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

FINANCIAL STATEMENTS FOR THE YEAR ENDED

30TH JUNE 2019

TABLE OF CONTENTS

BANQUE DE LA REPUBLIQUE DU BURUNDI GENERAL INFORMATION

REGISTERED OFFICE	**:**	**Banque de la République du Burundi** 1, Avenue du Gouvernement P.O BOX 705 Bujumbura, Burundi
BRANCHES		**Ngozi Branch** P.O BOX 4 Ngozi, Burundi
		Gitega Branch P.O BOX 107 Gitega, Burundi
		Rumonge Branch B.P 175 Rumonge, Burundi
EXTERNAL AUDITOR		**Mazars Cameroun** Immeuble Ex AMACAM Rue Boué de lapeyrére P.O BOX 3791 Douala, Cameroun
LAWYERS		**BANZUBAZE Sylvestre** 12, Avenue de la Révolution, P.O BOX 3031 Bujumbura, Burundi
		SIZIMWE K. Sixte Avenue de Grèce, Immeuble NKAMICANIYE, P.O BOX 6520 Bujumbura, Burundi
		SEGATWA Fabien & Associés Avenue NGENDANDUMWE Immeuble GATOGATO, 2nd Floor, P.O BOX 6024 Bujumbura, Burundi
		Cabinet MAMARB & Associés 6ème Avenue de l'Industrie Immeuble TOWN RISE, Bureau N° 118 et 119 Tel 69 305 067 / 79 614 696 Email: mamar.lawyer@gmail.com

EXECUTIVE MANAGEMENT REPORT

The Executive Management, hereby submits the annual report and the audited financial statements for the financial year ended 30th June 2019 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, the proper functioning of the monetary market, the foreign exchange market and also the banking and financial system in general.

INCOME STATEMENT

The income statement for the year 2018/2019 is shown on page 19.

BOARD OF DIRECTORS

During the 2018/2019 financial year to the date of this report, the members of the Board of Directors are as follows:

		Beginning of Term	End of Term
Mr. Jean CIZA	President and Governor	9th August 2017	-
Mr. Melchior WAGARA	First Deputy Governor	6th January 2016	- -
Mrs. Annonciata SENDAZIRASA	Second Deputy Governor	25th August 2015	-
Mr. Léon NIMBONA	Member	07th April 2011	-
Mr. Jacques NGENDAKUMANA	Member	07th April 2011	-
Mr. Eloi RUGERINYANGE	Member	07th April 2011	-
Mr. Melchiade NZOPFABARUSHE	Member	07th April 2011	-
Mrs. Florence NSHIMIRIMANA	Member	11th July 2013	-

EXECUTIVE MANAGEMENT COMMITTEE

During 2018/2019 financial year up to the date of this report, the members of the management committee are as follows:

		Beginning of Term	End of Term
Mr. Jean CIZA	President and Governor	09th August 2017	-
Mr. Melchior WAGARA	First Deputy Governor	06th January 2016	-
Mrs. Annonciata SENDAZIRASA	Second Deputy Governor	25th August 2015	-

AUDIT COMMITTEE

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

	Beginning of Term
Léon NIMBONA	07th April 2011
Eloi RUGERINYANGE	05th May 2011
Florence NSHIMIRIMANA	11th July 2013

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, 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 2018/2019 financial years.

For the Executive Management

BANQUE de la REPUBLIQUE du BURUNDI
BRB
Gouverneur

The Governor

Date: 05 Novembre 2019

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 financial 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.

The Governor

BANQUE de la REPUBLIQUE du BURUNDI BRB Gouverneur

Date: 05 Novembre 2019

The financial statements on pages 15 to 52 have been approved by the Board of Directors on 11/11/2019 and have been signed on his behalf by:

The Governor, President of the Board

BANQUE de la REPUBLIQUE du BURU... BRB CONS... GENERA...

Date: 11 Novembre 2019

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

BANQUE DE LA REPUBLIQUE DU BURUNDI (B.R.B)

Report of the independent auditor on the financial statements for the period ended 30th June 2019

MAZARS

BANQUE DE LA REPUBLIQUE DU BURUNDI (B.R.B)

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

Report of the independent auditor on the financial statements for the period ended 30th June 2019

Mazars Cameroun SA

P.O BOX 3791 Douala - Cameroon

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

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

REGISTERED WITH ONECCA UNDER N° SEC 017.

