 which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the Law No. 55/2007 of 30 November 2007 relating to statutes of the National Bank of Rwanda. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs and the profit and cash flows for the year ended 30 June 2015. The directors further accept responsibility for the maintenance of accounting records that 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 the next twelve months from the date of this statement.

The Independent Auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the International Financial Reporting Standards and the Law No. 55/2007 of 30 November 2007 relating to statutes of the National Bank of Rwanda.

Approval of the Financial Statements

The financial statements, as indicated above, were approved by the board of directors on **30/09/ 2015** and were signed on its behalf by:

Governor

Date: 30/09/2015

Director

Date: 30/09/2015

GPO Partners

Tel. + 250 78 830 08 32
Tel. + 250 252 58 79 33
Fax + 250 252 58 79 34
gporw@gpopartners.com
www.gpopartners.com

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NATIONAL BANK OF RWANDA

We have audited the accompanying financial statements of National Bank of Rwanda set out on pages 5 to 50. These financial statements comprise the statement of financial position at 30 June 2015, and statements of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Bank's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of Law No. 55/2007 of 30 November 2007 relating to statutes of the National Bank of Rwanda and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that 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 the auditor's 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, the auditor considers 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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 audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the National Bank of Rwanda as at 30 June 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and Law No. 55/2007 of 30 November 2007 relating to statutes of the National Bank of Rwanda.

For GPO Partners Rwanda Ltd

Patrick GASHAGAZA
Partner

Date: 30 / 09 / 2015

GPO Partners Rwanda Ltd
KG 7Ave - Aurore Building - Kacyiru
P.O. Box 1902 - Kigali – Rwanda
Company Code / V.A.T.: 100161492
Audit - Accounting - Tax - Consulting

NATIONAL BANK OF RWANDA

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Note	30-Jun-15 Rwf'000'	30-Jun-14 Rwf'000'
Interest Income	3	7,661,261	4,428,737
Interest expense	4	(2,880,873)	(2,446,429)
Net interest income		**4,780,388**	**1,982,308**
Net fees and commission expenses	5	(102,980)	219,780
Foreign exchange gain and fair value gains/(losses)	6	23,109,763	40,235,728
Other operating income	7	8,041,743	5,179,008
Operating income		**35,828,914**	**47,616,823**
Net Impairment loss on financial assets		-	-
Staff cost	8	(8,883948)	(10,082,390)
Depreciation and amortization	9	(2,782,966)	(1,205,684)
Other operating expenses	10	(8,199,255)	(4,888,631)
Total Operating expenses		**(19,866,168)**	**(16,176,705)**
Profit for the year		**15,962,746**	**31,440,119**

Other comprehensive income
Items that will not be reclassified subsequently to profit or loss

Net changes in fair value on available for sale financial assets	(797,920)	3,558,341
Revaluation gain on property and equipment	(1,780,797)	-
Total other comprehensive income for the year	**(2,578,717)**	**3,558,341**
Total comprehensive income for the year	**13,384,029**	**34,998,460**

The notes set out on pages 9 to 50 form an integral part of these financial statements.

NATIONAL BANK OF RWANDA

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	30-June-15 Rwf '000'	30-June-14 Rwf '000'
ASSETS			
Cash and cash equivalents	11	15,691,631	14,121,782
Foreign assets	12	591,149,253	630,265,062
International Monetary Fund Quota	13	81,101,943	84,493,646
Due from Government of Rwanda	14	38,572,828	38,573,121
Loans and advances to banks	15	592,600	769,663
Due from International Finance Corporation	16	9,585,497	10,181,266
Loans and advances to staff	17	8,961,389	8,432,664
Other investment	18	6,164	6,164
Investment property	19	430,405	346,122
Property and equipment	20	22,311,507	22,669,451
Intangible assets	21	1,704,376	562,231
Other assets	22	34,522,639	22,997,288
TOTAL ASSETS		**804,630,231**	**833,418,460**
LIABILITIES			
Currency in circulation	23	165,821,769	144,270,040
Government deposits	24	135,663,969	198,281,374
Due to local financial institutions	25	188,170,901	194,391,093
Due to International Monetary Fund	26	163,946,694	170,340,359
Foreign liabilities	27	11,683,912	12,572,651
Other liabilities	28	21,472,245	9,744,330
TOTAL LIABILITIES		**686,759,491**	**729,599,847**
EQUITY AND RESERVES			
Share capital (page 7)	29	7,000,000	7,000,000
General Reserve Fund (page 7)	30	8,948,506	8,948,506
Other Reserves	31	54,050,559	42,338,863
Retained earnings	32	47,871,675	45,531,240
TOTAL EQUITY AND RESERVES		**117,870,740**	**103,818,614**
TOTAL LIABILITIES AND EQUITY		**804,630,231**	**833,418,460**

The financial statements were approved by the Board of Directors for issue on 30/09/2015 and signed on its behalf by:

Governor

Date: 30/09/2015

Director

Date: 30/09/2015

The notes set out on pages 11 to 54 form an integral part of these financial statements.

The notes set out on pages 104 to 161 form an integral part of these financial statements.

NATIONAL BANK OF RWANDA

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	Share capital	General reserve fund	Retained earnings	AFS reserve	Staff welfare reserve	Translation reserve	IT Modernization	Revaluation Reserve	Proposed dividend	Total
	Rwf '000'	Rwf '000'	Rwf '000'	Rwf '000'	Rwf '000'	Rwf '000'	Rwf '000	Rwf '000'	Rwf '000'	Rwf '000'
As at 1 July 2013	**7,000,000**	**8,948,506**	**(1,852,033)**	**225,411**	**3,892,202**	**41,289,412**	**700,587**	**8,636,056**	**-**	**68,840,141**
Comprehensive income for the period										
Profit for the year	-	-	31,440,119	-	-	-	-	-	-	**31,440,119**
Other comprehensive income for the period					-	-	-	-	-	-
Fair value movement on available for sale	-	-	-	3,107,519	-	-	-	-	-	3,107,519
Transfer to other reserves										-
Foreign assets (exchange) revaluation gain	-	-	(31,649,678)	-	-	31,635,104	-	-	-	(14,574)
Building revaluation reserves	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-
Effects of Prior year adjustments	-	-	-	-	-	-	-	-	-	-
Reclassification	-	-	47,592,832	-	-	(46,866,474)	-	(280,954)	-	445,404
As at 30 June 2014	**7,000,000**	**8,948,506**	**45,531,240**	**3,332,930**	**3,892,202**	**26,058,042**	**700,587**	**8,355,102**	**-**	**103,818,613**
Comprehensive income for the period										
Profit for the year	-	-	**15,962,746**	-	-	-	-	-	-	**15,962,746**
Other comprehensive income for the period					-	-	-	-	-	-
Fair value movement on available for sale	-	-	-	(797,920)	-	-	-	-	-	(797,920)
Foreign assets (exchange) revaluation gain	-	-	**(14,290,413)**	-	-	14,290,413	-	-	-	-
Building revaluation reserves	-	-	-	-	-	-	-	(1,780,797)	-	(1,780,797)
Prior year adjustments	-	-	668,102	-	-	-	-	-	-	668,102
As at 30 June 2015	**7,000,000**	**8,948,506**	**47,871,675**	**2,535,010**	**3,892,202**	**40,058,042**	**700,587**	**6,574,305**	**-**	**117,870,740**

The notes set out on pages 9 to 50 form an integral part of these financial statements.

NATIONAL BANK OF RWANDA

STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2015

	Note	30-Jun-15 Rwf '000'	30-June-14 Rwf ''000'
Net cash flow from operating activities	**33**	**(43,543,262)**	**(43,612,081)**
Investing activities			
Purchase of property and equipment	**20**	(14,351,862)	(7,835,006)
Purchase of Intangible Assets	**21**	(1,699,898)	(276,522)
Proceeds from sale of equipment		494,716	2,523
Net cash flow from investing activities		**(15,557,044)**	**(8,109,005)**
Financing activities			
Increase in currency in circulation	23	21,551,729	6,603,772
Dividend paid		0	0
Net cash flow from financing activities		**21,551,729**	**6,603,772**
Net cash increase/(decrease) in cash and cash equivalents		**(37,545,962)**	**(45,117,314)**
Cash and cash equivalents at the beginning of the year		**644,386,844**	**689,504,139**
Cash and cash equivalents at the end of the year	**34**	**606,840,884**	**644,386,844**

The notes set out on pages 9 to 50 form an integral part of these financial statements.

1. REPORTING ENTITY

The National Bank of Rwanda (the "Bank") is wholly owned by the Government of Rwanda. The Bank is established by and derives its authority and accountability from Law No. 55/2007 of 30 November 2007 relating to statutes of the National Bank of Rwanda and is domiciled in Rwanda. The Bank also acts as banker, advisor and fiscal agent of the Government of Rwanda.

Article 6 of that Law specifies that the Bank shall perform the following duties:

- To formulate and implement the monetary policy;
- To organize, supervise and regulate the local foreign exchange market;
- To supervise and regulate the activities of the local financial institutions notably banks, micro finance institutions; insurance companies, social institutions, collective placement companies and pension fund institutions;
- To supervise and regulate the payment systems;
- To print, mint and manage money;
- To hold and manage official foreign exchange reserves;
- To act as State Cashier;
- To carry out any other task that this Law or any another Law may assign to it.

Article 2 of the same Law, fixes the Bank's share capital to seven (7) billion Rwanda Francs (Rwf). In order to comply with it, during its meeting of 28 June 2008, the Board of Directors decided to increase the share capital from 2 billion Rwf to 7 billion Rwf by incorporating an amount of Rwf 5 billion from the general reserve fund account.

