



Banque Nationale du Rwanda National Bank of Rwanda

BANKING SUPERVISION DEPARTMENT

ANNUAL REPORT ON BANK SUPERVISION Period 1995 to 2007

MARCH 2008

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The report objective

This first Annual Report on Bank Supervision aims at presenting to the general public as well as to all Rwandan financial sector interested parties an analysis of the Rwandan financial sector condition and performance from 1995 to 2007. It also presents an overview the banking supervision activities during the period under review.

Foreword

At the launch of the first Annual report on banking Supervision, I wish to emphasis on the fact that the year 2007 was a sound year for the Rwandan financial sector as a whole. We are also optimistic about the future prospects of our financial sector which, on our views, will largely contribute to the prosperity of the national economy.

I am persuaded that the Rwandan financial sector, which was rebuilt and developed after the 1994 war and genocide, is now on a right track and stand on increasingly sound and solid foundations.

In a context of internationalization, Rwandan banks' performance is more and more subjected to the external appraisal from different perspectives including from the general public, shareholders as well as local and international investors who have interest on the industry. Banks are not only required to attain excellent earnings, as it was the case for the year 2007 for most of banks, but they are also reminded to ensure the quality of earnings. This requires, therefore, making particular attention on banks' internal risk management system, the strategic development planning and the equity policy.

I wish to enumerate four conditions that are deemed essential in ensuring a continuous financial sector success for the years to come.

1. Firstly, our financial sector is required to meet all the internationally accepted principles and best practices for achieving a sound financial system and to adapt them to its particular context. There is no future for the « island of the unregulated ». In

this regard, the National Bank of Rwanda has continuously updated the Rwandan financial institutions' legal and regulatory framework.

2. Secondly, Rwanda has, more than ever before, to take care of its financial sector, owing to its ambition of developing its tertiary sector. Particularly, a vibrant, prosperous and disciplined micro-finance sector has to be supported. This sector is deemed to be the cornerstone of the financial inclusion and the development of the Rwandan population. This coincides with the establishment of an active and profitable capital market whose aim is to avail medium and long term capital to the public so as to predict the interest rate curve and consequently its downward revision.
3. Thirdly, professional experience, under its various aspects has constantly to be improved, because a well trained staff constitutes an essential element for the competitiveness and the attractiveness of our sector in the long term. Tremendous progresses have been made, recently, with the establishment of the School of banking and Finance which represents an important step towards a high level of training. This testifies the consciousness being taken by Rwanda towards grappling its challenges.
4. Fourthly, and than ever before, finance professionals have to place client's interests at the centre of their concerns because a satisfied client is the basis of a prosperous financial sector.

Finally, I want to pay tribute to the team of bank supervisors for their positive commitment towards challenges that are raised by the increasing number of entities being supervised. The reports that are being submitted are relevant and raise more and more positive reactions from institutions under supervision following the risk-based supervision approach which promotes good interaction and partnership between the financial institutions and the supervisors.

François KANIMBA

Governor of the National Bank of Rwanda

Introduction

On 31st December 2007, the Rwandan financial sector is made up of six commercial banks; a development bank; a housing bank ; a micro-finance bank; a discount house and two hundred thirteen (213) micro-finance institutions, from which two hundred (200) are cooperatives while twelve (12) are public limited companies and one (1) private limited company (appendix no III). Among other financial institutions operating in Rwanda, there is the unit of the Giro Account of the Post office, five (5) insurance companies and the Social Security fund of Rwanda (SSFR).

This report discusses dominantly banks and other financial institutions supervision activities thereof as well as microfinance sector monitoring as it is indicated in the banking act n° 08/99 of 18th June 1999.

Points that are developed in this report are essentially concerning the financial evolution of Rwandan banking system from 1995 to 2007. It is subdivided into eight chapters as follows:

1. Trend of commercial bank activities
2. Organization of Banking control activities
3. The problem of Non-performing loans
4. Studies on financial sector development
5. Supervision of micro-finance sector activities
6. Activities of the Data Centre
7. The Payment system in Rwanda
8. Bank supervision and financial sector consolidation prospects

CHAPTER I: Trend of commercial banks activities

1.1 Market share's Trend in the banking industry

Rwandan commercial banks' total assets have positively increased for most banks. The market share in terms of total assets of the three largest banks (BK, BCR, and BCDI) decreased from 77% in 2001 to 71.3%, an indication of the growing dynamics among smaller banks during this period. Loans and deposits' market shares behaved in the same way. Their ratios decreased from 73% and 84% to 66.7% and 72.8%, respectively, for these three banks.

1.2 Features of the banking sector

The Rwandan banking sector activities have been focusing on credit granting which is the banks' main source of income. Other incomes are generated from banking commissions, Treasury bond investments and forex transactions.

Table n° 1: Commercial banks aggregated balance sheet from 2005 to 2007
(in thousands of Rwf)

ASSETS	31/12/2005	Variation	31/12/2006	Variation	31/12/2007
Cash	16 455 439	103,6%	33 496 234	152,5%	84 584 691
Interbank funds	61 504 939	24,0%	76 255 068	-32,1%	51 762 596
Financial instruments	32 159 733	31,0%	42 141 683	23,1%	51 862 358
Client loans	91 801 010	30,9%	120 126 749	35,3%	162 477 802
Fixed assets	15 105 687	7,6%	16 251 268	8,6%	17 643 341
Other assets	4 246 263	27,5%	5 412 195	204,0%	16 451 993
Total Assets	221 273 071	32,7%	293 683 197	31,0%	384 782 781
EQUITY & LIABILITIES					
Local currency deposits	136 233 720	35,0%	183 912 688	34,8%	247 946 086
Foreign currency deposits	52 326 128	35,5%	70 899 879	17,3%	83 171 222
Other liabilities	11 912 190	-2,2%	11 655 074	17,7%	13 713 783
Equity capital	20 801 033	30,8%	27 215 556	46,8%	39 951 690
Total equity & liabilities	221 273 071	32,7%	293 683 197	31,0%	384 782 781
Off balance sheet	73 458 827	14,4%	84 026 793	40,1%	117 763 458

Source: NBR, bank supervision Department

The overall aggregated banking sector balance sheet situation showed that commercial banks activities have increased to the level of 32.7% in 2006 compared to that of the year

2005. The position has almost stabilized in 2007 with a slight decrease in terms of variation (31.0% in 2007 compared to 2006). Total assets increased from 293,683,197 in 2006 to 384,782,781 in 2007. Asset items that have been subjected to the increase are loans (+30.9% in 2006 and +35.3% in 2007), Cash (+103.6% in 2006 and +152.5% in 2007) financial instruments (+31.0% in 2006) as well as interbank funds (+24.0% in 2006) essentially composed of variations of foreign deposits in correspondent banks. Those foreign deposits allow banks to finance customer imports and they constitute a source of income through interests on time foreign investments. Off balance sheet items grew significantly during 2007 mainly reflecting the growth in the construction business as recording of caution and guarantees are part of these items

On the liabilities side, it is essentially the variation of deposits and interbank funds which justifies the financing of the non interbank assets. Net Equity capital increased from 20,801,033 in 2005 to 27,215,556 in 2006 (in thousands of Rwf) that is a variation of +30.8 % and to 39,951,690 (in thousands of Rwf) in 2007, that is a variation of 46.8% compared to 2006. This significant increase in Equity capital is due to the high earnings of 6.2 billion Rwf and the increase of the minimum share capital.

Customer operations that have considerably increased, illustrates the sustainable dynamics observed since 2004 just after privatization of two banks (BCR and BACAR) and the strengthening of prudential standards that led certain banks to inject new capital on the market.

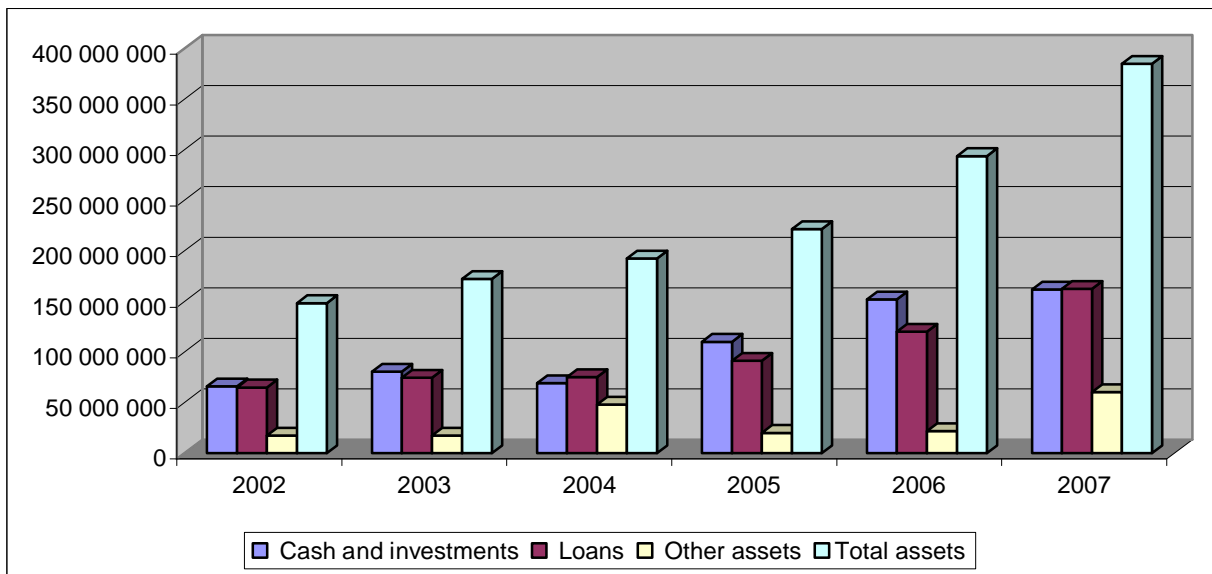
Notwithstanding the loan increase observed on the table n°2, we, however, have noticed that since 2002, banks have increased their liquid assets and placements at an accelerated pace compared to that of loans. This situation depicts the current banking sector excess liquidity state. This situation is very costly for the Central Bank which is constrained, in mitigating the inflation risk, to drain that liquidity excess for the monetary policy purpose.

Table n°2: Commercial bank assets composition from 2002 to 2007(in thousands of Rwf)

	2002	2003	2004	2005	2006	2007
Cash and investments	65 934 304	80 468 772	69 090 590	110 085 566	151 894 988	161 863 655
Loans	64 934 183	74 447 911	75 135 624	91 410 918	120 102 761	162 477 802
Other assets	17 434 083	17 365 123	48 061 789	20 067 888	21 685 457	60 441 324
Total assets	148 302 570	172 281 806	192 288 003	221 564 372	293 683 206	384 782 781
Total assets variation	-	16,2%	11,6%	15,2%	32,5%	31,0%

Source: NBR, Department of bank supervision

Chart n° 1: Commercial banks assets structure from 2002 to 2007 (in thousands of Rwf)



Regarding the structure of deposits which are the main source of assets financing, we notice that, since 2002, the structure remained unchanged, even for foreign currency deposits, although the appreciation of the Rwandan franc against the US dollar observed since some times.

*Table n° 3: Commercial bank deposits structure from 2002 to 2007
(in thousands of Rwf)*

	2002	2003	2004	2005	2006	2007
Demand deposits	79 195 044	94 660 380	109 365 787	129 701 842	147 823 264	215 759 106
Time deposits	43 482 004	36 992 455	22 023 442	28 260 615	59 955 657	61 672 624
Other deposits	190 999	11 736 165	20 940 487	7 775 968	15 920 279	53 685 578
Total deposits	122 868 047	143 389 000	152 329 716	165 738 425	223 699 200	331 117 308
Foreign currency deposits (included in total deposits)	30 115 200	42 480 900	51 013 850	43 672 700	69 096 112	83 171 222
Proportion of foreign currency in %	24,51%	29,63%	33,49%	26,35%	30,89%	25,12%

Source: NBR, Department of bank supervision

Chart n° 2: Commercial bank deposits structure from 2002 to 2007 (in thousands of Rwf)

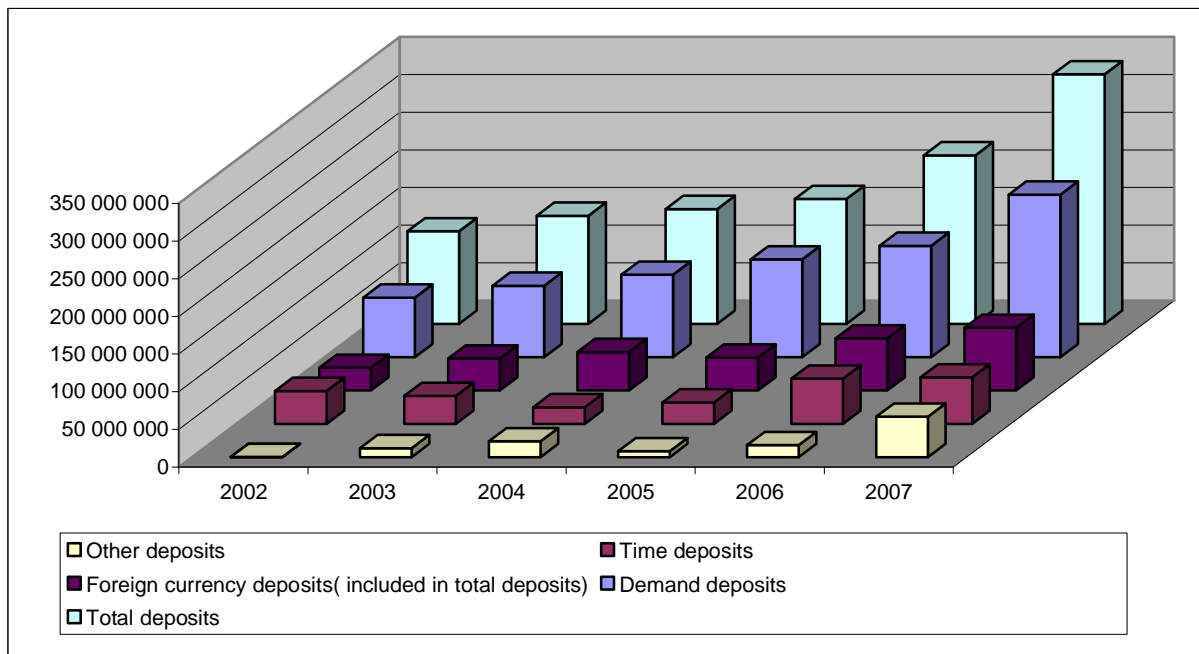


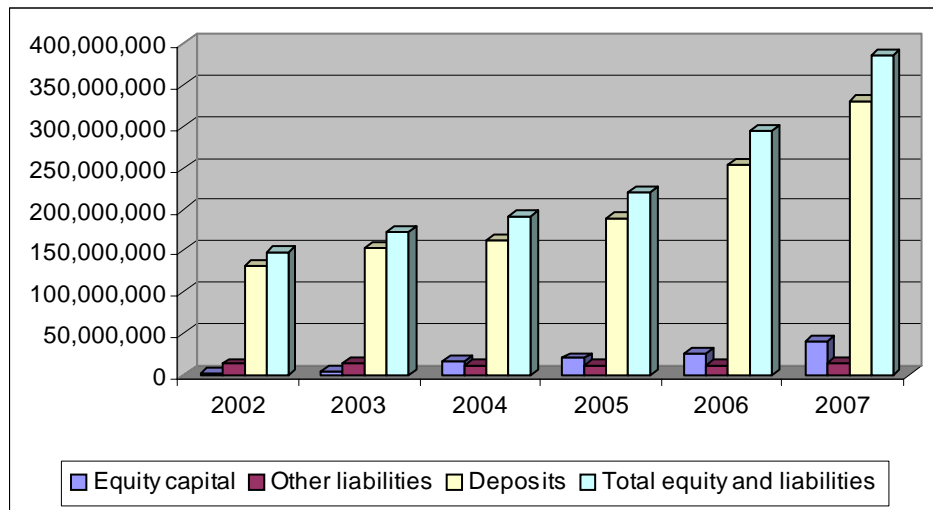
Table n° 4: Commercial bank equity and liabilities structure from 2002 to 2007
(in thousands of Rwf)

The following table and chart show that deposits which represent 86% of the banks total equity and liabilities represent is the commercial banks' main financing source. Since 2002 up to 2007, deposits have been increasing.

	2002	2003	2004	2005	2006	2007
Equity capital	2 652 075	5 102 589	16 822 906	20 801 033	27 215 558	39 951 711
Other liabilities	13 467 819	13 951 008	12 963 456	11 912 189	11 655 081	13 713 762
Deposits	132 374 172	153 228 209	162 388 136	188 559 849	254 812 567	331 117 308
Total equity and liabilities	148 494 066	172 281 806	192 174 498	221 273 071	293 683 206	384 782 781
Equity &liabilities variation		16,0%	11,5%	15,1%	32,7%	31,0%

Source: NBR, Department of bank supervision

Chart n° 3: Commercial bank equity and liabilities structure from 2002 to 2007
(in thousands of Rwf)



1.3 Earnings History or Performance

For the fiscal year 2007, the commercial banks' overall return was 5.4 billion Rwf against 6, 1 billion in 2006. The banks net income had an increase of 36.3% and the operating earnings increased to 9, 5 billion of Rwf. Due to a problem of governance, which has been solved in 2007, that has had one of commercial banks in 2006; the return on equity, the return on assets and the efficiency ratio decreased in 2007 comparatively to the same ratios in 2006.

