

# **BANQUE DE LA RÉPUBLIQUE DUBURUNDI (B.R.B.)**

FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 DECEMBER 2017

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**BANQUE DE LA REPUBLIQUE DU BURUNDI GENERAL INFORMATION**

<b>REGISTERED OFFICE</b>	:	Banque de la République du Burundi Avenue du Gouvernement P.O BOX 705 Bujumbura Republic of Burundi
<b>BRANCHES</b>		Ngozi Branch P.O BOX 4 Ngozi Republic of Burundi  Gitega Branch P.O BOX 107 Gitega Republic of Burundi
<b>EXTERNAL AUDITOR</b>		MAZARS CAMEROUN P.O BOX 3791 Douala, Cameroun Immeuble Ex AMACAM Rue Boué de lapeyrère
<b>LAWYERS</b>		<b>BANZUBAZE Sylvestre</b> 12, Avenue de la Révolution, P.O BOX 3031 Bujumbura/Republic of Burundi  <b>KIYUKU Salvator</b> Immeuble Wege, P.O BOX 335 Bujumbura/Republic of Burundi  <b>SIZIMWE K. Sixte</b> Avenue de Grèce, Immeuble NKAMICANIYE, P.O BOX 6520 Bujumbura/Republic of Burundi  <b>SEGATWA Fabien &amp; Associés</b> Avenue NGENDANDUMWE Immeuble GATOGATO, 2 <sup>nd</sup> Floor, P.O BOX 6024 Bujumbura/Republic of Burundi  <b>Cabinet MAMARB &amp; Associés</b> 6 <sup>ème</sup> Avenue de l'Industrie Immeuble TOWN RISE, Bureau N° 118 et 119 Tel 69 305 067 / 79 614 696 Email : <a href="mailto:mamar.lawyer@gmail.com">mamar.lawyer@gmail.com</a>

## EXECUTIVE MANAGEMENT REPORT

The Executive Management, hereby submits the annual report and the audited financial statements for the financial year ended 31 December 2017 that present the financial position, the financial performance, the cash flow statement and the notes to the financial statements of the Banque de la République du Burundi (BRB).

## MAIN OBJECTIVES

The Bank's main objectives are to formulate and implement monetary policy directed to preserve the national currency value and to ensure its stability. It has the responsibility to ensure the liquidity, solvency and to ensure the proper functioning of the monetary market, the foreign exchange market and the banking and financial system in general.

## INCOME STATEMENT

The income statement for the year 2017 is shown on page 18.

## BOARD OF DIRECTORS

During the 2017 financial year to the date of this report, the members of the Board of Directors are as follows:

		<b>Beginning of Term</b>	<b>End of Term</b>
Mr. Jean CIZA	President and Governor	1 <sup>st</sup> Term: 09 August 2012 2 <sup>nd</sup> Term: 09 August 2017	09 August 2017 09 August 2022
Mr. Melchior WAGARA	First Deputy Governor	1 <sup>st</sup> Term: 06 January 2011 2 <sup>nd</sup> Term: 06 January 2016	06 January 2016 06 January 2021
Mrs. Annonciata SENDAZIRASA	Second Deputy Governor	25 August 2015	25 August 2020
Mr. Léon NIMBONA	Member	13 March 2006 07 April 2011	07 April 2016
Mr. Jacques NGENDAKUMANA	Member	07 April 2011	07 April 2016
Mr. Eloi RUGERINYANGE	Member	07 April 2011	07 April 2016
Mr. Melchiade NZOPFABARUSHE	Member	07 April 2011	07 April 2016
Mrs. Florence NSHIMIRIMANA	Member	27 July 2013	11 July 2018

## EXECUTIVE MANAGEMENT

During 2017 financial year up to the date of this report, the members of the management committee are as follows:

		<b>Beginning of Term</b>	<b>End of Term</b>
Mr. Jean CIZA	President and Governor	1 <sup>st</sup> Term: 09 August 2012 2 <sup>nd</sup> Term: 09 August 2017	09 August 2017 09 August 2022
Mr. Melchior WAGARA	First Deputy Governor	1 <sup>st</sup> Term: 06 January 2011 2 <sup>nd</sup> Term: 06 January 2016	06 January 2016 06 January 2021
Mrs. Annonciata SENDAZIRASA	Second Deputy Governor	25 August 2015	25 August 2020

## AUDIT COMMITTEE

The members of the Audit Committee of the Banque de la République du Burundi are as follows:

	<b>Beginning of Term</b>	<b>End of Term</b>
Léon NIMBONA	30 March 2005	30 March 2020
Eloi RUGERINYANGE	05 May 2011	05 May 2020
Florence NSHIMIRIMANA	27 August 2013	27 August 2019

## EXTERNAL AUDITOR

Mazars Cameroun, PO. BOX 3791 Douala Cameroun, Tel: +237 2333 42 42 47, +257 656 876301, Fax: 237 233 42 42 70, E-mail: [jules-Alain.NJALL.BIKOK@mazars.cm](mailto:jules-Alain.NJALL.BIKOK@mazars.cm), represented by Jules Alain NJALL BIKOK, Associate Deputy General Manager, was appointed in 2016, as External Auditor of the Bank for the 2016, 2017 and 2018 financial years.

For the Executive Management

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**The Governor**

**Date:**

**STATEMENT OF EXECUTIVE MANAGEMENT COMMITTEE  
RESPONSIBILITIES ON THE FINANCIAL STATEMENTS OF BANQUE DE LA  
REPUBLIQUE DU BURUNDI**

The Act No. 1/34 of 02 December 2008 on the Banque de la République du Burundi (BRB) Statutes requires the Executive Management to prepare for each financial year, the financial statements that present fairly the financial position and financial performance of the Bank at the end of the year. It is also responsible for safeguarding the Bank's assets.

The Executive Management takes responsibility of financial statements prepared in compliance with the appropriate accounting policies, justified by reasonable and prudent estimations and judgments, according to the International Financial Reporting Standards (IFRS) and the requirements of the Act No. 1/34 of 02 December 2008 on Banque de la République du Burundi Statutes. From the Executive Management Committee opinion, the financial statements reflect a fair and sincere image of the financial position and performance of the Bank. Moreover, the Executive Management takes responsibility of the Bank book keeping used to prepare the financial statements and maintain adequate internal control systems.

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

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**The Governor**

**Date:**

The financial statements on pages 17 to 55 have been approved by the Board of Directors on 24<sup>th</sup> July 2018 and have been signed on his behalf by:

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**The Governor, President of the Board**

Date: 24/07/2018

**INDEPENDANT AUDITORS REPORT ON FINANCIAL STATEMENTS OF THE  
BANQUE DE LA REPUBLIQUE DU BURUNDI**

# **Banque de la République du Burundi (B.R.B)**

External auditor's report on the financial statement for the  
year ended 31 December 2017.





# **Banque de la République du Burundi (B.R.B)**

**1, Avenue du Gouvernement P.O BOX 705  
Bujumbura- Republic of Burundi**

## **External auditor's report on the financial statement for the year ended 31 December 2017**

### **Mazars Cameroun SA**

P.O BOX 3791 Douala - Cameroon

Telephone: (237) 233 42 42 47; Fax: (237) 233 42 91 70

REGISTERED UNDER CEMAC NUMBER SEC 034 BY DECISION N°17/05 UEAC -010 C-CM-13 OF FEBRUARY 7, 2005.

REGISTRATION UNDER THE ONECCA TABLE N° SEC 017

## **EXTERNAL AUDITOR'S REPORT ON BANQUE DE LA RÉPUBLIQUE DU BURUNDI FINANCIAL STATEMENTS**

To the Board of Directors of Banque de la République du Burundi

### **Opinion**

We have audited the financial statements of the Banque de la République du Burundi (BRB), including the comprehensive income statement, the financial position statement, the statement of changes in equity, the statement of cash flows and the notes to the financial statements for the year ended 31 December 2017.

In our opinion, except for the effects of the matters described in the "Basis for qualified opinion" section of our report, the attached financial statements present fairly, in all material aspects, the financial position of Banque de la République du Burundi as at 31<sup>st</sup> December 2017, its financial performance and its cash flow for the period then ended, in accordance with the International Financial Reporting Standards (IFRS) applicable to the operations of the Bank and the Act N°01/34 of December 02, 2008 on the Statutes of Banque de la République du Burundi.

### **Basis for qualified opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) developed by IFAC (International Federation of Accountants). Our responsibilities under these standards are broadly described in the "Auditors' Responsibilities for the Audit of Annual Financial Statements" section of this report.

We also certify that we are independent from Banque de la République du Burundi (BRB), in accordance with the International Ethics Standards Board for Accountants (IESBA) Code of ethics, and we fulfilled the other ethical responsibilities in accordance with these rules.

We believe that the audit evidences we have collected are sufficient and appropriate to provide a basis for our audit opinion.

### **Loans and advances to Government**

As of 31<sup>st</sup> December 2016, loans and advances to Government amounted to BIF 752,299,748,000 against BIF 641,724,669,000 on 31<sup>st</sup> December 2015 representing 53.35% of Bank's total assets. They were made of "*Government's special debt*", the "*special credit*", "*ordinary consolidated 2012 advances*" and ordinary advances granted to the Government during the 2014 and 2015 financial years.

The constant increase of the advances granted by the Banque de la République du Burundi (BRB) to the Government, and the uncertainty of their reimbursement and increase of credit and liquidity risks associated, had brought the former independent auditor to formulate a reservation on 2015 and 2016 accounts.

Following the drying up of the budget support, the Banque de la République du Burundi has regularly granted advances to the Government for a total amount of BIF 194,279,456,000 at 31<sup>st</sup> December 2017 against BIF 134,973,131,000 at the end of 2016 financial year.

In addition, following the drying up of the Government budget support, the Bank has regularly granted advances to the Government up to an amount of BIF 134,973,131,000 at the end of year 2016.

Furthermore, the article 3 of the 2018 Finance Act also envisages a Central Bank budgetary support of BIF 141,876,089,000.

As of 31 December 2017, loans and advances to government amounted to BIF 787,208,020,000 representing 48.96% of the total assets of the Bank.

Considering the situation, the reservation formulated in previous years concerning the uncertainty linked to the reimbursement of the advances granted by the Central Bank to the Government, and to the increase of credit and liquidity risks associated, will not be discharged.

### **Non-compliance with article 18 of the Agreement (the “Convention”) between the Government and the Banque de la République du Burundi regarding the Government cashier function**

Article 33 of Act No. 1/34 of 02<sup>nd</sup> December 2008 on the Banque de la République du Burundi Statutes, states that the Central Bank does not grant any direct or indirect advances neither to the Government nor to any other administration or entity belonging to the Government. Also, article 18 of the Agreement between the Government and the Banque de la République du Burundi relating to the Government cashier function, states the Treasury’s account debit balance for a maximum of seven years period, with effect from 2009.