Report of the independent auditor on the financial statements of Banque de la République du Burundi

To the members of the General Board of Banque de la République du Burundi,

Qualified opinion

We have audited the annual financial statements of Banque de la République du Burundi (BRB) which comprise the global result statement, the statement of financial position, the statement of change in equity, the cash flow statement and the accompanying notes to the financial statements for the period ended 30th June 2019.

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 30th June 2019, and its financial performance for the period then ended, in accordance with the International Financial Reporting Standards (IFRS) applicable to the operations of the Bank and the Law 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 more fully 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 Code of Ethics of the International Accounting Standards Board (IESBA), and we are acquitted of the other ethical responsibilities that fall under these rules.

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

Claims on the State

As at December 31, 2016, the claims on the State had reached BIF 752,299,748,000 against BIF 641,724,669,000 as at December 31, 2015, representing 53.35% of the total assets of the Bank. They consisted of the "*Extraordinary State Debt*", the "*Special Credit*", the "*Consolidated 2012 ordinary advances*" and the ordinary advances granted to the State during the 2014 and 2015 fiscal years due to the depletion of budget supports.

The regular increase of the advances granted by Banque de la République du Burundi to the State, the uncertainty related to their repayment and the increase of the associated credit and liquidity risk had led the independent auditors to issue a qualified opinion on the 2015, 2016 and 2017 accounts.

Following the depletion of budget supports, the Bank regularly granted advances to the State up to an amount of BIF 216,009,178,756 as at June 30, 2019 against BIF 194,279,456,000 at the end of the 2017 period.

In addition, the finance law for the year 2018-2019, in its article 3, still provides budget support from Banque de la République du Burundi for BIF 141,376,089,000.

As at June 30, 2019, claims on the State reached a balance of BIF 762,093,938,576 representing 42.73% of the total assets of the Bank.

In view of this situation, the qualification made in previous periods concerning the uncertainty related to the repayment of advances granted by Banque de la République du Burundi to the State and the increase in the associated credit and liquidity risk cannot be lifted.

Non-compliance with Article 18 of the Convention between the State and Banque de la République du Burundi on the role of the State Cashier

Article 33 of Law No. 01/34 of December 2, 2008, on the Statutes of Banque de la République du Burundi, provides that the Central Bank shall not make advances whether direct or indirect to the State or any other administration or entity owned by the State. Similarly, Article 18 of the Convention between the State and Banque de la République du Burundi on the role of Cashier of the State sets the debit balance of the Treasury towards the Central Bank over a maximum period of 7 years starting from 2009.

In view of the significant outstanding amount as at 30th June 2019 of the advances granted by Banque de la République du Burundi to the State and the budget support planned for the 2018-2019 financial year, Banque de la République du Burundi, just like at 31 December 2017, is not in compliance with the provisions of article 33 of the Bank's Statutes and article 18 of the Convention with the State.

Internal control system

The internal control system of Banque de la République du Burundi remains incomplete, which does not guarantee the integrity of the process of production of financial information.

As at December 31, 2017, our review of the internal control system revealed several deficiencies already identified and not yet corrected as described in our management letter sent to the Bank.

Emphasis of matter

Without modifying the opinion expressed above, we wish to draw your attention on:

The note to the financial statements "*5.6.Operating Charges*", which sets out the forward-looking treatment used by the Bank at the beginning of the 2017 period for the recognition of provisions for retirement benefits and provisions for employees leave pay, in accordance with the terms and conditions recommended by IAS 19 "*Employee benefits*", because of the difficulties involved in estimating the impact of a retrospective treatment on equity.

The note to the financial statements "5.14.*Other assets*" which sets out the sale of non-monetary gold carried out during period ended June 30, 2019 and the methods used to value the non-monetary gold stock as of June 30, 2019 and their impact on the annual accounts of the Bank.

Paragraph "*d Equity management*" of the note to the financial statements "*6.Management of risks associated with financial instruments"*, which explains the Bank's failure to comply with the equity minimum ratio set at 10% by Article 78 of the Central Bank's statutes. This ratio stands at 2.3% as at June 30, 2019.

The note to the financial statements "*2.2.3.financial statements comparability*" of the point "*2.Accounting framework*", which sets out the reasons for changing the financial reporting year-end.

Key audit matters

The key audit matters are the points relating to the risks of material misstatement 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 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.

Claims on the State

Identified Risk

Banque de la République du Burundi (BRB) claims on the State represent a balance of BIF 762,093,938,576 which is 42.12% of the total assets of the Bank as at 30th June 2019.