In accordance with article 66 of the Law No 55/2007 of 30 November 2007, the Bank's net profit is appropriated as follows:

- A part of 20 % of the net profit is incorporated in the General Reserve Account.
- After all other appropriations to reserves deemed necessary by the Board of Directors, the remaining balance is paid to the Public Treasury.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The principal accounting policies adopted in preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

(i) Statement of compliance

The financial statements have been prepared in accordance, and comply with International Financial Reporting Standards (IFRS) and Law No 55/2007 of 30 November 2007 relating to the statutes of the National Bank of Rwanda, which generate policies that govern operations with the approval of the board of directors.

(ii) Basis of measurement

The financial statements are prepared under the historical cost basis except for the Following:

- financial instruments at fair value through profit or loss are measured at fair value;
- available-for-sale financial assets are measured at fair value;
- buildings measured at revalued amounts

(iii) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in 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.

The most significant use of judgments and estimates are made for the following items:

Impairment of loans and advances

The Bank reviews its loans and advances at each reporting date to assess whether an allowance for impairment should be recognized 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Use of estimates and judgments (Continued)

Impairment of equity investment

The Bank's investment in equity is reviewed every time there is a significant and prolonged decline in its fair value compared to its cost or where objective evidence of impairment exists.

Property, equipment and intangible assets

Critical estimates are made by management in determining depreciation and amortization rates for property, equipment, and intangible assets. The rates used are set out in the accounting policies (d) and (e) below.

(iv) Functional and presentation currency

These financial statements are presented in Rwanda Francs (Rwf) which is the Bank’s functional currency.

Except as otherwise indicated, financial information presented in Rwanda Francs has been rounded to the nearest thousands.

(b) Revenue recognition

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

(i) Interest income and expenses

Interest income and expense are recognized in the profit or loss for all interest bearing instruments on an accrual basis using the effective interest method based on the actual purchase price.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments.

(ii) Fees and commission income

Fees and commission income, which arise from financial services provided by the Bank, are recognized when the corresponding services are provided.

(iii) Other income and expenses

The non interest income and expenses are recognized in the period in which they are earned or incurred. They are not accrued if their recoverability is considered doubtful.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Translation of foreign currencies

Transactions in foreign currencies are converted into Rwanda Francs at rates ruling at the transaction dates. Assets and liabilities at the reporting date which are expressed in foreign currencies are translated to Rwanda Francs at the spot exchange rate ruling at that date. The resulting differences from conversion and translation are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

(d) Property and equipment

Property and equipment are measured at cost/revaluation less accumulated depreciation and accumulated impairment losses. Changes in expected useful life are accounted for by changing the depreciation period or method. Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The annual depreciation rates in use for the current and comparative periods for each category are:

Buildings	4-20%
Lift for the headquarter	10%
Computer equipment	33%
Currency processing machines	20%
Motor vehicles	25%
Furniture, fittings and office equipment	10-20%
Security equipment	15%

Property that is being constructed or developed for future use to support operations is classified as capital Work–in–Progress (WIP) and stated at cost until construction or development is complete, at which time it is reclassified as property and equipment in use.

Subsequent expenditure is capitalized only when it increases future economic benefits and meets the recognition criteria. Expenditure incurred to replace a major component of an item of property and equipment is accounted for separately and capitalized while the replaced component is derecognized.

All other expenditure items which do not meet the recognition criteria are recognized in profit or loss as they are incurred.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated between the net disposal proceeds and the carrying amount of the asset) is recognized in profit or loss as other income or other expense in the year the asset is derecognized.

The assets residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate at each financial year end. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value (less costs to sell) and value in use.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revaluation of land and buildings is carried out at least once every five years.

(e) Intangible asset

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets that are being developed for future use to support operations are classified as Work –in – Progress (WIP) and stated at cost until development is complete, at which time they are reclassified as Intangible assets.

The useful lives of intangible assets are assessed to be finite and these assets are amortized over their useful economic life. The amortization period of assets with a finite useful life are reviewed at least at each financial year end and adjusted if appropriate. The amortization expense on intangible assets with finite lives is recognized in profit or loss.

Amortization 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 33.3 % (annual amortization rate)

The gain or loss arising from the recognition of an intangible asset shall be determined as the difference between proceeds, if any, and the carrying amount of the asset. It shall be recognized in profit or loss when the asset is derecognized.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted when deemed appropriate.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(f) Stocks of consumables

Stocks of consumables are valued at the lower of cost and net realizable value. Cost is estimated using the weighted average method. Provisions are made for all anticipated stock losses, impairment and obsolescence.

(g) Currency printing and minting costs

Banknotes printing expenses for each denomination which include ordering, printing, freight, insurance and handling costs are initially deferred. Based on the currency issued into circulation, the respective proportional actual costs incurred are released to the profit or loss from the deferred costs account over the useful period (life span) of each banknote denomination. The deferred amount is recognized as prepayment and represents un-issued banknotes (currency) stock. Cost of coins minted is expensed in full on delivery in the year of purchase/acquisition. The life span of each bank note denomination is described in note 3(c).

2. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

(h) Financial instruments

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

(i) Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognized on the trade date, which is the date that the Bank commits to purchase or sell the asset.

(ii) Recognition and initial measurement

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable costs of acquisition or issue of the financial asset or liability.

(iii) Classification and measurement

The Bank determines the classification of its investments at initial recognition. The main categories include:

Loans and receivables

Loans and receivables are advances made by the bank including loans and advances to staff. They are initially measured at the fair value and subsequently at the amortized cost using effective interest rate. Amortized cost represents the amounts at which the financial instruments were measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate of any difference between the initial amount and the maturity amount and minus any write down for impairment or un-collectability.

In its capacity as cashier and banker of the Government, the Bank may make direct advances to the Government for the purpose of offsetting fluctuations between Government receipts and expenditure. In accordance with article No 49 of the Law No 55/2007, the total amount of the advances to Government shall not exceed eleven per cent of the gross ordinary revenue of the Government collected during the preceding fiscal year. Interest is charged at the average daily inter-bank money market rate and is paid quarterly by the Government.

In accordance with the agreement No 5/96 between BNR and the Government of Rwanda dated 6 February 1996, all the other unpaid loans granted to the Government before 31 December 1994, in addition to the balance of the revaluation account as at 6 March 1995 were consolidated and are charged at an interest rate of 2 % per year. From January 2002, the recovery of the principal of that consolidated debt is made through a reduction of 30 % of the annual dividend payable to the Government.
As the lender of last resort, the Bank may grant loans or advances for fixed period not exceeding seven days to commercial banks that pledge securities specified by the Bank. Interest rates charged to these banks are determined by the Bank based on the inter-bank money market rates.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Bank manages certain lines of credit granted to the Government of Rwanda created in order to facilitate specific economic activities, and it can also create its own funds with the aim of encouraging that sector.

Specific provisions for loan impairment are made each time they are considered as irrecoverable in accordance with instruction No 03/2000 of March 2000 relating to classification of assets and monitoring of liabilities of banks and other financial institutions. When a loan is deemed uncollectable, it is written off against the related provision for impairment. Subsequent recoveries are credited to profit or loss, if previously written off.

Held to maturity
Investments classified as held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in 'Interest income' in profit or loss.
The losses arising from impairment of such investments are recognized in the profit or loss line 'Impairment losses on financial investments'. Were the Bank to sell other than an insignificant amount of such assets, the entire category would be reclassified

as available for sale. The Bank currently classifies term deposits, Government securities, repurchase and reverse purchase instruments as held to maturity.

Available-for-sale financial assets

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Unquoted equity securities whose fair value cannot reliably be measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognized in profit or loss using the effective interest method. Foreign exchange gains or losses on available-for-sale debt security investments are recognized in profit or loss. Other fair value changes are recognized in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognized in other comprehensive income is reclassified to profit or loss as a reclassification adjustment.

A non-derivative financial asset is reclassified from the available-for-sale category to the loans and receivables category if it otherwise would have met the definition of loans and receivables and if the Bank has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

Cash and cash equivalents

Cash and cash equivalents comprises of cash balances, bank deposits, current accounts, gold holding, government securities with maturity of up to 3 months from the date of issue. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Financial liabilities are measured at amortized cost except for financial liabilities designated at fair value through profit and loss. Financial liabilities are initially recognized at fair value less, in the case of liabilities carried at amortized cost (including due to banks, due to International Monetary Fund other deposits and other funds borrowed), transaction costs incurred and any difference between the proceeds net of transaction costs and the redemption amount is recognized in the profit or loss as interest expense over the period to maturity using the effective interest rate method. Financial liabilities which are repayable on demand are recorded at nominal value. Deposits represent reserve deposits of depository institutions' participants and current accounts of the Bank. The Bank has classified the following financial instruments as financial liabilities:

- *Currency in circulation*

  Currency issued by the Bank represents a claim on the Bank in favour of the holder. The liability for currency in circulation is recorded at face value in these financial statements. Currency in circulation represents the face value of notes and coins in circulation. Notes and coins held by the Bank as cash in main vault, intermediary vault, and cashier at the end of the financial year are netted off against the liability for notes and coins in circulation because they do not represent currency in circulation.

- *Deposits*

  Deposits are non-derivative financial liabilities with fixed or determinable receipts that are not quoted in an active market. They arise when the Bank receives money or services directly from counterparty with no intention of trading the payable. Deposits held are carried at cost with interest income accruing on an effective interest rate basis.

  Cash Ratio Deposits are taken from commercial banks for liquidity management (monetary policy purposes) of the Bank in accordance with the Banking Act and are interest free. Cash Ratio Reserves is a monetary policy instrument used to manage liquidity. The deposits earn no interest to commercial banks and the Bank does not trade on these deposits in any way. The deposits are currently computed at 4.5% of each commercial bank's deposits taken from the public. Each commercial bank is required to deposit the applicable amount at the Bank and the computation is done on a monthly basis.

- *Other liabilities*

  Other liabilities are stated at their nominal value/cost, which approximates fair value due to the short term nature thereof.

Financial assets at fair value through profit or loss: Held for Trading

A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are classified as held at fair value through profit or loss.