Taking into account the significant outstanding amount of advances granted by the Central Bank to the Government as of 31 December 2017, and to the expected budgetary support for the 2018 fiscal year, the BRB, as of 31<sup>st</sup> December 2016, does not comply with the article 33 of the Bank’s statutes and article 18 of the Agreement with the Government.

### **Internal control system**

The internal control system of the Central Bank remains incomplete and does not guarantee the integrity of production of the financial information process.

Like at 31<sup>st</sup> December 2016, our work to review the internal control system has shown several weaknesses as pointed out but not yet corrected as described in our recommendation letter addressed to the Bank.

### **Observations**

Without qualifying the opinion expressed above, we draw your attention on:

The note to the financial statements “5.6 *Operating costs*” which provide for the provisioning modalities of the retirement benefits and the provisions constituted for the paid leaves in accordance with the IAS 19 “Employee benefits” because of difficulties linked to the impact on equity of a forward looking estimation.

The note to the financial statements “5.9. *Foreign Assets*” which gives details on the fraudulent transfers suffered by the Bank in 2017, the investigations and the actions taken by the Bank following these incidents.

The note to the financial statements “5.15. *Other assets*” about the sale of non-monetary gold carried out in 2017 and the methods used to value the non-monetary gold stock as of December 31, 2017 and their impact on the Bank annual accounts.

Paragraph “d. *Equity management*” of the note to the financial statements “5.25. *Management of risks associated with financial instruments*”, which reveals the Bank's non-compliance to the minimum capital adequacy ratio set at 10% by Article 78 of the Central Bank's Statutes. This ratio stands at 3.8% as at December 31, 2017.

## **Key audit points**

The audit key points are related to the risks of material misstatements which, in our professional judgment were the most significant for the audit of the annual financial statements for the period as well as the responses that we provided to address these risks.

The judgements thus made, fall within the context of the audit of the annual financial statements taken as a whole and of the issuing of our opinion expressed above. We do not express an opinion on items in these annual financial statements taken separately.

### ***Loans and advances to the Government***

#### **Identified Risk**

BRB loans and advances to the Government represent a balance of BIF 787,208,020,000, i.e. 48.96% of the Bank's total assets as at 31 December 2017.

As explained in the notes to the financial statements “5.12. *Loans and advances to the Government*”, “5.25. *Management of risks associated with financial instruments*”, these loans and advances to the Government are made of the “*Government's extraordinary debt*”, the “*special credit*”, the “*consolidated 2012 ordinary advances*” and the rescheduled ordinary advances granted to the Government during the years 2014 to 2017.

We considered that the loans and advances to the Government are a key audit points given their significant part in relation to the size of the BRB balance sheet, and on the other hand to the constant increase in advances granted to the Government and the uncertainty related to their reimbursement, as well as the increase in the associated credit and liquidity risk.

#### **Our response**

During our work, we have taken note of the BRB monitoring system of these loans and advances to the Government.

We have taken note of the BRB's management appreciation of the recoverability of these loans and advances. In this context, we also verified the main movements on the balance of these loans and advances to the Government by checking, in particular, through tests on a sample basis, the reality of reimbursements made over the period as well as the compliance with the deadlines incorporated in the addendum to the agreements governing them.

We took note of the impairment test performed by the Bank, which concluded that there was no objective indication of impairment.

Finally, we assessed the extent and the appropriateness of the information related the BRB loans claims, presented in the notes to the annual financial statements.

### ***Exchange rates fluctuation income***

#### **Identified risk**

As presented in the note to the financial statements "5.2. Exchange rates fluctuation income" and in paragraph "c.Foreign exchange risk management" of the note to the financial statements "5.25. Management of the risks associated to financial instruments" the income on exchange rates fluctuation significantly contributes to the Banque de la République du Burundi (BRB) income. The exchange rates fluctuation income is BIF -13,697,561,000 at 31 December 2017 against BIF -3,872,346,000 at the end of December 2016.

We considered that the exchange rates fluctuation income is a key audit point given its very high volatility over the different periods and the multiplicity of operations which leads to it.

#### **Our response**

During our work, we reviewed the process of computing the foreign exchange income. We have taken note of the monitoring and control system put in place by Banque de la République du Burundi (BRB) and its methods of determination.

We performed, on a sample of operations, the validation of the correct implementation of the controls carried out by Banque de la République du Burundi as provided for by the internal procedures of the Bank as well as the recalculation of the foreign exchange income resulting from these operations.

### **Responsibility of the Executive Management and the responsible of governance about the annual financial statements**

The Executive Management is responsible for the preparation and of fair annual financial statements in accordance with the International Financial Reporting Standards and the requirements of Act No. 01/34 of December 2, 2008 on the Statutes of Banque de la République du Burundi, as well as the implementation of internal control that it considers necessary for the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

In preparing annual financial statements, the Executive Management is responsible for assessing the Bank's going concern, disclosing in its financial statement as applicable, the necessary information related to going concern and apply the accounting going concern basis.

The annual financial statements are adopted and approved by the Board of Directors.

**External Auditor's Responsibility on the Financial Statements audit**

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report incorporating our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In accordance with International Standards on Auditing (ISA), our mission as an external auditor is not to guarantee the viability or the quality of management of the audited company.

Douala, June 28, 2018

**The External Auditor**

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**MAZARS CAMEROUN**

Audit, Accountancy, Advisory  
CEMAC License N° SEC 034  
ONECCA Registration N° SEC 017

**Jules Alain NJALL BIKOK**  
Partner

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**ANNEX TO THE AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

As part of an audit done in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

Indeed:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We take note of the Bank's internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- We collect sufficient and appropriate evidence showing that events between the date of the financial statements and the date of our report, requiring an adjustment to, or disclosure of information in the financial statements was subject to appropriate treatment in the financial statements in accordance with the applicable financial reporting framework;
- We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them

all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards;

- We have the obligation of professional secrecy for the facts, acts and information of which we have been aware.



## **FINANCIAL STATEMENTS**

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	31/12/2017	31/12/2016
		BIF'000	BIF'000
Interest income	5.1	23 993 423	20 676 547
Interest expenses	5.2	(792 645)	(102 270)
<b>Net interest income</b>		<b>23 200 778</b>	<b>20 574 277</b>
Net fees and commission income	5.3	1 455 876	720 738
Net income from foreign exchange operations	5.4	16 094 714	7 782 786
Other income	5.5	2 220 934	773 828
<b>Operating Income</b>		<b>42 972 302</b>	<b>29 810 733</b>
Operating expenses	5.6	(61 713 719)	(22 739 787)
Loss/Gain on foreign exchange	5.7	(13 697 561)	(3 872 346)
<b>Net income for the year</b>		<b>-32 438 978</b>	<b>3 198 600</b>
<b>Other Comprehensive income for the year</b>		<b>0</b>	<b>0</b>
<b>Total Comprehensive income for the year</b>		<b>-32 438 978</b>	<b>3 198 600</b>

**STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	31/12/2017	31/12/2016
		BIF'000	BIF'000
<b>ASSETS</b>			
Cash	5.8	15 509 517	54 356 404
Foreign assets	5.9	115 201 290	61 682 901
Provisions for documentary credits	5.10	12 214 250	4 225 349
Quota from IMF	5.11	386 648 847	349 307 774
Loans and advances to the Government	5.12	787 208 020	752 299 748
Loans to banks	5.13	159 990 000	89 000 000
Investments Securities	5.14		-
Other assets	5.15	66 797 322	46 677 718
Property, plant and equipment	5.16	63 882 867	52 019 127
Intangible assets	5.16	367635	567 710
<b>TOTAL ASSETS</b>		<b>1 607 819 749</b>	<b>1 410 136 731</b>
<b>LIABILITIES AND EQUITY</b>			
<b><u>Liabilities</u></b>			
Currency in Circulation	5.18	308 146 329	267 512 459
Government Deposits	5.19	276 859 648	249 591 126
Banks and other financial institutions	5.20	226 023 724	143 874 328
Other deposits	5.21	47 789 467	15 055 371
IMF related liabilities	5.22	668 270 096	631 364 930
Foreign liabilities	5.23	6 982 725	1 770 756
Other liabilities	5.24	12 587 575	10 528 618
<b>Total Liabilities</b>		<b>1 546 659 564</b>	<b>1 319 697 588</b>
<b><u>Equity</u></b>			
Share capital		11 000 000	11 000 000
General Reserves	5.17	48 206 211	37 822 024
Special reserves	5.17	1 715 553	1 863 562
Foreign exchange revaluation reserves	5.17	1 346 115	5 223 675
Property, Plant and equipment revaluation reserves		31 331 282	31 331 282
Profit/ loss for the year		-32 438 978	3 198 600
<b>Total equity</b>		<b>61 160 184</b>	<b>90 439 142</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1 607 819 749</b>	<b>1 410 136 731</b>

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017**

	SHARE CAPITAL	GENERAL RESERVES	SPECIAL RESERVES	FOREIGN EXCHANGE REVALUATI ON RESERVES	PROPERTY, PLANT AND EQUIPMENT REVALUATION RESERVES	PROFIT/(L OSS) OF THE YEAR	TOTAL EQUITY
	000 BIF	000 BIF	000 BIF	000 BIF	000 BIF	000 BIF	000 BIF
<b>Balance at 01/01/2017</b>	11 000 000	38 882 597	1 863 562	5 223 675	30 270 709	3 198 600	90 439 142
<b>Provision transferred to reserves</b>		-32 438 978				32 438 978	
<b>Subtotal of changes linked to relations with shareholders</b>	11 000 000	6 443 619	1 863 562	5 223 675	30 270 709	35 637 578	90 439 142
<b>Profit/Loss for the year</b>						-32 438 978	-32 438 978
<b>Prior financial years adjustments</b>		41 762 592	-148 009	-3 877 560	1 060 573		
<b>Other items of comprehensive income for the year</b>						-32 438 978	-32 438 978
<b>EQUITY AS AT  31/12/2017</b>	11 000 000	48 206 211	1 715 553	1 346 115	31 31 282	-32 438 978	61 160 182

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017**

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>31/12/2017 000 BIF</b>	<b>31/12/2016 000 BIF</b>
Net cash from operating activities		17 949 552	-145 794 809
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
Property and Equipment		-66 062 138	-10 387 862
Proceeds from Property and Equipment Disposal		0	0
Received interest		23 993 423	19 874 936
<b>Net Cash generated from investing activities</b>		<b>-42 068 714</b>	<b>9 487 075</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Statutory Reserves		10 384 187	-627 005
Currency in Circulation		40 633 870	36 789 404
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>		<b>51 018 057</b>	<b>36 162 399</b>
<b>INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>27 691 540</b>	<b>-100 043 061</b>
Cash and cash equivalent at the beginning of the year		114 146 239	218 061 647
Income from property and equipment revaluation		0	0
Income on foreign exchange fluctuations		-13 338 743	-3 872 347
<b>CASH AND CASH EQUIVALENTS END OF THE YEAR</b>		<b>128 499 037</b>	<b>114 146 240</b>

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017**

### **1. LEGAL FRAMEWORK AND FUNCTIONS OF THE BANK**

The Bank was established in Burundi in 1964 and has been successively governed by the Acts of 21<sup>st</sup> January 1965, No. 1/1 of 03<sup>rd</sup> January 1976, No. 1/36 of 07<sup>th</sup> July 1993 and No. 1/34 of 02<sup>nd</sup> December 2008. It is headquartered at 1, Avenue du Gouvernement, P.O Box 705, Bujumbura, Burundi. The missions of the Bank, as described in the Act No. 1/34, focus on the following objectives:

1. To define and implement the monetary policy;
2. To define and implement the foreign exchange rate policy;
3. To hold and manage foreign exchange reserves;
4. To regulate and supervise credits institutions and microfinance institutions;
5. To issue bank notes and coins;
6. To promote a stable and sound financial system;
7. To promote a reliable, efficient and solid national payment system;
8. To act as the Government's banker;
9. To perform any other duties pursuant to the Act of 02 December 2008;
10. To perform any task that any other law would assign to the Central Bank, subject to its compatibility with its autonomy.