As explained in particular in the notes to the financial statements "*5.11. Claims on the State", "6. Management of risks associated with financial instruments"*, these claims on the State consist of the "*extraordinary debt of the State*", the "*special credit*", the *"consolidated 2012 ordinary advances"* and the rescheduled ordinary advances granted to the State during the years 2014 to 2018/2019.

We considered that the claims on the State are a key audit matter due in part to their significant materiality in relation to the size of the balance sheet of Banque de la République du Burundi (BRB), and on the other hand to the regular increase in advances granted to the State and the uncertainty related to their repayment, as well as the increase in the associated credit and liquidity risk.

Our response

As part of our work, we obtained the understanding of the monitoring system of Banque de la République du Burundi for its claims on the State.

We obtained an understanding of the assessment of Banque de la République du Burundi's Management of the recoverability of these claims. In this context, we also verified the main movements on the balance of these claims on the State by ensuring, in particular, through tests on a sample basis, the reality of repayments made over the period as well as the compliance with the deadlines incorporated in the addendum to the agreements governing them.

We obtained an understanding of the impairment test performed by the Bank, which concluded that there was no objective indication of impairment.

Finally, we assessed the extent and appropriateness of the information related the claims of Banque de la République du Burundi (BRB), presented in the notes to the annual financial statements.

Result on fluctuation of exchange rates

Identified risk

As presented in the note to the financial statements "5.7.*Result on fluctuation of exchange rates*" and in paragraph *"c. Foreign exchange risk management"* of the note to the financial statements *"6. Management of the risks associated with financial instruments"* the result on fluctuation of the exchange rates contributes significantly to the result of Banque de la République du Burundi (BRB). The result on fluctuation of exchange rates is BIF -11,717,762,000 at 30th June 2019 against BIF -13,697,561,000 at the end of December 2017.

We considered that the result on fluctuation of exchange rates is a key audit matter due to its very high volatility between the different periods and the multiplicity of operations which contribute in its formation.

Our response

As part of our work, we reviewed the process of calculating the foreign exchange result. We obtained the understanding 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 transactions, 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 result resulting from these operations.

Responsibility of the Management Committee and those charged with governance on the annual financial statements

The Management Committee is responsible for the preparation and fair presentation of the annual financial statements in accordance with the International Financial Reporting Standards and the requirements of Law No. 01/34 of December 2, 2008 on the Statutes of Banque de la République du Burundi, as well as the establishment 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 Management Committee is responsible for assessing the Bank's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

The annual financial statements are adopted and approved by the General Council.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes 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 role as an external auditor is not to guarantee the viability or the quality of management of the audited company.

Douala, November 26, 2019

The External Auditor

MAZARS CAMEROUN	
Audit, Accountancy, Advisory CEMAC License N° SEC 034 ONECCA Registration N° SEC 01	**Jules Alain NJALL BIKOK** Partner

ANNEX ON THE AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

We also:

- 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;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- 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;
- 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;
- 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 30th JUNE 2019

	Notes	30/6/2019	31/12/2017
		BIF'000	BIF'000
Interest income	5.1	40 875 986	23 993 423
Interest expenses	5.2	(2 668 752)	(792 645)
Net interest income		**38 207 234**	**23 200 778**
Net fees and commission income	5.3	2 709 747	1 455 876
Net income from foreign exchange operations	5.4	40 014 064	16 094 714
Other income	5.5	24 513 144	2 220 934
Operating Income		**105 444 189**	**42 972 302**
Operating expenses	5.6	(117 211 394)	(61 713 719)
Loss/Gain on foreign exchange	5.7	(11 717 762)	(13 697 561)
Net income for the year		**-23 484 967**	**-32 438 978**
Other Comprehensive income for the year		**0**	**0**
Total Comprehensive income for the year		**-23 484 967**	**-32 438 978**