The Bank has classified the Reserve Asset Management Programme (RAMP) financial instruments as held for trading.

2. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

(i) Derecognition

Financial assets are de-recognized when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all of the risks and rewards of ownership.

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

The gains and losses on investments held to maturity and loans and receivables are recognized in profit or loss when the investments are derecognized.

(ii) Gains and losses on subsequent measurement

Gains and losses on amortization of premiums or discounts of financial instruments carried at amortized cost are recognized in profit or loss of the period in which they arise. Gains and losses due to impairment are recognized as stated in the paragraph dealing with impairment.

(iii) Offsetting

Financial assets and financial liabilities are offset and the net amount reported on the reporting date only where there is a legally enforceable right to set off the recognized amount and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(iv) Impairment of financial assets

At each reporting date, the Bank assesses whether there is objective evidence that a financial asset not carried at fair value through profit or loss is impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets, and that the loss event has an impact on the future cash flows on the assets that can be estimated reliably.

The Bank considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together financial assets (carried at amortized cost) with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would 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 group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

In assessing collective impairment, the Bank uses statistical modeling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment 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 modeling. 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 amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognized through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss. Impairment losses on available-for-sale investment securities are recognized by transferring the difference between the amortized acquisition cost and current fair value out of other comprehensive income to profit or loss as a reclassification adjustment. When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through profit or loss.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized directly in other comprehensive income. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

The carrying amounts of the Bank's non-financial assets other than stock of consumables are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

(i) *Impairment of non-financial assets*

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets or group of assets. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortization in no impairment was derecognized.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Investment property

The Bank holds certain properties as investments to earn rental income or capital appreciation or any currently undetermined future use. Investment properties are carried at cost less accumulated depreciation and accumulated impairment. Depreciation is calculated at a rate of 10 % using the straight-line method.
Gains or losses arising from the retirement/ disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognized in profit or loss.

(k) *Provisions*

Provisions are recognized when the bank has a present obligation (legal or constructive) as a result of past event, and it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

(l) ***Cash and cash equivalents***

Cash comprises of foreign currency held in the Bank and demand deposits held with foreign banks. Cash equivalents comprise of short term highly liquid investments and term deposits that are readily convertible into known amounts of cash and which are subject to an insignificant risk changes in value. The short-term highly liquid investments include balances with maturities of three months or less from the date of acquisition.

(m) ***Employee benefits***

In accordance with the existing law relating to social security, the Bank makes contributions to Rwanda Social Security Board on behalf of its employees. The Bank's contribution is charged to profit or loss in the year to which it relates.

The bank also has an in-house managed defined contribution plan. A defined contribution plan is a post- employment benefit under which an entity pays even contributions and has no legal/constructive obligation to pay future amounts. Obligations for contributions to the defined contribution plan are recognized as an expense in profit or loss in the period in which the service is rendered by the employee.
The employees' contribution amounts to a third of the total monthly salary and the remaining two thirds is contributed by the Bank, and is charged to profit or loss in the year to which it relates.

The estimated monetary liability for employees leave entitlement at the reporting date is recognized as an accrual expense. This amount is written back to profit or loss when employees utilize their leave days in subsequent periods. The Bank also provides medical facilities for the employees and their families. Related costs are charged to profit or loss.

(n) **Commitments on behalf of the Government of Rwanda**

Commitments on behalf of Government of Rwanda arising from the issue of Treasury bills and Treasury bonds are not included in these financial statements as the Bank is involved in such transactions only as an agent.

2. *SIGNIFICANT ACCOUNTING POLICIES (Continued)*

(o) *Taxation*

Accordingly to Article No 74 of the Law No 55/2007 of 30 November 2007, the Bank is considered as the State with regard to the rules of tax liability and tax payment pertaining to all taxes levied for the benefit of the State and its administrative entities. The Bank is therefore exempt from taxes.

(p) *Dividends payable*

Dividends are accounted for when payment is made. Dividends declared after the reporting date, but before financial statements are authorized for issue, are disclosed in the notes to the financial statements.

(q) *Government grant and government assistance*

The Bank, being a wholly owned governmental financial institution, may receive grants in both monetary and non-monetary basis. Government grants are recognized as income over the period necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants related to assets, including non-monetary grant at fair value, are presented in the statement of financial position by setting up the grant as deferred income. In addition, the Bank may receive certain forms of government assistance which cannot reasonably have a value placed upon them, and transactions with Government which cannot be distinguished from the normal trading transactions of the entity. The Bank's policy on government assistance that cannot be reliably measured is to disclose the nature, extent and duration of the assistance in order that the financial statements are not misleading.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 New and amended standards and interpretations.

2.1.1 New or revised standards which become effective during the year

New or Revised pronouncements	Effective date	Effect on BNR
IFRS 1, *First-time Adoption of International Financial Reporting Standards*		
Annual Improvements 2011–2013 Cycle: Amendments to the Basis of Conclusion clarify the meaning of "effective IFRSs".	1 July 2014	
IFRS 2, *Share-based Payment*		
Annual Improvements 2010–2012 Cycle: Amendments added the definitions of performance conditions and service conditions and amended the definitions of vesting conditions and market conditions.	1 July 2014	The amendment did not have an impact on the financial statements of BNR as the bank does make a share based payment.
IFRS 3, *Business Combinations*		
Annual Improvements 2010–2012 Cycle: Amendments to the measurement requirements for all contingent consideration assets and liabilities including those accounted for under IFRS 9.	1 July 2014	The amendment did not have an impact on the financial statements of BNR as the bank does not make acquisitions.
Annual Improvements 2011–2013 Cycle: Amendments to the scope paragraph for the formation of a joint arrangement.	1 July 2014	
IFRS 8 *Operating Segments*		
Annual Improvements 2010–2012 Cycle: Amendments to some disclosure requirements regarding the judgements made by management in applying the aggregation criteria, as well as those to certain reconciliations.	1 July 2014	The amendment did not have an impact on the financial statements of BNR as the bank does not have operating segments.
IFRS 9 *Financial Instruments*		
Annual Improvements 2010–2012 Cycle: Amendments to the measurement requirements for all contingent consideration assets and liabilities included under IFRS 9.	1 July 2014	Will be applied when IFRS 9 will be effective, i.e 1^{st} January 2015

New or Revised pronouncements	Effective date	Effect on BNR
IFRS 10 ***Consolidated Financial Statements***		
IFRS 10 exception to the principle that all subsidiaries must be consolidated. Entities meeting the definition of 'Investment Entities' must account for investments in subsidiaries at fair value under IFRS 9, Financial Instruments, or IAS 39, Financial Instruments: Recognition and Measurement.	1 July 2014	The amendment did not have an impact on the financial statements of BNR as the bank does not prepare consolidated financial statements.
IFRS 12 ***Disclosure of Interests in Other Entities***		
New disclosures required for Investment Entities (as defined in IFRS 10).	1 January 2014	The amendment did not have an impact on the financial statements of BNR as the bank does not have investments in other entities.
IFRS 13 ***Fair Value Measurement***		
Annual Improvements 2010-2012 Cycle: Amendments to clarify the measurement requirements for those short-term receivables and payables	1 July 2014	IFRS 13 did not materially affect any fair value measurement of the Bank's assets or liabilities, with changes being limited to presentation and disclosure, and therefore has no effect on the Bank's financial position or performance
Annual Improvements 2011–2013 Cycle: Amendments to clarify that the portfolio exception applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9.	1 July 2014	
IAS 16 ***Property, Plant and Equipment***		
Annual Improvements 2010-2012 Cycle: Amendments to the Revaluation method – proportionate restatement of accumulated depreciation.	1 July 2014	The amendment did not have an impact on the financial statements of BNR as the bank did not make a revaluation of its fixed assets during the year.
IAS 19 ***Employee Benefits***		
Amendments to Defined Benefit Plans: Employee Contributions whereby the requirements in IAS 19 for contributions from employees or third parties	1 July 2014	This amendment is applied in the current year financial statements, and the respective

New or Revised pronouncements	Effective date	Effect on BNR
that are linked to service have been amended		effect is shown on both statement of comprehensive income and financial position.
IAS 24 ***Related Party Disclosures***		
Annual Improvements 2010-2012 Cycle: Amendments to the definitions and disclosure requirements for key management personnel.	1 July 2014	This amendment is applied in the current year financial statements, and additional disclosure requirements added
IAS 27 ***Consolidated and Separate Financial Statements***		
Requirement to account for interests held by 'Investment Entities' at fair value under IFRS 9, Financial Instruments, or IAS 39, Financial Instruments: Recognition and Measurement, in the separate financial statements of a parent.	1 July 2014	The amendment did not have an impact on the financial statements of BNR as the bank does not prepare consolidated financial statements.
IAS 36 ***Impairment of Assets***		
Amendments to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.	1 January 2014	This amendment is applied in the current year financial statements, and additional disclosure requirements added
IAS 38 ***Intangible Assets***		
Annual Improvements 2010-2012 Cycle: Amendments to the Revaluation method – proportionate restatement of accumulated depreciation.	1 July 2014	The amendment did not have an impact on the financial statements of BNR as the bank did not make a revaluation of its intangible assets during the year.
IAS 39 ***Financial Instruments: Recognition and Measurement***		
Amendments for novation of derivatives the continuation of hedge accounting.	1 January 2014	
IAS 40 ***Investment Property***		

New or Revised pronouncements	Effective date	Effect on BNR
Annual Improvements 2011-2013 Cycle: Amendments to clarify the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.	1 July 2014	The amendment did not have an impact on the financial statements of BNR as the bank does not make acquisitions.

2.1.2 Interpretations which became effective during the year

New or Revised pronouncements	Effective date	Effect on BNR
IFRIC 21 Levies		
IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.	*1 January 2014*	The amendment did not have an impact on the financial statements of BNR as the bank is not imposed levies by the Government.