The share capital of the Bank is BIF 11 billion and is entirely subscribed by the Government of Burundi.

### **2. ACCOUNTING STANDARDS**

#### **2.1 Statement of compliance**

These financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), published by the International Accounting Standard Board (IASB), and satisfy the requirement of the law n°1/34 of 02<sup>nd</sup> December 2008 on the Banque de la République du Burundi Statutes.

#### **2.2 New and revised effective IFRS without any impact on the financial statements;**

No new interpretations or amendments to existing standards to be obligatory applied for the first time in the financial year starting 01 January 2017.

#### **2.3 Future amendments of accounting methods**

The following new standards, published by the IASB, could have implications on the Bank in the future. The latter assesses the impact of these standards on the financial statements.

##### **IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 "Financial Instruments", which includes the classification and measurement, impairment, and hedge accounting phases of its project to replace IAS 39 "Financial Instruments: Recognition and Measurement".

IFRS 9 eliminates the existing financial asset categories and adopts a single logical approach of classification of the financial asset according to the characteristics of the cash flow and the economic model in which the asset is held.

Furthermore, the IFRS 9 introduces the impairment model related to the expected losses to all the financial assets that are not evaluated on the fair value through the net income. This model requires 3 steps: 1) at the initial recognition, the expected losses for the upcoming twelve months are recorded in the net income and the adjustment of value for losses is established; 2) if the credit risk increases significantly and that the credit risk is not defined as weak, the expected credit losses for the life time are recorded; 3) if the financial asset is depreciated, the interests are calculated using its net book value, net of credit losses, and not its gross book value.

IFRS 9 also provides for a new hedge accounting model and requires entities using hedge accounting to provide information on risk management activities. The new model coming from a huge overhaul of hedge accounting will permit institutions to report fairly their activities of risk management in their financial statements. The most important innovations touch only entities involved in non-financial risk hedging activities which does not apply to the Bank.

IASB has fixed 1<sup>st</sup> January 2018 as the deadline date of obligatory adoption of IFRS 9 but an anticipated application is authorized.

### **IFRS 15 Ordinary activities revenues from contracts with customers**

IFRS 15 published in May 2014, concerns the accounting of revenue applicable to contracts with clients (except contracts governed by the standards related to lease, insurance contracts and financial instruments).

IFRS 15 establishes a model in five steps to recognize revenues from contracts as well as detailed information obligations related to these revenues. The standard also deals with the accounting and evaluation of gain and losses from the sales of certain non-financial assets which do not constitute produced units in the entities ordinary activities framework.

IASB has fixed 1<sup>st</sup> January 2018 as the deadline date of obligatory adoption of IFRS 9 but an anticipated application is authorized.

## **2.2 Basis of preparation**

The financial statements have been prepared under the historical cost basis except certain properties and financial instruments that have been evaluated according to the revaluated amount or their fair value as explained by the below accounting methods. Historical cost is generally based on the fair value of the counterparty given in exchange for the assets.

The financial statements are prepared based on the going concern basis, and independence of exercise principles. They are presented in thousands of Burundi Francs (BIF'000).

The main accounting methods are presented in the following sections:

### 3. MAIN ACCOUNTING METHODS

#### 3.1 Revenue recognition

Revenues from ordinary activities are evaluated using the fair value of received or receivable counterparty.

Interests on financial assets are recognized when it is likely that economy advantages go to the Bank and the amount of revenues can be reliably measured.

Interests are recognized overtime based on the amount of outstanding principal and the applicable effective interest rate which is the rate that accurately discounts estimated future cash flows over the expected life of the financial assets in order to obtain the net book value of the assets at the initial recognition.

#### 3.2 Property and equipment

Property and equipment (other than land and buildings) are recorded at historical cost net of accumulated depreciation. Depreciation expenses are calculated based on the straight line method regarding the annual depreciation rate and the useful lives as of the assets.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are recorded in the financial position statement at their revaluated amounts that is their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation will be regularly performed so that the book value does not materially differ from those determined using fair values at the end of each financial information reporting period.

Any increase from land and buildings revaluation is recorded in other comprehensive income and accumulated in equity. However, when it compensates a revaluation decrease for the same asset previously recorded in profit or loss, the increase is credited to profit or loss to the extent of the decrease previously recorded in expenses. A decrease in the book value from land and buildings revaluation is recorded in profit or loss to the extent that it exceeds the balance, if any, of properties revaluation gap from a prior revaluation of that asset.

A part of the revaluation gap linked to the depreciable asset is progressively transferred to the usage of the assets. The transferred amount corresponds to the difference between the depreciation based on the revaluated asset book value and depreciation based on the initial asset cost. The transfers from the revaluation gap section to non-affected profit do not transit by the net profit.

The depreciable amount is the asset cost or any other amount substituted to the cost net of its residual value.

The depreciation annual rate currently applied for each property and equipment categories are:

Buildings	3-5%
Computer Equipment	25%
Motor vehicles	20%
Furniture & Fittings	10%
Equipment	33%



### **3.3 Intangible assets**

Intangible assets are recorded at their historical cost net of relevant accumulated depreciation. Relevant depreciation expenses are calculated based on a straight line method using their time life estimation currently fixed at 4 years i.e 25% for computer software.

### **3.4 Gold holdings**

Gold is held by the Bank as a part of its external reserves. Gold is initially recognized based on the acquisition cost, including transaction costs. After initial measurement, the gold held by the Bank is subsequently measured based on the Reuters world price of gold (in U.S. Dollar per ounce). The foreign currency amounts are then converted into local currency using the exchange rate at the closing date. All gains and losses realized by the Bank are recognized in the statement of comprehensive income.

The Bank can also purchase raw gold from producers in Burundi at negotiable prices, based on the pure gold content. This gold is therefore recognized in the Bank's books at acquisition cost. At the end of the period, the gold is valued at the market cost and the losses are recognized in income statement.

### **3.5 Foreign currencies**

When preparing the Bank financial statements', foreign currencies transactions are converted into the functional currency at the exchange rate prevailing at the dates of the transactions. At the closing date, monetary items denominated in foreign currencies are converted using the exchange rate of that day.

Non-monetary items recorded at the fair value and denominated in foreign currencies are converted using the exchange rate of the day at which the fair value has been determined.

Non-monetary items that are measured at historical cost and denominated in foreign currencies are not reconverted. The exchange gaps on monetary items are recorded in the period net profit during which they occurred.

Foreign currencies transactions are recorded in Burundi Francs based on the average exchange rate on the date of the transaction. Assets, investments and liabilities denominated in foreign currencies are daily adjusted taking into account the changes in exchange rates. Assets and liabilities items denominated in foreign currencies in the financial statements at the end of the year are converted into Burundi Francs based on the average exchange rate at the closing date. Positive and negative gaps from exchange rates fluctuation are allocated to a revaluation account which cannot in any case be disposed of.

### **3.6 Financial instruments**

Financial assets and liabilities are recorded when the Bank becomes a party to the contractual dispositions of the financial instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs directly attributed to the acquisition or emission of a financial asset or liability are added to their fair value or deducted depending on the case at the time of initial recognition.

The Bank records financial assets and liabilities and their related income and expenses by distinguishing transactions denominated in Burundi Francs from those denominated in foreign currencies.

Financial assets and liabilities in local currency relate to transactions concerning the implementation of monetary policy, the issue of notes and coins as well as banking operations. Financial assets and liabilities in foreign currencies relate to the management of foreign loans and debts.

A separate presentation of these transactions is considered as a better presentation of the financial position and performance as well as risk profile.

#### **a. Financial assets**

Regular way of purchases and sales of financial assets are recognized or derecognized on the trade date. These regular ways of purchases and sales are purchases or sales of financial assets that require the delivery of assets within the period defined by laws and regulations or by a market agreement.

#### **b. Financial assets classification**

Financial assets are classified into the following categories: loans and receivables financial assets available for sale. The classification is determined at initial recognition of financial assets, depending on the nature and the objective thereof.

#### **c. Loans and receivables**

Customers' receivables, loans and other receivables with fixed or variable payments that are not quoted on an active market are classified in loans and receivables.

Loans and receivables are evaluated by the amortized cost using the effective interest method, net of depreciation. The financial products are evaluated by applying effective interest rate, except for short term receivables for which evaluation of interest would have no significant impact.

Are recorded as loans receivables comprise of foreign assets (excluding gold holdings), loans and advances to Government, loans to commercial banks and loans and advances to employees.

The Bank, acting as the Government's cashier and banker can grant overdrafts to the Government in order to allow him to function in case of mismatch between its revenues and expenses.

In its role a 'lender of last resort', the Bank also provides loans to commercial banks. Those loans are covered by collaterals as specified by the Bank: Treasury Bills and promissory notes drawn on enterprises recipients of loans granted to category A of enterprises eligible for refinancing except coffee sector companies that are defacto eligible given the economic and strategic nature of that product.

The Bank grants loans to its employees for purchase, maintenance, improvement or construction of houses, for the acquisition of motor vehicles and various equipments. The Bank also grants advances on salary to the staff. The terms and conditions of these loans are determined by the staff's loans and advances regulations.

Specific provisions for doubtful loans are made anytime they are considered doubtful. The provisions are based on periodic evaluations of loans and reflect historical pattern of loss, economic conditions and the estimated value of the collateral in place. They are recorded in the statement of comprehensive income. When the loan is considered as irrecoverable, the loss is recorded in the income statement. Any reversals of provisions are credited to the income statement if they had been initially taken as expenses.