Table n° 5: Commercial banks earnings evolution: 2002-2007 (in thousands of Rwf)

	31/12/2002	31/12/2003	31/12/2004	31/12/2005	31/12/2006	31/12/2007
Interest income	13 257 777	15 638 928	15 444 423	16 858 745	21 823 582	23 626 030
Interest income variation		18,0%	-1,2%	9,2%	29,4%	8,3%
Interest on advances	11 091 394	12 791 532	12 818 688	13 776 777	16 277 545	19 783 840
Interest on advances variation		15,3%	0,2%	7,5%	18,2%	21,5%
Other interest income	2 166 383	2 847 396	2 625 735	3 081 968	5 546 037	3 842 190
Other interest income variation		31,4%	-7,8%	17,4%	80,0%	-30,7%
Interest expenses	14 892 164	8 118 945	6 768 913	10 757 014	8 611 870	9 971 312
Interest expenses variation		-45,5%	-16,6%	58,9%	-19,9%	15,8%
Interest on deposits	4 992 666	5 312 251	3 457 106	3 746 004	5 647 408	7 177 997
Interest on deposits variation		6,4%	-34,9%	8,4%	50,8%	27,1%
Other interest expenses			642 082	261 992	265 419	87 012
Other interest expenses variation				-59,2%	1,3%	-67,2%
Provision on bad debts	9 899 498	2 806 694	2 669 725	6 749 018	2 699 043	2 706 303
Provision on bad debts variation		5,1%	-60,4%	150,1%	-0,3%	#DIV/0!
Net interests	-1 634 387	7 519 983	8 675 510	6 101 731	13 211 712	13 654 718
Net interests variation		-360,1%	15,4%	-29,7%	116,5%	3,4%
Other income	9 090 744	11 011 319	10 379 042	12 346 056	14 123 727	17 136 314
Other income variation		21,1%	-5,7%	19,0%	14,4%	21,3%
Net banking revenue	7 456 357	18 531 302	19 054 552	18 447 787	27 335 439	30 791 032
Net banking revenue variation		148,5%	2,8%	-3,2%	48,2%	12,6%
Operating expenses	16 070 391	13 026 390	13 536 381	15 910 533	17 914 247	21 247 600
Operating expenses variation		-18,9%	3,9%	17,5%	12,6%	18,6%
Operating earnings	-8 614 034	5 504 912	5 518 171	2 537 254	9 421 192	9 543 432
Operating earnings variation		36,1%	0,2%	-54,0%	271,3%	1,3%
Tax on earnings	1 321 143	1 501 181	2 104 944	2 678 343	3 253 209	4 120 027
Tax on earnings variation		13,6%	40,2%	27,2%	21,5%	26,6%
Net earnings	-9 935 177	4 003 731	3 413 227	-141 089	6 167 983	5 423 405
Net earnings variation		59,7%	-14,7%	-104,1%	4271,7%	-12,1%

Source: NBR, Department of bank supervision

Chart n° 4: Commercial banks earnings evolution: 2002-2007 (in thousands of Rwf)

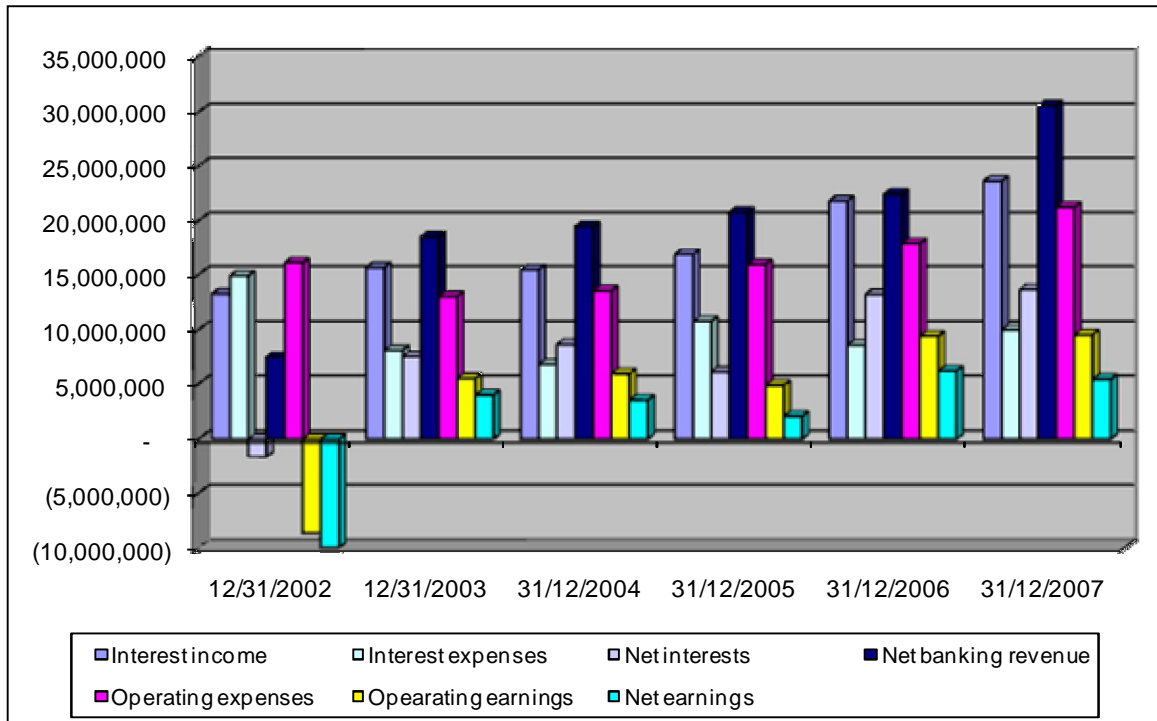
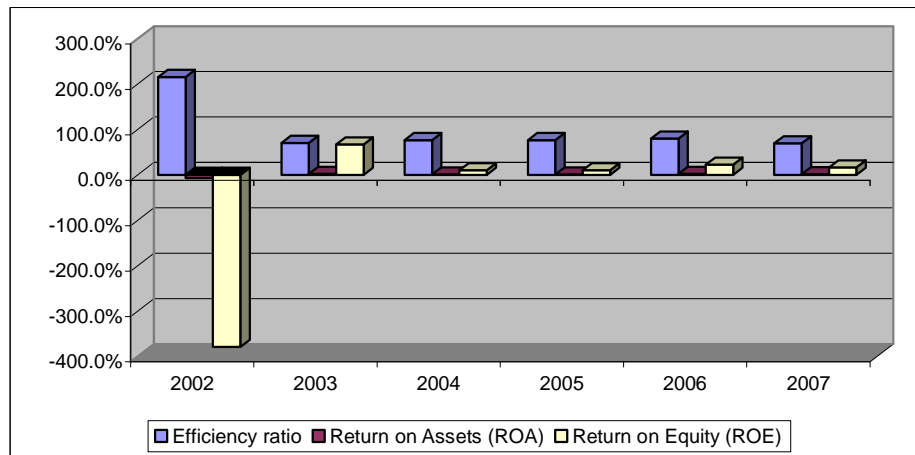


Table n° 6: Commercial banks financial indicators performance? evolution from 2002 to 2007 (in %)

	31/12/2002	31/12/2003	31/12/2004	31/12/2005	31/12/2006	31/12/2007
Efficiency ratio	215,5%	70,3%	76,6%	76,6%	79,9%	69,5%
Return on Assets (ROA)	-6,8%	2,0%	0,9%	0,9%	2,1%	1,6%
Return on Equity (ROE)	-379,0%	66,8%	10,0%	10,0%	22,7%	16,2%

Source: NBR, Department of bank supervision

Chart n° 5: Commercial banks financial indicators evolution from 2002 to 2007 (in %)



1.4 Loans evolution

The following table and chart show the six commercial banks credit evolution as well as for BRD and BHR from 2001 to 2007. The chart allows portraying the impact of decisions made during 2003 and 2004 in order to strengthen the financial sector. In fact, since 2004 and due to a financial soundness, banks were easily able to grant new loans.

*Table n° 7: New loans allocation by activities from 2001 to 2007
(in thousands of Rwf)*

Sector activities	2001	2002	2003	2004	2005	2006	2007
Agriculture, Forestry livestock and fishing	639 634	1 518 302	2 383 508	5 680 152	3 529 275	4 126 483	6 826 225
Trade, restaurant and hotels	19 542 878	18 756 137	32 852 036	27 171 211	55 265 146	75 290 147	86 787 986
Manufacturing industry	4 606 404	8 419 982	9 534 915	11 240 538	12 891 351	22 226 028	26 195 167
Mining industry		15 000	56 000		96 000	208 250	12 000
Public works and Housing	6 020 212	8 322 306	10 408 763	15 072 399	19 493 181	28 151 608	41 002 879
Unclassified activities	1 068 042	923 094	2 177 012	2 320 732	8 176 319	5 177 184	8 446 955
AIF, Insurance, real estates, s ^{ces} rendered to companies	460 267	910 502	404 639	2 114 810	1 822 218	3 369 930	3 112 493
Services supplied to the community	3 760 885	3 936 196	4 850 351	2 004 816	3 494 715	6 670 264	7 339 394
Transports, warehouse, communication	3 000 473	6 862 697	5 715 312	5 132 166	11 208 320	12 099 776	15 107 365
Energy and water	557 132	138 165	150 789	115 700	27 000	386 042	204 332
Total	39 655 927	49 802 381	68 533 325	70 852 524	116 003 525	157 705 712	195 034 796

These data concern the six commercial banks, BRD and BHR

Source: NBR, Bank supervision department, Data centre section

Chart n° 6: New loans allocation by activities from 2001 to 2007(in thousands of Rwf)

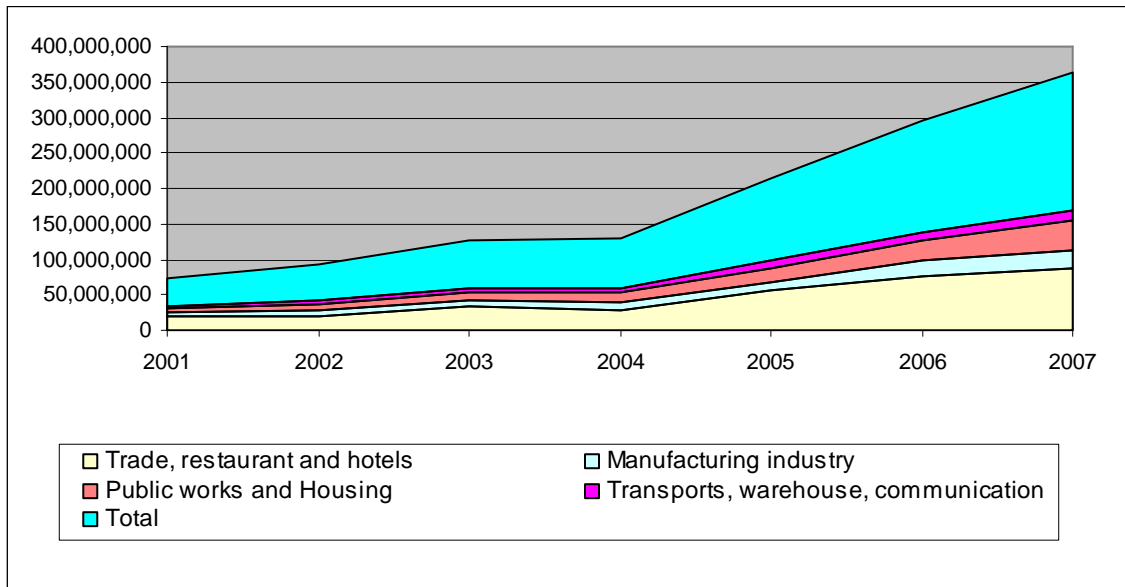


Table n° 7 depicts the credit evolution in terms of flows. Table 8, expressing credit evolution in terms of volume, confirms the same trend of the banks loan portfolio increase during the period 2001-2007.

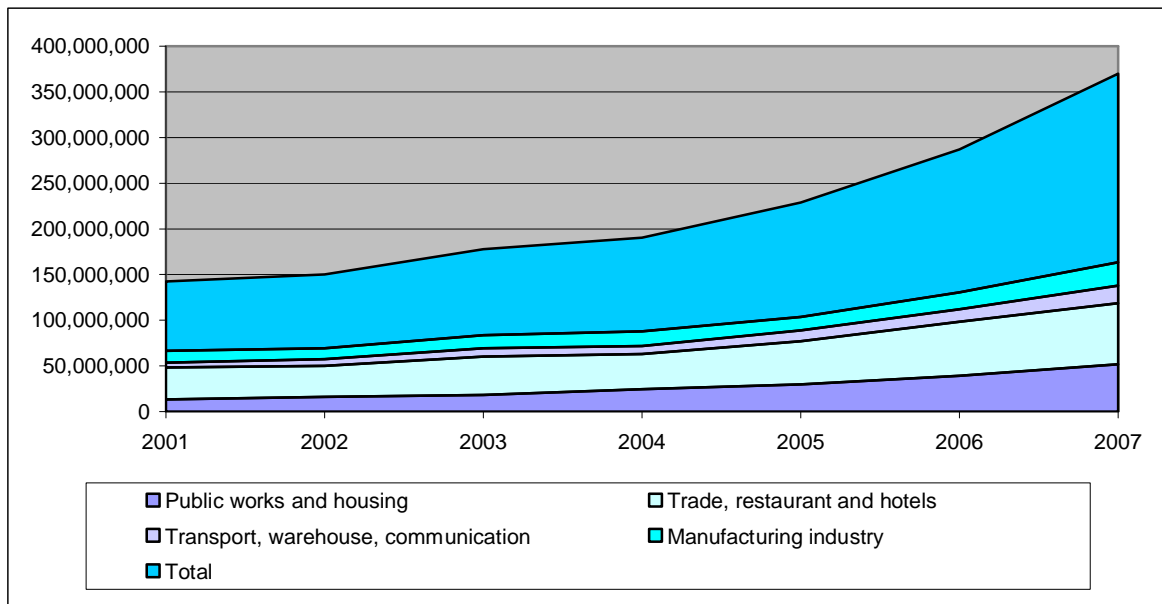
Table n° 8: Banks and other financial institutions loans allocation by activities from 2001 to 2007 (in thousands of Rwf)

Sector activities	2001	2002	2003	2004	2005	2006	2007
Public works and housing	13 209 759	15 948 450	18 272 433	24 553 087	29 708 343	39 272 521	51 782 749
Trade, restaurant and hotels	35 125 637	33 945 799	41 913 450	38 467 792	47 197 886	59 194 281	66 820 291
Unclassified activities	2 897 406	2 980 581	4 055 288	4 158 660	9 121 171	8 259 073	19 992 909
AIF, insurance, real estates, s ^{ces} rended to companies	690 709	603 957	706 729	2 089 684	2 667 249	2 169 477	2 213 642
Trans., ware ^{house} , communication	5 203 925	7 502 878	9 081 600	8 611 870	11 904 709	13 368 999	19 228 355
Services supplied to the community	4 052 923	6 097 559	3 478 225	3 477 318	3 747 688	6 808 027	9 106 015
Manufacturing industry	13 118 875	11 902 901	14 227 843	16 046 360	14 838 865	18 716 471	25 506 017
Agri ^{culture} , forestry, livestock & fishing	1 043 706	1 389 266	2 312 847	4 837 413	5 351 586	8 143 748	11 136 863
Energy and water	459 503	258 684	307 285	260 234	363 885	450 141	681 130
Mining industry	12 614	28 207	74 242	67 996	149 037	200 866	130 929
Total	75 815 057	80 658 282	94 429 942	102 570 414	125 050 419	156 583 604	206 598 900

These data concern commercial banks, the BRD and BHR.

Source: Bank supervision department, Data centre section

Chart n° 7: Banks and other financial institutions loans allocation by activities from 2001 to 2007 (in thousands of Rwf)



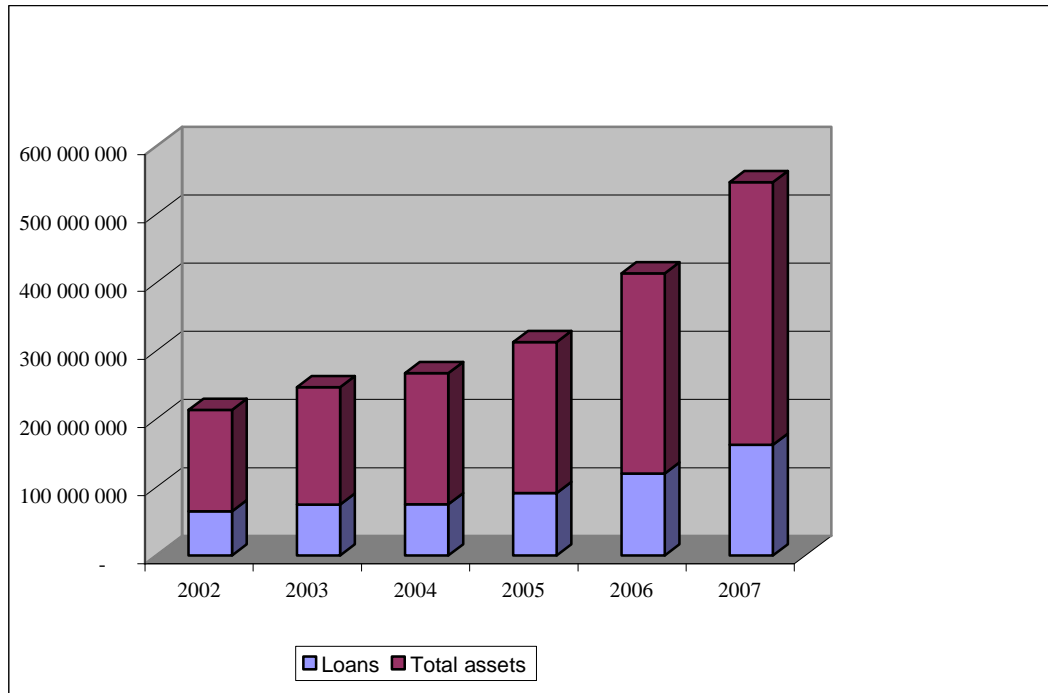
In spite of the rapid increase of loans for the period 2001-2007, the following table indicates, however, that the loan share in the total assets of the banking sector has decreased. This share was 42.2% in 2007 against 43.8% in 2002.

Table n° 9: bank loans in total assets from 2002 to 2007 (in thousands of Rwf)

	2002	2003	2004	2005	2006	2007
Net loans (balance sheet)	64 934 183	74 447 911	75 135 624	91 410 918	120 102 761	162 477 802
Total assets	148 302 570	172 281 806	192 288 003	221 564 372	293 683 206	384 782 781
Loans/Assets	43,8%	43,2%	39,1%	41,3%	40,9%	42,2%

Source: NBR, Department of bank supervision

Chart n°8: Commercial bank loans share in total assets from 2002 to 2007
(in thousands of Rwf)



CHAPTER II: Organization of banking supervision activities

Activities of the Rwandan financial sector resumed in hard conditions after the 1994 war and genocide. As it was the case for all sectors, the financial sector was in ruins with almost all of its infrastructures destroyed, staff decimated, and an obsolete legal and regulatory framework. The 1995-1998 period has been respectively devoted to the reopening of banks that have existed before 1994, licensing new banks, recruiting and training of bank supervision department staff and the establishing an adequate legal and regulatory framework for banks and other financial institutions supervision.

Concerning the above last point, in 1999, the banking act that regulates banks and other financial institutions was enacted. This was immediately followed by the publication of a number of regulations.

The banking act, in its article 1, precise that: "The Central Bank defines conditions from which the banking act's provisions are applied to loans and savings cooperatives and, in general, to the whole sector of microfinance which is also supervised by the Central Bank". The 2002 National Bank of Rwanda services restructuring took into account this imperative by creating a section within the department of bank supervision exclusively in charge of microfinance institutions' supervision.

At the same time, the section in charge of credit bureau and outstanding payments has been transferred from the department of money and capital market to the department of bank supervision on the ground that its activities are close to those of supervision

The strengthening of that department in human capital continued at the extent that on the 31st December 2007, there were 30 staff members.

Table n° 10: Bank supervision department staff deployment as at 31/12/2007

Sections	Effectifs
Banks and other financial institutions	9
SACCOs and MFIs	13
Data centre	8
Total	30

Source: NBR, Bank supervision department.

As far as the deployment and organization of bank supervisors is concerned, supervision of any bank or financial institution is put under control of a portfolio manager who is the focal point of the institution within the bank supervision department and he or she has a high level of knowledge of the institution in charge and should have an updated risk profile evaluation.

The following are the actual duties of the bank supervision department:

- Legal and regulatory framework development ;
- Licensing of Banks and other banking institutions ;
- On-site and off- site examinations ;
- Restructuring of distressed financial institutions ;
- Winding-up of insolvent financial institutions.

2.1 Legal and regulatory framework development

As mentioned above, the before -1994 legal and regulatory framework, has been existing since 1981. This document was not only obsolete but it also was centralized and not taking into account progress achieved worldwide in the field of bank prudential regulation monitoring.

After 1994, Rwanda adopted a liberalized economic model that led to a profound reform of the legal and institutional financial system environment. This change emphasizes on the introduction of the following legal documents:

- The publication of the Order act SP1 of the 3rd march 1995 introducing a flexible exchange rate regime.
- The adoption of the act n^o 11/97 of the 26th January 1997 that regulates the National Bank of Rwanda and reinforces its autonomy and power in the field of its missions and particularly the bank supervision.
- The promulgation on 26 June 1997 of the law regulating direct tax code on various and professional incomes. This law has made it possible to stabilize the banks and other financial institutions' condition by exonerating their raised provisions for non-performing loan.
- The implementation of the order of the 31st December 1996 on risk coverage and loan monitoring.
- The implementation of the Law of the 1st January 1997 regulating the organization and functioning of the money market.

There was a real need for a new act that modifies that of 1981 in order to regulate bank activities; that is, the banks act n^o 08/99 of the 18th June 1999. This act does not only regulate institutions but also does for their activities.

Since 1999, the Central Bank issued several prudential regulations including:

- § Regulation on the solvency ratio that increased the ratio from 8% to 10% by the regulation n^o 07/2003 of the 18th December 2003.
- § Regulation on risk coverage and loan monitoring
- § Regulation on the liquidity ratio that has decreased the ratio from 100% to 80% of the demand deposits, in order to take into account a permanent portion of deposits.