2.1.3 New or revised standards which are not yet effective

New or Revised pronouncements	Effective date	Effect on BNR
IFRS 5, *Non-current assets Held for Sale and Discontinued Operations*		
Annual Improvements 2012-2014 Cycle: Amendments clarifying that a change in the manner of disposal of a non-current asset or disposal group held for sale is considered to be a continuation of the original plan of disposal, and accordingly, the date of classification as held for sale does not change.	1 January 2016	The amendment will not have an impact on the financial statements of BNR as the bank does not have Non-current assets held for sale nor the intention to discontinue some of its operations.
IFRS 7 *Financial Instruments: Disclosures*		
Annual Improvements 2012-2014 Cycle: Amendment clarifying under what circumstances an entity will have continuing involvement in a	1 January 2016	The amendment will not have an impact on the financial statements of BNR as the bank does not have

New or Revised pronouncements	Effective date	Effect on BNR
transferred financial asset as a result of servicing contracts.		transferred a financial asset as a result of a servicing contract.
Annual Improvements 2012-2014 Cycle: Amendment clarifying the applicability of previous amendments to IFRS 7 issued in December 2011 with regard to offsetting financial assets and financial liabilities in relation to interim financial statements prepared under IAS 34.	1 January 2016	BNR will consider the application of the amendments in the financial statements that will be prepared in the year ending 30 June 2016.
IFRS 9: Financial instruments		
A finalised version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition: IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. o The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets. o IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information	1 January 2018 *IFRS 9 (2014) supersedes any previous versions of IFRS 9, but earlier versions of IFRS 9 remain available for application if the relevant date of application is before 1 February 2015*	BNR will consider the application of the amendments in the financial statements that will be prepared in the year ending 30 June 2018.

New or Revised pronouncements	Effective date	Effect on BNR
about risk management and the effect of hedge accounting on the financial statements. o IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39.		
IFRS 10 *Consolidated Financial Statements*		
Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.	1 January 2016	The amendment will not have an impact on the financial statements of BNR as the bank does not prepare consolidated financial statements.
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	1 January 2016	The amendment will not have an impact on the financial statements of BNR as the bank does not prepare consolidated financial statements.
IFRS 11 *Joint Arrangements*		
Amendments adding new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business which specify the appropriate accounting treatment for such acquisitions.	1 January 2016	The amendment will not have an impact on the financial statements of BNR as the bank does not enter into joint arrangement.
Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.	1 January 2016	The amendment will not have an impact on the financial statements of BNR as the bank does not enter into joint arrangement.

New or Revised pronouncements	Effective date	Effect on BNR
IFRS 12 ***Disclosure of Interests in Other Entities***		
Investment Entities: Applying the Consolidation Exception: Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.	1 January 2016	The amendment will not have an impact on the financial statements of BNR as the bank does not have interest in other entities.
IFRS 14 ***Regulatory Deferral Accounts***		
IFRS 14 permits first-time adopters to continue to recognise amounts related to its rate regulated activities in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that apply IFRS and do not recognise such amounts, the Standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the Standard.	1 January 2016	The new standard will not have an impact on the financial statements of BNR as the bank already presents IFRS financial statements.
IFRS 15 ***Revenue from Contracts from Customers***		
New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers. - The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. - The new standard supersedes: (a) IAS 11 Construction Contracts; (b) IAS 18 Revenue;	1 January 2017	This New standard will be applied in the financial statements for the year end 30 June 2017, and additional disclosure requirements will be added

New or Revised pronouncements	Effective date	Effect on BNR
(c) IFRIC 13 Customer Loyalty Programmes; (d) IFRIC 15 Agreements for the Construction of Real Estate; (e) IFRIC 18 Transfers of Assets from Customers; and (f) (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services.		
IAS 1, *Presentation of Financial Statements*		
Disclosure Initiative: Amendments designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures.	1 January 2016	This amendment will be applied in the financial statements for the year end 30 June 2016, and additional disclosure requirements will be added
IAS 16 *Property, Plant and Equipment*		
Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets.	1 January 2016	This amendment will not have an effect on the financial statements for the year end 30 June 2015, as the bank already the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.
Amendment to IAS 16 and IAS 41 which defines bearer plants and includes bearer plants in the scope of IAS 16 *Property, plant and Equipment*, rather than IAS 41 allowing such assets to be accounted for after initial recognition in accordance with IAS 16.	1 January 2016	

New or Revised pronouncements	Effective date	Effect on BNR
	IAS 19 *Employee Benefits*	
Annual Improvements 2012-2014 Cycle: Clarification of the requirements of to determine the discount rate in a regional market sharing the same currency (for example, the Eurozone).	1 January 2016	This amendment will not have an effect on the financial statements, as the bank is in a regional market not sharing the same currency.
	IAS 27 *Consolidated and Separate Financial Statements*	
Amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1 January 2016	The amendment will not have an impact on the financial statements of BNR as the bank does not prepare consolidated financial statements.
	IAS 28 *Investments in Associates and Joint Ventures*	
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment to address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	1 January 2016	The amendment will not have an impact on the financial statements of BNR as the bank does not enter this arrangement.
	IAS 34 *Interim Financial Reporting*	
Annual Improvements 2012-2014 Cycle: Clarification of the meaning of disclosure of information 'elsewhere in the interim financial report'.	1 January 2016	The bank will consider Appling the requirement of this amendment in the financial statements of the year ending 30 June 2016.
	IAS 38 *Intangible Assets*	
Amendments to IAS 16 and IAS 38 to clarify the basis for the calculation of depreciation and amortization, as being the expected pattern of consumption of the future economic benefits of an asset.	1 January 2016	The bank will consider Appling the requirement of this amendment in the financial statements of the year ending 30 June 2016.
Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortization as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets.	1 January 2016	The bank will consider Appling the requirement of this amendment in the financial statements of the year ending 30 June 2016
	IAS 41 *Agriculture: Bearer Plants*	

New or Revised pronouncements	Effective date	Effect on BNR
Amendment to IAS 16 and IAS 41 which defines bearer plants and includes bearer plants in the scope of IAS 16 *Property, plant and Equipment,* rather than IAS 41 allowing such assets to be accounted for after initial recognition in accordance with IAS 16.	1 January 2016	The amendment will not have an impact on the financial statements of BNR as the bank does not own agricultural assets.

(r) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances. The most significant use of judgement and estimates are as follows:

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Impairment losses on loans, advances and receivables

The Bank reviews its loans, advances and receivables at each reporting date to assess whether an allowance for impairment should be recognized in the profit or loss. In particular, judgement 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.

(b) Property, equipment and intangible assets

Critical estimates are made by the management in determining depreciation and amortisation rates for property, equipment and intangible assets. The rates used are set out in the Note 2 (d).

2 (t). CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) 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 recognized 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 recognized 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.

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.

3. INTEREST INCOME

Interest on domestic investments relates to interest earned from loans to government, SWAPs agreements, loan for refinancing agriculture sectors and loan disbursed to BNR staff.

Interest income from foreign operations relates to interest earned from CAIMAL, RAMP and BIS investments, foreign fixed term deposits, T-Bond, holding in SDR and from call money in foreign Currency.

	30-Jun-15	30-Jun-14
	(Rwf '000')	(Rwf '000')
Interest Income from Domestic operations	1,848,169	1,573,228
Interest Income on Foreign currency transactions	5,813,091	2,855,509
Total Interest Income	**7,661,261**	**4,428,737**

4. INTEREST EXPENSE

The National Bank Of Rwanda (BNR) entered into a currency + interest rate SWAP agreement with International Finance Corporation (IFC). The parties exchange Rwandan Francs (BNR) for US Dollar (IFC) with fluctuating interest payable quarterly by either party. The interest expenses paid for that Activity is from IFC loans, SWAPS transactions with Local Client, commissions on SDR allocations and interest paid from money market Intervention.

	30-Jun-15	30-Jun-14
	(Rwf '000')	(Rwf '000')
Interest on IMF Fund	20,570	106,954
Other interest and similar expenses	65,443	333,114,
Interest paid on monetary policy issues	2,794,860	2,006,361
Net Interest Expenses	**2,880,873**	**2,446,429**

5 NET FEES AND COMMISSION INCOME

	30-Jun-15	30-Jun-14
	(Rwf '000')	(Rwf '000')
Commission and fees income	1,065,525	1,164,021
Commission and fees paid	(1,168,506)	(944,241)
	(102,980)	**219,780**

6 FOREIGN EXCHANGE GAIN

	30-Jun-15	30-Jun-14
	(Rwf '000')	(Rwf '000')
Exchange gain on external disbursement for Gov't and Current operations with customers.	8,359,205	8,492,607
Net Foreign assets (Exchange) Revaluation Gain/Loss	14,290,413	31,649,678
Net Realised gain/loss on foreign financial instruments	448,875	92,624
Unrealized loss on foreign financial instruments	11,269	820
	23,109,762	**40,235,729**

During the year unrealized net foreign exchange revaluation gains amounted to RWF 14,290,413 (2014: RWF 31,649,678). This amount has been included in the statement of profit or loss in determining the Bank’s net operating profit for the year in order to comply with the requirements of IAS 21-Accounting for the Effects of Changes in foreign Exchange Rates.

Reconciliation of unrealized foreign exchange reval. Gain/loss	**30-Jun-15**	**30-Jun-14**
Unrealized foreign exchange revaluation gain/loss	96,233,507	213,133,066
Less Unrealized loss during the year	(81,943,094)	(181,483,388)
Net Foreign assets (Exchange) Revaluation Gain/Loss	**14,290,413**	**31,649,678**

Reconciliation of realized Gain/loss on foreign financial instruments	**30-Jun-15**	**30-Jun-14**
Realized gain on foreign financial instruments	3,363,769	1,465,840
Realized loss on foreign financial instruments	(2,914,894)	(1,373,216)
Net realized gain/loss on foreign financial instruments	**448,875**	**92,624**

7 OTHER OPERATING INCOME

	30-Jun-15	**30-Jun-14**
	(Rwf '000')	**(Rwf '000')**
Fines, penalties and other administrative income	1,413,313	1,842,290
Written back accruals and provisions	801,652	761,369
Gain on sales of properties and equipment	494,716	2,523
Subvention from the Government of Rwanda	61,452	135,859
Interest refund from the Government of Rwanda	2,867,819	2,152,332
Other income	2,402,790	284,635
	8,041,743	**5,179,008**

Other incomes relates to Customers accounts Managements fees, checks Certifications fees, staff complains refunds, SIMTEL house rent, RSSB –medical refunds and others Recoveries.