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30th JUNE 2019

	Notes	30/06/2019	31/12/2017
		BIF'000	BIF'000
ASSETS			
Cash		9 191 708	15 509 517
Foreign assets	5.8	80 715 897	115 201 290
Provisions for documentary credits	5.9	30 635 151	12 214 250
Quota from IMF	5.10	377 640 070	386 648 847
Loans and advances to the Government	5.11	762 093 939	787 208 020
Loans to banks	5.12	335 229 749	159 990 000
Investments Securities	5.13	-	
Other assets	5.14	113 339 040	66 797 322
Property, plant and equipment	5.15	74 034 762	63 882 867
Intangible assets	5.16	543 729	367 635
TOTAL ASSETS		**1 783 424 046**	**1 607 819 749**
LIABILITIES AND EQUITY			
LIABILITIES			
Currency in Circulation		383 003 446	308 146 329
	5.20		
Government Deposits	5.21	393 803 756	276 859 648
Banks and other financial institutions	5.22	229 087 138	226 023 724
Other deposits	5.23	79 338 880	47 789 467
IMF related liabilities	5.24	615 720 573	668 270 096
Foreign liabilities	5.25	11 206 859	6 982 725
Others liabilities	5.26	30 849 429	12 587 575
Total Liabilities		**1 743 010 080**	**1 546 659 564**
Equity			
Share capital		11 000 000	11 000 000
General Reserves	5.17	45 164 969	48 206 211
Special reserves	5.18	1 715 553	1 715 553
Foreign exchange revaluation reserves	5.19	1 346 115	1 346 115
Property, Plant and equipment revaluation reserves		38 117 924	31 331 282
Profit/Loss for the year		**-23 484 967**	-32 438 978
Profit/Loss for allocation		**-33 445 628**	
Total Equity		**40 413 966**	**61 160 184**
TOTAL LIABILITIES AND EQUITY		**1 783 424 046**	**1 607 819 749**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30th JUNE 2019

	SHARE CAPITAL	GENERAL RESERVES	SPECIAL RESERVE	FOREIGN EXCHANGE REVALUATION RESERVES	PROPERTY, PLANT AND EQUIPMENT REVALUATION RESERVES	PROFIT/(LOSS) OF THE YEAR	TOTAL EQUITY
	000 BIF	000 BIF	000BIF	000BIF	000BIF	000 BIF	000 BIF
Balance at January 01, 2018	11 000 000	48 206 211	1 715 553	1 346 115	31 331 282	-32 438 978	61 160 184
Provision transferred to reserves		-23 484 968					
Subtotal changes linked to relations with shareholders	11 000 000	24 721 243	1 715 553	1 346 115	31 331 282	-32 438 978	61 160 184
Profit/ loss for the year						-23 484 968	-23 484 968
Prior financial year's adjustments.		20 443 726			6 786 642	-1 006 649	
Other items of comprehensive income for the year						**-23 484 968**	**-23 484 968**
Equity as at June 30, 2019	**11 000 000**	**45 164 969**	**1 715 553**	**1 346 115**	**38 117 924**	**-56 930 595**	**40 413 967**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30th JUNE 2019

CASH FLOW FROM OPERATING ACTIVITIES	30/06/2019	31/12/2017
Profit of the year	-23 484 968 019	-32 438 978 238
Depreciation	3 384 021 434	1 811 635 852
Received Interest	40 875 985 650	-23 993 423 080
Paid Interest	2 668 752 139	792 645 187
Profit on property plant and equipment disposal		
Adjustments		
Income on Foreign Exchange Fluctuations	-11 717 762 337	15 141 289 952
		133 387 742 621
Loss on Disposal		-55 630 667 610
Income before working capital adjustments	-31 818 708 922	-55 630 667 610
Change in provisions for Documentary Credits	30 635 151 498	-7 988 901 835
Change in IMF Quota	377 640 069 863	-37 341 073 083
Change in Loans to the State	762 093 938 576	34 908 272 886
Change in to Banks and F.I	335 229 749 084	-70 990 000 000
Change in investments		0
Change in other receivables	104 262 879 919	-20 119 603 524
Change in Government Sector Deposits	393 803 755 641	27 268 190 666
Change in banks and others F.I deposits	229 087 138 448	82 149 728 078
Change in other deposits	79 338 879 540	32 734 096 065
Change in due to the IMF	615 720 572 787	36 905 166 492
Change in Foreign Liabilities	11 206 858 501	-5 211 968 133
Change in other liabilities	43 418 601 566	2 058 956 931
Net cash flow from operations	**2 950 618 886 501**	**18 742 196 933**
Paid interest Employee benefits	-2 668 752 139	-792 645 187
Net cash from operating activities	**2 947 950 134 362**	**17 949 551 746**
CASH FLOW FROM INVESTING ACTIVITIES		
Property and Equipment	-13 712 011 169	-66 062 137 705
Property and Equipment Disposal		0
Received interest	40 875 985 650	23 993 423 080
Net Cash generated from investing activities	**27 163 974 481**	**-42 068 714 625**
CASH FLOW FROM FINANCING ACTIVITIES		
Statutory Reserves	-3 041 242 527	10 384 187 523
Currency in Circulation	74 857 116 774	40 633 869 941

