

NATIONAL BANK OF RWANDA

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

31 DECEMBER 2009

ERNST & YOUNG (RWANDA) SARL

NATIONAL BANK OF RWANDA
ANNUAL REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2009

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NATIONAL BANK OF RWANDA
BANK INFORMATION
YEAR ENDED 31 DECEMBER 2009

DIRECTORS

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

François KANIMBA	Governor and Chairman	- Appointed on 06 April 2002
Ephraim TURAHIRWA	Vice-Governor and member	- Appointed on 12 March 2008
		- Retired on 11 September 2009
Claver GATETE	Vice-Governor and member	- Appointed on 11 September 2009
Prosper MUSAFIRI	Member	- Appointed on 16 February 2005
Uzziel NDAGIJIMANA	Member	- Appointed on 23 January 2004
Victor SHINGIRO	Member	- Appointed on 23 January 2004
		- Retired on 4 March 2009
Cyrille NDENGEYINGOMA	Member	- Appointed on 16 February 2005
		- Retired on 4 March 2009
Odette UWAMARIA	Member	- Appointed on 4 March 2009
Lilian KYATENGWA	Member	- Appointed on 4 March 2009

SENIOR MANAGEMENT TEAM

François KANIMBA	Governor
Claver GATETE	Vice-Governor
Thomas KIGABO	Senior Director - Monetary Policy and Research
Angélique KANTENGWA	Senior Director - Financial Stability
Appollinaire MURASIRA	Director - Currency and Banking Operations
Vianney KAGABO	Director - Finance and General Services
Viviane MWITIREHE	Director - Statistics
Bosco MUNYURA RUTAYISIRE	Director - Information and Communication Technology
Jean Paul RUTABINGWA	Acting Director - Legal Services
Marguerite MURORUNKWERE	Director - Bank Supervision
Pierre Canisius KAGABO	Director - Micro Finance Supervision
Joy NTARE	Director - Supervision of Non-Banking Supervision.
Védaste HIMILI	Director - Internal Audit and Risk Management
Antoinette NYIRAHUKU	Director - Human Resources
Célestin SEKAGILIMANA	Director - Financial Markets
Alexis HABIYAMBERE	Director - Corporate Services
Gaspard NTAZINDA	Head of Medical Services
Bosco SEBABI	Director - Payment System

REGISTERED OFFICE

National Bank of Rwanda
Avenue Paul VI
P.O. Box 531
Kigali
Rwanda

NATIONAL BANK OF RWANDA
BANK INFORMATION (Continued)
YEAR ENDED 31 DECEMBER 2009

BRANCHES

Southern Branch
P.O. Box 622
Huye
Rwanda

Eastern Branch
P.O. Box 14
Rwamagana
Rwanda

Nothern Branch
P.O. Box 127
Musanze
Rwanda

Western Branch
P.O. Box 462
Rusizi
Rwanda

AUDITORS

Ernst & Young (Rwanda) SARL
Banque de Kigali Building
Avenue de la Paix
P.O. Box 3638
Kigali
Rwanda

LAWYER

Jean Paul RUTABINGWA
Avenue Paul VI
P.O. Box 531
Kigali
Rwanda

BANK SECRETARY

Alexis HABİYAMBERE
Avenue Paul VI
P.O. Box 531
Kigali
Rwanda

NATIONAL BANK OF RWANDA
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009

The directors submit their report together with the audited financial statements for the year ended 31 December 2009, which disclose the state of affairs of the Bank.

PRINCIPAL ACTIVITIES

The mission of the Bank is to formulate and implement monetary policy with a view to preserving the value of the Rwandan currency and to ensure its stability. To this end, the Bank exercises control of money supply and credit and ensures the good functioning of the money market, the foreign exchange market and, in general, that of the banking and financial system.

RESULTS

The results for the year are set out on page 6.

DIVIDEND

The board of directors recommends the payment of a dividend of Frw 56,925,000 (2008: Frw 1,248,885,000) to the Government of Rwanda.

DIRECTORS

The directors who served during the year are listed on page 1.