8 Staff costs

	30-Jun-15	**30-Jun-14**
	Rwf '000'	**Rwf '000)**
Salaries and related other allowances	7,192,489	8,242,144
Pensions	607,646	659,895
Medical expenses	624,155	756,716
Training and development	415,185	376,766
Other expenses	44,473	46,869
	8,883,948	**10,082,390**

9 Depreciations and Amortisation

Depreciation of property and equipment	1,571,023	851,222
Depreciation of intangible assets	329,238	354,462
Impairment and provisions for liabilities and charges	882,704	181,690
	2,782,966	**1,205,684**

The big changes on depreciation of property plant and equipment were due to acquisition of four branches that increased total accumulated depreciation of 617,645,124 which was not the case in 2014.

10 Other operating Expenses

	30-Jun-15	30-Jun-14
General administrative expenses	6,512,924	3,362,741
Bank notes printing and coins minting	1,600,768	1,112,405
Board and Meeting Expenses	11786	181,402
Provisions and other Charges	68,920	181,690
Other expenses	4,857	50,393
Total other operating cost	**8,199,255**	**4,888,631**

Administrative expenses relate to maintenance cost, subscription fees, office supplies, transport and travelling costs, water & electricity, and printing cost.

11 CASH AND CASH EQUIVALENTS

	30June15 Rwf '000')	30June14 Rwf '000')
Cash in vault	**15,691,631**	**14,121,782**

12 FOREIGN ASSETS Refer to note 38.1)

	30Jun15 Rwf '000')	30Jun14 Rwf '000')
Current accounts	88,463,415	141,565,545
Fixed term placements with foreign correspondents	56,739,022	45,037,217
Foreign investments	366,094,939	358,354,055
Special Drawing Rights	79,827,396	84,962,876
Interest receivables	24,481	345,525
	591,149,253	**630,265,062**

13 INTERNATIONAL MONETARY FUND

The International Monetary Fund Quota refers to the Rwanda Government's total subscription to the International Monetary Fund IMF). It is equal to Special Drawing Rights SDR 80,100,000 and was converted to Rwanda Francs based on the exchange rate of the Special Drawing Rights SDR) applicable at the reporting date.

	30June15 Rwf '000')	30June14 Rwf '000')
Balance at the beginning of the year	84,493,646	76,773,318
Foreign currency adjustment	3,391,703)	7,720,328
Balance at the end of the year	**81,101,943**	**84,493,646**

14 DUE FROM GOVERNMENT OF RWANDA

	30June15 Rwf '000')	30June14 Rwf '000')
Consolidated debt at the beginning of the year	38,573,121	38,571,805
Recovery in the year	293	1,326
Balance at the end of the year	**38,572,828**	**38,573,121**

The Bank signed an agreement with the Government on 7 February 1996 to consolidate the entire Government debts amounting to Rwf 34,457 billion at a rate of 2 % per annum. The amount increased to Rwf 43,469 billion effective 1 August 1997 subsequent to the passing of Law No 11/97 regarding the statutes of the Bank which stipulated under its article 79, that the balance of the revaluation account as at 6 March 1995 would be consolidated with the amount of that initial debt. The recovery of the amount is done through a reduction of 30 % of the annual dividend payable to the Government commencing 2002 and interest on the debt is charged at 2% per annum on the outstanding balance.

15 LOANS AND ADVANCES TO BANKS

	30June15 Rwf '000'	30June14 Rwf '000'
Current accounts with commercials banks	8,867	13,863
Loans to the agricultural and agro business sectors	583,733	755,801
	592,600	**769,664**

16 DUE FROM INTERNATIONAL FINANCE CORPORATION

	30June15 Rwf '000'	30June14 Rwf '000'
Balance as at 30 June	**9,585,497**	**10,181,266**

On 9 November 2010, the Bank entered into a currency swap transaction with International Finance Corporation. The notional amount rendered by the bank was Rwf 1.479 billion in exchange of USD 2.5 million. Every time a swap transaction is entered, a confirmation agreement is signed between IFC and the bank stipulating the terms of the transaction.

17a) LOANS AND ADVANCES TO STAFF

	30Jun15 Rwf '000'	30Jun14 Rwf '000'
Loans to staff	6,916,267	8,647,788
Loans to Former Staff	2,790,468	-
Provision for impairment	(745,347)	(215,123)
	8,961,389	**8,432,665**

17b) Provision for Impairment

At 1 July	215,123	47,533
Charge for the year	530,000	167,590
At 30 June	**745,347**	**215,123**

18 EQUITY INVESTMENTS

	30June15 Rwf '000'	30June14 Rwf '000'
Cost	450,000	450,000
Provision for impairment	(443,836)	(443,836)
Carrying amount	**6,164**	**6,164**

The Investment relates to capital subscribed in Société Interbancaire de Monétique et Tele compensation au Rwanda S.A (SIMTEL) which amounts to a shareholding of 7.98%. The shares in SIMTEL now RSWITCH) are not listed and are not available for sale.

RWISTCH is registered and domiciled in Rwanda and it offers an interbank network for financial communication that supports card based payment systems, electronic funds transfers, simple bills payment system and capital market operations to banks and other financial institutions in Rwanda.

At the end of 2006, owing to accumulated losses, National Bank of Rwanda decided to provide the total cost of its investment in SIMTEL now RSWITCH). In 2008, RSWICTH was restructured and National Bank of Rwanda share capital was revised to Rwf 450 million.

19 INVESTMENTS PROPERTY

	30June15 Rwf '000'	30June14 Rwf '000'
Cost		
Balance at 1 July	364,339	721,587
Fair value gain	102,500	0
Disposal	(0)	(357,249)
At 30 June	**466,839**	**364,339**
Depreciation		
Balance at 1 July	18,217	256,055
Annulation of depreciation on disposal	0	(256,055)
Depreciation charge for the year	18,217	18,217
At 30 June	**36,434**	**18,217**
Carrying value	**430,405**	**346,122**

Investment property is stated at depreciated cost. The property rental income earned by the Bank from this property is nominal on account of a preferential lease rental charged to its related company RSWITCH. The direct operating expenses including repairs and maintenance are minimal and there are no significant contractual obligations to incur costs on repairs, maintenance or improvement thereto. The property is situated on plot number 1200 R.C J number: 2141 KIG) and the directors are of the opinion that the carrying value is a fair presentation of its market value.

20. PROPERTY AND EQUIPMENT	Land	Capital Workinprogress	Buildings	Furniture & Equipment	Motor Vehicles	TOTAL
	Rwf '000	Rwf '000	Rwf '000	Rwf '000	Rwf '000	Rwf '000
Cost/Valuation						
At 30 June 2014	**3,675,165**	**11,407,044**	**6,897,887**	**6,459,612**	**162,024**	**28,601,731**
Prior year adjustments	0	0	190,933	(208,035)		(17,101)
Adjusted At 1 July 2014	**3,675,165**	**11,407,044**	**7,088,820**	**6,251,577**	**162,024**	**28,584,630**
Additions	0	1,614,616	0	502,342	0	2,116,958
Adjustments	0	0	(318,019)	(3,058,459)	0	(3,376,478)
Reclassification	(102,500)	(12,150,474)	12,234,904	246,586	0	228,516
Disposed and written off equipment	(318,341)	0	(422,471)	(13,993)	0	(754,805)
At 30 June 2015	**3,254,325**	**871,185**	**18,583,235**	**3,928,054**	**162,024**	**26,798,822**
Depreciation						
At 30 June 2014	0	0	**(594,805)**	**(5,177,761)**	**(159,714)**	**(5,932,280)**
Prior year adjustments	0	0	**(95,639**	**(95,639)**		
Adjusted At 1 July 2014	**0**	**0**	**(499,165)**	**(5,273,400)**	**(159,714)**	**(5,932,280)**
Charge for the period			(1,104,536)	(604,250)	(32,154)	(1,740,940)
Depreciation of disposed and written off equipment	0	0	78,063	12,593		90,656
Adjustment	0	0	33,104	3,012,442	49,703	3,095,249
Reclassifications	0	0	27,325	(27,325)		0
At 30 June 2015		**0**	**(1,465,209)**	**(2,879,940)**	**(142,166)**	**(4,487,314)**
N.B.V at 30 June 2015	**3,254,325**	**871,185**	**17,118,027**	**1,048,114**	**19,858**	**22,311,508**
N.B.V at 30 June 2014	**3,675,165**	**11,407,044**	**6,303,082**	**1,281,851**	**2,309**	**22,669,451**

The Bank conducted a revaluation of its buildings at 30 June 2013 by independent and certified professional valuers, Tele Developments Limited. The valuation was based on market values defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion. The properties revealed include the head quarter building, canteen building, the clinic building, investment property building.

The market values for the building headquarters was valued professional and represents market value trends in Kigali. In addition, the land where the head quarter building is located and current status as a landmark location adds to its current and future value.

The market values in the rest of the other properties have been determined using direct comparison of sales of similar or near similar properties and locations or by depreciated replacement cost. A revaluation surplus of Rwf 7,223 million has been recognized in the Asset Revaluation Reserve.

The Bank revalues its land and buildings after every 5 years.