The publication of regulations n^o 04/99 and n^o 05/99 of the 14th October 1999 have made it possible to categorize banking financial institutions and determine the industry accessibility's legal and financial requirements in order to improve supervision. In the regulation n^o 05/99 of the 14th October, the Central Bank fixes the minimum share capital required for each category of a licensed financial institution.

Therefore, the minimum share capital required for commercial banks has been increased from 300 millions Rwf to 1.5 billion Rwf. Thereafter, in December 2006, this minimum capital has again been increased to 5 billion Rwf, in order to reinforce the financial

system and adapt it to the current economic context. However, banks have been given a period of one year of grace to comply with all the requirements, that is, by the 1st January 2008.

The regulation n° 08/99 of the 14th October 1999 gives key details guiding financial institutions' service in charge of internal control. These elements take into account the nature and volume of activities of each financial institution as well as the risk they are facing.

As far as the external control is concerned, two regulations have been issued regarding external auditors. One is pertaining to banks and large financial institutions (regulation n° 07/99 of the 14th October 1999) and the one is for micro-finance institutions (regulation n° 02/2004 of the 1st May 2004).

In order to ensure that supervised institutions are properly managed, the Central Bank issued additional regulations regarding any change from initial licensing requirements (regulation n° 10/2000 of the 14th September 2000). Therefore, any change occurred to the management, authorized activities as well as the share capital requires prior to the approval of the Central Bank. This approval applies even when it comes to authorizing branches managers' appointment.

In order to improve the bank mortgage guaranties framework, the Central Bank issued to banks, on 29th April 2004, a notice describing modalities for property valuation as well as qualification and professional experience required for the registered property Valuer. The list of registered property valuers is attached on the appendix of this report.

The banking sector is a domain that experiences changes and progress day by day worldwide as well as at national levels in regulatory areas. This leads to the need to regularly update of regulatory and legal framework in banking sector. It is in this spirit that since 2006/2007, the National Bank of Rwanda has started the process of updating its legal and regulatory framework in order to comply with international standards and new supervision approaches as defined by Basel Committee.

2.2 Licensing

After 1994, the Central Bank licensed three new commercial banks: BCDI, BANCOR, and COGEBANQUE. These banks joined three other existing ones which are BCR, BK and BACAR.

In 2006, The National Bank of Rwanda licensed a new bank named Opportunity International Bank Rwanda, Ltd and a discount house Continental Discount House Rwanda (CDHR).

Furthermore, banks opened new branches in these areas BCR (Kisimenti-Remera) and a mobile teller in Rwamagana, BANCOR (Nyabugogo), BCDI (Nyarugenge) COGEBANQUE (Rwamagana-Kacyiru). During the same year, banks have applied and got the approval of 18 executive staff members in headquarters and branches.

In 2007, no new bank was licensed; however, the Central Bank licensed one branch of BANCOR (Kigali shopping area) and one branch of FINABANK (Gisenyi).

The Central Bank vetted the senior management and directors of banks and authorized the opening of their Headquarters and branches. The firm TCHEM & Associates was authorized by Central Bank to be listed as external auditor for banks and other financial institutions whereas 8 property valuers were added on the list. The list of licensed banks and their branches is available on appendix I.

After issuing regulations n° 06/2002 and n° 05/2003 that regulate micro finance institutions and saving and credit cooperatives, respectively, the Central Bank licensed several micro finance institutions whose names appear on the appendix III.

According to article 39 of the banking act, banks and micro finance institutions' external auditors, are first required to be licensed by the Central Bank before doing their jobs. Their names are available on appendices V and VI.

During the year 2006, a Managing Director of a bank was dismissed due to a governance problem in that bank. In 2007, an external auditor who has been strike off from the list of licensed auditors for three years in 2005 has been reintegrated.

2.3 Prudential standards compliance

The National Bank of Rwanda prudential standards aim at attaining mainly the following objectives:

- § Ensuring the security of the people's deposits by caring on banks' solvency and prudential management ;
- § Ensuring the banking sector's financial stability and good functioning ;
- § Protecting the financial sector's image by sanctioning unacceptable deontological behavior

In order to achieve these noble objectives, the National Bank of Rwanda requested licensed financial institutions to comply with the financial sector's rules and regulations. On 31st December 2007, the compliance with prudential standards is as follows:

2.3.1 Share Capital

The regulatory level of commercial banks share capital went up 300 millions from 100 million Rwf, to 1.5 billion from 300 million Rwf and to 5 billion from 1.5 billion respectively for years 1995, 1999 and 2006. During the year 2007, all banks complied with the minimum share capital requirement of 5 billion Rwf, except two banks that are expected to meet this requirement on the first quarter of the year 2008.

2.3.2 Solvency ratio

On 31st December 2007, the average ratio for banks is 16.6%.

2.3.3. Fixed assets ratio

This standard aims at ensuring that the bank fixed assets are financed by the equity capital. According to the regulation n° 05/2000, net fixed assets, intangible assets and equity interests net of provisions for amortization cannot exceed 75% of a bank or any

other financial institution's equity capital. Thus, fixed assets should totally be financed by the equity capital.

Fixed assets, acquired assets from delinquent clients' mortgage collaterals and the medium and long term use of funds more than 2 years have to be totally covered by the equity capital and other long term resources.

In general, in 2007, all banks met this requirement, except one bank.

2.3.4 Liquidity ratio

The liquidity ratio, which is found by dividing short term liabilities from short term assets, has not been met, on 31st December 2005, by the two largest banks though being the most liquid in the industry. This anomaly led to a deep liquidity ratio analysis. The 2006 revision of the regulation consisted in admitting a weighting of 80% instead of 100% of demand deposits and other resources due to clients in order to take into account the permanent aspect of a demand deposit's proportion. Therefore, at 31st December 2007, all banks comply with the norm.

2.3.5 Net foreign exchange position

Banks are required to meet a limit of plus minus 20% of the share capital and reserves of the bank of concern by considering all currencies. On 31st December 2007, the requirement was met by all banks concerned by the standard

2.3.6 Diversification of risks

During the year 2007, banks were heavily exposed to large borrowers.

Tableau n° 11: Evolution of some commercial banks financial indicators from 2000 to 2007

	2000	2001	2002	2003	2004	2005	2006	2007
Solvency								
Solvency ratio	14,2%	5,0%	0,5%	2,9%	14,0%	14,0%	13,2%	16,6%
Equity capital /Assets	8,6%	9,3%	1,7%	2,9%	8,7%	9,4%	9,2%	10,3%
Equity capital in billions of Rwf	10,5	12,6	2,6	5,1	16,8	20,8	27,2	39,9
Assets quality								
Gross loans in billions of Rwf	75,4	81,6	107,1	119,1	129	143	171,1	221,3
Gross rate of non performing loans (with agios)	32,0%	37,0%	36,0%	33,0%	31,0%	29,0%	26,0%	18,1%
Rate of non performing loans (net of agios)	30,7%	35,0%	32,5%	29,0%	24,0%	23,0%	19,0%	14,3%
Provision in % of NPL	54,1%	47,1%	53,8%	54,6%	55,1%	48,8%	80,6%	58,8%
Profitability								
Return on Average Assets	1,5%	0,4%	-67,0%	2,0%	1,8%	0,9%	2,4%	1,5%
Return on Average Capital	23,9%	51,0%	-378,0%	66,8%	20,3%	9,9%	22,6%	15,5%
Efficiency ratio	72,3%	81,0%	215,5%	70,3%	69,5%	76,6%	79,9%	69,5%

Source: NBR, Department of bank supervision

The banking system solvency has been below the norm of a ratio of 10% for the period from 2001 to 2003. This situation is explained by the negative result made by two commercial banks during this period. Since 2004, the situation has enhanced and the solvency ratio went over the minimum required ratio of 10%.

In 2001 and 2002, the financial sector low profitability is justified by the negative earnings of two banks that have negatively affected the profitability of the whole banking system. In 2001, the return on average assets and average equity capitals has respectively been +0.4% and +51%; and, in 2002, it has been -67.0% and -378.0% respectively.

From 2003, the profitability of the banking system in terms of return on assets and return on equity capital were positive for the whole remaining period under review thanks with

the improvement of the earnings of the two banks that registered a negative result up to 2003.

The progressive deterioration of operating efficiency between 2000 and 2002 is explained by the high increase of operating expenses which is not proportional to the increase of net banking income. The poor position of 2002 with an efficiency ratio of 215.5% is justified by negative results made by two commercial banks. Although operating expenses did not increase on the same pace as that of the net banking income, the efficiency ratio has, nevertheless, globally, enhanced since 2003 up to 2007.

The improvement of assets quality is explained by the strengthening of loans collection by banks, a good management of loans grant, compliance with regulatory reforms performed by the Central Bank and the strengthening of banks supervision.

2.4. Monitoring of problem banks

Rwandan financial sector restructuring has been carried on in 2005 after the amendment and privatisation of two banks (BCR and BACAR) in 2004. During the year 2006, Central Bank efforts were focused on BCDI that was undercapitalised after setting up provisions required by the regulation and whose governance problems have persisted.

In order to turn around this bank, the Central Bank placed it under statutory management on 6th May 2005 and a temporary controller was appointed in September 2005. On 1st October 2005, an restructuring plan has been agreed with BCDI. This plan provided the increase in share capital of 2,5 billions of Rwf and necessary measures to solve governance and insiders' loans problems. The level problem of non -performing loans was solved by reorganizing loan collection within this bank.

The mandate of the temporary controller expired in February 2006. However, considering the poor performance of BCDI, his mandate has been modified and he was appointed as a detached supervisor to this bank in order to closely follow up the evolution of the bank's amendment plan.

A new investor, ECOBANK, came in the shareholding of BCDI allowing the compliance with the solvency ratio of 10% in July 2007

2.5 Bank supervision activities

The National Bank of Rwanda, as a Central Bank, exercise its mission of bank supervision in pursuance of the act n° 08/99 of 18/6/1999 relating to regulation of banks and other financial institutions.

Its competencies expand from bank and other financial institutions licensing, inspection, following up the execution of recommendations and the implementation of disciplinary measures toward unruly banks.

The supervision is performed by a combination of off-site and on-site examinations. Off-site examination consists in analysing documents submitted by financial institutions in order to scrutinize the coherence of data and the respect of prudential norms enacted throughout regulations. On-site examination corresponds to the verification within banks the operational methods, the mechanisms of control in place as well as the adequacy of risk management practices and the financial institutions governance.

In order to facilitate the off-site control, financial institutions are required to submit to the National Bank of Rwanda the documents that are mentioned in the regulation n° 12/2000 of 14/10/2000. Most of these documents are submitted on a monthly basis, others quarterly, weekly or daily for instance that reporting the net exchange position.

The reporting modalities for Microfinance institutions are contained in regulations n° 06/2002 and n° 05/2003.

Since the year 2006, the Central Bank applies a risk based supervision framework to the banks. The risk based supervision framework enables the Central Bank to focus on high risk banks and high risk areas in each bank. This approach involves getting a very good understanding of risks faced by banks and evaluating how banks manage those risks

To materialise the new approach, the Central Bank has issued a comprehensive set of risk management guidelines in December 2005. This guideline deals with the management of credit risk, liquidity risk, exchange rate risk, interest rate risk and operational risks. This orientation offered to the banks reflects main principles formulated by Basel Committee and aims at communicating, in a transparent and in an explicit manner, expectations of the Central Bank from the industry. In order to implement the content of this guideline, banks have to elaborate a risk management program. In the same way, the Board of Directors and the top management of banks have to ensure the existence of adequate policies and process of risks management and its implementation at all levels.

During the year 2006, the Central Bank introduced a quarterly analysis format summing up the evaluation of CAMELS components (Capital - Assets - Management - Earnings - Liability - Sensitivity to Risk) of banks, that is, the main indicators of solvency, liquidity, assets quality, profitability and sensitivity to market risk.

Moreover, the Central Bank is supported by external auditors' reports to ensure reliability of financial statements submitted by financial institutions.

(Improvements of risk based supervision have been acknowledged during the year 2006 thanks with the support of the IMF through its technique support regional office (EAST AFRITAC) based in Dar Es Salaam in Tanzania which dispatched two missions in 2006. The first mission took place in June 2006 and was undertaken to evaluate the progress made in implementing the risk based supervision. The second mission which occurred in September 2006, its terms of references were to support the Central Bank in implementing some guidelines for off-site examination including the examiner's manual and a new format of quarterly analysis for bank and the overall banking system.

The recommendations of these two IMF supporting missions refer especially to:

- The completion of risk based supervision instruments (Policy paper on Risk Based Supervision, guidebook of risk management, risk management program, guide of CAMELS quotation, methodology of supervision);
- Improvement of inspection quality (to strengthen pre-inspection procedures, to organise the meetings with Boards of Directors, to strengthen off-site examination

and implement a quality control “a quality insurance program” that ensures the quality of submitted reports.

- The establishment of a permanent dialogue with external auditors of financial institutions;
- Establishment of a Research and Policy Unity within the Department of bank supervision in order to update knowledge in the field of banking supervision.
- Publishing of CAMELS quotation guidelines
- The adoption of off-site examination manual and review of reporting formats sent to the National Bank of Rwanda.
- The strengthening of off-site examination instruments by improving the stress tests and early prevention system (early warning system))

As far as on-site supervision missions are concerned particularly, in 2007, only two out of eight banks of the Rwandan banking were not visited.

During the year 2007, five overall supervisions and two targeted examinations were carried out. Among them, two have been accomplished in accordance with the new approach of risk based supervision that the National Bank of Rwanda started to apply since December 2005 when it published a risks management guidebook to banks.

At the end of inspections carried out within banks during the time period of 2007, it has been started the assessment of bank risks including credit risk and the operating risk that have been judged high. Improvements relating to the implementation of the banking accounting system as well as the process of loans granting have been noticed. Even though there are still some shortcomings in the field of management and monitoring of risks, especially at the level of rigorous implementation of regulations of classification and provision of non performing loans. Moreover, as a result of these inspections, meetings with board members and management committees of the examined banks were held at the Central Bank in order to discuss weaknesses identified during examinations and action plans to put in place to remedy the situation.

CHAPTER III: Non performing loans problems

In 1995, when the economic activity recovered, the overall Rwandan banking sector was almost in a collapsing position. Following this, an audit of three commercial banks that were operating before 1994 (BK, BCR and BACAR) and BRD has been assigned to international firms. These audits that aimed at evaluating loans portfolio and the financial position of those institutions, have led to the implementation of a reorganisation plan over 3 years (1996-1999) for each of these institutions.

In general, results from the first reorganisation plans have been satisfactory though it has been noted that some banks experienced specific difficulties attributed to poor quality of a substantial number of loans granted after the 1994 tragic events.

Following the magnitude of non-performing loan problems, an interbank commission composed of managing directors of the banks and BNR's representatives was created, in 2002 that should inform the authorities on required ways and means to seek for solution to that problem and thus consolidate the financial sector. The commission has done a diagnostic that has been a basis of actions undertaken subsequently by all instances involved in seeking of problem solutions.

3.1 Reasons for the high level of non- performing loans in the banking sector

3.1.1 Economic conditions

The banking activity has been strongly weakened by the 1994 war and genocide and then by the massive inflow of capital during the emergency period which has immediately followed. Inflow of capital has generated a short time effervescence of the economy. During that period, the credit activity of financial institutions has been highly stimulated and outstanding credits moved up at a high speed between 1995 and 1998. The presence of numerous NGOs stimulated the local market, real estate in particular, and led financial institutions to finance hotels, buildings and residences for rental use. The gradual exit of a significant number of NGOs since the end of 1996 had consequence of market decrease caused by the increasing of the number of unoccupied houses and a significant decrease of

the cost of renting. Consequently, several Rwandan borrowers could not afford their obligations.

In the same way, following an important investment effort after 1994 war in the transportation sector, in order to improve country accessibility and to restore the stock of trucks destructed during the war, the import trade and the transportation sector suffered the measures of weight limitation of axle imposed in 1999 mostly on the northern corridor path. These limitations continue to press hard on pay-off conditions of operators working in the transportation sector and thus on their capacity to pay back banking loans obtained.

The periods of drought, the decline of price of coffee and tea on world markets as well as the gradual increase of oil price are among so many factors that have adversely affected the country's economic life since 1998 and, consequently, the ability of debtors to meet their obligations toward banks.

3.1.2 Deficient practices in granting and managing loans

In examining the case of the statement of irregular debtors, it has been noticed that several factors were the sources of non reimbursement of loans granted. The mala fide and the lack of financial resources of some debtors were added to the difficulties of banking loans collection that was supported by bad risk appreciation at the time of loan granting and poor management of this risk during the period of reimbursement. It has been noted, thus, a big failure in file monitoring and a belated starting of collection procedures, hence, the difficulty of arrears collection whose volume has increased during several years.

It is worthwhile to add on these causes those related to the few judicious investments on behalf of some borrowers, the bad use of borrowed funds, incompetence of some entrepreneurs, the non -practicability or the non-productivity of some financed projects.

In general, the credit reviews carried out by inspectors of the Department of Bank Supervision pointed out serious deficiencies in the process of loans and collateral of financial institutions. It was proved that financial institutions have been characterised by laxity and have granted loans imprudently without following sound practices of loan risk

management. This report has been reflected not only on granting operation but also on operations of collateral, monitoring and collection of loans. Therefore, financial institutions have contributed to the problem by demonstrating the following deficiencies:

- Lack of clear and transparent policy regarding loan granting;
- Lack of qualified staff at the level of loans management, this coupled with insufficient number of staff comparing to the quantity of loan files to handle;
- Poor assessment of risks at the time of loan granting and poor management of the same risk during the period of reimbursement;
- Granting loans to the customers unfavourably classified in central of risks (unpaid list) published by BNR and distributed to financial institutions;
- Deficient collateral and overvaluation of collateral value;
- Limited human resources and materials awarded to collection teams.

Two other factors have contributed to increase the number of non-performing loans, especially in some institutions where the Government owned equity interests. They were directed credit programmes initiated by public authorities and complacency or unsecured granted credits

3.1.3 Lack of long term resources (including that of above one year)

Due to lack of long term resources in the Rwandan financial sector, bankers chose to finance, on a short term basis, projects that normally require a financing of a medium or long term horizon. This had increased the borrowers' financing charges who had to incur large monthly payments (principal and interests) that are not in line with the level of their available revenues.

3.1.4 Difficult terms of collateral

The registration of mortgage guaranteeing a bank loan continues to be a recognized method of debtors' risk hedging for a financial institution. However, the necessary procedures to constitute this kind of collateral are too long and difficult. This phenomenon has led several financial institutions to disbursing loans against a commitment of mortgage subscription which, in several cases, did not materialised,

leaving financial institutions without real right on property under collateral. In fact, the registration certificate might be signed by the registrar of properties titles. The law prescribes that the Mayor of Kigali City fills up the role of the properties title registrar. The legal impossibility of the Mayor to choose his or her substitute added to his or her unavailability to sign registration certificates due to his or her numerous commitments had the effect to harm or smooth run the registration process.

Other complications came to encumber the process of obtaining and realizing collaterals:

- The same problem of availability of the Mayor continued to persist when it came to sale procedures because the presence of the Mayor as the registrar of properties titles was required;
- The issuance of a registration certificate required that a cadastral evaluation be made on the site of the property or building. By then, Kigali City suffered from a high lack of human and material resources to proceed that cadastral evaluation;
- The Kigali City charged acquisition fees to property titles or to property transfers. These fees have been strongly increased and were judged too high by financial institutions.

Consequently, lack of registration of creditors' rights on property titles, caused by above mentioned problems in Kigali City do not protect financial institutions from selling these properties to the third parties by the dishonest borrowers. However, the creation of mortgage does not constitute the only accepted collateral for the banker. Indeed, the goodwill is a real security that can be provided as pawn to creditor. The deed of pawn is mad public by subscription in the register held for this purpose. This register was kept at headquarter of ex First Court of Instance (Tribunal de Première Instance).

Therefore, it has been stated that the law-clerk's office of Kigali First Court of Instance did not have at one's disposal this register. The inexistence of this register made this collateral incomplete because the same property could be given under guarantee to several creditors without any acknowledgement by these creditors of other subscriptions.