MANAGEMENT COMMITTEE

The members of the Management Committee who served during the year and to the date of this report were:

François KANIMBA	Governor and Chairman	- Appointed on 06 April 2002
Ephrem TURAHIRWA	Vice - Governor	- Appointed on 12 March 2008 - Retired on 11 September 2009
Claver GATETE	Vice - Governor	- Appointed on 11 September 2009

AUDIT COMMITTEE

The Bank's Audit Committee consists of:-

Manassé TWAHIRWA	Chairman	- Appointed on 03 August 2001
Madeleine NIRERE	Member	- Appointed on 16 February 2005

AUDITORS

Ernst & Young (Rwanda) SARL have expressed their willingness to continue in office.

By order of the Board

Board Secretary

26th March 2010

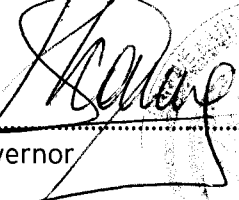
NATIONAL BANK OF RWANDA
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2009


Law No. 55/2007 of 30 November 2007 relating to statutes of the National Bank of Rwanda requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of its operating results for that year. It also requires the directors to ensure the Bank keeps proper accounting records which disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity 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. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Signed on behalf of the Board of Directors by: -


.....
Governor


.....
Vice Governor

.....*26th March*.....2010

REPORT OF THE INDEPENDENT AUDITORS
TO THE MINISTER OF FINANCE AND ECONOMIC PLANNING
ON THE FINANCIAL STATEMENTS OF NATIONAL BANK OF RWANDA

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of National Bank of Rwanda as set out on pages 6 to 47, which comprise the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

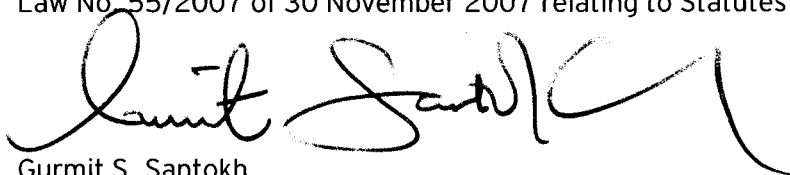
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about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

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

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

OPINION

In our opinion, the accompanying financial statements give a true and fair view of the state of financial position of the Bank as at 31 December 2009, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and Law No. 55/2007 of 30 November 2007 relating to Statutes of the National Bank of Rwanda.



Gurmit S. Santokh
For Ernst & Young (Rwanda) Sarl

.....26 March.....2010.

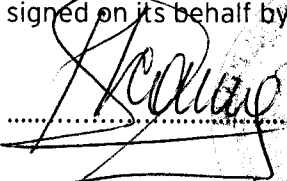

NATIONAL BANK OF RWANDA
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED YEAR ENDED 31 DECEMBER 2009

	Note	2009 Frw'000	2008 Frw'000
Interest and similar income	3	4,788,351	10,421,207
Interest and similar expenses	4	<u>(2,293,445)</u>	<u>(2,325,525)</u>
Net interest income		2,494,906	8,095,682
Commission and fees income	5	69,982	109,861
Gain on foreign currency trading	6	4,934,902	3,207,812
Other non interest income	7(a)	<u>2,760,353</u>	<u>2,654,185</u>
Net income before non interest expenses and foreign exchange revaluation gain/(loss)		10,260,143	14,067,540
Non- interest expenses	8(a)	(10,176,430)	(12,662,843)
Foreign exchange revaluation gain		<u>3,653,202</u>	<u>3,381,286</u>
Profit for the year		3,736,915	4,785,983
Other comprehensive income:			
Fair value for available-for-sale financial assets		(162,798)	1,802,915
Land revaluation		<u>-</u>	<u>1,475,545</u>
Total comprehensive income		<u>3,574,117</u>	<u>8,064,443</u>