21 INTANGIBLE ASSETS

	30June15 Rwf '000'	30June14 Rwf '000'
Cost		
Balance at 1 July	2,244,506	1,967,984
Reclassifications	(228,516)	-
Addition	1,699,899	276,522
	3,944,405	**2,244,506**
Amortization		
Balance at 1 July	1,682,275	1,327,984
Depreciation charge for the year	329,238	354,291
At period end	**2,011,513**	**1,682,275**
Carrying Value	**1,704,376**	**562,231**

22 OTHER ASSETS

	30June15 Rwf '000'	30June14 Rwf '000'
Deferred currency costs	925,111	20,281,445
Stock of consumables	280,504	295,764
Accounts Receivable	10,328,659	982,046
Advances to contractors	5,071,478	5,190,035
Other debtors	17,916,887	3,752,002)
	34,522,639	**22,997,288**

Deferred cost	**30-Jun-15 Rwf '000'**	**30-Jun-14 Rwf '000'**
Cost	3,192,865	20,281,445
accumulated depreciation	(2,267,754)	-
Net deferred cost	**925,111**	**20,281,445**

The fall observed in the deferred cost is due to the adjusting entries on the minting of the coins, and the accumulated depreciation.

Accounts Receivables are the RRA and Commercial Banks double Payments, RSSB refunds, pre-financed Letter of Credit.

Others Debtors relates to long outstanding suspense from RIPPS and unreconciled balances between RIPPS and T24.

23 CURRENCY IN CIRCULATION

	30June15 Rwf '000'	30June14 Rwf '000'
Currency printed and minted	289,604,351	227,638,478
Money in reserve	(123,782,581)	(83,368,438)
Currency in circulation	**165,821,769**	**144,270,040**

Money in reserve represents currency printed but not issued into circulation. Cash held at the Bank represents notes and coins held by the Bank's principal cashier. These two elements have been netted off against the liability for notes and coins in circulation because they do not represent currency in circulation. The cash shown at the reporting date relates only to foreign currency cash balances held by the Bank at the end of the year.

24 GOVERNMENT DEPOSITS

	30June15 Rwf '000'	30June14 Rwf '000'
Government account	4,564,056	68,847,238
Government's special deposits	4,562,322	12,173,523
Deposits for letters of credit and other commitments	33,959	19,263
Projects and ministries' accounts	45,092,333	50,940,853
Local Governments	18,220,851	20,500,821
Public institutions	15,351,856	4,453,199
Public service enterprises	3,817,227	2,681,892
Foreign currency accounts	44,021,366	38,664,584
	135,663,969	**198,281,374**

25 DUE TO LOCAL FINANCIAL INSTITUTIONS

	30June15 Rwf '000'	30June14 Rwf '000'
Local currency deposits	107,696,804	96,390,868
Foreign currency deposits	7,528,769	11,901,782
Money market interventions	72,945,329	86,000,000
Interests payable	-	98,444
	188,170,901	**194,391,093**

The Bank, in fulfilling its principal objectives, engages in issuing and buying Treasury bills for monetary policy purposes. The amount owed to third parties in relation to mop up operations issue of Treasury bills) is disclosed as money market interventions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

26 DUE TO THE INTERNATIONAL MONETARY FUND

	30June15 Rwf '000'	30June14 Rwf '000'
International Monetary Fund Deposits	81,115,276	81,803,540
IMF Poverty Reduction and Growth Facility Loan	5,048,672	7,501,179
Special Drawing Rights Allocation	77,782,746	81,035,640
	163,946,694	**170,340,359**

IMF balances are maintained in special drawing rights SDR) which are revalued daily with other foreign currency accounts. At the close of the year, they are shown in Rwandan Francs based on the average SDR rate applicable at the reporting date.

27 FOREIGN LIABILITIES

	30June Rwf '000'	30June14 Rwf '000'
Deposits in local currency	335,158	187,785
Deposits in foreign currency	11,348,754	12,384,866
	11,683,912	**12,572,651**

28 OTHER LIABILITIES

	30June15 Rwf '000'	30June14 Rwf '000'
Staff deposits	258,108	167,692
Non statutory accounts in Rwandan Francs	2,099,695	1,679,389
Non statutory accounts in foreign currencies	759,259	801,977
Suppliers Payables Accounts	159,987	160,156
Provision for contingencies	206,070	881,333
Staff leave payables	341,030	433,980
Other payables accounts	17,267,153	5,593,315
Deferred income	380,945	26,488
	21,472,245	**9,744,330**

Suppliers Payables Accounts relates to BNR suppliers of goods and Services while Other payables accounts relates to BNR staff saving accounts, staff Cash allowances, pension funds savings, RSSB pension contribution, staff life insurances and staff Allowances for death and other suspense related to RIPPS&T24 that haven't yet been reconciled due to synchronization not effective .

29 SHARE CAPITAL

	30June15 Rwf '000'	30June14 Rwf '000'
Authorized and fully paid share capital	**7,000,000**	**7,000,000**

Article 2 of Law N° 55/2007 of 30 November 2007 governing the National Bank of Rwanda fixed the share capital of the bank at 7 billion Rwandan Francs. That share capital is entirely subscribed by the Government of Rwanda and the shares do not have a par value.

30 GENERAL RESERVE FUND

	30June15 Rwf '000'	30June14 Rwf '000'
Balance as at 30 June	**8,948,506**	**8,948,506**

The general reserve fund is a fund into which at least 20% of the net annual profits of the Bank are transferred at the end of each financial year. This is after allowing for expenses for operation and after allowance has been made for bad and doubtful debts, depreciation of assets, contribution to staff benefit fund, and such other contingencies and provisions as the Bank deems appropriate. The Bank utilises funds accumulated in this account to pay dividends once declared by the Board of Directors, increase paid up capital when necessary and to absorb any negative external shocks. There were no profits made during the year recorded on the General Reserve fund account.

31 OTHER RESERVES

	30June15 Rwf '000'	30June14 Rwf '000'
Land Revaluation reserves	2,048,333	3,422,244

Building Revaluation reserves	4,525,972	4,932,858
Staff welfare fund	3,892,202	3,892,202
Fair value reserve	2,535,010	3,332,930
IT modernization	700,587	700,587
Translation reserve	40,348,455	26,058,042
	54,050,559	**42,338,863**

It is BNR policy to transfer the gain on translation of foreign assets to Translation reserves. During the year ended 30 June 2015, net gain on the revaluation of foreign assets was Rwf "000" 14,290,413 (30 June 2014 Rwf 31,635,104). By transferring the gain to the Translation reserves, the respective balance of translation reserves and retained Earnings is as follow (see also Statement of changes in Equity)

Impact on Translation Reserves	**2015** **Rwf '000'**	**2014** **Rwf '000'**
Translation reserves as at 1 July	26,058,042	41,289,412
Prior Year Adjustments	-	(46,866,474)
Translation reserves before current year gain transfer	**26,058,042**	**(5,577,062)**
Current year gain on translation of foreign assets	14,290,413	31,635,104
Translation reserves as 30 June	**40,348,455**	**26,058,042**

32a) DIVIDEND

Proposed Ordinary Dividend:
No dividend was proposed by the directors for the year 2015, 2014: Rwf 0).

32 b) Retained Earnings

Impact Retained earnings	**2015** **Rwf '000'**	**2014** **Rwf '000'**
Retained earnings as at 1 July	45,531,240	(1,852,033)
Prior Year Adjustments	668,102	47,592,832
Retained before prior year profit	**46,199,342**	**45,740,799**
Current Year Profit	15,962,746	31,440,119
Current year gain on translation of foreign assets	(14,290,413)	(31,649,678)
Retained earnings as 30 June Excluding current year profit	**47,871,675**	**45,531,240**

33 CASH FLOW FROM OPERATING ACTIVITIES	**30June15** **Rwf '000'**	**30June14** **Rwf '000'**
Profit for the year	**15,962,746**	**31,440,119**
Adjustment		
Depreciation for property and equipment	1,571,023	750,200

Depreciation of Investment property	329,238	18,2
Amortization of software	1,600,768	354,462
Adjustment in PPE cost	16,137,670	
Adjustment in PPE Depreciation	(3,185,905)	
Net interest income	(7,661,261)	1,982,308
Other noncash Variations	(259,795)	0
Gain on sale of property and equipment	494,716	(2523)
Depreciation recovery on grants RIPPS)	0	870,236
Revaluation loss of IMF quota	(3,391,704)	(7,720,328)
Unrealized gain on foreign assets	(11,269)	(820)
Change in assets		
Increase/Decrease) in amount due from Government of Rwanda	(293)	(1,316)
Increase/Decrease) in amount due from banks and other financial institutions	177,063	535,596
Increase/Decre ase) in amount due from foreign financial institutions	595,769	(2,920,918)
Increase/Decrease) in loan and advances to staff	(528,725)	(2,696,969)
Increase/Decrease) in other assets	(11,525,351)	(5,403,415)
Change in liabilities		
Increase/Decrease) in government deposits	(62,617,405)	(111,686,083)
Increase/Decrease) in amount due to local financial institutions	(6,220,192)	(39,237,003)
Increase/Decrease) in amount due to IMF	(6,393,665)	11,697,760
Increase/Decrease) in foreign liabilities	(888,739)	4,409,399
Increase/Decrease) in other liabilities	11,729,915	(5,270,013)
Interest received	7,661,261	4,428,738
Interest received	0	0
Interest paid	(2,880,873)	(2,446,429)
Net cash flow from operating activities	**(43,543,262)**	**(43,612,081)**

34 Cash and cash equivalents

Cash and cash equivalents	15,691,631	14,121,782
Foreign assets	591,149,253	630,265,062
	606,840,884	**644,386,844**

35 RELATED PARTY TRANSACTIONS

In the course of its operations, the Bank enters into transactions with related parties. Those include the Government of Rwanda as its sole shareholder. Unless otherwise stated, all transactions between these entities take place at arm's length and with reference to market rates.

A Transactions with Government of Rwanda

Transactions entered into with the Government include:

- Banking services;
- Management of issues and redemption of securities;
- Settlements and remittances in foreign currencies by order and/or in favor of the Government of Rwanda.