#### **d. Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives financial assets that designated as available for sale and are not classified as loans and receivables.

The Bank's unlisted shares and documentary credits provisions are classified as available for sale and are recognized at fair value or historical cost if the fair value cannot be estimated.

Dividend incomes on equity instruments available for sale are recognized in comprehensive income statement when the right to receive payment is established.

#### **e. Impairment of financial assets**

Financial assets are subject to impairment test at each closing date. Financial assets are impaired if there is any objective indication of any incidence of one or more events occurred after initial financial asset recognition on future estimated cash flows of the investments.

The following events are considered to be an objective indication of impairment:

- Significant financial difficulties of the issuer or the counterpart;
- Principal or interest payment default;
- Increasing probability of bankruptcy or the borrower financial restructuring;
- Financial assets active market disappearance due to financial difficulties.

The loss amount recorded corresponds to the difference between the asset's book value and actual value of the estimated future cash flows which takes into account collaterals, discounted at the financial asset's original effective interest rate.

#### **f. De-recognition of financial assets**

The Bank de-recognizes a financial asset only if the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, it recognizes its retained interest in the assets and related liabilities amount that it is required to pay. If the Bank retains all substantial risks and rewards of ownership of a transferred financial asset, it continues to record the financial asset and recognizes the counterpart received as a secured borrowing.

Upon de-recognition of a financial asset evaluated at amortized cost, the difference between the asset's book value and the amount of the received or receivable counterparty is recorded in the statement of comprehensive income.

#### **g. Financial liabilities**

All financial liabilities are subsequently evaluated at amortized cost using the effective interest rate method or at fair value through profit or loss.

The effective interest rate is a method of calculating the amortized cost of a financial liability and the interest expenses allocation over the reporting period. The effective interest rate is the rate that discounts the estimated future cash flows (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) over the expected useful life of financial asset or if appropriate on a shorter period, at the net book value at initial recognition.

However, the financial liabilities occurring when financial asset transfer does not respond on conditions of de-recognition or when continuing involvement approach applies, financial guarantee contracts given by the central bank and its promises to deliver subsidized interest rates are evaluated in accordance with the accounting methods described below.

The Bank' records currency in circulation, deposits from the Government, deposits from banks and other financial institutions, other deposits, due to the IMF, foreign liabilities and other liabilities as financial liabilities.

#### **h. De-recognition of financial liabilities**

The Bank de-recognizes the financial liabilities if and only if the bank's obligations are extinguished, cancelled or are about to expire. The difference between the book value of the de-recognized financial liability and the paid and due counterparty, including any non-monetary asset transferred or any reversed liability, is recorded in the statement of comprehensive income.

### **3.7 Currency in circulation**

Notes and coins issued represent the Bank's commitment towards the holder. The commitment on currency in circulation is recorded in the balance sheet at face value.

### **3.8 Cash and cash equivalents**

To produce the cash flow statement, the Bank's cash consists of cash assets, current account balance and term deposit balances and other Bank's foreign assets.

Cash shown in the cash flow statement includes the following balance sheet accounts:

	December 31, 2017	December 31, 2016
	BIF' 000	BIF' 000
Cash	15 509 517	54 356 404
Foreign assets	112 989 520	59 789 835
	<b>128 499 037</b>	<b>114 146 239</b>

### **3.9 Taxation**

According to article 74 of Act No. 1/34 of 02 December 2008 on the Bank Statutes, Central Bank's operations and the profits thereon are exempted of all direct or indirect taxes paid to the Government. However, the Central Bank remains subject to taxes levied by the local Government.

Are exempted from stamp duties and registration and from taxes, contracts documents issued by the Central Bank and operations processed in the exercise of its mandate.

### **3.10 Dividend payable**

Dividends are recorded upon payment.

### **3.11 Staff costs**

Staff costs include all costs related to staff, comprising the employee benefits and expenses for retirement regimes of the Bank.

### **3.12. Provisions**

Provisions are recorded when the Bank has a present obligation (legal or implicit) resulting from a past event if it is likely that the Bank must extinguish the obligation or if the amount of the obligation can be reliably estimated. The amount recorded as provision is the best estimation of the necessary counterparty for the extinction of the actual obligation at the end period of the financial information presentation taking into account risks and uncertainties related to the obligations. If a provision is measured based on estimation of necessary cash flows to extinguish the actual obligation, its book value corresponds to the present value of those cash flows (the effect of the time value of money is important).

If it is expected that part or all of the economic benefits necessary to extinguish a provision will be recovered from a third party, a receivable amount is recorded as an asset if the bank has certainty that the reimbursement will be received and if the receivable amount can be reliably evaluated.

### **3.13 Government subsidies**

Government subsidies are not recorded as long as there is no reasonable assurance that the Bank will comply with the conditions attached to the subsidies and that they will be received.

Government subsidies must be recorded in the statement of comprehensive income on a systematic basis over the period the Bank recognizes as expenses the related costs. Specifically, government subsidies whose principal condition is that the Bank must purchase, build or acquire by any other means non-current assets, are recorded as deferred income in the statement of financial position and are released to the statement of comprehensive income on a straight line basis over the useful lives of the related assets. The subsidy is recorded as income over the useful life of the depreciable asset via the deduction of the depreciation charge.

### **3.14 Notes and coins manufacturing fees**

The production cost of bank's notes and coins corresponding to the portion of bank's notes and coins in circulation during the financial year, are recorded in the statement of comprehensive income while the remaining unused portion is recorded in other assets.

## **4. MAIN SOURCES OF UNCERTAINTIES ESTIMATIONS**

The use of the Bank's accounting methods described at the Note 3 "Main accounting methods", requires that the Executive Management Committee exercises its judgment, does estimations and formulates assumptions on assets and liabilities book value that are not easily available from other sources. Those estimations and underlying assumptions are based on past experience and other relevant factors. The real income can differ from those estimations.

Estimations and underlying assumptions are regularly revised. Accounting assumptions revisions are recorded in the period during which the estimations has been revised if the revision has incidence only on that period or in the revision period and in the future period if the revision has incidence on the considered and future period.

#### 4.1 Useful lives of tangible and intangible assets

As previously described in Note 3, the Bank revises the estimated useful lives for tangible and intangible assets at the end of each financial information presentation period.

The book value is analyzed in Note 5.13. The real income can differ because of developments in the technological aspects.

#### 4.2 Recoverability of loans and advances to Government

IAS 39 “Financial Instruments: Recognition and measurement” requires the performance of an impairment test consisting to appreciate at each closing date the existence of objective indications of financial assets impairment resulting from one or more events occurred after initial recognition.

In this regard, the Bank, at the end of 2017 financial year, examined the Government loans and advances recoverable character. These impairment tests realized by the Bank’s organs concluded that there were no impairment objectives indications.

#### 4.3 Available-for-sale assets impairment

The Bank follows the guidance of IAS 39 “Financial Instruments: Recognition and Measurement” to determine available-for-sale financial assets impairment. This determination requires significant accounting judgment. In making this judgment, the Bank evaluates if the financial asset value is less than its cost as well as its financial soundness and short-term perspectives including factors like industry performance, technological changes and operating and financing cash flows.

### 5. NOTE TO THE FINANCIAL STATEMENTS

#### 5.1 Interest income

	December 31, 2017	December 31, 2016
	BIF'000	BIF'000
Interest on investments in BIF	23 666 613	20 223 225
Interest on investments in foreign currencies	326 810	453, 323
	<u>23 993 423</u>	<u>20,676, 548</u>

#### 5.2 Interest expenses

	December 31, 2017	December 31, 2016
	BIF'000	BIF'000
Monetary Policy Expenses	0	0
Interest on foreign currencies liabilities	792 645	102,270
	<u>792 645</u>	<u>102,270</u>

### 5.3 Net fee and commissions

	December 31, 2017	December 31, 2016
	BIF'000	BIF'000
Agios and commissions	1 455 876	720,738

### 5.4 Net income on foreign exchange operations<sup>1</sup>

	December 31, 2017	December 31, 2016
	BIF'000	BIF'000
	16 094 714	7 782 785

This section has increased compared to its level at 31 December 2016 because the Government of Burundi has decided to register at the BRB all accounts of NGOs, diplomatic representations and other institutions receiving funds from abroad.

### 5.5 Other operating income

	December 31, 2017	December 31, 2016
	BIF'000	BIF'000
Other income	2 054 442	574, 863
Overhead cost recovery	166 492	198, 965
	2 220 934	773, 828

### 5.6 Operating costs

	31 <sup>st</sup> December 2017	31 <sup>st</sup> December 2016
	BIF'000	BIF'000
Staff costs	11 733 520	13,768,815
Non-Executive Directors remuneration	103 120	101,525
Travelling and related costs	742 425	845 ,220
General maintenance expenses	1 512 606	1 ,289, 004
General operating overheads	921 265	598, 648
Insurance fees	100 558	50 ,339
Publication and Communication fees	545 359	536, 383
Taxes	12 089	2 ,264
Professional fees	279 068	109, 997
Supervision and Financial Inclusion cost	0	16 ,527
Depreciation and amortization cost	1 692 500	2 ,218, 653
Risk Provision cost	0	1 ,071, 412
Notes and coins manufacturing cost	2 800 784	1 ,425 ,819
Meetings, conferences and seminars cost	17 289	34, 156
Others	41 608 955	671 ,025
	61 713 719	22 ,739, 787

<sup>1</sup> This section comprises income that the Bank gets from the conversion of transfers received from abroad for the benefit of NGOs, Embassies and other institutional. This section has doubled following the 2017 government instruction to register at the BRB the accounts of NGOs, Embassies, and other institutions receiving funds from abroad.

The Bank has started to recognize the provisions for retirement indemnities and leaves to be paid, in accordance with IAS 19 “Employee benefits plan” dispositions. Due to the impracticality to estimate error corrections impacts on 2016 opening equity, the Bank opted for a forward looking treatment of these corrections.

### 5.7 Income on foreign exchange rates fluctuation<sup>2</sup>

	December 31, 2017 BIF'000	December 31, 2016 BIF'000
Gain on foreign exchange rates fluctuation	89 889 370	92 989 238
Loss on foreign exchange rates fluctuation	(103 586 931)	(96 861 584)
	<u>(13 697 561)</u>	<u>( 3 872 346)</u>

### 5.8 Cash

	December 31, 2017 BIF'000	December 31, 2016 BIF'000
Cash	15 509 517	54 356 404
	<u>15 509 517</u>	<u>54 356 404</u>

### 5.9 Foreign assets

	December 31, 2017 BIF'000	December 31, 2016 BIF'000
Current Accounts (i)	101 691 493	40 398 306
Term deposits	290	0
Holdings in SDRs (Note (ii))	1 985 557	19 330 205
Pending Foreign Currency	9 312 470	61 324
Accrued interest		
Gold assets	2 211 770	1 893 065
	<u>115 201 580</u>	<u>61, 682,901</u>

(i) *An important amount was fraudulently transferred from our accounts to our Correspondents, negatively impacting our income statement.*

<sup>2</sup> This income is obtained by taking the difference between unrealized gains and losses for which balances are obtained by using the current and previous day foreign exchange rates over the foreign assets and liabilities of the day.