NET CASH GENERATED FROM FINANCING ACTIVITIES	**71 815 874 247**	**51 018 057 464**
INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	**-26 873 669 197**	**27 691 539 772**
Cash and cash equivalent at the beginning of the year	128 499 036 559	114 146 239 408
Income from property and equipment revaluation		0
Income on foreign exchange fluctuations	-11717762337	-13 338 742 621
CASH AND CASH EQUIVALENTS END OF THE YEAR	**89 907 605 025**	**128 499 036 559**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 30th JUNE 2019

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 21st January 1965, No. 1/1 of 03rd January 1976, No. 1/36 of 07th July 1993 and No. 1/34 of 02nd 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 02nd December 2008 on the Banque de la République du Burundi Statutes.

2.2 New and revised effective IFRS

The Banque de la République du Burundi, like any other institution that has adopted the IAS / IFRS standards, is now subject to the new IFRS9 standard "Financial Instruments" to replace IAS 39 "Financial Instrument: Recognition and Measurement".

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 assets 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.

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 its financial statements.

IFRS 15 - Revenues from contracts with customers

IFRS 15, published in May 2014, concerns the accounting of revenue applicable to contracts with customers (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 1st January 2018 as the deadline date of obligatory adoption of IFRS 9 but an anticipated application is authorized.

IAS 23 – Borrowing Costs

This standard requires that borrowing costs directly attributable to the acquisition, construction or production of a 'qualifying asset' (one that necessarily takes a substantial period of time to get ready for its intended use or sale) are included in the cost of the asset. Other borrowing costs are recognised as an expense. It entered into force on 1st January 2019.

IAS 19 – Employee Benefits

IAS 19 - Employee Benefits describes accounting requirements for employee benefits, including short-term benefits (eg, salaries and vacation pay), post-employment benefits such as retirement benefits, other post-employment benefits employment (eg. long-term disability benefits) and termination benefits.

The standard establishes the principle that the cost associated with the granting of employee benefits should be recognized in the period in which the benefit is earned by the employee, rather than when the benefit is paid or payable, describes how each category of employee benefits is evaluated, and provides detailed guidance primarily on post-employment benefits.

The last amendment of this standard dates from January 2018 and is expected to come into force in January 2019.

2.2 Basis of preparation

2.2.1 Historical cost method

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.

2.2.2 Going concern and time period principle

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

2.2.3 Financial statements comparability

The financial statements have been prepared in accordance with IAS1, which prescribes the basis for financial statements presentation for general purpose, and to be comparable to both the entity's financial statements for prior periods and to the financial statements of other entities.
Indeed, following the modification of the Burundi constitution in June 2018 and which stipulates that the accounting and fiscal period starts from 01/07 of the year N and ends with 30/06 of the year N + 1, the Banque de la République du Burundi adapted the period of presentation of its financial statements to this new constitutional provision by closing its first financial year on 30/06/2019.

This creates a comparability problem, especially for this first post-constitutional period, since the financial year closed on 30/06/2019 (which comprises18 months from 01/01/2018) will be compared to that closed on 31 / 12/2017 (which comprises 12 months from 01/01/2017).

IAS1 standard does not prohibit this presentation of financial statements, but rather requires them to be disclosed in the notes to the financial statements, as described in in paragraph 36 “When an entity changes the end of its reporting period and presents financial statements for a period longer or shorter than one year, the entity shall disclose:

a) The reason for using a longer or shorter period; and
b) The fact that the amounts presented in the financial statements are not fully comparable.

It should be noted that this new constitutional provision allows the Bank to be in compliance with other Central Banks of the EAC sub-region in terms of year end.

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 and 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 and 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 equipment. 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

The Bank's cash consists of cash assets, current account balance and term deposit balances and other Bank's foreign assets.