NATIONAL BANK OF RWANDA
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

ASSETS	Note	2009 Frw '000	2008 Frw '000
Cash balances		1,156,033	662,091
Foreign assets	9	423,581,976	333,892,454
International Monetary Fund Quota	10	71,470,465	69,291,925
Due from Government of Rwanda	11	50,159,887	39,737,444
Loans and advances to Banks and other financial institutions	12	12,140,913	2,863,804
Staff loans	13	4,059,673	3,687,280
Investment in associate	14	219,374	219,374
Investment property	15	134,966	166,315
Other assets	16	1,790,838	890,414
Property and equipment	17	3,326,576	3,548,441
Intangible assets	18	<u>6,963</u>	<u>10,885</u>
TOTAL ASSETS		<u>568,047,664</u>	<u>454,970,427</u>
LIABILITIES			
Currency in circulation	19	86,160,035	88,515,442
Government deposits	20	198,212,766	201,983,950
Due to banks and other financial institutions	21	99,030,161	43,158,184
Amounts due to the International Monetary Fund	22	148,729,509	87,587,507
Foreign liabilities	23	858,190	1,340,292
Other liabilities	24	<u>6,873,907</u>	<u>6,527,188</u>
TOTAL LIABILITIES		<u>539,864,568</u>	<u>429,112,563</u>
EQUITY			
Share capital	25	7,000,000	7,000,000
General reserve fund	26	8,203,797	8,187,055
Other reserves	27	12,922,374	9,421,924
Proposed dividends	28	<u>56,925</u>	<u>1,248,885</u>
TOTAL EQUITY		<u>28,183,096</u>	<u>25,857,864</u>
TOTAL LIABILITIES AND EQUITY		<u>568,047,664</u>	<u>454,970,427</u>

The financial statements were approved by the Board of Directors on 26th March 2010 and signed on its behalf by:


) Governor
)
)

) Vice Governor

NATIONAL BANK OF RWANDA
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital Frw'000	General reserves fund Frw'000 (Note 26)	Other reserves Frw'000 (Note 27)	Proposed dividends Frw'000	Total Frw'000
At 01 January 2008	2,000,000	12,819,735	2,973,686	4,864,415	22,657,836
Reclassification to share capital	5,000,000	(5,000,000)	-	-	-
Total comprehensive income	-	4,785,983	3,278,460	-	8,064,443
Dividends:					
-Final proposed for 2008	-	(1,248,885)	-	1,248,885	-
-Dividends for 2007 paid	-	(3,381,286)	3,381,286	(4,864,415)	(4,864,415)
Transfer to foreign exchange fluctuation reserve	-	-	-	-	-
At 31 December 2008	<u>7,000,000</u>	<u>7,755,157</u>	<u>9,853,822</u>	<u>1,248,885</u>	<u>25,857,864</u>
At 01 January 2009	7,000,000	7,755,157	9,853,822	1,248,885	25,857,864
Total comprehensive income	-	3,736,915	(162,798)	-	3,574,117
Dividends:					
-Final proposed for 2009	-	(56,925)	-	56,925	-
-Dividends for 2008 paid	-	-	-	(1,248,885)	(1,248,885)
Transfer to other reserve	-	(10,046)	10,046	-	-
Transfer to foreign exchange fluctuation reserve	-	(3,653,202)	3,653,202	-	-
At 31 December 2009	<u>7,000,000</u>	<u>7,771,899</u>	<u>13,354,272</u>	<u>56,925</u>	<u>28,183,096</u>

NATIONAL BANK OF RWANDA
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 Frw'000	2008 Frw'000
OPERATING ACTIVITIES			
Net cash from operating activities	29	<u>90,512,284</u>	<u>17,277,594</u>
INVESTING ACTIVITIES			
Purchase of property and equipment		(220,501)	(598,487)
Purchase of intangible assets		-	(10,898)
Proceeds from sale of property and equipment		<u>5,569</u>	<u>316,915</u>
Net cash used in investing activities		<u>(214,932)</u>	<u>(292,470)</u>
FINANCING ACTIVITIES			
Dividends paid		(1,248,885)	(4,864,415)
Currency in circulation		<u>(2,355,407)</u>	<u>15,756,960</u>
Net cash from financing activities		<u>(3,604,292)</u>	<u>10,892,545</u>
Net increase in cash and cash equivalents		86,693,060	27,877,669
Cash and cash equivalents at the beginning of the year		332,751,630	301,492,675
Foreign exchange revaluation gain/(losses)		<u>3,653,202</u>	<u>3,381,286</u>
Cash and cash equivalents at the end of the year	30	<u>423,097,892</u>	<u>332,751,630</u>