The Bank charges a fee of Rwf 1,000 per month for maintaining the Government accounts. Further, Government accounts do not generate interest income. However, the Bank earns commissions on all foreign currency transactions carried out on behalf of the Government.

At the reporting date, the following balances which are included in various statements of financial position categories, were outstanding:

Transaction with Government of Rwanda

		30June15 Rwf '000'	30June14 Rwf '000'
Due from Government of Rwanda	**Note 11**	38,572,828	38,573,120
Government deposits	**Note 21**	135,697,928	198,281,374

B Staff loans

Loans and advance to employees

The Banks extends loans facilities to members of staff including the senior management. As at the reporting date, loans and advances to employees amounted to Rwf **8,599,807** '000) June 2015. The advances are at a preferential interest rate 2%) determined by the Bank

C Loans to Directors

	30June15 Rwf '000'	30June14 Rwf '000'
At 1 July 2015	322,318	155,624
New loans during the period	331,793	
Loans repayments	(87,171)	(30,442)
	566,940	**125,182**

D Directors' emoluments	30June15 Rwf '000'	30June14 Rwf '000'
Fees to nonexecutive directors	7500	10,179
Other remuneration to executive directors	4,286	5,854
	11,786	**146,033**

D Other related party transaction	30June15 Rwf '000'	30June14 Rwf '000'
Rental income from RSWITCH	**21,081**	**41,300**

36.1 RISK MANAGEMENT POLICIES

The Bank's risk management policies and practices have been developed and cover all its business activities. They are supported by a very strict management culture and a strong commitment to active risk management by senior management and the departmental directors.

The Bank holds foreign exchange reserves for the purposes of servicing official foreign debt, paying non government debt and National Bank of Rwanda expenditures abroad, and occasional intervention in the foreign exchange market to smoothen exchange rate movements.

The Bank can only intervene in the foreign exchange market when there are sharp exchange rate movements which are likely to destabilize the financial market.

In view of the Bank's reserve management policy of safe investment, liquidity, and return, respectively, the Bank, with a prudent approach, subjects its foreign exchange reserves to investments in international markets.

In this framework, almost all the financial risks to which the Bank is exposed arise while fulfilling its duties of managing foreign exchange reserves and rendering certain banking services to the banking sector and the Government of Rwanda

The Bank is exposed to credit, market, and liquidity risks due to the aforementioned operations. The financial risks that arise during the management of foreign exchange reserves are the outcome of an investment choice. Nevertheless, the Bank endeavors to minimize such risks by managing them with a conservative approach.

The bank risk management policies and practices are driven by the following principles which are applied to the following.

- Board oversight: The investment and operational policies and guide lines have to be approved by the Board of Directors and are subject to review from time to time.
- Review by senior management: All activities, including those involving any risk and management of investment of external reserves, are subject to review and approval by the senior management.
- Diversification: Investment policies and limits are set with a view to ensuring that risks are well diversified.
- Assessment: Policies and processes have been established to ensure that risks are properly assessed.
- Review and reporting: Risk profiles of counterparties and portfolios are subject to ongoing review and reporting to the senior management and to the Board of Directors.

Individual risks, portfolio and operational risks are subject to comprehensive Internal Audit Department review, with independent reporting to senior management.

The following are the main types of risks that the Bank is exposed to in the course of executing its operations:

- Credit risk
- Liquidity risk
- Market risk:
- Interest risk
- Foreign currency exchange risk
- Operational risk
- Human resource risk
- Legal risk
- Reputational risk

***RISK MANAGEMENT POLICIES** Continued)*

Credit risk

During its financial operations, the Bank is exposed to credit risk, defined as the probability of a complete or partial failure of counterparty to fulfill its obligations arising from a financial transaction. The credit risk basically originates from the investments made of deposit placements, if on their maturity the depository bank is unable to pay.

The management of the credit risk that the Bank is exposed to during the foreign exchange reserve management is based on the principle of minimizing default probabilities of the counterparties and the financial loss in case of default.

The Bank lends only to the Rwandan Government, the local banks and financial institutions. Credits to banks and other financial institutions are for a very short term and are covered by guaranties. The Bank requires deposits totaling 100 % of the total amounts of letters of credit opened and/or confirmed. It requires guaranties in case of issuing off balance sheet liabilities

a. Credit risk

	30June15 Rwf '000'	**30June14 Rwf '000'**
Cash and cash equivalents	15,656,174	14,121,782
Foreign assets	591,132,335	630,265,062
International Monetary Fund Quota	81,101,943	84,493,646
Due from Government of Rwanda	38,572,828	38,573,120
Loan and advance to banks	423,287	769,663
Due from foreign financial institutions	8,919,045	10,181,266
Loan and advance to staff	8,964,279	8,432,664

Analysis of the staff loans and advances and Government overdraft	**30June15 Rwf '000'**	**30June14 Rwf '000'**
Individually impaired		
Staff loans	230,380	315,297
Allowance for impairment	745,347	211,723
	975,726	**103,574**
Loans past due but not impaired		
Past due up to 30 days	105,178	73,563
Past due 3160 days	121,289	74,409
Past due 6190 days	122,248	75,271
	348,715	**223,243**
Loans neither past due nor impaired		
Staff loans and advances	6,856,074	8,376,564
Total	**6,856,074**	**8,599,807**

36.2 Liquidity risk

The table below analyses liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date

Liquidity risk is defined as having difficulty in finding sufficient cash to meet the commitments that are due or being compelled to convert assets into cash at a pric lower than their fair value. The choice of the types of instruments to invest the reserves in is part of liquidity risk management.

In order to manage liquidity risk, the Bank invests its surplus reserves in time deposits with maturities concentrated in shortterm maturity span of one to three months The portfolio is structured in such a manner that a mix of deposits matures every week to ensure availability of funds to meet scheduled government and the Bank' obligations.

As at 30 June 2015	**On demand**	**Due within 3 months**	**Due between 412 months**	**Due between 15 years**	**Due after 5 years**	**Total**
Liabilities						
Currency in circulation	165,821,769					**165,821,769**
Government deposits	135,663,969	33,959				**135,697,928**
Due to local financial institutions	115,225,573	72,945,329				**188,170,902**
Due to International Monetary Fund				5,048,672	158,898,022	**163,946,694**
Foreign liabilities	10,892,430					**10,892,430**
Other liabilities	18,802,821	3,495,126				**22,297,946**
Total liabilities	**446,406,562**	**76,474,414**	**0**	**5,048,672**	**158,898,022**	**686,827,669**
As at 30 June 2014						
Liabilities						
Currency in circulation	144,270,040					**144,270,040**
Government deposits	179,879,632	19,263				**179,898,896**
Due to local financial institutions	70,465,616	86,000,000	98,444			**156,564,060**
Due to International Monetary Fund		3		8,157,125	164,385,491	**172,542,616**

Foreign liabilities	10,746,142					**10,746,142**
Other liabilities	1,287,735	238,404,340				**239,692,075**
Total exposure	**406,649,165**	**324,423,600**	**98,444**	**8,157,125**	**164,385,491**	**903,713,829**

36.3 Foreign currency exchange rate risk

Foreign currency to which the bank was exposed at 30 June 2015 are summarized below all expressed in thousands of Rwandan Francs.

Foreign currency exchange rate risk signifies the probability of incurring a loss stemming from adverse market movements, usually in interest rates currency exchange rates, and asset prices.

The Bank has put in place a foreign reserve management committee. Generally, the Bank manages risks through prudent management of its assets an liabilities by ensuring long foreign exchange positions especially for the United States of America dollars US$) for which the exchange rate is relativel stable in comparison to other foreign currencies and hence limiting exchange positions for other currencies.

The Bank's assets are maintained in US$ given that most transactions with correspondent banks are carried out in this currency. The Bank manages countr exchange reserves and places deposits in AAA sovereign assets and supranational organizations.

Structurally, the Bank's exchange positions by currency are long except for transferable positions in Special Drawing Right and in Rwandan Francs that ar short. Thus, when exchange rates vary upward, the Bank makes a gain. On the other hand, if there is variation of exchange rates downward, the Ban makes a loss.

	USD	**EURO**	**GBP**	**SDR**	**Others**	**Total**
Foreign assets	477,574,631	25,120,754	8,492,345	79,827,396	117,209	591,132,335
International Monetary Fund Quota	0	0	0	81,101,943	0	81,101,943
Cash balance	13,177,493	2,265,860	164,962		47,859	15,656,174

Total assets	**490,752,124**	**27,386,614**	**8,657,306**	**160,929,339**	**165,068**	**687,890,451**
Liabilities						
Government deposits	40,658,327	9,463,581	739,416	0	84,802,645	135,663,969
Due to local financial institutions	7,635,043	(105,547)	(36)	0	180,641,441	188,170,901
Due to International Monetary Fund	0	0	0	163,946,694	0	163,946,694
Foreign liabilities	10,430,778	4,184	122,346	0	335,122	10,892,430
Total liabilities	**58,724,148**	**9,362,218**	**861,726**	**163,946,694**	**265,779,208**	**498,673,994**
Net exposure as at June 2015	**432,027,976**	**18,024,396**	**7,795,581**	**3,017,356)**	**265,614,140)**	**189,216,457**

Sensitivity analysis on currency risk

Currency risk is the risk of loss resulting from changes in exchange rates. The Bank has assets and liabilities in various currencies; however, the most significant exposure arises from assets denominated in the US dollar, GBP and Euro currencies. The following table demonstrates the sensitivity to reasonably possible change in the Rwf/ US dollar exchange rate, with all other variables held constant, of the Bank's profit earned.