*Indeed, from 04/08/2017 to 01/09/2017, 4 fraudulent transfers were made to our correspondents City Bank N.Y and ING Belgium. The beneficiaries were three companies, namely INTERNATIONAL COACHING AND CONSULTING SERVICES S.A, FX CLIENT ACCOUNT and FIDELIS MARKET CONSULTANTS, LTD.*

*Internally, investigations were conducted to identify responsibilities. So far, there is no evidence of any internal complicity at any level.*

*However, it was noted that, would not have been the delays in the received messages processing and a lack of information sharing, the misappropriated funds would have had a chance of being recovered, even if that remains uncertain.*

*On the external side, the Bank has attempted to recover the funds from the beneficiary banks. Unfortunately, she was informed that the beneficiaries' accounts were quickly closed after receipt of funds.*

*Thus steps were taken to identify thieves in collaboration of the beneficiary banks. The purpose is to compile a complete file to be submitted to the national police, which may seize INTERPOL on behalf of the Bank.*

*In addition, the Bank worked with SWIFT to further secure its operations. New measures were taken to restrict access to SWIFT equipment after joint testing with SWIFT and an audit of system.*

*(ii) SDRs are assets reserves created by the IMF and allocated to his members to supplement their existing official reserves. The SDRs allocated to IMF members can be ceded against convertible currencies based on free exchange agreement between states members.*

## **5.10 Documentary credit provisions**

Documentary credit is an operation whereby the Central Bank engages itself on behalf of its importer client to pay a third party (the exporter) within a determined period of time, via an intermediary bank (corresponding bank) for a determined amount against the delivery of documents that justify the value of the goods.

## **5.11 Quota from International Monetary Fund (IMF)**

	December 31, 2017	December 31, 2016
	BIF'000	BIF'000
IMF Quota	386 648 847	349 307 774

The Bank records in his book as its own assets, the Government rights as an IMF member. Its quota determine the voting rights of the Republic of Burundi at the IMF

## 5.12 Loans and advances to government

	31 December 2017	31 December 2016
	BIF'000	BIF'000
Government Extraordinary Debt:		
Opening Balance	122 945 318	126 642 923
Repayment during the year	(-3 697 603)	(3, 697,604)
Closing Balance (Note (i))	119 247 715	122 945 319
Special Loan (Note (ii))	57 125 408	73 845 041
Consolidated 2012 Advances (Note (iii))	416 555 440	420 536 257
Ordinary Advances (Note (iv))	194 279 455	134 973 131
	<u>787 208 020</u>	<u>752 299 748</u>

Pursuant to the Agreement between the Government and the Central Bank and in compliance with article 7, paragraph 8 of the Act No. 1/34 02 December 2008, the Central Bank acts as the Government's Banker and Cashier. Article 18 of the Act provides that the Central Bank should not grant either direct or indirect advances to the Treasury. However, the same article states that the Treasury's current account may have a debit balance for a period of seven years, with effect from 2009.

(i) The Government's extraordinary debt comes from the reclassification following from the rescheduling agreement of some advances and treasury bonds dated 07 April 2010. The reimbursement period for the principal and interest has been rescheduled over a 40 years period starting from the date of signature of the Agreement and carries an interest rate of 6.04% per annum.

(ii) Following the general SDRs allocation in 2009 to boost the global economy, the IMF has authorized an Agreement between the Central Bank and the Government on a special loan related to allocations granted to the Republic of Burundi (60.20 million SDR). This facility was fully utilized to attain a balance of BIF 117,037,424,000 at 31 December 2012. Reimbursement began on 31 January 2013 for a period of 120 months at an interest rate of 3.0% per annum.

Since 31 August 2013, the Government suspended the reimbursement of the principal and interest on the special loan. An amendment to the agreement has been signed by both parties (the Government and the Central Bank) on 21 January 2014.

The agreement stipulates that the rescheduling will not carry penalty interest for late payment and it is only a simple shift in the reimbursement schedule. The reimbursement of the principal and payment interest has been resumed on 31 January 2015 and respect initial amortization table prescription.

(iii) For the financial year 2011, the current account ceiling was set at BIF 36.4 billion which corresponds to 7.7% of fiscal revenues for 2011 but it rises from BIF 86.2 billion to BIF 155.2 billion in 2012 due to the drying up in budget support.

On 04 January 2013, the Central Bank and the Government of the Republic of Burundi signed an agreement for rescheduling the current account overdraft for forty (40) years period of reimbursement with one year moratorium on capital as from 31 January 2014. Interests are monthly paid at an interest rate of 4.52% per annum. Unpaid maturities carry interest for late payments at rate of 4.52% per annum as from the 30th calendar day.

On 31<sup>st</sup> August 2013, the BRB signed a rescheduling amendment of the outstanding consolidated BRB advances to the Government as of 31 December 2012. The main provisions of the amendment are as following:

- The Government suspends the principal reimbursement and interests payment related to the rescheduling agreement of the outstanding consolidated advances of BRB to the Government as of 31 December 2012 about an amount of BIF 155,251,860,000;
- The payment suspension is agreed as follows:
  - ✓ 5 months period for interests, starting from 31<sup>st</sup> December 2013;
  - ✓ 12 months period for principal, starting from 31<sup>st</sup> December 2013.
- This suspension does not imply the interests of the late payments;
- The resumption of interest payments will occur on 31 January 2014 while the principal reimbursements will occur on 31 January 2015;
- It is stipulated that the last interest payment will happen on 30 November 2053 and 31 December 2053 for the principal reimbursement.

On 31 December 2017, the 2010, 2012, and 2015 outstanding consolidated advances amount at BIF 119 247 715 383, BIF 143 309 409 678, BIF 273 246 030 658 respectively.

(iv) During 2017 financial year, following drying of budgetary supports, the Bank has regularly granted advances to the Government of BIF 59 306 325 22, to reach a total amount of BIF 194 279 456 000 at the end of 2017 financial year.

### 5.13 Loans to banks

	31 <sup>st</sup> December 2017	31 <sup>st</sup> December 2016
	BIF'000	BIF'000
Liquidity supply through tenders (Note (i))	159 990 000	87 ,000 ,000
Loans by Bilateral agreement (Note (ii))	0	2,000,000
	<u>159 990 000</u>	<u>89 ,000, 000</u>

At the end of December 2017, the outstanding commercial bank refinancing (4 banks) by the Central Bank amounted BIF 159,9 billion compared to BIF 89 billion at the same period of the previous year.

That amount includes liquidity supply through tenders for BIF 87 Billion for interest rate ranging from 2.30 to 2.85 % and a BIF 2 Billion BNDE bilateral refinancing by the 19<sup>th</sup> August 2016 agreement at rate of 10% per annum.

### 5.14 Shares

	December 31, 2017	December 31, 2016
	BIF'000	BIF'000
Société Concessionnaire de l'Exploitation du Port de Bujumbura (EPB)	9,380	9,380
Société Immobilière Publique (SIP)	20,000	20,000
Shares impairment	(29,380)	(29,380)
	<u>0</u>	<u>0</u>

The Bank holds 3% share capital of EPB and 5% share capital of SIP. These companies are registered and located in Burundi and operate in the transport and real estate sectors respectively.

The shares are not listed and recorded at historical cost in the absence of appropriate fair value measurement. Following the continued poor financial performance of these issuer companies, the Executive Management has evaluated the recovery likelihood of the invested amount and based on its evaluation, it has been decided to write off these investments during the financial year 2013.

### 5.15 Other assets

	December 31, 2017	December 31, 2016
	BIF'000	BIF'000
Staff loans and advances	22 676 713	15,774, 160
Pre-payment for acquisition of property and equipment		
Prepaid expenses	301 811	268,861
Suspense accounts	3 373 559	190,888
Pre-payment for notes and coins acquisition	4 580 704	2, 822,932
Branches	8 938	0
Immobilized fees for notes and coins manufacturing (Note (i))	5 616 637	4, 906,074
Purchases of gold (Note (ii))	29 297 025	21, 777,059
Other receivables	2, 744,732	1, 251,176
Provisions for doubtful Loans	(1, 802,796)	1, 806,988
	<u>66 797 322</u>	<u>46, 677,718</u>

(i)The manufacturing fees of notes and coins represent the portion of notes and coins not yet in circulation.

(ii) During 2017 financial year, the BRB has ceased 638 666.10 g of gold evaluated at purchase price BIF 73 billion at 29<sup>th</sup> January 2018.

This gold was sold at USD 21 Millions, the equivalent of BIF 37 Billion. This represents a net loss of almost BIF 37 Billion.

This loss is due to the fact that the purchase price is a function of the black market exchange rate while the proceeds of the sale are recovered in foreign currencies but converted and recorded in BIF at the official exchange rate, which is much lower than the first one.

However, this differential should not be considered as a loss for the BRB because this sale helped to replenish the stock of foreign exchange reserves, which was the motivation for the decision to buy gold.

As of December 31, 2017, the Bank purchased 737,669.16 g from producers in Burundi for a total amount of BIF 29.29 billion.