NATIONAL BANK OF RWANDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1. CORPORATE INFORMATION

The National Bank of Rwanda (BNR) is governed under Law No. 55/2007 of 30 November 2007. The Bank's responsibilities are focused towards achieving the following objectives:

- Formulate and implement monetary policy with an aim to maintain the value and stability of the Rwandan currency.
- Regulate the foreign exchange market and implement appropriate policies to ensure external stability of the currency.
- Supervise the banking sector with an aim to maintaining stability and confidence in the financial sector.
- Carry out on behalf of the government, the exclusive role of issuing currency.
- Banker to government.

The Bank's share capital of Frw 7 billion is fully subscribed by the Rwandan Government. It may be increased by either incorporating the reserves on the decision of the Board of Directors ratified by the presidential decree or by new allocation of the Government of Rwanda. On 28 June 2008, the board of directors increased share capital from Frw 2 billion to Frw 7 billion. The increment of Frw 5 billion was transferred from general reserves.

In accordance with Law No. 55/2007 of 30 November 2007, National Bank of Rwanda's net profit is appropriated as follows:

- 20% to the General Reserve Fund.
- After all appropriations earmarked to other reserves deemed necessary by the Board of Directors mainly to special reserves the balance is paid to the Public Treasury as dividend.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below:

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Law no 55/2007 relating to Statues of the National Bank of Rwanda.

The financial statements have been prepared under the historical cost basis, except for measurement at fair value and impairment of certain financial assets. The financial statements are presented in Rwanda Francs (Frw), and all values are rounded to the nearest thousand (Frw '000) except where otherwise indicated.

NATIONAL BANK OF RWANDA
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009

2. PRINCIPAL ACCOUNTING POLICIES (continued)

b) New accounting standards, amendments and interpretations

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

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

- IFRS 2 Share-based Payment: Vesting Conditions and Cancellations effective 1 January 2009
- IFRS 2 Share-based Payment: Cash-settled Share-based Payment Transactions effective 1 January 2010 (early adopted)
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009 (early adopted) including consequential amendments to IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IFRS 7 Financial Instruments: Disclosures effective 1 January 2009
- IFRS 8 Operating Segments effective 1 January 2009
- IAS 1 Presentation of Financial Statements effective 1 January 2009
- IAS 23 Borrowing Costs (Revised) effective 1 January 2009
- IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation effective 1 January 2009
- IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items effective 1 July 2009 (early adopted).
- IFRIC 9 Re-measurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement effective for periods ending on or after 30 June 2009 (early adopted)
- IFRIC 13 Customer Loyalty Programmes effective 1 July 2008
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation effective 1 October 2008
- IFRIC 18 Transfers of Assets from Customers effective 1 July 2009 (early adopted)
- Improvements to IFRSs (May 2008)
- Improvements to IFRSs (April 2009) (early adopted)

2. PRINCIPAL ACCOUNTING POLICIES (continued)
- b) New accounting standards, amendments and interpretations (continued)

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

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

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

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 33 (a).

IFRS 8 Operating Segments

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

IAS 1 Presentation of Financial Statements

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

IAS 23 Borrowing Costs

The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Bank's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended IAS 23, the Bank has adopted the standard on a prospective basis. Therefore, borrowing costs are capitalised on qualifying assets with a commencement date on or after 1 January 2009. During the 12 months to 31 December 2009, there were no borrowing costs capitalised on qualifying assets included in capital work in progress (Note 17).

IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation

The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfil a number of specified criteria. The adoption of these amendments did not have any impact on the financial position or the performance of the Bank.