The following significant exchange rates applied during the year:

Currency	**Closing rate 30June15**	**Closing rate 30June14**	**Average rate 30June15**	**Average rate 30June14**
USD	710.66	682.54	696.5	683
EURO	791.07	931	861	931
GBP	1,097.25	1.161.66	1,130	1.162
SDR	997.06	1,054.85	1026	1,055

36.4 Interest rate risk

This table shows the extent to which the Bank's interest rate exposure on assets and liabilities are matched. Items are allocated to the time bands by reference to the earlier of the next contractual interest rate reprising date and maturity date

Interest rates risk on currencies lies in the fact that, on one hand interest rates on shortterm placements generally for 1 to 3 months) can diminish and create a loss and on the other hand, interest on liabilities can increase.

The existing legal provisions cover the Bank against all risks relating to interest rates. Article 50 of the Bank's charter provides that "credit balances in the accounts opened at the National Bank do not generate interest". However, Article 49 of the Bank's charter provides that the Bank shall levy on debit balances interest computed at the daily average of interbank interest rate.

When commercial banks have excess liquidity, the Bank continues its market intervention policy of short term interest earning deposits mop up deposits) to encourage the commercial banks to invest/deposit the excess funds at the Bank. This is aimed at bringing monetary stability in the economy. This table shows the extent to which the Bank's interest rate exposures on assets and liabilities are matched. Items are allocated to time bands by reference to the earlier of the next contractual interest rate reprising date and maturity date.

Interest rate risk	3 months or less	3 to 12 months	Over one year	Non-interest bearing	Total
Cash and cash equivalents				15,656,174	15,656,174
Foreign assets	511,304,939		79,827,396		591,132,335
International Monetary Fund Quota				81,101,943	81,101,943
Due from Government of Rwanda			38,572,828		38,572,828
Loan and advance to banks	8,867		414,420		423,287
Due from foreign financial institutions			8,919,045		8,919,045
Loan and advance to staff		(745,347)	9,709,626		8,964,279
Other assets	807,096,760				807,096,760
Total assets	**1,318,410,566**	**745,347)**	**137,443,315**	**96,758,116**	**1,551,866,650**
Currency in circulation				165,821,769	165,821,769
Government deposits				135,663,969	135,663,969
Due to local financial institutions	80,474,097		107,696,804		188,170,901
Due to International Monetary Fund	82,831,418		81,115,276		163,946,694
Foreign liabilities				10,892,430	10,892,430
Other liabilities	22,297,946				22,297,946
Total liabilities	**195,278,680**		**188,812,080**	**312,378,168**	**686,793,710**

Interest sensitivity gap at 30 June 2015	**1,123,131,886**	**(745,347)**	**(51,368,765)**	**(215,620,052)**	**865,072,940**
Interest sensitivity gap at 30 June 2014	**449,506,695**		**49,521,228**	**338,312,177**	**160,500,624**

Sensitivity analysis on interest rate risk

Interest rate risk is the risk of loss resulting from changes in interest rates, including changes in the shape of yield curves. The Bank bases its analysis on the interest sensitivity gap above. The existing legal provisions shield the bank from interest rate sensitivities. Article 50 of the bank's charter provides that credit balances in the accounts opened in the National Bank do not generate interest. However article 49 provides that the bank shall levy on debit balances interest computed on daily average of the interbank rate.

Operational risk

Operational risk is the risk of loss due to human or system errors, incompatibility or failure of internal business processes, or external events. The Bank seeks to minimize losses from operational risk by establishing effective internal control systems which prevent or detect all errors and situations which might cause loss through failure of people or processes in such a way that losses are avoided or reduced to the minimum possible extent. The Bank has assigned the responsibility for managing operational risks to the management of the departments.

Human Resource risk

The particular nature of the activities of the Bank necessitates specialized knowledge in many areas. The Bank ensures that there is an adequate knowledge base for all specialized job requirements by investing significantly in human resource development in terms of capacity building and practical exposure. The Bank also organizes workshops, seminars, conferences and job attachments to its staff as an effort to improve its human resource requirements.

Legal risk

Legal risks arise from any uncertainty of enforceability, whether through legal or judicial processes, of the obligations of the Bank's clients and counter parties. These are the risks that the Bank may not be complying fully with the relevant laws and legislations. The Bank aims at minimising such uncertainties through continuous consultations with all relevant parties.
In mitigating these types of the risks, the Bank ensures that all business agreements are subjected to extensive legal reviews before contracting.

Reputation risk

The concern about reputation flows from the fact that the Bank is a public institution with important responsibilities for stability in the value of money, the soundness and efficiency of the financial system and the issue of currency notes and coins). All of these matters have direct impact on all citizens and the credibility and the reputation of the Bank is an important factor in the successful fulfillment of these responsibilities.

In managing this risk, the Bank adheres to the best practices and applies principles of sound corporate governance. It also ensures that all key staff has a clear understanding of the appropriate processes in respect of the best practice and principles of good corporate governance.

The Bank therefore, sets out policies and guidelines that govern sound functional operations within the Bank. The performance of these policies and guidelines are periodically reported to different levels of the Bank's Management for Control and Compliance Monitoring.

37 FAIR VALUE

In the opinion of the directors, the fair values of the Bank's financial assets and liabilities approximate their respective carrying amounts. Fair values are based on discounted cash flows using a discount rate based on the borrowing rate that directors expect would be available to the Bank at the reporting date.

The table below sets out the carrying amounts of each class of financial assets and liabilities, and their fair values:

As at 30 June 2015	Held for trading	Held to maturity	Loans and receivables	Available for sale	Other amortized cost	Total carrying amount	Fair value
ASSETS							
Cash balance			15,656,174			15,656,174	15,656,174
Foreign assets	366,078,021	79,827,396	145,226,918			591,132,335	591,132,335
International Monetary Fund Quota			81,101,943			81,101,943	81,101,943
Due from Government of Rwanda			38,572,828			38,572,828	38,572,828
Loan and advance to banks			423,287			423,287	423,287
Due from foreign financial institutions			8,919,045			8,919,045	8,919,045
Loan and advance to staff			8,964,279			8,964,279	8,964,279
Other assets			37,556,392			37,556,392	37,556,392
TOTAL ASSETS	**366,078,021**	**79,827,396**	**320,764,692**			**766,670,108**	**766,670,108**

LIABILITIES							
Currency in circulation					165,821,769	165,821,769	165,821,769
Government deposits					135,663,969	135,663,969	135,663,969
Due to local financial institutions					188,170,901	188,170,901	188,170,901
Due to International Monetary Fund					163,946,694	163,946,694	163,946,694
Foreign liabilities					10,892,430	10,892,430	10,892,430
Other liabilities					22,297,946	22,297,946	22,297,946
TOTAL LIABILITIES					**686,793,710**	**686,793,710**	**686,793,710**

37. FAIR VALUE Continued)

As at 30 June 2014	**Held for trading**	**Held to maturity**	**Loans and receivables**	**Available for sale**	**Other amortized cost**	**Total carrying amount**	**Fair value**
ASSETS							
Cash balance	14,121,782					14,121,782	14,121,782
Foreign assets	320,175,663	45,382,585	226,528,421	38,178,393		630,265,062	630,265,062
International Monetary Fund Quota			84,493,646			84,493,646	84,493,646
Due from Government of Rwanda			38,573,120			38,573,120	38,573,120
Loan and advance to banks			769,663			769,663	769,663
Due from foreign financial institutions							
Loan and advance to staff			8,432,664			8,432,664	8,432,664
Other assets			100,238,991			100,238,991	100.238,991
TOTAL ASSETS	**334.297.445**	**45,382,585**	**459,036,505**	**38,178,393**		**876,894,928**	**876,894,928**
LIABILITIES							
Currency in circulation					144,270,040	144,270,040	144,270,040
Government deposits					198,281,374	198,281,374	198,281,374

Due to local financial institutions	194,391,093	194,391,093	194,391,093
Due to International Monetary Fund	170,340,359	170,340,359	170,340,359
Foreign liabilities	12,572,651	12,572,651	12,572,651
Other liabilities	86,986,031	86,986,031	86,986,031
TOTAL LIABILITIES	**806,841,548**	**806,841,548**	**806,841,548**

38.1 Classification

	30Jun15 Rwf '000')	30Jun14 Rwf '000')
Held to maturity HTM)		
Fixed term deposits placement)	56,739,022	45,037,217
Accrued interest USD, GBP & EURO)	24,481	345,368
	56,763,503	**45,382,585**
Loans and receivables L&R)		
Special drawing rights SDR)	79,827,396	84,962,876
Current account	88,463,415	141,565,544
Accrued interest SDR)		
	168,290,811	**226,528,420**
Held for trading HFT) and available for sale	**366,078,022**	**358,354,055**
Total foreign assets financial instruments	**591,132,336**	**630,265,060**

38.2 Assets classified as available for sale are foreign assets not classified in HTM, L&R and HFT

38.3 Effective interest rates of financial assets and liabilities ranges

Effective interest rate for the local market is derived from the average of the weekly average key repo lending rate KRR), while for international market it is the rate quoted from Bloomberg forecasts

	2015	2014
Assets	**%**	**%**
Government consolidated debts	2	2
Deposits with overseas correspondent banks		
current account	0.09	0.04
term deposits USD)	0.12	0.10
term deposits GBP)	0.5	0.48
term deposits EUR)	0	0.05
Call money		
in USD	0.09	0.04
in GBP	0.15	0.15
in SDR	0.05	0.05
in EUR	0	0.00

	2015	2014
Effective interest rate continued)	**%**	**%**
Loan and advances		
commercial banks	6.5	6.5
employees	2	2

39. COMMITMENTS AND CONTINGENT LIABILITIES

Legal Proceedings

The bank is a party to legal proceedings for alleged breach of contract amounting to Rwf **179,313,715** million. Having regarded to the legal advice received, and in all circumstances, the directors are of the view that the Bank has a high chance of success against the plaintiffs and none of the cases individually or in aggregate would have a significant impact on the Bank's operations.

40. SUBSEQUENT EVENT

No subsequent events have taken place that requires adjustment or disclosure to the financial statements.

APPENDICES