## 5.16 Property and equipment

	<b>Land and buildings</b>	<b>Motor vehicles</b>	<b>Furniture and fittings</b>	<b>Computer equipment</b>	<b>Total</b>
<b>COST</b>	BIF'000	BIF'000	BIF'000	BIF'000	BIF'000
<b>At the beginning of the 2016</b>	<b>37,479,054</b>	<b>1,621,168</b>	<b>8,448,884</b>	<b>1,603,386</b>	<b>49,152,493</b>
Acquisitions	5,443,871		1,867,813	444,087	7,755,771
Disposal	-447,325		-246,788	-	(694,113)
Accounting adjustments	+70,684	-	2,224	-62,057	(28,818)
<b>At the end of the 2016</b>	<b>42,546,284</b>	<b>1,621,168</b>	<b>10,072,133</b>	<b>4,607,415</b>	<b>58,847,000</b>
<b>DEPRECIATION</b>					
<b>At the beginning of the 2016</b>	<b>749,534</b>	<b>854,649</b>	<b>2,331,277</b>	<b>1,124,874</b>	<b>5,060,334</b>
Depreciation expenses	410,700	154,020	950,251	282,200	1,797,170
Subsidies depreciation	-	-	505	1,501	2,006
Disposal depreciation	-17,248	(97,600)	-	-	(17,248)
Accounting adjustments	59,001	(6,280)	(5,503)	(61,605)	(14,387)
<b>At the end of the 2016</b>	<b>1,201,986</b>	<b>1,002,389</b>	<b>3,276,529</b>	<b>1,346,969</b>	<b>6,827,874</b>
<b>NET BOOK VALUES</b>	<b>41,344,298</b>	<b>618,779</b>	<b>6,795,604</b>	<b>3,233,463</b>	<b>52,019,126</b>

**5.16 Property and equipment (contd.)**

<b>COST</b>	<b>Land and Building</b> BIF'000	<b>Motor Vehicles</b> BIF'000	<b>Furniture and Fittings</b> BIF'000	<b>Computer Equipment</b> BIF'000	<b>Total</b> BIF'000	<b>Total</b> BIF'000
<b>At the beginning of the 2017</b>	<b>42 546 284</b>	<b>1, 621,168</b>	<b>10, 072,133</b>	<b>4 580 472</b>		<b>58 820 057</b>
acquisitions	10 038 719	0	1 474 195	343 954		11, 856,868
Disposal	-	0	-	-13 400		(13,400)
Accounting adjustment	- 23 683	-146 690	-212 922	-1 551 084	3 096 819	(875,319)
<b>At the end of the 2017</b>	<b>52 561 320</b>	<b>1 474 478</b>	<b>11 333 406</b>	<b>3 359 942</b>	<b>3 096 819</b>	<b>71 825 965</b>
<b>DEPRECIATION</b>						
<b>At the beginning of the 2017</b>	<b>749 534</b>	<b>854 649</b>	<b>2331277</b>	<b>1 124 874</b>	-	<b>5 060 334</b>
Depreciation expenses	410 700	154 020	950 251	282 200	-	1 797 170
Disposal depreciation	-17 248	-	1 115 729	1,501	-	2 006
Subsidies depreciation				-	-	-17 248
Accounting adjustment	59 001	-6 280	-5 503	-61 605	-	-14 387
<b>At the end of the year</b>	<b>1 201 986</b>	<b>1 002 389</b>	<b>4 391 754</b>	<b>1 346 969</b>	-	<b>7 943 098</b>
<b>NET BOOK VALUE</b>						
<b>At the end of 2017</b>	<b>51 359 334</b>	<b>472 089</b>	<b>6 941 652</b>	<b>2 012 973</b>	<b>3 096 822</b>	<b>63 882 867</b>

## 5.16 Property and equipment (contd.)

Lands and buildings of the Bank were revalued by construction experts from the Ministry of Transport, Public Works and Equipment in March 2014.

The assets net book value at their fair value before the revaluation, fair value at the date of revaluation, initial revaluation gap generated, the book value would have been recorded if the assets had been recorded using the cost model as well as reevaluation gap depreciation associated are as follows in 000 BIF

Items	Value in BIF'000
Reevaluated assets gross value at the revaluation date	4,679,782
Accumulated depreciation at the revaluation date	(1,116,533)
Asset net book value at the revaluation date	3,563,249
Asset fair value at the revaluation date	34,894,531
<b>Initial reevaluation gap</b>	<b>31,331,282</b>
Accumulated depreciation at 31/12/2017 on historical cost basis	(1,232,934)
Net book value on historical cost basis at 31/12/2017	3,446,848
Accumulated depreciation of reevaluated values at 31/12/2017	(2,293,507)
Reevaluated values net book value	33,624,789
<b>Reevaluation gap to transfer to reserves</b>	<b>1,060,573</b>

## 5.16 Property and equipment

	December 31, 2017	December 31, 2016
COST	BIF'000	BIF'000
<b>At the beginning of the year</b>	689 701	572,361
Acquisitions	33 102	363,285
Disposal	0	(-245,945)
Accounting adjustment		
<b>At the end of the year</b>	722 803	689,701
<b>DEPRECIATION</b>		
<b>At the beginning of the year</b>	344 741	246,893
Depreciation expenses	10 427	97 848
Accounting adjustments		
Disposal depreciation		-222,750
<b>At the end of the exercise</b>	355 168	121 991
<b>NET BOOK VALUE</b>		
<b>At 31 December 2017</b>	367 635	567,710

## 5.17 Reserves

### General Reserve Fund

General Reserve Fund is regulated according to article N° 71 of the Act 1/34 of 02 December 2008 on the Banque de la République du Burundi Statutes, which stipulates that if the generated income is positive and as long as the total of capital and general reserves is less than 10% of the total assets, the total profit is allocated to the General Reserve. Once the ratio is 10% is reached, 20% of the profit is allocated to the General Reserve.

### Special Reserve Fund

After allocation to the general reserve, the Board of Directors may decide to allocate determined amount to the special reserves. After allocation to general and special reserves, balance is paid in full to the treasury current account. Article n° 72 of the Act 1/34 of 02 December 2008 stipulates that if the net income is negative, the loss is amortized to the special reserves. If these do not allow to completely amortize the loss, the remaining loss is imputed to the general reserve.

### Foreign Exchange Gap Reserves

Article N° 71 of the Act 1/34 of 02 December 2008 on the Banque de la République du Burundi Statutes stipulates that unrealized profits are allocated to a reevaluation account which is not distributable.

## 5.18 Currency in circulation

	December 31, 2017	December 31, 2016
	BIF'000	BIF'000
Cumulated notes and coins manufactured	1 259 156 684	1 ,251, 156 ,750
Cumulated notes and coins destroyed	(742 863 798)	711, 427 ,513
Bank currency in reserves	(189 167 915)	220, 745, 881
Cash Balance at the Bank	(18 978 507)	51 ,470, 898
<b>Currency in circulation</b>	<b>308 146 364</b>	<b>267 ,512, 459</b>



## 5.19 Government sectors deposits

<b>Deposit of the government sector</b>	December 31, 2017	December 31, 2016
	BIF' 000	BIF' 000
Deposits of central government in BIF	157 188 723	141 015 546
Deposits of Local Administrations, Govt. Agencies and Public Organizations in BIF	35 784 645	20 520 634
Deposits of Central Government in foreign currency	71 860 297	88 042 654
Deposits of Local Administrations, government agencies and public org in foreign currencies	12 025 983	12 624
	<b>276 859 648</b>	<b>249 591 458</b>

## 5.20 Banks and other financial institutions

	December 31, 2017	December 31, 2016
	BIF'000	BIF'000
Deposits of commercial banks in BIF	199 300 862	122 321 232
Deposits of commercial banks in foreign currencies	21 864 870	11 981 568
Deposits of financial institutions and microfinance in BIF	2 169 576	9 561 220
Deposits of financial institutions and microfinance in foreign currencies	1 831 304	9,976
	<b>226 023 724</b>	<b>143 873 996</b>

## 5.21 Other deposits

	December 31, 2017	December 31, 2016
	BIF'000	BIF'000
Import deposits	17 665 883	12 385 003
Contentious Deposits	1 534 785	2 670 368
Other deposits	28 588 799	
	<b>47 789 467</b>	<b>15 055 371</b>

## 5.22 Due to International Monetary Fund

	December 31, 2017	December 31, 2016
	BIF'000	BIF'000
Credit facilities:		
Poverty Reduction and Growth credit facility	92 267 781	83 382 097
Extended credit facility	53 871 830	75 847 810
SDRs allocation	185 358 399	167 507 789
Account N ° 1	7 520 775	7 703 242
Securities Account	305 201 619	308, 891,383
Value adjustment account:		
Account N ° 1	688 689	(219,225)
Securities Account	23 361 000	(11, 748,168)
	<b>668 270 096</b>	<b>631, 364,930</b>

Debts towards the IMF are denominated in SDR and are daily reevaluated as any other foreign currency account. At the closing date of the year, they are converted in BIF using the SDR average exchange rate.

Since 2010, the IMF accounts book keeping respond to two concerns. On one hand, the IMF readjusts its account on the 30<sup>th</sup> April of each year. In the book of the Bank, IMF N° 1 and securities accounts must be kept in BIF and are adjusted on the 30<sup>th</sup> April of each year at the IMF account closing. On the other hand, as standards require to compute debts at their fair value, it was a must to open VAA (Value Adjustment Account). Therefore, on 30<sup>th</sup> April 2018, the Bank will have a provision for IMF N° 1 and Securities account adjustments.

## 5.23 Foreign liabilities

	December 31, 2017	December 31, 2016
	BIF'000	BIF'000
Non-residents deposits in BIF	612 631	1, 313,183
Foreign currencies payable values	89 844	34,691
Non-residents deposits in foreign currencies	6 280 249	422,883
	<b>6 982 725</b>	<b>1, 770,756</b>

## 5.24 Other liabilities

	December 31, 2017	December 31, 2016
	BIF'000	BIF'000
Provisions	5 014 390	4 520 547
Payables values in BIF	4 821 988	3 237,025
Received Subsidies(Note (i))	2 613 529	2 626 923
Other creditors	137,667	144 123
	<b>12 587 575</b>	<b>10 528 618</b>

(i) The Bank received a donation of equipment and computer software from the “Projet de Développement des Secteurs Financiers et Privé du Burundi” which was recorded in tangible and intangible assets. The counterparty was recorded as public subsidies and other liabilities in accordance with the accounting method described in section 3.13

### **Adjustments relating to prior financial years.**

The equipment subsidies received were recorded in 2016 in an equity account. The reclassification carried out in 2017 made it possible to recognize them in a liability account for an amount of BIF 2 608 859 755.

## **5.25 Financial instruments risk management**

Like any other Central Bank, the Banque de la République du Burundi is exposed to various risks inherent to its activities: credit risk, liquidity risk, exchange rate risk and interest rate risk. The risk management function was not previously handled by a specific unit. However, the Internal Audit Department and the Audit Committee should collaborate to strengthen and enhance the risk control and management process. As from 18<sup>th</sup> September 2014, Executive Management has set up a Risk Management Unit. The risk management unit is under the supervision of the risk management advisor to the Board.

Usually, the Bank manages its risks through a prudent management of its assets and liabilities. The major risks incurred concern foreign exchange reserves position, advances to the Government, financial sector liquidity supply and staff loans.

According to IFRS 7: “Financial instruments: Disclosures”, the following paragraph presents financial instruments risks and how they are management by the Bank.

The Bank risk management focuses on the following main categories:

- **Credit risk:** risk of loss resulting from the inability of the Bank customers to meet their financial commitments.
- **Liquidity risk:** risk that the Bank is unable to meet its obligations at maturity.
- **Interest rate and foreign exchange rate risks:** risk of loss or assets impairment due to changes in interest rates or exchange rates; the structural interest rate risk and exchange rate risk are related to the Bank’s operations.
- **Exchange rate fluctuation risk:** The depreciation of the BIF against the main reference currencies results in a gradual and continuous depreciation of the result on exchange rate fluctuations, thus contributing to a negative impact on the Bank total equity.