3.1.5 Ineffective measures of collection

The collateral collection must be a priority for financial institutions. Thus, the important volume of non-performing loans has forced financial institutions to strengthen their collection measures. The majority of these institutions have implemented these new measures since 2000. These new measures have made it easier to influence the amount of loans collected. Thus, the collected loans have been 307.6 million Rwf in 1999; 837.0 million Rwf in 2000; 1,821.1 million Rwf in 2001; and 124.8 million of Rwf for the first semester of 2002.

This performance, though positive, was not sufficient since the collected amounts were less significant comparing to the total non-performing loans. Furthermore, even if some institutions have improved their performance, others did not experience the same success. This poor performance was due to limited financial, human and material resources affected to collection teams and to the lack of experience of those ones.

Another weakness relates to the creation of the collaterals. Credit reviews carried out by the National Bank of Rwanda have proved that some institutions did not brought a necessary attention to the nature and the possibility of collateral materialization at the time of loans granting. Consequently, during the collection process, banks generally face three following problems:

- inadequate monitoring relating to the effective raise of guaranties after credits disbursement;
- a incorrect collaterals' creation generally due to an inexperienced staff;
- a erroneous collateral value' evaluation at the time of loans granting and lack of periodic interval updates of this value later on.
- Lack of professional evaluators operating on the basis of recognized evaluation techniques and applied uniformly as well as according to the principles of independence and fairness.

3.1.6 Unruly borrowers

The financial chaos which prevailed during the war as well as the inefficiency of courts enabled several solvent debtors of the banking system to escape the reimbursement of

their debts. Though solvent, the delinquent debtors continued to go about their business freely. This behaviour, less scrupulous, has certainly contributed to amplify the problem by infecting others debtors. These widely spread fraudulent actions have put aside the real credit culture.

These frauds could also be due to debatable behaviour of some financial institutions themselves since, despite the available information given by the Data centre of the Central Bank, they did not request borrowers the proof of the reimbursement of their loans in other institutions. Some institutions have preferred to stake on accelerated growth of their loans portfolio in favour of quantity to the prejudice of quality. This strategy which has led generally to an ephemeral profitability was indeed not unacquainted with important quantity of non-performing loans.

3.1.7 Inadequate legal structures and heavy and slow judicial procedures

The collection process of banking loans has been challenged by inadequate legal system: slowness of instruction, frequent postponements of audiences often due to the pure dilatory means, unavailability of judgement copies within reasonable times, dilatory manipulations often used by loser parties leading sometimes to the decision of stay of execution, heaviness of procedures of legal decision fulfilment (long period of data entry, inappropriate legislation as regard to properties liable to data entry), problems due to auxiliaries of law, slowness in decisions execution and slowness of legal procedures being to lead to sales by auction of properties. The creditors might often sue the borrowers for non payment, which can take several years. Once the sentence is decided in his favour, the creditor might often institute proceedings to obtain its execution. A deadline from 3 to 5 years could flow out between the date of payment failure and final collection of loan.

As far as judicial decision execution is concerned, the means of execution offered to creditors were long and not adapted to the request of commercial and economic businesses requirements. For instance, the execution of Court decision by sale of a real estates under mortgage under the name of the creditor takes a minimum period of 6 months so that the sale by auction is done and this without taking into account the necessary time of lawsuit process.

It was obvious that those conditions broke loan granting because in case of debtor deficiency, the implemented means to collect loans risked to fail or to generate high cost. More precisely, the immediate causes of non-performing loans collection in Rwanda lied in:

- Judicial slowness;
- Proportional right of 4% required by courts and perceived by the clerk of the court at the time of sale of property by auction. This amount was calculated and deducted on basis of the amount decided in sentence instead of to be deducted on basis of effective amount of sale;
- There was inefficiency of laws and lack of pertinence of their content to the economic life that prevailed. Often, these laws stood in the way of easy and speedy collection of loan.

For example, as regard of audience fastening ?, the Rwandan judicial system did not consecrate the jurisdiction specialisation. This is expressed by an accumulation of criminal and civil files within the only courts of first instance. As consequence, the person in charge of audiences was endowed between all subjects and, considering the overload caused by the 1994 war and genocide; fastening audience in civil matter intervened with a big delay.

3.1.8 The magistrates attitude

In addition to the slowness which characterised judicial decision making, the Rwandan magistrates made judgement adopting protective attitude towards debtors who are considered as deprived poor, unlucky, facing powerful financial institutions. Then, it follows that some decisions ended by questioning the legitimacy of the loan and exempted the debtor from his commitments.

3.2 Evolution of the level of non-performing loans in the banking sector

All measures taken by the Central Bank have had a very positive impact on the banking activity. Though non-performing loans in quantity have not turned down on the period, at least, it noticed that the mobility have experienced a high diminution and consequently the part of non-performing loans in total loans has roughly decreased so that the rate

which was of 32.5% in 2002 have reached 13.5% on 31/12/2007 (without write off on banks balance sheets).

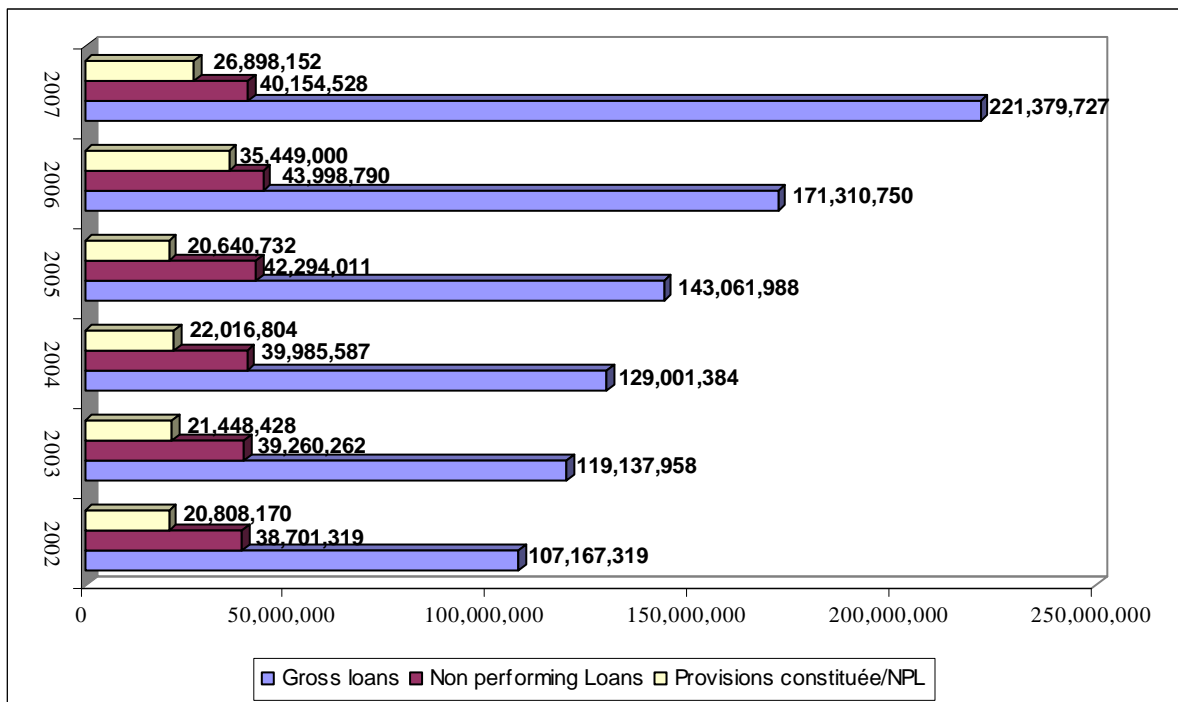
Moreover, the covering of non-performing loans by provision has absolutely improved since this rate was set up to 67.0% in 2006 against 53.8% in 2002. These evolutions are shown throughout the following table and chart:

*Table n° 12: Non performing loans and level of provision from 2002 to 2007
(in thousands of Rwf)*

	2002	2003	2004	2005	2006	2007
Gross credits	107 167 319	119 137 958	129 001 384	143 061 988	171 310 750	221 379 727
Non Performing loans	38 701 319	39 260 262	39 985 587	42 294 011	43 998 790	40 154 528
Provisions	20 808 170	21 448 428	22 016 804	20 640 732	35 449 000	26 898 152
Rate of gross loss	36%	33%	31%	30%	26%	18%
Net of agios	32,5%	29,0%	24,0%	23,0%	19,0%	13,5%
Provision/NPL	53,8%	54,6%	55,1%	48,8%	80,6%	67,0%

Source: NBR, Department of bank supervision

Chart n° 9: Non performing loans and provision raised from 2002 to 2007 (in thousands of Rwf)



3.3. Actions undertaken to solve the problem of non- performing loans

3.3.1 Strengthening the prudential and regulatory framework

In order to overcome some trends which ran the risk of compromising the credit culture since the financial institutions continued to grant loans to delinquent debtors, the Central Bank have issued three regulations on 18/12/2003 including that of n° 09/003 that forbid banks to grant loans to customers classified in categories 3,4, and 5 as defined by the regulation (clause 4), in other words, customers with past due loans over three months and above.

By the same regulation, the Central Bank has also set the principles of minimum control relative to loans management. It was especially the requirement for financial institutions to have credit policies as well as methodologies that must drive the process of credits granting.

As to the regulation n° 08/2003, it has dealt with, among others, the part relating to the commitments security. In fact, the Central Bank has obliged financial institutions to downward review the value of mortgage collateral considering merely that 70% of valuation of property for security risk. This decision has been made to mitigate the problem of overvaluation of real properties given to the banks in collateral. In the same time, the Central Bank has made a decision to oblige that evaluations should be done by registered real experts recognized by the Central Bank. By this same regulation, some rules of risk split have been reviewed to reduce loan concentrations to the banking managers (bound credits).

Another decision made in 2003 at regulatory point of view involves the raising of solvency ratio which has been brought to a minimum of 10% against 8% required before this date.

3.3.2 Revision of some laws

The law on regulation of land published in 2005 has enabled to appoint technicians as registrar of land titles who deal merely with this function. Thus, a registrar of titles of land has been appointed with five deputies who are affected at provincial level and Kigali

City. This measure is not yet fruitful since their appointment is recent. Other changes have been made at the level of services in charge of the land registry in Kigali City especially the transfer of files to three districts of the Kigali City that has slowed down the hand over of files by nominated registers of land titles. This improvement will have a positive impact on period of mortgage subscription and their sale in case of failure in payment by customers.

The process of sale by “voie parée” has also improved because of the publishing of law on code of civil, commercial, social and administrative procedures. All obstacles which prevented the process to work have been cleared.

Finally, the professional bailiffs have been recognized by law so that banks can use them to follow up bad debtors. Unfortunately, this job is not yet popularized and banks are misinformed on the usefulness of these judicial professionals. Like for the procedure of sale by “voie parée”, the Central Bank encourages banks to join up professional bailiffs in collection of compromised loans.

3.3.3 Continued dialogue and monitoring of non-performing loans

On 19/04/2006, a questionnaire has been sent to banks to enable them to elaborate their plans of non-performing loans recovery. Therefore, a meeting has been held on 24/04/2006 between the Department of Bank Supervision and officers of loans collection in banks to discuss modalities of speeding up the non-performing loans recovery.

In addition, three training seminars on non-performing loans collection organized jointly by the Minister of Justice and the Governor of the Central Bank have held in 2004, 2005 and 2006. During last the seminar held on 30/05/2006, participants have appreciated the effort made in improving legal framework in order to facilitate the collection of non - performing loans. They have greatly appreciated the publication of law on land regulation in Rwanda which provides registers of titles of land who are technicians rather than politicians like sometime before. The mandate of the commission implemented in 2005 in order to follow up the execution of recommendations from the 2005 seminar have been renewed in 2006 and the commission have been extended to two other members namely the current secretary of Rwandan Banks Association (RBA) as well as the representative of the Ministry in charge of land. Other recommendations have been issued in the seminar of

2006 and form the terms of reference of the commission in charge of following up their implementation. However, activities of the commission did not go on successfully because of unavailability of registers of titles of land appointed on 13/12/2006 by the Cabinet.

3.3.4 Publishing of sued debtors in newspapers

In 2004, with reference to resolutions made at the time of Rwandan Banks Association (RBA) meeting held on 24th February 2004, the National Bank of Rwanda has provided to bank members of RBA the authorization to:

- publish immediately names of all debtors classified in the 5th category whom cases have already been subjected to the judicial action;
- Write the last letter of enforcement notice to debtors of the 5th category whom file are not yet brought before the court so that they can negotiate a reasonable reimbursement plan with their banks, otherwise their names will be published and cases sued within the period of six months.

CHAPTER IV: Studies carried out for financial sector evaluation

In the framework of evaluating financial institutions and developing the capital market in Rwanda, the Belgian Bankers Academy, in association with Professor Couvreur and Strategy 2000, has conducted an evaluation of the Rwandan financial sector. The mission has raised a number of weaknesses or deficiencies that enabled to draw conclusions on operating of banks in order to suggest improving measures. The observations have been gathered under different sections as follows:

- appreciation of overall management methods of banks (the weaknesses bear generally on strategy and commercial policy linked to lack of strategic definition and of positioning facing to market and competition).
- Typical banking risks especially credit risk (a lack of precision in strategic line positioning the credits in overall activities of different banks, a lack or insufficiency of policies and procedures of credit granting, an insufficiency of internal audit, a lack of managers' understanding and corporate governance standards, poor credit monitoring, deficiency in credit application analysis).
- Supervision and control: the study indicated that there are no major changes or substantial complements to provide; the work of inspectors is of good quality except some improvements to be made especially in implementing recommendations.
- The environment (lack of adequate and credible system frame of developers, gathering of files and the incompleteness of the legal system

In the same framework, the World Bank and IMF have organised in 2005 an evaluation of the financial sector and brought out the following observations:

1. The financial sector remains shallow and underdeveloped though Rwandan authorities have implemented measures aiming at making it efficient such as restructuring of banks with problems and strengthening prudential regulation and supervisions;
2. The credit risk remains high considering to a high volume of non-performing loans;
3. The authorities have identified weaknesses and pursue actively a reform program

4. The financial sector is not diversified and is dominated by oligopolistic banking sector; the new banks should reinforce the competition between institutions.
5. The size and structure of the Rwandan economy pose a significant challenge for building a deep, efficient and diversified financial services industry.
6. Very few people have access to financial services

In consideration of the above observations, the Government of Rwanda in collaboration with Central Bank is willing to correct at the earliest the deficiencies raised by this mission in the Rwandan financial sector. Thus, during the 2006 period, the Central Bank has acted as leader to implement a coherent financial sector development plan about which the document has been presented during the seminar organised on 28/09/2006 to which all actors in country economic development attended. Observations have been given out in the course of this seminar and they enabled to finalise the document which is the basis of guidance to follow in order to improve Rwandan financial sector.

Specifically, the short and long term actions to develop the Rwandan financial sector have been made. For banks and their supervision, these actions refer especially to the increase of competition between banks, to the reform of Popular Banks (Banques Populaires), to the revision of law on leasing, to the establishment of a Private Credit Bureau as well as the strengthening of the Rwandan Development Bank so as to mobilises long term resources and develop the credit to the agricultural sector. It has been decided also to prepare a strategic plan for the Housing Bank so that it leaves out demand deposits and to focus only on its core mission of housing financing in Rwanda where needs are still important.

Since 2006, some recommendations have been implemented such as reviewing the law relating to banking activity organization. This review had a double concern:

- To adjust the text to above mentioned the mission's recommendations;
- To modernise the current legislation in order to make the Rwandan supervision framework consistent with the National Plan of Financial Sector development, international standards and the best practices in this subject.

Indeed, the evaluation missions of the financial sector carried out in February 2005 by the IMF and World Bank, and in June 2005 by the African Peer Review Process have pointed out legal weaknesses in term of supervision of the banking sector.

These evaluations had main objectives of evaluating the compliance of the regulation framework into force in Rwanda with the 25 fundamental principles of Basel for an effective banking control. Conclusions of the evaluations disclosed that the legal framework and the implementation of the banking control satisfy only 15 principles out of the 30.

It is in order to attain full compliance that the National Bank of Rwanda issued a new bill that regulates the banking activity whose main objective is to produce an overall reviews of the law n° 08/99 of 18 June 1999 regulating banks and other financial institutions as well as its regulations.

The main modifications concerning elements relating to the scope of the banking law application, to the licensing, to rules of good governance within banks, to the acquisition and significant transfer of property, to the approbation of acquisitions or major investments of bank, to the capital adequacy, to the main risks, to the loans granted to affiliates, to consolidated banking control, to the risk management, to external auditors as well as to correctives measures and liquidation.

In December 2006, the National Bank of Rwanda has decided to increase the bank share capital at 5 billion Rwf.

This measure had mainly three objectives:

- Setting to banks a financial basis corresponding to a minimum necessary to perform their operations and meet different regulatory requirements;
- Forcing shareholders of current undercapitalized banks or lacking enough resources to identify new potential shareholders or consider the sale or merger of their banks;
- Strengthen licensing criteria for commercial banks.

The Central Bank granted one year to commercial banks to comply with the decision. Moreover, banks that do not meet the minimum requirement is not authorised to distribute dividends.

Furthermore, it has been allowed to banks to capitalise their accumulated reserves. Thus, on 31/12/2007, all banks except two, which are still in negotiations, have complied with the regulation. The overall of decided actions is part of a national plan that has been presented to development partners.

CHAPTER V: Supervision of microfinance sector activities

5.1 Brief historical background

The microfinance is a sector that is relatively new, it has been existing since three decades ago. In spite of its youngest age, this instrument is becoming more and more ineluctable for poverty reduction in Africa and over the world especially in developing countries. Up to the beginning of the year 1990, the microfinance has been considered as facto by government authorities, development partners and non government organizations as a particular social activity. Most of microfinance programmes were then enlisted until recent time in social development projects, rural and/or collective. The required qualifications required to managers heading these institutions, very often selected according to the profile that is generally social and community development oriented, did not require exceptional competences as regard to financial and banking management.

Because of the duplication of microfinance programmes and the risks of troubles and conflagration of this sector, an overall awareness has started at the level of governmental authorities, development partners and operators at the beginning of 1990. These concerns were expressed slowly by a need of professionalisation, regulation and supervision of the sector. Therefore, law-makers have started to implement, toward the end of 1990, the exacting legal and regulatory framework especially as far as institutions collecting deposits from its members or the public are concerned.

5.2 The experience of Rwanda

Before 1994, in Rwanda, a part from Popular Banks of Rwanda and some NGOs that offered financial services to the population, the microfinance did not experience a significant establishment. Big changes had occurred after 1994, which period most of NGOs and sponsors who intervened during emergency period to help Rwandan population were converted into microfinance institutions, granting credit mainly in the form of gifts. Such a practice harmed the saving habit within the population while creating a culture of non reimbursement of credit, which was assimilated to a gift by some people. This resulted in a phenomenon of contagion to the whole Rwandan financial sector with a rate of unpaid credits above 45% of the total granted loans.

After this period, the microfinance sector has experienced an unbridled increase of MFI with a fabulous boom for the period between 2003 and 2005 characterised by the establishment of more than 80 institutions that joined Popular Banks of Rwanda network channelling deposits reaching about 30 billion Rwf. This anarchical improvement of microfinance sector generated worries at all levels because of the non compliance with regulations into force by MFI, given that they started to operate without prior authorization by the monetary authority, which is National Bank of Rwanda. For most of them, the launch of activities relied on the law n° 31/1988 of 12th October 1988 concerning cooperative companies in spite of the existence of the law n° 08/99 of 18/06/1999 regulating banks and other financial institutions and regulations n° 06/2002 and n°05/2003 respectively regulating microfinance activities and that of Saving and Credits Cooperatives. These laws prohibit the launch of these activities without prior authorisation of the Central Bank. At the beginning of these activities there was a lack of coordination of different actors, lack of governmental policy for the sector and the existence a high risk of the financial intermediation activity which did not grant any security to public deposits.

It is in is regard that the Central Bank and the Ministry of Finance and Economic Planning, concerned to open up a planed frame of national policy and strategy as regard to microfinance, have jointly organised a public awareness campaign from April 2005 for the microfinance sector management and strict respect of regulations into force in order to regulate and stabilise this sector. This campaign enabled to start a discussion of major problems threatening the microfinance sector and to draw a broad guidance of national policy for implementation that will accompany and stimulate the development of microfinance industry in Rwanda.

The conducted campaign have been followed by meetings organized by National Bank of Rwanda with officials of MFIs identified during tours over the country in order to lead them to the respect of cooperative principles, to increase their share capital, to adopt rules of good governance, etc. A number of complying conditions have been given to each and every MFI in order to get a license from the National Bank of Rwanda. Final license has been given to MFIs that were able to respect overall licensing conditions. MFIs for which the majority of these conditions were complied with, a temporary licensing was

given to them accompanied by conditions to be met for a final licensing. MFIs that did not meet the requirements did not get licensing and the Central Bank requested them to start negotiations with MFI of good financial soundness for the purpose of a possible acquisition. Otherwise, they have been obliged to start the process of their liquidation. This choice was motivated the care of not disturbing financial services granted to the population whose deposits reached about 50 billion Rwf on 30th June 2005, this amount including deposits in Popular Banks of Rwanda amounting 30 billion Rwf.

A number of these institutions have been obliged to modify their cooperative legal status adopted from the beginning into the status public limited companies because they were really composed by a narrow number of members and a large number of clients.

5.3 The liquidation of some majors MFI in 2005 and 2006

5.3.1 The Origin of the problem

Instead of implementing amendment recommended by National Bank of Rwanda, some MFI have experienced, at the end of 2005 and the beginning of 2006, a state of insolvency and closure of some of their counters. The major reasons of this situation merely concerning poor governance have been the following:

- The starting capitalization was either insufficient in respect of set-up costs and raised deposits or artificial without real cash contribution. Indeed, by entry games officials manipulated figures so as to have balance their balance sheets:
- The conversion of deposits into loans exceeded, in some cases, prudential ratios in place.

The collection has been made difficult by poor internal organisation and poor credit risk analysis whereas the existing legal structure did not help quick collection of non-performing loans.

MFIs that experienced the above mentioned problems are the following:

1. GWIZA Microfinance SA
2. INTAMBWE Microfinance SA
3. URUMULI Microfinance SA

4. ONGERA Microfinance SA
5. Compagnie de Micro finance URUGERO SA
6. GISUBIZO SACCO
7. IWACU SACCO (ex-SOLIDARITE FEMININE IWACU)
8. INTERA SACCO
9. UBUMWE IWACU SACCO
10. GASABO SACCO

Contrarily to the category of MFI initiated by individuals, those developed by national and international organisations such as churches or non governmental organisations did not experience a lot of difficulties except that they may be infected in case of a systemic crisis of the microfinance sector.

In order to avoid a systemic risk that is able to harm the financial sector's stability, in general and that of microfinance in particular, the Central Bank proposed to the Government a rescue plan that includes a total liquidation of the above mentioned institutions for the interest of the population.

5.3.2 The rescue plan

The proposed rescue plan consisted in the Government's intervention in closing MFIs with difficulties in order to cool down the situation and avoid a risk of a systemic bankrupt of the microfinance sector because the negative impact of the liquidity crisis experienced by several MFIs had a risk of being generalised and disastrous for all depositors in the sector.

Indeed, in the microfinance sector, it has been observed that public deposits were belonging largely to disadvantaged population living in rural areas that have placed their savings in these institutions by lack of access to banks rarely established in these areas. Consequently, in order to secure those deposits, it has been proposed assistance to the sector by asking the Government to accompany the process of liquidation of MFIs concerned by the crisis. The National Bank of Rwanda estimated that the possible right option was to impose dissolution of MFIs which were illiquid and insolvent (solvency ratio lesser than 10%).

The Government, concerned by the widespread crisis in the microfinance sector, supported the rescue plan suggested by the Central Bank. The plan included also the request to the Government to take in charge a certain percentage of net deposits credits for each depositor. It is for that reason that the Government agreed to support the reimbursement of 50% of collected deposits by failing MFIs. The reminder should be covered by the amounts of collection carried out from credits beneficiaries. The fact of not reimbursing 100% of deposits was justified by the following reasons:

- The Government has to support a part of deposits considered as lost. Indeed, future collections should serve to pay off depositors for a part of their saving mismanaged by failing MFIs;
- It might be necessary to avoid the creation of "moral hazard". Indeed, the population had a certain responsibility in what happened owing to the fact that the population saved their money in unlicensed MFIs.

On the 16/06/2006 it has been decided to improvising close all the MFIs included in the following table, a part from GISUBIZO that closed in November 2005, for all their counters scattered on national territory.

Table n° 13: Volume of deposits and credits of MFI closed at the date of 16/06/2006

	MFI	Client deposits(in thousands of Rwf)	Loans granted (in thousands of Rwf)	Number of borrowers	Number of depositors
1	GWIZA S.A	189 948 175	25 611 077	259	9 258
2	ONGERA S.A	812 115 079	550 084 272	11 213	52 459
3	INTAMBWE S.A	477 944 318	355 702 285	1 733	32 588
4	URUMULI S.A	389 631 391	222 154 728	1 309	25 760
5	URUGERO S.A	94 287 777	107 161 966	343	5 366
6	COOPEC GISUBIZO	911 583 103	423 294 133	2 656	47 377
7	COOPEC IWACU	222 164 050	111 563 701	1 332	13 748
8	COOPEC UBUMWE IWACU	85 257 908	48 402 542	290	3 820
9	COOPEC INTERA	57 108 125	28 025 106	363	5 079
	Total	3 240 039 926	1 871 999 810	19 498	195 455

Source: UBPR, Report on the situation of deposits and credits of MFI closed

During the year 2007, 10 MFIs have been put into liquidation either voluntary or by force. A part from GASABO which was forced to liquidate, the following MFIs have been put in voluntary liquidation:

1. INZIRA SACCO UNION
2. JYAMBERE SACCO UNION
3. WISIGARA CLECAM UNION
4. ABIZERANYE SACCO
5. ESPOIR SACCO
6. UBUMWE BW'INYARUREMA SACCO
7. INZIRA SACCO CITY OF KIGALI
8. COODESOBU
9. CSC ISANGANO

The plan proposed also temporary administration of MFIs with problems by the Union of Popular Banks of Rwanda waiting for their liquidation. For doing that a Memorandum of Understanding (MoU) has been signed between the Union of Popular Banks of Rwanda (UBPR) and the National Bank of Rwanda for the implementation of the temporary administration.

This temporary administration did not consist of continuing activities of closed MFIs but just to list all collected deposits as well as credits that were granted to their members and clients. This consisted, on one hand, of carrying out an inventory of balances of deposits and credits for each customer from the forms and, in other hand, of receiving clients and members of closed FMI in order to consult balances registered on their saving passbook for deposits and to inquire about honest credit beneficiaries of their respective outstanding loans. The seeking aim was to have reliable data by comparing the statements and data raised on sheets.

5.3.3 Refunding the population

From the Union of Popular Banks of Rwanda reports the process of refunding the population launched in the second semester 2006 was continued in 2007. According to UBPR reports the refund details were the following:

1. Number of customers : 195,455

2. Net deposits of credits	:	3,240,039,926 ¹
3. 50% of net deposits of credits:		1,620,019,963 ²

Whereas received declarations appears as follow:

1. Number of customers who declared	:	43,024
2. Volume of net deposits of credits declared:		2,930,214,203
3. 50% of net deposits of credits	:	1,465,107,102

According to decisions made by all authorities engaged in this process receivers appointed by courts might validate the work of UBPR and terms of reference intended to auditors-liquidators, which were elaborated to this purpose for their recruitment. On 31/12/2007 NBR released an amount of 1,036,214,264 Rwf, or 69% of 1.5 billion Rwf available for this process. The number of persons paid off was 41,221 out of 43,024 persons who declared their deposits, or a percentage of 96% of paying off.

In order to secure MFI that stay operational at the time the decision of closing other eight were made; the following accompanying measures have been made:

- A differentiated strategy of communication according to the concerned entities (customers, depositors and borrowers, local authorities, police, MINIJUST) was adopted.
- The Microfinance National policy has been adopted. This national policy draws great orientations in the sector and defines or decides roles between operators. This policy enables also the establishment of stabilisation funds which the role will be to intervene in case of MFI bankrupt to avoid the recourse to Government budget in future. The adopted policy laid the foundations of law elaboration on microfinance activity. SACCOs do not have a separate law; their activities were integrated in this law which preferred to legislate microfinance activity rather than legal status adopted by operators;
- In order to avoid this liquidity crisis in future, the Central Bank has proposed establishment of obligatory reserves from deposits mobilised by MFI stayed in activity. Those reserves will be used at once as part of liquidity for these MFI and

¹ The first counting has given 3,034,620,923 Rwf, this enabled Government to pay in a sum of 1.5 billion of Rwf to NBR to serve as paying off of population

² The half of first estimations was 1,517,310,462 Rwf

will help particularly to slow down credits granting by MFI beyond their capacities. To avoid penalisation, those reserves should be invested directly in Treasury Bonds in profit of these MFI that should get funds in case of need from banking sector by conversion of those bonds;

- The establishment of a Commission of credits Collection, which were granted by the closed MFIs. This commission was comprised of Mayors of District, representatives of intelligence services, National Police, Public persecutor's office, and of Private sector in District. This commission was charged of supporting nominated liquidators in the process of collecting credits distributed by MFIs in liquidation;
- It has been also decided to compel officials and managers of MFIs to hold their responsibilities in the failure of concerned MFIs;
- The minimum capital requirement for MFIs having legal status of Public and Private Limited Company has been brought to 300 million of Rwf and grace period of one year has been given to the existing MFIs to meet this regulation. On 31/12/2007, 8 out of 13 had reached his regulatory requirement;

The year 2007 was marked by a particular monitoring of microfinance institutions holding temporary license or without any license like the workers funds (Caisses des Travailleurs).

For MFIs holding temporary license, at the end of 2006, many of them have been licensed and a restructuring or a deadline was fixed for the reminders of those MFIs. At this level, it is advisable to point out that in compliance with microfinance policy, some small SACCOs were licensed in category 2 of MFIs. This category includes MFIs that do not yet have a regulatory capital of 5 million Rwf and having deposits below 20 million Rwf.

With regard to Workers Funds (CT), the stabilization process of the network has been officially launched on 29/04/2007 during an extraordinary General Assembly which dissolved the Union's organs and replaced them by a Technical Commission. The mandate of this commission was to assist workers funds to obtain legal status from MINICOM and license from BNR. The implementation of this commission has resulted, on 31/12/2007, in BNR licensing of 10 workers out of 20 for the whole network; and the commission has itself fixed the objective of finishing the licensing process of other CTs before the end of the first quarter 2008. Another important point that marked the process of CTs

restructuring was the auction sale of a building which has been built in violating prudential norms. The income from this sale enabled essentially to restore network treasury which was threatened before the sale of the building.

During 2007, new licenses granted concerned the following MFIs: SACCO GOSHEN; COOJAD; UMWALIMU SACCO (only for the saving); five Saving and Credit Popular Funds (CAPEC), five CLECAM EJO-HEZA and four CLECAM WISIGARA.

The Governor of BNR has done several tours inside the country in July-August and December 2007. The meetings grouped together the Governor and his technical team, the Governor of Province, the Mayor of Kigali City and other local authorities, officials and main managers of MFIs concerned and this in presence of representative of National Police, MINECOFIN and liquidators of bankrupted MFIs.

The tours carried out had an objective of evaluating MFIs that received temporary license in order to give them the definitive one. During those meetings, it was also the opportunity to evaluate the progress made in the process of depositors paying off and introduce the liquidators of closed MFIs to the local authorities in order to walk out the way for collection process of credits granted by MFIs in liquidation. The Governor requested also the collaboration of those local authorities in the process of collection of credits granted by MFIs in liquidation but also their commitment in management of microfinance sector in order to develop it for the benefit of the population

Self-liquidation of some MFIs

At the end of two tours carried out by the Governor of the Central Bank, it has been decided that some SACCOs have to begin the process of self-liquidation because there was any hope to adjust them. The local authorities leading administrative entities in which those MFIs are operating should monitor the process of this self-liquidation. The following SACCOs were concerned:

1. Union of SACCOs INZIRA and SACCO INZIRA of Kigali ;
2. Community Solidarity Cooperative ISANGANO, RULINDO District ;
3. CEPES, Kigali City;
4. COODESOBU, MUSANZE District ;

5. SACCO Espoir, KICUKIRO District;
6. SACCO UBUMWE BW'INYARUREMA, Nyagatare District
7. MICROSAVE INTEG0.
8. JYAMBERE KAYOVE ;
9. JYAMBERE NYAMYUMBA

Monitoring of the liquidation process of closed MFIs

In the frame of liquidating closed MFIs, especially in its part of collecting credits, liquidators signed an endorsement to the first contract which enables them to start the collection process with the support of the collecting commission, operating at the level of each district. The process of depositors paying off started in the 2nd semester 2006 continued up to 2007.

5.4 The financial position of MFIs as at 31/12/2007

According to the provisional data on 31/12/2007, the net equity capital of microfinance institutions including Popular Banks of Rwanda was 21.4 billion Rwf against total assets of 129 billion of Rwf, that is, a solvency ratio of 16.6%.

Rwanda relies on microfinance sector to have a significant rate of extension of banking services. In fact, this sector counts more than 1.5 millions of accounts, or more than 5 times the number of accounts in the classic banking system. At the end of 2007, the sector counted about 92 billion Rwf of deposits and more than 82 billion Rwf of credits, of which 7 billion Rwf are non- performing credits, that is, an approximate delay average rate of 8%.

As far as liquidity is concerned, the liquid assets of MFIs represent globally 24% of total deposits against a prudential norm of 15% for each institution. On 31/12/2007, these liquid assets totalise 22 billion Rwf.

CHAPTER VI: The “Centrale des Risques et des Impayés”

6.1 The centrale

The “centrale des risques et des impayés » main objectives are as follows:

- Centralizing client loans both from banking, microfinance institutions and SACCOs in order to allow financial institutions mitigating credit risks from non -performing clients.
- Allowing the National Bank of Rwanda to know the volume and the quality of credit portfolios.

In order to perfectly accomplish its mission, the Central Bank needs the data information center to be complete, reliable and up to date. For the purpose of achieving these objectives, the modernization of the centre is a pre-requisite and this fact has led to the redesigning of the system which currently is in progress.

6.2 Bank reports centralization

During the year 2006, efforts were focusing respectively on checking on the reliability of banks and other financial institutions’ reports relating to granted credits and the updated information so as to extract quality information for the purpose of financial institutions’ risks centralization.

The information sharing between National Bank Rwanda and other banks is done through BANKNET since 2004, the time banks and other financial institutions’ data recording decentralization has been decided.

Notwithstanding the above achievement, what has been noticed, however, is that some bank centre users do not perform well the processing and this has led to some report errors and their correction has been consuming a lot of time to the data centre staff and sometimes it required the intervention of the department of Organization and Information Systems in the National Bank of Rwanda.

Banks and other financial institutions have made tremendous efforts in the credit reporting system in force especially as compared to previous periods. As far as the credits' situation is concerned, most of banks have updated their reporting information including that done on the inter-banking network. Although some banks have put in place the interface reporting system that uses a text file, their risks' situation, however, still contains shortcomings.

6.3 Preparation and transmission of statistical data

Credit statistics from the six commercial banks have been made available, to the interested parties, at a weekly basis. The following table indicates how the economy has been financed by the commercial banks for a period of five years.

Table n° 14: New credits distribution by sector from 2002 to 2007 in six Commercial Banks (in thousands of Rwf)

Sector activities	2002	2003	2004	2005	2006	2007
Agri., livestock,, Sylvic.& fishing	392 946	828 567	823 286	1 791 578	859 586	3 630 810
Mining industry	15 000	0	0	96 000	698 250	12 000
Manufacturing industry	2 533 618	4 759 367	5 578 366	6 437 518	7 661 030	13 518 827
Energy & water	79 255	150 789	15 700	27 000	374 558	170 232
Public works and housing	6 230 223	8 475 174	7 852 977	13 014 480	18 452 588	28 667 430
Trade, restaurant, and hotels	14 684 992	26 713 740	16 934 379	32 293 220	50 276 305	60 529 157
Transport, .comm ^{tion}	4 017 518	5 418 233	3 696 921	10 262 257	8 593 581	13 297 660
AIF, Ass ^{nice} , Mortgage, S ^{ces} to companies	780 645	353 563	878 312	1 331 969	1 383 708	2 354 312
Services to the community	3 617 615	2 822 190	1 505 567	1 784 497	1 806 593	3 088 540
Unclassified activities	796 625	1 227 270	1 983 527	7 409 955	4 569 506	8 577 618
Grand Total	33 150 439	50 750 896	39 271 039	74 450 479	94 677 711	133 848 593

Source : BNR, Département de la Supervision Bancaire, section Centrale d'Information

Commercial banks have, during 2007, authorized 133.8 billion Rwf on-balance sheet loans, of which, 6.8 billion Rwf were for 2007 coffee campaign.

6.4 Integration of MFIs information in the data centre

So far, 12 Saving and Credit Cooperatives and Microfinance institutions consult and report to the data centre. Due to a volume of activities on hand, in 2006, new micro-finance institutions' information integration has been done at a slow pace.

In order to improve the quality of reported data, however, a training session is given to the data centre users before any integration. For effectiveness purpose, furthermore, new micro-finance data centre users and any institution whose reported data are wrong, are regularly tracked on and monitored by the centre staff.

6.5 Improvement of the data centre quality

In order to improve the quality of the centre's data as well as its automatization, a recasting of data was decided and documented. In addition, in order to acquire the reality, a questionnaire-based visit has been paid to financial institutions during January 2007.

It was decided that bank clients be identified through the recasting process from their first contact with the bank, in other words, when opening a bank account. The gathering of any other information that is not supplied by the data centre was also decided. This process aims at distinguishing, within the risk situation, credits which are written off from those which are not.

Codification revision pertaining to activity branches, credit categories, and new districts as well as collecting information that is not in the database was also decided and implemented. Moreover, bank client's identification problem constrains the data centre activities when it comes to data processing. Clients identification checking process takes a lot of time since there is no identification fixed criteria used in allocating client identification number.

Therefore, the economic agent identification number allocation should be done carefully in order to avoid identification number duplication or credit recording to a wrong agent that would distort the data centre information.

CHAPTER VII: The payment system

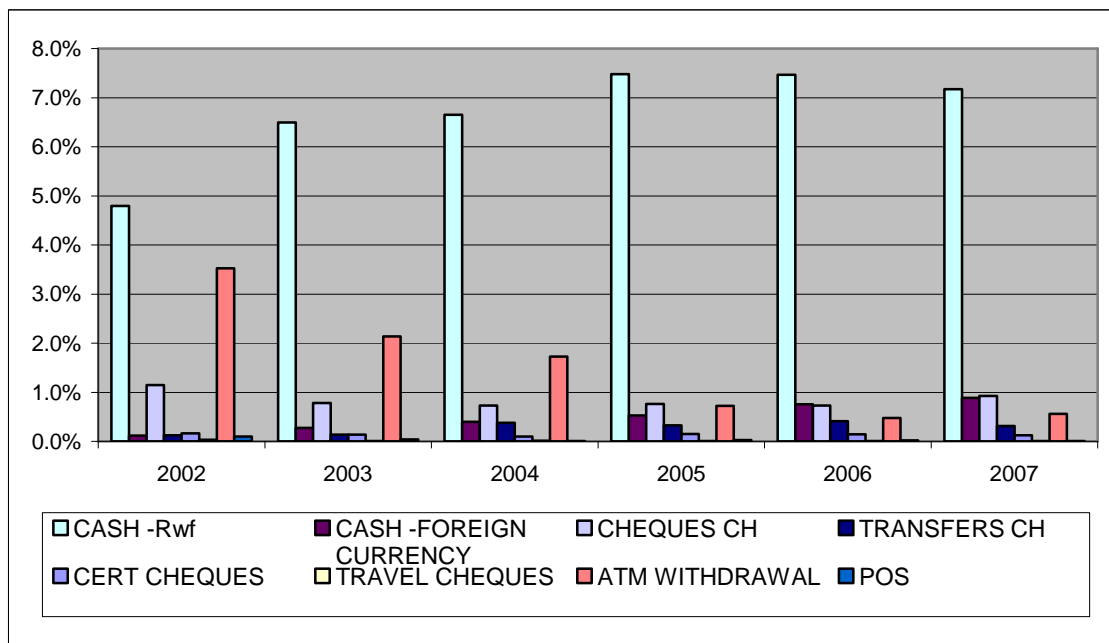
The year 2007 has been consecrated to the continuation of the projected programmes that were not finished in the year 2006, and to the launching of other planned actions in the national programme of the payment system modernisation. Thus, the realisations of 2007 are focused on continuation of the implementation of recommendations contained in the document on stocktaking study of National System of Payments, execution of daily activities of the service, the development of settlement system real time "RTGS" (Real Time Gross Settlement) and finally the participation in activities organised by Swift.