### **a. Credit Risk**

#### **Credit risk management**

The credit risk corresponds to the risk that counterparty fails to respect his contractual obligations and that failure causes a financial loss to the Bank.

## Credit risk exposure

The following table presents the maximum credit risk exposure on Bank's financial assets net of depreciation.

	December 31, 2017	December 31, 2016
	BIF'000	BIF'000
Financial assets		
Foreign assets	112 989 520	59, 789,835
Documentary credits provisions	11 214 250	4, 225,349
Loans and advances to the Government	787 208 020	752, 299,748
Loans to banks	159 990 000	89, 000,000
Staff Loans and advances	22 072 330	15, 774,160
<b>Total financial assets</b>	<b>1 093 474 120</b>	<b>921 089 092</b>

## Credit risk hedging

The Bank has adopted a policy of dealing only with highly rated counterparties. The Bank enters only into transactions with entities whose rating is at least of superior quality.

(i) Credit risk related to liquid funds is not significant as counterparties are banks to which international credit rating agencies have allocated high credit ratings.

For the welfare of its staff, the Bank grants various types of credit to its staff who express the need. In addition to the principal and interests reimbursement guarantee, automatically deducted at source, the borrower commits himself to allocate his pension fund contributions, the disbursements for life insurance and any amount due as final settlement, to the clearance of balance of the contracted loans.

Also, the borrower agrees to obtain his spouse signature, by separate act, a solidarity bond to guarantee his commitments. For mortgages, the Bank keeps in its coffers, in addition to the guarantees mentioned above, the ownership title of property with mortgage registration of the house financed until the extinction of the obligations of the borrower. As for risks on fixed assets, the Bank protects itself by taking insurance with insurance companies.

(ii) As described in Note 5.12 to the financial statements, the loans to the Government as at 31 December 2017 amounted to BIF 787 208 020 462 and consist of "extraordinary debt of the Government", "special credit", "2012 consolidated ordinary advances" and the rescheduled ordinary advances granted to the Government during 2014, 2015 and 2016 financial years as well as the ordinary advances granted during 2017 financial year.

The reimbursements of Government extraordinary debt, special credit and 2012 consolidated ordinary advances are made according to pre-established maturities and thus the Central Bank manages the credit risk on these loans.

On 26<sup>th</sup> July 2016, BRB concluded a rescheduling agreement of its outstanding ordinary advances to the Government as of 31 December 2015.

The agreement main conditions concern:

- The rescheduling of the outstanding ordinary advances granted to the Government as of 31 December 2015 for an amount of BIF 273 246 030 658;

- The reimbursement period of the rescheduled amount is fixed at 40 years with one year differed. The interests and principal reimbursement will be done in 480 monthly payments respectively from 31 January 2017 and 31 December 2018;
- The interest will be monthly calculated on the non-reimbursed outstanding at a fixed rate of 1.2% per annum;
- The Government of Burundi undertakes to provide for each fiscal year, sufficient provisions to cover the principal and interest maturities. Otherwise, the BRB will debit the treasury general account for the maturity due.

Pursuant to the dispositions of the Finance Act for the 2017 financial year and following drying up of budgetary support, the BRB has regularly granted advances to the Government to reach a total amount of BIF 194 279 455 986 at the end of 2017.

The article 3 related to the 2018 Finance Act, prevails a budgetary support of the Central Bank of BIF 144 281 681 000. This allows the BRB to continue granting advances to the Government.

The regular increase of Central Bank advances to the Government and the uncertainty over their reimbursements increases certainly the credit risk and affect the cash position. However, following the drying-up of budget support, the Central Bank has other choice but to contribute to the financing of the Government budget deficit.

(iii) Credit risk related to provisions for documentary credits is limited as the counterparty is a bank to which international credit rating agencies have allocated high credit ratings.

#### **b. market risk**

The Bank's operations also expose it to financial risks related to fluctuations in foreign exchange rates and interest rates. Market risk exposure is assessed using sensitivity analyses.

The Bank itself manages the country foreign exchange reserves which it invests in the corresponding banks. It diversifies investments as much as possible and allocates them to minimize risks. In the area of foreign exchange reserves, the assets of the Bank are shown in the table.

#### **c. Foreign exchange risk management**

The table below summarizes the Bank's book value of monetary assets and liabilities denominated in foreign currency over the period of financial information

<b>2017 (BIF 000)</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>SEK</b>	<b>Other currencies</b>	<b>SDR</b>	<b>Total</b>
<b><u>Financial assets</u></b>							
Cash and cash equivalents	5 476 530	9 835 979	5 209	143 044	48 755	-	15 509 517
Foreign assets	54 757 350	42 907 009	3 793 923	-	9 425 647	2 045 480	112 929 409
Documentary credits provisions	12 214 250	-	-	-	-	-	-
<b>Loans and receivables</b>	<b>96 732 901</b>	<b>28 458 217</b>	<b>3 804 341</b>	<b>143 044</b>	<b>9 474 402</b>	<b>2 045 480</b>	<b>140 658 385</b>
IMF Quota	-	-	-	-	-	386 648 847	386 648 847
Available-for-sale financial assets	-	-	-	-	-	386 648 847	386 648 847
<b>Total financial assets</b>	<b>73 413 901</b>	<b>56 421 304</b>	<b>3 799 132</b>	<b>143 044</b>	<b>9 474 402</b>	<b>368 694 327</b>	<b>527 307 232</b>

<b>2017 (BIF 000)</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>Other currencies</b>	<b>SDR</b>	<b>Total</b>
<b><u>Financial liabilities</u></b>						
Deposits from Government	79 391 312	6 133 656	34 571	-	-	85 559 539
Deposits from Banks and financial institutions	17 386 194	6 428 184	28 938	1 697	-	23 845 013
Due to IMF	-	-	-	-	331 519 133	331 519 133
Foreign liabilities	21 497 835	10 742 593	648 462	151 607	-	33 040 498
<b>Total financial liabilities</b>	<b>118 275 341</b>	<b>23 304 433</b>	<b>711 971</b>	<b>153 304</b>	<b>331 519 133</b>	<b>473 964 183</b>

<b>2016 (BIF 000)</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>SEK</b>	<b>Other currencies</b>	<b>SDR</b>	<b>Total</b>
<b><u>Financial Assets</u></b>							
Cash and cash equivalents	46,190,268	8,021,509	10,039	102,084	32,504	-	54,356,404
Foreign Assets	21,282,604	11,269,378	3,917,980	-	3,935,517	19,384,356	59,789,835
Documentary credits provisions	4,225,349	-	-	-	-	-	4,225,349
<b>Loans and receivables</b>	<b>71,698,221</b>	<b>19,290,887</b>	<b>3,928,019</b>	<b>102,084</b>	<b>3,968,021</b>	<b>19,384,356</b>	<b>118,371,588</b>
IMF Quota	-	-	-	-	-	349,307,774	349,307,774
Available-for-sale financial assets	-	-	-	-	-	349,307,774	349,307,774
<b>Total financial assets</b>	<b>71,698,221</b>	<b>19,290,887</b>	<b>3,928,019</b>	<b>102,084</b>	<b>3,968,021</b>	<b>368,692,130</b>	<b>467,679,362</b>

<b>2016 BIF (000)</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>OTHERS</b>	<b>SDR</b>	<b>TOTAL</b>
<b><u>Financial Liabilities</u></b>						
Deposit from Government	61,468,781	16,067,714	-	-	-	77,536,495
Deposits from Banks and other financial institutions	10,527,212	3,713,929	30,529	589,245	-	14,860,915
Due to IMF	-	-	-	-	631,364,930	631,364,930
Foreign Liabilities	4,262,845	30,995	407,403	-	19,087	4,720,330
<b>Total Financial Liabilities</b>	<b>76,258,838</b>	<b>19,812,638</b>	<b>437,932</b>	<b>589,245</b>	<b>631,821,949</b>	<b>728,482,670</b>

The sensitivity analysis permits to estimate the potential impact of reasonably variation of exchange rates on an annual basis. The details of the sensitivity analysis related to the foreign exchange risk are presented in the below table:

	<u>2016</u>	<u>2017</u>
	Positive variation	Positive variation
USD	4%	5%
EUR	1%	19%
GBP	13%	15%
AUD	-	-
SDR	1%	11%
SEK	3%	15%

#### **d. Equity management**

Article 78 of the Central Bank Statutes stipulates that: The minimum ratio of the Central Bank equity to its total assets is fixed at 5% as of 31 December 2008, the date of entry into force of its statutes. It is increased by one percentage point each year until it reaches the 10% target provided in Articles 4 and 73.

When the total equity and the general reserve is less than the minimum ratio as defined in the previous paragraph, the insufficiency of Central Bank equity is covered by the Government by transfers to the latter.

In case the Government Treasury situation does not permit it, the latter shall, by way of derogation to Article 33, issue additional bonds subscribed by the Central Bank at market conditions.

With reference to Article 78, the Central Bank minimum equity ratio should reach 10% at 31 December 2017. However, at December 31, 2017, this ratio stood at 3.8% (6.4% at December 31, 2016).

#### **e. Liquidity risk management**

##### **Order Accounts Risk Management**

The order accounts refer mainly to advances to the Government and other governmental institutions by foreign Governments and international institutions. The others relate to the effects received from commercial banks as collaterals for credits refinancing as well as the Bank's collaterals for the issuance of treasury certificates to the public.

##### **Effects received from commercial banks as financing collaterals**

The credit risk related to the effects received from commercial banks is minimized by the fact that these effects are currently constituted by negotiable treasury securities (bills and bonds) that carry less risk than promissory notes drawn on private companies.



### Central Bank collaterals for treasury securities issuance

At this level, there is indeed a counterparty risk in the case that the Treasury general account may not be sufficiently provisioned to meet the maturities of Treasury securities at a given date, leading to advances from the Central Bank to the Government. However, this risk is low because these advances are capped at a percentage of the previous year's revenues.

### 5.26 Fair value measurement

Fair value is defined as the price that would be received for the sale of an asset or paid for the transfer of a liability in a normal transaction between market participants on the evaluation date, whether directly observable or estimated using another assessment technique. When estimating assets or liabilities fair value, the Bank considers the assets or liabilities characteristics as it would be done by market participants to determine the price of the asset or liabilities at the evaluation date.

For financial information reporting purposes, fair value evaluation are classified following a hierarchy (Level 1, 2 or 3) based on the level at which inputs to fair value evaluation are observable and the significance of a specific input in the fair value measurement in its integrality. This hierarchy is described below:

Level 1: Level 1 inputs data are the prices (unadjusted) on active markets for identical assets or liabilities that the entity can have access on the evaluation date.