Table N° 15: Payment instruments in terms of volume from 2002 to 2007(in %)

Instrument	2002	2003	2004	2005	2006	2007
CASH -Rwf	48.0%	64.9%	66.5%	74.8%	74.7%	71.7%
CASH -FOREIGN CURRENCY	1.2%	2.8%	4.0%	5.3%	7.6%	8.8%
CHEQUES CH	11.5%	7.8%	7.3%	7.6%	7.3%	9.3%
TRANSFERS CH	1.2%	1.4%	3.8%	3.3%	4.1%	3.1%
CERT CHEQUES	1.6%	1.3%	1.0%	1.5%	1.4%	1.3%
TRAVEL CHEQUES	0.3%	0.1%	0.1%	0.1%	0.1%	0.1%
ATM WITHDRAWAL	35.2%	21.4%	17.3%	7.2%	4.8%	5.6%
POS	1.0%	0.4%	0.1%	0.3%	0.2%	0.1%

Source: NBR, Payment system

Chart n° 10: Payment instruments in terms of volume from 2002 to 2007(in %)



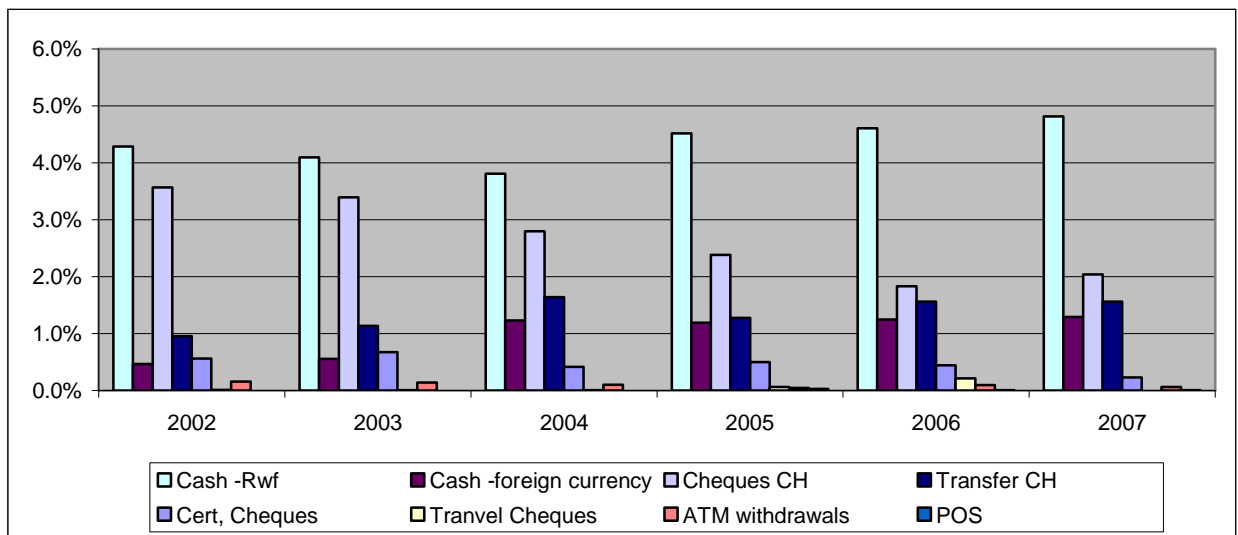
In terms of volume, cash still holds a dominant position in overall of payment instruments used in Rwanda, all other payment instruments are used in percentage below 10% but with a slight increase of utilisation during the three latest years. However, the use of payment cards via ATMs and sale point remains low (4.8%) in 2006 and 5.6% in 2007.

Table n° 16: Payment instruments in terms of value from 2002 to 2007 (in %)

Instrument	2002	2003	2004	2005	2006	2007
Cash -Rwf	42.9%	41.0%	38.1%	45.2%	46.1%	48.1%
Cash -foreign currency	4.6%	5.6%	12.3%	11.9%	12.5%	12.9%
Cheques CH	35.7%	33.9%	28.0%	23.8%	18.3%	20.4%
Transfer CH	9.6%	11.3%	16.4%	12.8%	15.6%	15.6%
Certified Cheques	5.6%	6.8%	4.1%	5.0%	4.4%	2.3%
Travel Cheques	0.1%	0.0%	0.1%	0.6%	2.2%	0.0%
ATM withdrawals	1.6%	1.4%	1.0%	0.5%	1.0%	0.6%
POS	0.0%	0.0%	0.0%	0.3%	0.0%	0.0%

Source: NBR, Payment system

Chart n° 11: Payment instruments in terms of value from 2002 to 2007 (in %)



In terms of value the cash still holding the first position and the use of payment on account (cheque and transfer under clearing) comes in second position with 36% of total in 2007; the use of payment cards still marginal, reaching 1% in 2006 and 0.6% in 2007.

It is noted that the POS/ATMs payments instruments which generally counterbalance the cash are underused and this in spite of top software used by SIMTEL. Nevertheless, one can consider that with new dynamics in prospect in SMTEL, the use of cash will be reduced in profit of card and other transactions of payment on account.

Concerning the continuation of implementation of recommendations contained in the stocktaking study document of National System of Payment, the service, in collaboration with banks, approved service companies and SIMTEL, the proposition of IBCTI Consultant for the implementation of API project "connection of banks to service companies".

CHAPTER VIII: Way Forward

Within the context of the Rwandan financial sector development, short term and long term actions shall be developed. As far as the bank supervision is concerned, these actions are meant to improve bank competition basing on the reform that the Union of Popular Banks of Rwanda (UBPR) is currently undergoing, the leasing law revision, and the establishment of a credit bureau as well as the strengthening of the Rwandan Development Bank (BRD) The latter aims at long term resources mobilization and agriculture sector credit development. The restructuring of the Housing bank (BHR) will allow itself to better accomplish its mission of real estates' financing. Other future prospects include also the following:

8.1 Legal and regulatory framework strengthening

After the Financial Sector Assessment done by the joint mission comprised by IMF-World Bank (FSAP mission), the first notice was to urgently strengthen the financial sector legal and regulatory framework. In this regard, the year 2007 was devoted to the revision of related legal documents. This started by the Central Bank status and was followed by two laws: one for banking activities and another for micro-finance institutions. Concerning the banking act, priorities shall be put on the following regulations:

- Large commitments and loans to a bank affiliated parties;
- Bank good governance ;
- Minimum share capital and solvency ratio requirement ;
- Bank licensing ;
- Loan management ;
- Net exchange position ;
- Consolidated supervision.

8.2 Risks concentration

According to the regulation in force, the notion of risks concentration is dealt with insufficiently in terms of risk definition when it comes to assess the level of risk associated with a credit. First, the bank has to deduct guaranties allowed by the Central Bank from the total amount of credit. The allowed credit compared to the net equity capital has to comply with the following ratios:

- 25% for ordinary clients,
- 5% for the bank insiders.

The current regulation allows shareholders and managers a 5% credit limit of net equity capital. This figure does not, however, constitute any constraint; all depends on acceptable collaterals held by the credit demander which may increase its level of credit.

Therefore, by considering the level gross credit, bank shareholders and managers shall have less credit compared to the current situation. A large commitment shall be understood as a credit that is bigger than 10% of the net equity capital and shall be subjected to a close monitoring and a total volume limitation with regard to banking capabilities.

8.3 Good governance in banks

The role of Boards of Directors of banks will be well defined by separating the missions of members of Board of Directors and that of the top management. The particular emphasis will be on different committees of board of directors about which the most important is audit committee. A code of conduct for bank managers will be also included in regulation on good governance. Those aspects will be exceptionally verified at the time of on -site examination missions.

8.4 Capitalization of banks

At that moment, the regulation of Rwandan banks did not allow supplementary equity capital. The future regulation will introduce this kind of capital which will help banking financial institutions to increase their equity capital by including these supplementary elements. These funds will be limited to 100% of initial capital and will be regulated by particular regulatory measures.

Furthermore, banks should have all the time the initial net equity capital above or equal to the minimum paid-in capital.

Concerning microfinance banks, with the exception of risks division norms that will be specific in constraining this category of banks in really dealing with microfinance and limitation related to some operations, including the international trade. Other management rules will be similar to those of the classic banks.

8.5 Exchange risk management

The net foreign exchange position is currently calculated by subtracting the total liabilities, all foreign currencies converted in Rwf from overall currency deposits expressed in Rwf. The verification consisted to make sure that this difference over the equity capital remains set between -20% and +20%. In order to avoid dangerous arbitration between currencies the regulation to come will correct this gap by requesting banks to calculate the net position of exchange by currency.

8.6 Consolidated supervision

Rwanda made tremendous progress last year in terms of investment either internally or through foreign direct investment. In this way, the banking sector is becoming more and more attractive for foreign investors. The recent example was the privatisation of two banks, BCR and BACAR. Therefore, other manifestations of interest in this sector were registered at the Central Bank. Some banks will be probably subsidiaries or branches of

international banks that will require the bank to have an overall view of the network extension up to Rwanda.

Basel Committee published a framework for cooperation between supervisors in order to enable them to have access to consolidated financial situation of each entity, headquarters and subsidiaries established in different countries. This coordinated oversight between supervisors is explained by a large cooperation called cross border supervision. To materialize this vision, a regulation that should govern this cooperation functioning and obligations of each supervisor will be established.

8.7 The cleaning of bank balance sheets

Non performing loans often weigh on balance sheets of banks and give a bad perception of the Rwandan banking sector performance comparatively to other countries. In this way, for example, loans which became non-performing since the end of the 1994 war and genocide still are appearing nowadays on balance sheets of banks. A regulation requesting banks to write off non -performing loans has been prepared in 2007.

8.8 Regulation of the Microfinance sector

After adopting the policy on microfinance sector the National Bank of Rwanda submitted to entitled authorities a bill in 2007 that shall regulate the activities of this sector. This bill shall be going with a regulation indicating different prudential norms which should be respected as well as other regulatory aspects. This regulation is pending to be adopted and promulgated.

8.9 The improvement of the Rwandan financial sector health

8.9.1 The strengthening of equity capital

The National Bank of Rwanda will have to make sure that all commercial banks are well capitalized. It will be the same for microfinance institutions having a legal status of Public Limited Company (SA), which capital has been put in the same time at 300 million Rwf following the level of 100 million Rwf.

8.9.2 Reinforcement of banks and financial institutions control

The strengthening of on-site and off-site examinations shall continue with the development of risk based supervision tools. The new regulation will help to ensure also that the internal control function in banks is efficient.

The Data Centre will be improved in order to tend towards a true instrument of off- site control. This improvement will be coupled with the implementation of an automated software of electronic transmission of financial data from financial institutions.

8.9.3 Stimulation of innovation in the financial sector

Following the privatization of banks where the Government was the major shareholder, international banks begin to invest in Rwanda. For instance, thanks to two new banks, the leasing is now operational and facilitates assets financing of economic operators. Banks are invited to take an interest in other sectors such as agriculture or all other high value adding activity.

8.9.4 Stabilization of the microfinance sector

It is expected a long term program implementation for the microfinance sector development about which the policy document on microfinance adopted at the end of 2006 is a corner-stone. In this document, the first importance is given to the role of local authorities in monitoring of the MFI sector. Local authorities have to ensure managers

integrity because the experience has shown that people without integrity are the source of bad governance of financial institutions in bankrupt or having other problems.

Institutions whose viability is not assured shall be encouraged to merge or to be purchased by other more sound MFIs or to start the process of self-liquidation.

It was noticed that some cooperatives of saving and credits unions present weaknesses at organizational level. The stabilization work will then concern also these unions. At the beginning, they will be pushed to give up the place to the light structures having as main task to help member cooperatives to obtain legal status and set right their financial situation.

APPENDICES

APPENDIX I: LICENSED BANKS AND BRANCHES IN RWANDA

BANK OF KIGALI (B.K)

Office address: 63, Avenue du commerce, P.O Box: 175 KIGALI

Tel.: 576931/5, Telex: 22714 KGL BANK

Fax: 573461 - 575504 Swift: BKIGRWRW

E-mail : bkig10@rwanda1.com

<u>Shareholders:</u>	Government of Rwanda:	(66.33%)
	Social Security Fund of Rwanda :	(33.66%)
	PRIME HOLDING:	(0.002%),
	OCIR Café	(0.002%),
	OCIR Thé	(0.002%),
	ONP:	(0.002%),
	RAMA:	(0.002%)

Board of Directors:	M. Manassé TWAHIRWA	Chairman
	M. Henry GAPERI	Member
	M. François NKURIKIYMFUURA	Member
	M. Richard MUGISHA	Member
	M. JMV MULINDABIGWI	Member

Management	M. GATERA James, Managing Director
	M. Louis RUGERINYANGE, Administrative Division
	M. Adolphe NGUNGA, Commercial Division
	M. Cisko KANYANDEKWE, Finance Division
	M. Désiré MUSONI, Operations Division
	M. SAFARI Jacques, Organisation & Informatics Division
	Mme Monique NYIRAMUGWERA, Credit Division

External Auditors : DELOITTE & TOUCHE
Type of Bank : Commercial Bank
BK undertakes international business
Branch offices : 7 (Kacyiru ; Butare ; Gisenyi ; Ruhengeri ; Rwamagana ;
Gitarama ; Cyangugu)
Date of establishment : December 24, 1966
Personnel : 260

External auditors : Deloitte & Touche
Type of bank : Commercial Bank
BCR undertakes international business
Branch offices : 7 (Butare; Gisenyi; Byumba; Ruhengeri ;Cyangugu ;
Novotel Kacyiru)
Date of establishment : April 9, 1963
Personnel : 187

ECOBANK RWANDA SA(ex Bank of Commerce, Development and Industry-BCDI)

Office Address : Plot Number 314, Avenue de la Paix, P.O. Box 3268, Kigali

Tel: 503580-88

Fax: 501319

Swift: BCDIRRW *

Email - ecobankrw@ecobank.com

*The Swift address will be changed to ECOCRRW on 02/02/2008

Shareholders:

N°	Names	Number of shares	Amount	Percentage
1	ECOBANK TRANSNATIONAL INC.	35235	3.523.500.000	90.00%
2	ALFRED G. KALISA	1229	122893023	3.14%
3	EGIDE GATERA	719	71880893	1.84%
4	TRI STAR INVESTMENTS	539	53911570	1.38%
5	LEONARD HABİYAKARE	287	28695449	0.73%
6	JEAN BOSCO RUSAGARA	216	21571111	0.55%
7	SAMEER GROUP INVESTMENT	180	17969323	0.46%
8	JEAN BAPTISTE MUTANGANA	171	17068876	0.44%
9	CALLIXTE KAJANGWE	132	13164537	0.34%
10	JEAN PIERRE GATERA	108	10765746	0.27%
11	LONGIN RUMONGI	90	8964852	0.23%
12	SILIDON NKULIKIYIMFURA	67	6656105	0.17%
13	SUCCESSION J.D. BAKOMEJE	60	5950155	0.15%
14	MANASSÉ SIMBA	54	5402683	0.14%
15	HILDEGARDE MUKANDEREYE	48	4804786	0.12%
16	ALFRED B. MUTEBWA	18	1800894	0.05%
TOTAL			3915000000	100.00%

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Board of Directors	: Mr. Ephraim TURAHIRWA, Chairman Mr. Albert ESSIEN, Vice-Chairman Mr. Patrick UWIZEYE, Member Daniel SACKKEY, Member
Management	: Daniel SACKKEY, Managing Director Peace UWASE, Financial Controller Clement DODOO, Country Risk Manager Janvier SEBUNUMA, Head Operations Yves RUTAYISIRE, Head Wholesale Banking Joseph NTAMBARA, Head, Branches and Channels Patrick MASUMBUKO, Head Corporate Affairs Justine KAMPORORO, Head Information Technology Emmanuel MURAGIJIMANA, Head Legal and Company Secretary
External auditors	: KPMG, Nairobi- Kenya
Type of Bank	: Commercial Bank The bank also undertakes international business
Branch offices	: 10 (AgenceVille ;Kacyiru ;Butare ;Gitarama ;Gisenyi ; Ruhengeri ; Cyangugu ; Gikongoro ; Nyagatare
Date of establishment	: May 20, 1995
Personnel	: 182

FINABANK RWANDA (Ex-Banque Continentale Africaine S.A (BACAR))

Office address 20 Boulevard de la Révolution, PO Box 331 Kigali
Tel: 574456/8 Telex : 22544
Fax: 573486 Swift: BARWRWRW
E-mail: info@finabank.co.rw

Shareholders	: FINA GROUP HOLDINGS LTD, Mauritius	55.7%
	Finabank Ltd	24.2%
	Enterprise Banking Group	12.1%
	Government of Rwanda	8.0%

Board of Directors : M. Robert BINYON, Chairman
M. Stephen CALEY, Member
M. Dhanji CHANDARIA, Member
M. Célestin KAYITARE, Member
M. Faustin MUKURALINDA, Member
M. Hanish CHANDARIA, Member
M. Frank GRIFFITHS, Member
M. Kenneth AGABA, Member

Management : M. Stephen CALEY, Managing Director
M. Kenneth AGABA, Head of Business Banking
M. J.Pierre MAKELELE, Head of Inspection&Audit
M. Aimable MUMARARUNGU, Head of Credit Risk
Mme Odette RWUBUZIZI, Head of Human
Resource
M. Gordon PEATTIE: Head of Operations
Ms Sigrid BRUSA : Head of Project

External auditors : Deloitte & Touche

Type of bank : Commercial Bank
Fina Bank Rwanda undertakes international business

Branch offices : 5 (Branch HQ; Remera; Kibungo; Ruhengeri; Kibuye)

Date of establishment : March 31, 1983

Personnel : 134

BANCOR S.A

Office address	3 rd floor UTC Building Avenue de la Paix P. O Box. 2059 Kigali Tel: 500090/91/94-95 Telex: 22735 Fax: 572501/575761 E-mail : bancor@rwanda.com
Shareholders	: M. Tribert RUJUGIRO AYABATWA (48%) M. Nicholas WATSON (36%) M. Paul NKWAYA (2.5%) M. Ronald Belford CROSSLAND (11%) M. MUTAMBUKA (2.5%)
Board of Directors	: M. Nicholas WATSON, Chairman M. Ronald Belford CROSSLAND, Member M. Tribert RUJUGIRO AYABATWA, Member M. Théoneste MUTAMBUKA, Member M. Paul NKWAYA, Member
Management	: M. Jean-Claude KARAYENZI, Managing Director M. Jacky KAYITESHONGA, Wholesale Director M. Gilbert RUGERAMANZI, Director Admin.& Finance. M. Etienne NTAGANDA, Directeur du crédit
External Auditors	: Deloitte & Touche
Type of bank	: Commercial Bank BANCOR undertakes international business
Branch office	: 3 (Gisenyi; Cyangugu; Nyabugogo)
Date of establishment	: May 20, 1995
Personnel	: 80

Compagnie Générale de Banque S.A (COGEBANQUE)

Office address: Avenue de la Paix :P.O Box 5230, Kigali
Tel: 597500, Telex : 22722
Fax : 503336 Swift : CGBKRWRW
E-mail : cogebank@rwandatel.rwanda1.com

Shareholders : 27 Rwandan Natural Persons (57.42%)
5 Rwandan legal entities (41.91%)
1 Foreign Natural Person (0.67%)

Board of Director : M. KAREKEZI J Marie, Chairman
M. l'Abbé INCIMATATA Oreste, Vice-Chairman
M. KATABARWA André, Member
M. MAKUZA Bertin, Member
Mme RUBANGURA Alphonsine (COGEAR), Member
M. MUGENGA Joseph, Member
M. NAYANDI Abraham, Member
M. GATERA Egide, Member
M. RUZINDANA Célestin, Member
M. l'Abbé RUTANGUSA Emmanuel, Member

Management : M. Bonaventure NIYIBIZI, Managing Director
M. Gaspard KAJANGWE, Central Manager
M. Gaspard BARATIMANA, Branches Manager
M. Flavien ISHIMWE, Credit Manager
M. Rachid MUREMANGINGO, Admin. & finance Manager
M. Léonard MANZI, IT Manager

External Auditors : DELOITTE & TOUCHE

Type of bank : Commercial bank

COGEBANK undertakes international business.

L

Branch offices (9) : Kigali city centre; Kigali Round about ;Nyabugogo; Remera;
Butare ; Cyangugu ; Ruhengeri ; Gisenyi ;Rwamagana)

Date of establishment : July 16, 1999

Personnel : 170

BANQUE DE L'HABITAT DU RWANDA (BHR) (ex CAISSE HYPOTHECAIRE DU RWANDA)

Offices address P.O Box. : 1034, Kigali
Tel. 576382/ 571747/573843
Fax : 572799
E-mail : bhr@rwanda1.com/ bhr1@rwanda1.com

Shareholders	: Social Security fund of Rwanda	35%
	Government of Rwanda	53%
	Rwandan Development Bank (BRD)	3.89%
	Rwandan Commercial Bank (BCR)	0.39%
	Magasins Généraux du Rwanda (MAGERWA)	1.55%
	Bank of Kigali (BK)	0.17%
	OCIR-THE	5%

Board of Directors : M. François RUTISHISHA, Chairman
M. NTAKIRUTIMANA Corneille, Member
M. RUGERINYANGE Louis , Member
M. RUMANYIKA Désiré, Member
Mme. NZAMUGURINKA Agnes ; Member
M. MUNYURANGABO Aimable ; Member
M. BENIMANA Louis ; Member

Management : M. NTAGANDA Gervais, Managing Director ;
M. NSHIMIYIMANA Evode ; Finance Manager
M. KAGUBARI J. Bosco ; Credit Manager

External Auditors : DELOITTE AND TOUCHE

Type of bank Specialised Bank in Housing
BHR is not engaged in international business.

Branch offices : 0

Date of establishment : May 29, 1975

Personnel : 50

Banque Rwandaise de Développement (BRD)

Office address : Avenue de la Révolution, P.O Box 1341, Kigali
Tel: 573558-575079-575080
Fax: 573569
E-mail: brd@brd.com.rw, dgbrd@rwanda1.com

Shareholders : Government of Rwanda (48.12%)
International Financial Institutions (33.75%)
Private Entities (10.49%)
Parastatals (7.64%)

Board of Directors : M. Henry GAPERI, Chairman a.i
M. Elam KARARA, Member
Mme Marie Claire MUKASINE, Member
M. José HABIMANA, Member
M. Théophile BAERT, Member

Management : M. Théogène TURATSINZE, Director General
M. Jack KAYONGA NKUSI, Deputy Director General and
Director of Investment
M. Désiré RUMANYIKA, Director of Administrative Affaires
M Lambert Emilien NYONI, Director of Finance
M. Prosper NYIRUMURINGA, Director of FOREDEM
M Emmanuel KARURANGA, Director of Credit and Risk
Management

Type of bank : Investment Bank
BRD has no international business

Branch offices : 2 branches in RUSIZI for Western Province and
MUSANZE Northern Province

Date of establishment : August 5, 1967
External Auditors : Deloitte & Touche
Personnel : 75

Union des Banques Populaires du Rwanda (UBPR)

Office address	32 Avenue de l'Armée, P.O Box 1348, Kigali Tel : 573559-573581-573563/4 Fax : 573579
Board of Directors	: M. SEBERA Jean Damascène, Chairman M. BUSHAYIJA François, 1 st Vice-chairman, KIBUYE Delegate M ^{me} MARENGO Jeanine, 2 nd Vice-chairman KIBUNGO Delegate M. KALIMA Gratien, Secretary, Delegate. KIGALI-NGALI M. HABYARIMANA Emmanuel, Delegate. GITARAMA M. MUBUMBYI Victor, Delegate CYANGUGU M. GATERA Laurent, Delegate BUTARE M. MUNANI Antoine Delegate KIBUYE M. NSEKUYE Léonard, Delegate GISENYI M. NGIRIMANA Denis, Delegate. RUHENGERI M. NDAHIRO Edouard, Delegate UMUTARA
Management	: M. ITANGISHAKA Bernard, Managing Director M. Vincent KAMANDA, Director of supervision M. Alphonse RUTAGENGWA, Director of Treasury M. MUREKEZI Dieudonné, Director of business development
Type of bank	: Saving and credit cooperative UBPR is not engaged in international business
Branches offices	: 128 affiliated banks
Date of establishment	: 1986
External Auditors	: AG & ASSOCIATES
Personnel	: 126

URWEGO OPPORTUNITY MICROFINANCE BANK (UOMB)

Office Address: Plot no 1230 Avenue de la Paix
P.O Box 748
Tel 08440757, 08300862, 08302209
[Website : www.opportunity.org](http://www.opportunity.org)

Management : Todd BROGDON, Managing Director
Ross Nathan, Chief Operations Officer (COO)
Melissa H WILLIAMS, Chief financial Officer (CFO)

Type of bank : Micro finance bank

Branch offices : 0

Central Bank Licensing & Merger approval with Urwego
Community Banking was issued on 12/04/2007

UOMB is not involved in international Business

APPENDIX II: FINANCIAL AND STATISTICAL INFORMATIONS ON BANKS

BALANCE SHEET

A. ASSETS	end 2 000	2 001	2 002	2 003	2 004	2 005	2 006	2 007
Cash(Domestic Notes & Coins)	2,185,358	3,026,644	2,673,327	2,325,238	2,853,275	11,578,016	3,742,460	5,269,887
Balances at Central Bank and other Banks	9,593,700	13,360,222	14,672,888	11,857,968	13,812,235	8,182,687	12,240,258	24,354,791
Placements(Including O/Night Lending)	30,153,366	32,001,746	35,690,843	47,892,803	25,668,417	52,149,224	63,215,263	26,307,910
Government Securities	5,116,293	5,254,413	12,763,172	17,875,645	26,133,988	32,159,733	42,141,683	58,752,074
Investments	290,083	250,401	298,854	517,118	622,675	1,173,028	799,547	1,099,895
Local Currency Advances(gross)	72,288,288	78,727,233	87,746,169	96,154,845	101,810,638	125,191,968	155,020,995	189,461,796
Foreign Currency Advances (gross)	66,082	16,359	100,220	24,258	418,319	43,617	553,984	853,959
<i>Total Advances(gross)</i>	<i>72,354,370</i>	<i>78,743,592</i>	<i>87,846,389</i>	<i>96,179,103</i>	<i>102,228,957</i>	<i>125,235,585</i>	<i>155,574,979</i>	<i>190,315,755</i>
Less: Provisions for Bad Debts	-11,607,404	-12,125,313	-21,008,458	-21,731,192	-27,093,333	-33,434,575	-35,448,230	-32,545,943
<i>Advances (net)</i>	<i>60,746,966</i>	<i>66,618,279</i>	<i>66,837,931</i>	<i>74,447,911</i>	<i>75,135,624</i>	<i>91,801,010</i>	<i>120,126,749</i>	<i>157,769,812</i>
Other foreign Assets	3,671,667	3,053,900	4,160,969	4,951,977	28,767,752	4,877,423	29,753,774	79,314,804
Fixed Assets (net)	6,211,213	6,589,142	7,225,490	7,025,362	11,724,118	15,105,687	16,251,268	16,883,505
Other Assets	3,638,892	4,260,730	4,170,592	5,387,784	7,456,414	4,246,263	5,412,195	10,322,113
TOTAL ASSETS	121,607,538	134,415,477	148,494,066	172,281,806	192,174,498	221,273,071	293,683,197	380,074,791
B. LIABILITIES								
Local currency Deposits (Including Interbank Borrowing)	57,226,672	78,623,667	95,631,195	102,334,813	109,194,859	136,233,720	183,912,688	247,946,086
Foreign currency Deposits (Including Interbank Borrowing)	38,569,496	30,986,788	36,742,977	50,893,396	53,193,277	52,326,129	70,899,879	83,171,222
Accrued Interest	752,393	657,394	1,096,232	1,506,829	683,343	383,601	966,211	410,161
Other Foreign Liabilities	652,339	922,109	1,132,232	1,346,175	1,764,024	2,966,830	339,069	853,431
Other Liabilities	13,869,420	10,561,883	11,239,355	11,098,004	10,516,089	8,561,760	10,349,795	12,450,191
16. TOTAL LIABILITIES	111,070,320	121,751,841	145,841,991	167,179,217	175,351,592	200,472,040	266,467,642	344,831,091
17. NET ASSETS/LIABILITIES								
C. CAPITAL & RESERVES								
Paid up/Assigned Capital	7,633,515	9,113,191	9,614,994	10,613,094	11,997,458	12,491,134	13,900,970	25,557,858
Shareholders' Loans								90,000
Revaluation Reserves	477,927	507,656	490,244	512,516	8,762	146,193	121,785	4,834,098
Other Reserves	2,063,699	3,328,015	3,778,207	3,961,246	3,565,951	6,028,183	7,031,215	4,027,010
Profit & Loss Account	362,077	-285,226	-11,231,370	-9,984,267	1,250,735	2,135,523	6,161,586	5,442,724
Less Additional Provisions Recommended								
24.TOTAL SHAREHOLDERS' FUNDS	10,537,218	12,663,636	2,652,075	5,102,589	16,822,906	20,801,033	27,215,556	39,951,690
TOTAL EQUITY & REABILITIES	121,607,538	134,415,477	148,494,066	172,281,806	192,174,498	221,273,073	293,683,198	384,782,781
OTHER ITEMS								
Contingent Liabilities(Off-Balance Sheet Items)	87,921,189	46,428,894	30,781,380	79,836,856	67,042,611	73,458,827	84,026,793	117,763,458

INCOME STATEMENT

INCOME	end 2 000	2 001	2 002	2 003	2 004	2 005	2 006	2 007
Interest on Advances	7,295,440	7,820,288	10,093,374	11,020,093	12,819,688	13,915,826	16,277,545	22,028,820
Interest on Placement	867,171	1,769,545	540,043	1,191,036	1,181,975	2,037,143	2,873,484	4,691,050
Dividend Income	5,621	364	6,250	0	35,876	39,025	39,840	71,826
Interest on Govt. Securities	424,408	408,744	466,360	843,740	1,443,760	2,101,715	2,672,553	2,227,740
Foreign Exchange Gain (Loss)	3,950,044	3,580,502	3,521,638	4,147,994	3,714,690	7,611,357	6,036,817	7,578,059
Other Interest Income	1,055,238	1,254,247	1,073,845	884,581	412,646	3,678,998	8,414,181	3,888,923
Other Income	3,012,855	4,068,194	4,713,675	6,063,665	8,220,596	6,009,822	1,088,232	7,828,912
TOTAL INCOME	16,610,777	18,901,884	20,415,185	24,151,109	27,829,231	35,393,886	37,402,652	48,315,330
EXPENSES								
Interest on Deposits	3,119,782	3,716,581	4,422,544	4,116,329	3,457,106	3,473,521	5,647,408	7,274,581
Other Interest Expenses	212,902	232,260	95,348	388,672	642,082	545,920	265,419	858,028
Occupancy Expenses	348,090	403,438	341,114	473,686	795,550	3,062,362	3,949,571	3,283,669
Director's Emoluments	2,811	3,557	2,668	3,099	0	0	0	405,195
Bad Debts Charge	563,916	2,760,614	9,795,565	2,100,118	2,669,725	5,098,351	2,699,043	9,267,303
Salaries and Wages	3,962,747	4,780,539	4,793,659	5,128,436	6,327,786	6,915,349	8,020,122	10,005,007
Other Expenses	4,871,953	5,569,665	9,694,022	6,620,216	8,418,811	11,498,062	7,399,897	7,678,115
TOTAL EXPENSES	13,082,201	17,466,654	29,144,920	18,830,556	22,311,060	30,593,565	27,981,460	38,771,898
PROFIT BEFORE TAXATION	3,528,576	1,435,230	-8,729,735	5,320,553	5,518,171	4,800,321	9,421,192	9,543,432
TAX	568,255	553,770	1,321,143	1,911,978	2,104,944	2,722,114	3,253,209	4,120,027
NET PROFIT	2,960,321	881,460	10,050,878	3,408,575	3,413,227	2,078,207	6,167,983	5,423,405

APPENDIX III: LIST OF LICENSED MICROFINANCE INSTITUTIONS AS AT 31/12/2007

N°	INSTITUTION	LEGAL STATUS	Final licensing(FL)	Temporarily licensing(TL)
1	ABADAHIGWA	SACCO	FL	
2	COMICOKA	SACCO	FL	
3	COPECYA	SACCO		TL
4	COOPEDU	SACCO	FL	
5	CSPKI	SACCO	FL	
6	EBENEZER UMUCYO	SACCO	FL	
7	INGASHYA	SACCO	FL	
8	INKUNGA	SACCO		TL
9	IRIBA	SACCO	FL	
10	COOPEC ITI (ISANDUKU TWIZAMURE IWACU)	SACCO	FL	
11	ISHEMA MULINDI	SACCO		TL
12	KOZIBI (KOPERATIVE ZIGAMA BICUMBI)	SACCO	FL	
13	TWITEZIMBERE	SACCO		TL
14	UBAKA	SACCO	FL	
15	URUKUNDO	SACCO	FL	
16	ZIGAMA Credit and Savings Scheme (CSS)	SACCO	FL	
17	GOSHEN	SACCO	FL	
18	COOJAD	SACCO	FL	
19	UMWALIMU SACCO	SACCO	FL (only for savings)	
20	CT NYAMAGABE	SACCO	FL	
21	CT RUSIZI	SACCO	FL	
22	CT NYANZA	SACCO	FL	
23	CT NYAMIRAMBO	SACCO	FL	
24	CT BYUMBA	SACCO	FL	
25	CT MUGAMBAZI	SACCO	FL	
26	CT MULINDI	SACCO	FL	
27	CT MURAMBI	SACCO	FL	
28	CT MUHANGA	SACCO	FL	
29	CT MUSANZE	SACCO	FL	
30	CAPEC NDAGO	SACCO	FL	
31	CAPEC NYAMAGABE	SACCO	FL	
32	CAPEC BWISHYURA	SACCO	FL	
33	CAPEC RUBENGERA	SACCO	FL	
34	CAPEC RANGO	SACCO	FL	
35	CLECAM WISIGARA GASEKE	SACCO	FL	
36	CLECAM WISIGARA KAYOVE	SACCO	FL	
37	CLECAM WISIGARA NYAMYUMBA	SACCO	FL	
38	CLECAM WISIGARA GISENYI	SACCO	FL	
39	CLECAM WISIGARA BIRUYI	SACCO	FL	

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N°	INSTITUTION	LEGAL STATUS	Final licensing(FL)	Temporarily licensing(TL)
40	CLECAM WISIGARA ZAMUKA	SACCO	FL	
41	CLECAM WISIGARA IZERE	SACCO	FL	
42	CLECAM WISIGARA IBAKWE	SACCO	FL	
43	CLECAM- EJOHEZA MUHANGA	SACCO	FL	
44	CLECAM- EJOHEZA KABAGALI	SACCO	FL	
45	CLECAM-EJOHEZA NDIZA	SACCO	FL	
46	CLECAM-EJOHEZA KAMONYI	SACCO	FL	
47	CLECAM-EJOHEZA RUHANGO	SACCO	FL	
48	CLECAM RUHENGERI Ville	SACCO		TL
49	CLECAM NYARUTOVU	SACCO		TL
50	CLECAM BUTARO	SACCO		TL
51	CLECAM BUKONYA	SACCO		TL
52	CLECAM NYAMUGALI	SACCO		TL
53	CMF GASHONGA	SACCO	FL	
54	CMF IMPALA	SACCO	FL	
55	CMF BUGARAMA	SACCO	FL	
56	CMF GATARE	SACCO	FL	
57	INZIRA BUGARAGARA	SACCO		TL
58	INZIRA KABARE	SACCO		TL
59	INZIRA RUSUMO	SACCO	FL	
60	INZIRA SAVE	SACCO	FL	
61	INZIRA Ville de BUTARE	SACCO	FL	
62	INZIRA VILLE DE KIBUNGO	SACCO	FL	
63	INZIRA Ville d'UMUTARA	SACCO	FL	
64	JYAMBERE BUKAMBA	SACCO	FL	
65	JYAMBERE YAOUNDE	SACCO	FL	
66	UMUTANGUHA GASARENDA	SACCO	FL	
67	UMUTANGUHA KABAYA	SACCO	FL	
68	UMUTANGUHA MAHOKO	SACCO	FL	
69	UMUTANGUHA NYAMIRAMBO	SACCO	FL	
70	UMUTANGUHA VUNGA	SACCO	FL	
71	CEA GISENYI	SACCO		TL
72	CEA RUHENGERI	SACCO		TL
73	BP BIRAMBO	SACCO	FL	
74	BP BUGARAMA	SACCO	FL	
75	BP BUHANDA	SACCO	FL	
76	BP BULINGA	SACCO	FL	
77	BP BUNGWE	SACCO	FL	
78	BP BUTARO	SACCO	FL	
79	BP BUYOGA	SACCO	FL	
80	BP CONGO NIL	SACCO	FL	
81	BP CYERU	SACCO	FL	
82	BP GAFUNZO	SACCO	FL	
83	BP GAHORORO	SACCO	FL	
84	BP GAKENKE	SACCO	FL	
85	BP GASHORA	SACCO	FL	

N°	INSTITUTION	LEGAL STATUS	Final licensing(FL)	Temporarily licensing(TL)
86	BP GATARE	SACCO	FL	
87	BP GIKONDO	SACCO		TL
88	BP GIKONKO	SACCO	FL	
89	BP GIKORO	SACCO	FL	
90	BP GISAGARA	SACCO	FL	
91	BP GISHAMVU	SACCO		TL
92	BP GISHOMA	SACCO	FL	
93	BP GISOVU	SACCO	FL	
94	BP GISUMA	SACCO	FL	
95	BP GITESI	SACCO	FL	
96	BP GITI	SACCO	FL	
97	BP HINDIRO	SACCO	FL	
98	BP KABARONDO	SACCO	FL	
99	BP KABARORE	SACCO	FL	
100	BP KABAYA	SACCO	FL	
101	BP KABUYE	SACCO	FL	
102	BP KACYIRU	SACCO	FL	
103	BP KADUHA	SACCO	FL	
104	BP KAGANO	SACCO	FL	
105	BP KAJEVUBA	SACCO	FL	
106	BP KAMEMBE	SACCO		TL
107	BP KANAMA	SACCO	FL	
108	BP KANSI	SACCO	FL	
109	BP KARAMA	SACCO	FL	
110	BP KAREMBO	SACCO	FL	
111	BP KARENTERA	SACCO	FL	
112	BP KAYENZI	SACCO	FL	
113	BP KAYONZA	SACCO	FL	
114	BP KAYOVE Duteraninkunga	SACCO	FL	
115	BP KIBALI	SACCO	FL	
116	BP KIBEHO	SACCO	FL	
117	BP KIBILIRA	SACCO	FL	
118	BP KIBOGORA	SACCO	FL	
119	BP KIBUNGO	SACCO	FL	
120	BP KICUKIRO	SACCO		TL
121	BP KIDAHO	SACCO	FL	
122	BP KIGALI	SACCO	FL	
123	BP KIGEMBE	SACCO	FL	
124	BP KIGOMA	SACCO	FL	
125	BP KIGOMBE	SACCO	FL	
126	BP KINAZI	SACCO	FL	
127	BP KINIGI	SACCO	FL	
128	BP KINIHIRA	SACCO	FL	
129	BP KINYAMI	SACCO	FL	
130	BP KIVUMU	SACCO	FL	
131	BP KIYAGA	SACCO	FL	