Level 2: Level 2 input data are data concerning the asset or liability, other than the market prices included in level 1 inputs data that are directly or indirectly observable.

Level 3: Level 3 inputs data are unobservable inputs on assets or liabilities.

The following table presents fair value details of the bank's non-financial assets and liabilities and information on fair value hierarchy

<b>December 31, 2017</b>	<b>Note</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair value</b>
		BIF 000	BIF 000	BIF 000	BIF 000
<b>ASSETS</b>					
Gold assets		2 211 770			2 211 770
Land and buildings				52 561 320	52 561 320
<b>TOTAL</b>		<b>2 211 770</b>		<b>52 561 320</b>	<b>54 773 090</b>
<b>December 31, 2016</b>					
<b>ASSETS</b>					
Gold assets		1 893 065			1 893 065
Land and buildings				42 546 284	42 546 284
<b>TOTAL</b>		<b>1 660 327</b>		<b>42 546 284</b>	<b>44 439 349</b>

**a. Fair value Evaluation of non-financial assets and liabilities.**

**(i) Gold Holdings**

**Technical Evaluation**

Gold is evaluated based on Reuter's gold world price (in U.S. Dollar per ounce).

**(ii) Land and buildings**

**Technical Evaluation**

The Bank's land and buildings are recorded at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The Bank's land and buildings fair value evaluations have been performed during 2014 financial year by experts in construction from the Ministry of Transport, Public Works and Equipment.

The buildings fair value was determined according to the Ministerial Ordinance No 720/CAB/304/2008 dated 20 March 2008 concerning the tariffs updates of land compensation and construction in case of expropriation for public use purposes.

The land fair value was determined based on market to market approach that reflects the land market value.

**b. Fair value measurement of other non-financial assets and liabilities**

Other non-financial assets include orders down-payments, suspense accounts, immobilized fees for notes and coins manufacturing, other receivables for which fair value is not applicable since these are not evaluated using fair value on a recurring or non-recurring basis.

The Bank does not have any non-financial liabilities at the end of financial year.

**c. Fair value evaluation of financial assets and liabilities**

Except for staff loans and advances, the Executive Management considers that the financial assets and liabilities book value in the financial statements approximate their fair values.

	31 December 2017	
	Book value BIF'000	Fair Value BIF'000
<b>Financial assets</b>		
Cash	15 509 517	15 509 517
Foreign assets	121 181 955	121 181 955
Documentary credits provisions	11 261 033	11 261 033
IMF Quota	380 752 841	380 752 841
Loans and advances to the Government	787 208 020	787 208 020
Loans to banks and other financial institution	159 990 000	159 990 000
Staff loans and advances	22 676 713	22 072 330
	<u>1 498 580 079</u>	<u>1 497 975 696</u>
<b>Financial liabilities</b>		
Currency in circulation	308 146 329	308 146 329
Deposits from the Government Sector	276 859 648	276 859 648
Banks and other financial institutions	226 023 724	226 023 724
Other deposits	47 789 467	47 789 467
Due to IMF	662 015 260	662 015 260
Foreign Liabilities	6 982 736	6 982 736
Other liabilities	6 462 229	6 462 229
	<u>1 534 279 393</u>	<u>1,534 279 393</u>

Except for staff loans and advances, the Executive Management considers that the financial assets and liabilities book value in the financial statements approximate their fair values.

31 December 2016

	Book Value BIF'000	Fair Value BIF'000
<b>Financial assets</b>		
Cash and cash equivalents	54,356,404	54,356,404
Foreign Assets	59,789,835	59,789,835
Documentary credits provisions	4,225,349	4,225,349
IMF Quota	349,307,774	349,307,774
Loans and advances to Government	752,299,748	752,299,748
Loans to banks and other financial institutions	89,000,000	89,000,000
Staff loans and advances	15,774,160	14,924,518
	<u>1,324,753,270</u>	<u>1,323,903,628</u>
<b>Financial Liabilities</b>		
Currency in circulation	267,512,459	267,512,459
Deposits from the Government Sector	249,591,126	249,591,126
Banks and other financial institutions	143,874,328	143,874,328
Other deposits	15,055,371	15,055,371
Due to IMF	631,364,930	631,364,930
Foreign Liabilities	1,770,756	1,770,756
Other liabilities	10,528,618	10,528,618
	<u>1,319,697,588</u>	<u>1,319,697,588</u>

## 5.27 Contingent liabilities and liabilities

Several lawsuit cases had been brought against the Bank. Unless recorded as provisions, the Executive Management considers these lawsuit cases as unjustified and their settlement against the Bank unlikely. This evaluation complies with external independent legal opinions.

## 5.28 Related parties transactions

The following transactions concern related parties' transactions:

### (i) Government

Refer to Note 5.12 of this report "Loans and advances to Government".

### (ii) Employees

Refer to Note 5.15 of this report "Other assets" – Staff loans and advances.

a) **EXECUTIVE MANAGERS WAGES**

<u>Executive Management Remuneration</u>	December 31, 2017	December 31, 2016
	BIF'000	BIF'000
Annual salary	636,754	638,354
	December 31, 2017	December 31, 2016
	BIF'000	BIF'000
Salary Advances		
Opening Balance	-	-
Advances during the year	9000	-
Reimbursement	(4,500)	-
Closing Balance	4,500	-
	December 31, 2017	December 31, 2016
	BIF'000	BIF'000
Housing Loans		
Opening Balance	1,060,964	1,130,515
Loans during the year		47,602-
Reimbursement	(92,465)	(117,153)
Closing balance	968,499	1,060,964
	December 31, 2017	December 31, 2016
	BIF'000	BIF'000
<b>Vehicle loans</b>		
Opening balance	79,941	101,247
Loans during the year		
Reimbursement	(21,571)	(21,306)
Closing balance	58,370	79,941
	December 31, 2017	31 december 2016
	BIF'000	BIF'000
<b>Other Loans</b>		
Opening balance	13,516	410
Loans during the year	50,000	20,000-
Reimbursement	(23,562)	(6,894)
Closing balance	39,954	13,516

**OFF-BALANCE SHEET 2017**  
BIF 000.000

<b>ASSETS</b>		<b>LIABILITIES</b>	
Collection Bills	<b>93</b>	Payable Collection bills	<b>93</b>
IDA Loans	<b>113</b>	Regideso/IDA Liabilities	<b>113</b>
Overdraft securities deposits	<b>1 215</b>	BIRD Securities Depositors	<b>301</b>
		IDA Securities Depositors	<b>75</b>
		OTBU Securities Depositors	<b>15</b>
		CADEBU Securities Depositors	<b>465</b>
		AFDB Securities Depositors	<b>325</b>
		MIGA Securities Depositors	<b>33</b>
Chinese Loans to the Government	<b>41 003</b>	Burundi liabilities to China	<b>41 003</b>
URSS Loans to the Government	<b>2 125</b>	Burundi liabilities to the URSS	<b>2 125</b>
Equipment Loans Effects	<b>11 250</b>	Equipment loans	<b>11 250</b>
Cash Loans	<b>1 690</b>	Credit Cash Effect	<b>1 690</b>
Korean Loans to the Government	<b>28</b>	Burundi Liabilities to Korea	<b>28</b>
Belgium loans to the Government	<b>929</b>	Burundi Liabilities to Belgium	<b>929</b>
Act of guaranty on goods	<b>231</b>	Depositors guarantees acts	<b>231</b>
Registered Government DC orders	<b>2 638</b>	Government DC provisions	<b>2 638</b>
Registration of imports guaranties orders	<b>22</b>	Importers guarantees	<b>22</b>
Vehicles guarantees deposits	<b>5</b>	Vehicles loans guarantee	<b>5</b>
Treasury bills	<b>362.660,05</b>	Treasury bills accounts	<b>362.660,05</b>
Treasury bonds	<b>449.301,0</b>	Treasury bonds accounts	<b>449.301,0</b>
Treasury Bills Pledge	<b>200.418,17</b>	Registered Treasury Bills pledge	<b>200.418,17</b>
Treasury Bonds Pledge	<b>52.800,0</b>	Registered Treasury Bonds pledge	<b>52.800,0</b>
Loans to the B.E.R.B	<b>1 002</b>	Loans to B.E.R.B	<b>1 002</b>
<b>TOTAL</b>	<b><u>1 127 523,22</u></b>	<b>TOTAL</b>	<b><u>1127523,22</u></b>

**OFF-BALANCE SHEET ITEMS 2016**

BIF 000.000

<b>ASSETS</b>		<b>LIABILITIES</b>	
Collection bills	<b>3</b>	Payable Collection bills	<b>3</b>
IDA Loans	<b>113</b>	Regideso/IDA Liabilities	<b>113</b>
Overdraft securities deposit	<b>1,216</b>	BIRD securities depositors	<b>302</b>
		IDA securities depositors	<b>76</b>
		OTBU securities depositors	<b>15</b>
		CADEBU securities depositors	<b>465</b>
		AFDB securities depositors	<b>325</b>
		MIGA securities depositors	<b>33</b>
Chinese loans to the Government	<b>41,005</b>	Burundi liabilities to China	<b>41,005</b>
URSS loan to the Government	<b>2,125</b>	Burundi liabilities to the URSS	<b>2,125</b>
Equipment loans effects	<b>11 250</b>	Equipment loans	<b>11 250</b>
Credit cash	<b>1,690</b>	credit cash effects	<b>1,690</b>
Korean loans to the Government	<b>28</b>	Burundi liabilities to Korea	<b>28</b>
Belgium loans to the Government	<b>928</b>	Burundi liabilities to Belgium	<b>928</b>
Act of guarantee on goods	<b>232</b>	Depositors guarantees acts	<b>232</b>
Registered Government DC orders	<b>2,638</b>	Government DC provisions	<b>2,638</b>
Registration of Import guarantees orders	<b>23</b>	Importers guarantees	<b>23</b>
Vehicles guarantees deposits	<b>5</b>	Credit guarantee vehicles	<b>5</b>
Treasury bills	<b>444, 950</b>	Treasury Bills accounts	<b>444 950</b>
Treasury bonds	<b>149 ,200</b>	Treasury Bonds accounts	<b>149,200</b>
Pledge Treasury Bills	<b>202 ,297.83</b>	Registered Treasury Bills pledge	<b>202,297.8</b>
		Registered Treasury Bonds	
Treasury Bonds Pledge	<b>52, 800</b>	Pledge	<b>52, 800</b>
Loans to B.E.R.B	<b>1,003</b>	Loans to B.E.R.B	<b>1,003</b>
<b>TOTAL</b>	<b><u>917,5</u></b>	<b>TOTAL</b>	<b><u>917,5</u></b>