N°	INSTITUTION	LEGAL STATUS	Final licensing(FL)	Temporarily licensing(TL)
132	BP KORA	SACCO	FL	
133	BP MARABA	SACCO	FL	
134	BP MASAKA	SACCO	FL	
135	BP MATIMBA	SACCO	FL	
136	BP MBAZI	SACCO	FL	
137	BP MIGINA	SACCO	FL	
138	BP MUBUGA	SACCO	FL	
139	BP MUDASOMWA	SACCO	FL	
140	BP MUGINA WA JENDA	SACCO	FL	
141	BP MUHAZI	SACCO		TL
142	BP MUHIMA	SACCO	FL	
143	BP MUHURA	SACCO	FL	
144	BP MUKINGI	SACCO	FL	
145	BP MUNZANGA	SACCO	FL	
146	BP MUREHE	SACCO	FL	
147	BP MURUNDA	SACCO	FL	
148	BP MUSAMBIRA	SACCO		TL
149	BP MUSANGE	SACCO		TL
150	BP MUSASA	SACCO	FL	
151	BP MUSEBEYA	SACCO	FL	
152	BP MUSHUBATI	SACCO	FL	
153	BP MUTENDELI	SACCO	FL	
154	BP MUTOBO	SACCO	FL	
155	BP MUTUMBA	SACCO		TL
156	BP MUTURA	SACCO	FL	
157	BP MUYUMBU	SACCO	FL	
158	BP NDERA	SACCO	FL	
159	BP NDUSU	SACCO	FL	
160	BP NGARAMA	SACCO	FL	
161	BP NGENDA	SACCO		TL
162	BP NGOMA	SACCO	FL	
163	BP NSHILI	SACCO	FL	
164	BP NTYAZO	SACCO	FL	
165	BP NYABIKENKE	SACCO	FL	
166	BP NYAGATARE	SACCO	FL	
167	BP NYAKABANDA	SACCO	FL	
168	BP NYAKABUYE	SACCO	FL	
169	BP NYAMABUYE	SACCO	FL	
170	BP NYAMAGABE	SACCO	FL	
171	BP NYAMATA	SACCO	FL	
172	BP NYAMIRAMBO	SACCO	FL	
173	BP NYAMUGALI	SACCO	FL	
174	BP NYAMURE	SACCO	FL	
175	BP NYAMYUMBA	SACCO	FL	
176	BP NYANZA	SACCO	FL	
177	BP NYARUTOVU	SACCO	FL	

N°	INSTITUTION	LEGAL STATUS	Final licensing(FL)	Temporarily licensing(TL)
178	BPPF	SACCO	FL	
179	BP RAMBURA	SACCO	FL	
180	BP REMERA	SACCO	FL	
181	BP RUBAVU	SACCO	FL	
182	BP RUBAYA	SACCO	FL	
183	BP RUBENGERA	SACCO	FL	
184	BP RUHONDO	SACCO	FL	
185	BP RUKARA	SACCO	FL	
186	BP RUKIRA	SACCO	FL	
187	BP RUKOMO	SACCO	FL	
188	BP RUKONDO	SACCO	FL	
189	BP RULINDO	SACCO	FL	
190	BP RUNDA-TABA	SACCO	FL	
191	BP RUSATIRA	SACCO	FL	
192	BP RUSHASHI	SACCO	FL	
193	BP RUSUMO	SACCO	FL	
194	BP RUTARE	SACCO	FL	
195	BP RWAMAGANA	SACCO	FL	
196	BP RWAMATAMU	SACCO	FL	
197	BP RWERERE	SACCO	FL	
198	BP SAKE	SACCO		TL
199	BP SHYORONGI	SACCO	FL	
200	BP TAMBWE	SACCO	FL	
201	AMASEZERANO COMMUNITY BANKING SA	PLC (SA)	FL	
202	ASEC SA (ACTIONS SOLIDAIRES POUR L'ÉPARGNE ET LE CRÉDIT)	PLC	FL	
203	CAF ISONGA	PLC	FL	
204	CFE AGASEKE S.A	PLC	FL	
205	DUTERIMBERE IMF S.A.	PLC	FL	
206	IMF- UNGUKA SA	PLC	FL	
207	INKINGI Micro finance SA	PLC		TL
208	MICROFINANCE AL-HALAAL	PLC	FL	
209	RIM SA	PLC	FL	
210	SWOFT SA	PLC	FL	
211	URUNANA MICRO-FINANCE SA	PLC	FL	
212	Vision Finance Company S.A.	PLC	FL	
213	RWANDA Micro Finance S.A.R.L.	PLC (SARL°)	FL	

NB : Since January 2008 « BP » are no longer a part of SACCO. From this date the Popular Banks Union have been licensed and then converted into commercial bank with name of : « Banque Populaire du Rwanda SA (BPR SA) »

APPENDIX IV : MICROFINANCE INSTITUTIONS FINANCIAL AND STATISTICAL INFORMATION AS AT 31/12/2006³

Number of MFIs:	223
Number of members(for SACCOs):	1 464 811
Number of clients (for SA SARL) :	108 799
<u>Total Assets:</u>	97 248 420 690
Cash:	2 560 096 340
Demand deposits	4 142 154 705
Time deposits:	3 233 809 212
Treasury bonds:	5 452 392 642
Others:	905 508 575
<u>Risk situation</u>	
Outstanding credits	60 830 704 818
Bad debts for 30 to 89 days:	1 872 307 102
Bad debts for 90 to 179 days:	1 221 317 608
Bad debts for 180 to 364 days:	1 296 174 115
Bad debts for more than one year	462 434 438
<u>Gross total credits</u>	68 216 060 149
Provision for bad debts (built-up)	4 301 248 053
<u>Credits by activity sector:</u>	63 392 949 171
Agriculture, livestock, fishing:(balance)	11 728 569 322
Number of Debtors : Natural persons:	15 889
Number of Debtors : Legal entities or groups:	1 425
Number of Debtors from legal entities or groups	42 634
Total number of people concerned in credits:	60 211
Public Works, buildings, housing:(balance)	22 807 784 941
Number of Debtors : Natural persons :	16 215
Number of Debtors : Legal entities or groups:	323
Number of Debtors from legal entities or groups:	12 870

³ As 2007 data are not yet available, the current data are as at 31/12/2006

Number of people concerned in credits:	30 937
Trade, Restaurants, Hotels:(Balance)	13 705 779 703
Number of Debtors : Natural persons:	12 312
Number of Debtors : Legal entities or groups:	1 072
Number of Debtors from legal entities or groups	11 321
Number of people concerned in credits	36 066
Transportation, warehouse, Communication: (Balance)	3 469 980 287
Number of Debtors : : Natural Persons:	2 420
Number of Debtors : Legal entities or groups:	71
Number of Debtors from Legal entities or groups:	1 091
Total number of people concerned in credits:	3 739
Others: (Balance)	11 680 834 918
Number of Debtors : Natural Persons:	32 662
Number of Debtors : Legal entities or groups:	4 489
Number of Debtors from legal entities:	87 700
Total number of people concerned in credits:	122 964
Total Number of credits concerned in credits:	252 755
Outstanding Credit volume granted to managers:	184 412 563
Outstanding credit volume granted to employees:	586 075 067
Net fixed assets:	5 703 034 847
Other Assets:	12 644 839 876
<u>Total Deposits:</u>	67 923 002 856
Demand Deposits	52 777 182 058
Time Deposits:	14 595 537 952
Others:	550 282 846
Liability subsidies :	291 691 059
Borrowings	1 196 704 590
Other liabilities	10 172 011 617
<u>Equity capital:</u>	17 418 173 464
Share capital	4 315 778 328
Reserves	4 091 890 524

Retained earnings	254 772 354
Equity capital subsidies	7 027 154 845
Net earnings	1 728 577 413
Interest income	9 729 719 408
Provision adjustments of bad debts	1 139 690 669
Other income	3 949 309 067
Provision for bad debts	3 934 729 270
Employee salaries	3 966 423 006
Other operating expenses	5 944 886 878
Received subsidies	183 823 084

APPENDIX V: BANK LICENSED EXTERNAL AUDITORS AS AT 31/12/2007

	Names	Address
1	AG & ASSOCIATES	Avenue de la justice, n°1418 P.O Box. : 1902 Kigali/Rwanda Tels. : 51 40 51/08 30 08 32 Fax : 51 40 51
2	ALLIANCE ASSOCIATES CHARTERED ACCOUNTANTS	Suite 4001, St James Court, Port Louis, Mauritius Tel. : +230 213 9600 Fax : +230 211 7062 E-mail : ssesungkur@alliance.mu info@alliance.mu Web site : www.alliance.mu
3	BDO De Chazal Du Mée Chartered Accountant	Po.Box: 799 10, Frère Felix de Valois street Port Louis - Mauritius Tel. : + 230 202 3000/ +230 202 9762 Fax : + 230 202 993 Website : www.dcdm.biz
4	DELOITTE & TOUCHE Belgium	Berkenlaan 8b B-1831 Brussels-Diegem Belgium Tel.: +32 2 800 20 00 Ligne directe: + 32 2 8002126 Fax : +32 2 800 20 04 E-mail : podent@deloitte.com dtafr@yahoo.fr
5	DELOITTE & TOUCHE Rwanda	Boulevard de l'Umuganda P.O BOX. : 1902 Kigali Tel. : 08 30 08 32 Fax : 57 11 87 E-mail : deloittekw@yahoo.fr Web site: http://www.deloitte.com
6	ERNST & YOUNG KENYA	RE TOWERS UPPERHILL OFF RAGATI ROAD P.O. BOX 44286, NAIROBI 00100 NAIROBI GPO KENYA FAX : + 254 2 716271 ; TEL : + 254 27 716271 E-mail : info@ey.co.ke ; Website : www.ey.co.ke
7	ERNST & YOUNG Rwanda Certified Public Accountants	Rugigana-House Avenue de la Paix P.O Box 3638 - KIGALI RWANDA Tel : 250 72528 FAX : 250 72557 E-mail : ey@rwanda1.com

	Names	Address
8	GRANT THORNTON	5 th floor, Orchid Tower 20, William Newton street Port Louis Republic of Mauritius Tels : +230 212 9477-87 ;+ 230 210 7255 Fax : + 230 212 9973 ; + 230 210 1378 E-mail : sattar@bow.intnet.mu rthacoor@intnet.mu iha@africaonline.co.ke
9	KLSA PANNEL KERR FORESTER	Plot 37, Yusuf Lule Road Po. Box: 24544 Kampala - Uganda Tel.: + 256 41 34 15 23/5 Fax : +256 41 25 13 70 E-mail : pkfkam@klsa.net Website : www.klsa.net
10	KPMG PEAT MARWICK KENYA	1 st floor, Jubilee Insurance Exchange Mama Ngina Street Po. Box: 40612 Nairobi /Kenya Tel.: + 254 2 222862 Fax : + 254 2 215695 E-mail : dpowell@kpmg.co.ke
11	KPS Associates	3rd floor, Chadel Builing Avenue des Mille Collines Kigali/Rwanda
12	TCHEM & ASSOCIATES	P.O Box . 640 KIGALI-RWANDA TEL : 504294 FAX : 573749 REF. 010/2007-231/MRA du 06/03/2007

APPENDIX VI: LICENSED AUDITORS FOR MICROFINANCE INSTITUTIONS AS AT 31/12/2007

	Name	Address
1	AFRICAN CONSULTANT TEAM (A.C. Team)	P.O Box. 1600 KIGALI
2	AKILIMALI Joseph	Secrétariat de Privatisation P. O Box. 4731 KIGALI TEL : 08510534
3	BAKAREKE B. Mathias	P O Box. 605 KIGALI Tel: 08452276 mbakareke@brd.com.rw
4	BAYINGANA MUKAMA Justin	P.O Box 3900 Kigali. Tel. 088 30421 Bayinganajustin@yahoo.fr
5	BISERUKA Donatien	P O Box. 3317 KIGALI Tel 08307161
6	BUREGEYA Pascal	P. O Box 2280 KIGALI Tel : 08303716
7	Cabinet Multi Services (CAMUS) C/O Me NTAGANDA Bernard	Rue de Lac BURERA, Albert Building /3 rd floor Tel 08618143 E-mail : ntaganda@yahoo.fr
8	Cabinet RUMA Certified Chartered Accountants	RUMA CPA P.O Box. 2611 KIGALI Tels : 08301220-578416 ruma@rwanda1.com
9	CYITERETSEMAREMBO Hubert	Tel : 08617202
10	GAHUNDE Olivier	Tell. 0830 77 63
11	KARARA Charles	P.O Box 3242 KIGALI Tel : 08301664 charkara@yahoo.fr
12	KIMANUKA Pierre	P.O Box. 4175 KIGALI Tel : 08304882 sagitkim@yahoo.fr
13	KWITEGETSE Siméon	Tel. 0847 94 58; simeonkw@yahoo.fr P. O Box .1020 KIGALI

	Name	Address
14	MBARUBUKEYE Xavier	P.O Box 4946 Kigali. Tels. 57 42 51, 0830 0273 mbaruxavier@yahoo.fr
15	MPORANYIMANA Félicien	Tel. : 0853 6217 Fax : 540309
16	MUBUMBYI Joseph William	P.O Box 1032 Kigali. Tel.0859 0745. jomubumbyi@yahoo.fr
17	MUNYAKAZI Makombe Gaëtan	P. O Box 615 KIGALI Tel : 08521247
18	NDAKENGERWA G. Aimable	Tel : 08307976 KIGALI
19	NDUWUMWE François	P.O Box 343 KIGALI Tel : 08307038
20	NIYIBIZI Ange	B.P. 2965 KIGALI Tel : 08525172 niyuwase@yahho.fr
21	NKUNDUWEMERA Marc	P.O Box. 863 KIGALI Tel. 08519966 nkundamarc@yaho.fr
22	NSABIMANA Venuste	P.O Box. 951 KIGALI Tel : 08513060 venunsabimana@yahoo.fr
23	NSHIMIYIMANA Laguerre	Tels : 05100467/08351188
24	NYIRINKINDI RUGIGANA Gérard	P. O Box. 6894 KIGALI Tel.: 0850 07 61
25	RUBAYI L Songa	P.O Box 6267 KIGALI Tel : 08502510
26	RUSANGANWA Aloys	CEGEAC s.a.r.l. P.O Box 4914 Kigali. Tels. 0853 5971, 58 20 91(H), 570140 (B) arusanganwa@yahoo.fr
27	RUZIGANDE Jean Damascène	P.O Box. 2280 KIGALI Tel : 0524932

	Name	Address
28	SEBUDANDI Anastase	B.P. 7290 KACYIRU TEL : 08308510-589798/ 08520195 adesoh2000@yahoo.fr
29	SEZIBERA Jean-Nathan	P. O Box . 1821 KIGALI Tel : 08536778
30	TICHEM ASSOCIATES C/o TCHOUKOU Emmanuel	P. O Box. 6400 KIGALI Tel. : 573 781
31	TM Auditors	P. O Box. 7200 Kigali Tels. 0830 3476 ou 0830 6098 tmauditors@yahoo.fr

APPENDIX VII: LIST OF LICENSED REAL ESTATES APPRAISERS AS AT 31/12/2007

	Name	Address
1	ADC	P.O Box 3164 KIGALI TEL 08301552/583624
2	ARGEC (Architecture and Civil engineering)	P.O Box 7142 KIGALI
3	ARI-CO, Ltd (Architecture, engineering and construction)	P.O Box 3128 KIGALI Tel. : 572305
4	ATLANTIS CONSULT	P.O Box 3383 KIGALI
5	BETONEX (Building, studies, environment management and expertise)	P.O Box. 2775 KIGALI
6	BIECOM, Ltd	P.O Box. 6430 KIGALI TEL : 08533479
7	BUKANGWA Amabilis	P.O Box. 4015 KIGALI TEL : 517583 FAX : 517584
8	CAEDEC	P.O Box 2800 TEL. 08505309
9	COCOGE Studies and technical control	P.O Box. 89 BYUMBA TEL : 08536350/ 55102140
10	CO-DESIGN, Ltd	P.O Box 2551 KIGALI TEL. 08527280/08463878
11	EGTC Engineering & General Contracting	P.O Box 2208 KIGALI Tel. & Fax : +250-575368
12	ENTREPRISE STACOD Ltd	Standard Construction Design P.O Box. 3521 KIGALI-Rwanda Tel : 08849164 E-mail infos@stacod.rw
13	FUTURES ARCHITECTS, Ltd	P.O Box 1438 KIGALI TEL : 08434310/574980
14	GAHIRWA Vincent	P.O Box 5264 KIGALI Tel. : 08589392
15	GAKUSI BIRIKUNZIRA Emery	P.O Box 3715 KIGALI TEL : 08304948
16	GEOTOP	P.O Box 374 KIGALI TEL : 575345
17	JOE MUTUKU MUSYOKI CONSULTANTS	NEW HURLINGHAM PLAZA, 3 rd FLOOR ARGWWINES KODHER ROAD P.O.BOX 24146-00502 NAIROBI/KENYA TEL : 54 2 718 272 ;FAX : +254 2 718017

	Name	Address
18	KALAMAGYE JOHN	P.O Box 3448 KIGALI TEL. 08533408
19	KAMBALI BIGISHIRO J. PIERRE	TEL : 08502874
20	KANOBANA ANTOINE	P.O Box. 713 KIGALI
21	KAREMERA ROMUALD	P.O Box 1513 KIGALI TEL. 08485188
22	KARIUKI M. B Charles	Apple cross surveyors P.O.BOX 12517 NAKURU-KENYA TEL : 051 2211882 / 0722-848346 E-mail :applecrosssurveyors@yahoo.com
23	KS Construction	P.O Box 3203 KIGALI Tel. : 08300394 Fax. : 517354
24	L & F CONSULTANTS, Ltd	P.O Box. 4532 KIGALI TEL : 08519732/0857 4012
25	MUSHISHI K. Gustace	P.O Box 3383 KIGALI TEL : 08557857 E-mail mushigust@yahoo.fr
26	MWAMBUTSA MFIZI Charles	P.O Box 38 KIGALI TEL 0525834
27	NDAHUMBA Alexandre	P.O Box 3138 KIGALI Tel. : 08303051
28	NGARUKIYE Prosper	P.O Box 3586 KIGALI TEL : 08595467
29	NKABIJE ALPHONSE MARIE	P.O Box 34 KIBUNGO TEL. 08460455
30	NKUBANA Dismas	URBCON Consultancy P.O Box 4386 KIGALI Tel : 208307733/05103386
31	NSENGIMANA Jean Marie	P.O Box 4891 KIGALI TEL : 08507480
32	RUTAREMARA Charles	P.O Box 6936 KIGALI TEL : 08519280
33	SEPRO (Feasibility studies and project execution company)	P.O Box 4544 KIGALI Tel. : 08530458/ 08504205
34	TUYIZERE Emmanuel	P.O Box 4446 KIGALI TEL : 08520717-05109374
35	UB Consult (Civil engineering Hydraulics)	P.O Box : 562 BUTARE Tel. : 530181 Fax.: 530634