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, his 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 analysed 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 2018/2019 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. NOTES TO THE FINANCIAL STATEMENTS

5.1 Interest income

	June 30, 2019	December 31, 2017
	BIF'000	BIF'000
Interest on investments in BIF	39 817 511	23 666 613
Interest on investments in foreign currencies	1 058 475	326 810
	40 875 986	**23 993 423**

5.2 Interest expenses

	June 30, 2019	December 31, 2017
	BIF'000	BIF'000
Monetary Policy Expenses	4 812	0
Interest on foreign currencies liabilities	2 663 940	792 645
	2 668 752	**792 645**

5.3 Net fees and commissions

	June 30 2019	December 31 2017
	BIF'000	BIF'000
Agios and commissions	**2 709 747**	**1 455 876**

5.4 Net foreign exchange revenues

The net foreign exchange revenues consist largely of foreign exchange commissions that the Bank carries out on its conversion transactions on behalf of its clients. Since 2016, the Government of Burundi has taken the step of domiciling at the BRB the accounts of all organizations and institutions receiving funds from abroad. This measure had a very positive impact.

5.5 Other operating income

	June 30, 2019	December 31, 2017
	BIF'000	BIF'000
Various benefits	23 489 066	639 174
Donations and grants received	-	34 559
Recovery of overheads	280 473	166 492
General control fees	337 880	195 500
Others products	405 725	86 453
	24 513 144	**1 122 178**

5.6 Operating Costs

	June 30, 2019	December 31, 2017
	BIF'000	BIF'000
Staff costs	17 789 774	12 171 507
Non-Executive Directors remuneration	151 030	103 120
Travelling and related costs	977 264	742 425
General maintenance expenses	3 235 698	1 512 606
General operating overheads	2 246 128	921 265
Insurance fees	75 577	100 558
Publication and Communication fees	912 575	545 359
Taxes	1 417	12 089
Professional fees	404 165	279 068
Depreciation and amortization cost	3 384 021	1 692 500
Risk Provisions cost	9 210 017	0
Notes and coins manufacturing cost	3 263 013	2 800 784
Meetings, conferences and seminars cost	254 376	17 289
Events cost	202 698	100 646
Participation Fees	119 569	203 570
Miscellaneous Expenses	485 140	200 601
Other costs	74 562 736	40 310 328
	117 211 394	**61 713 715**

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 2017 opening equity, the Bank opted for a forward looking treatment of these corrections.

5.7 Income on foreign exchange rates fluctuation

At the end of the year, the Bank readjusts its foreign currency assets and liabilities, and the balance constitutes the foreign exchange fluctuation income. This income does not depend entirely on the Central Bank policy since it is a function of the BIF exchange rate against other currencies, and it is calculated on the stock of assets and liabilities including those with no transactions related. At June 30, 2019, the foreign exchange fluctuation income was in deficit since the SDR commitments are far larger than the SDR holdings.

5.8 Foreign assets

	June 30, 2019	**December 31, 2017**
	BIF‘000	BIF‘000
Current Accounts	71 382 346	101 691 493
Term deposits	0	290
Holdings in SDRs (i)	1 597 418	1 985 557
Pending Foreign Currency	5 213 145	9 312 470
Gold assets	2 522 988	2 211 770
	80 715 897	**115 201 290**

(i) 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.

5.9 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.

5.10 Quota from International Monetary Fund (IMF)

	June 30, 2019	December 31, 2017
	BIF'000	BIF'000
IMF Quota	**377 640 070**	**386 648 847**

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

5.11 Loans and advances to government

	June 30, 2019	December 31, 2017
Government Extraordinary Debt:	**BIF'000**	**BIF'000**
Opening Balance	115 550 112	122 945 318
Repayment during the year	(-1 848 802)	(-3 697 603)
Closing Balance (Note (i))	**113 701 310**	**119 247 715**
Special Loan (Note (ii))	32 045 961	57 125 408
Consolidated 2012 Advances (Note (iii))	400 337 489	416 555 440
Ordinary Advances (Note (iv))	216 009 179	194 279 455
	762 093 939	**787 208 020**

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 roses 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 31st 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 31st December 2013;
    - ✓ 12 months period for principal, starting from 31st 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 30th June 2019, the 2010, 2012, and 2015 outstanding consolidated advances amount at BIF 113,701,301,025; BIF 127,992,455,425; BIF 272,345,033,349 respectively.

(iv) During fiscal year 2018/2019, following the drying up budget support, the Bank regularly granted advances to the State, rising from BIF 194,279,456,000 in 2017 to the level of BIF 216,009,178,756 at 30/06/2019, and the total amount of outstanding receivables from the State stands at BIF 762,093,938,576 slightly lower than those recorded in 2017, ie BIF 787,208,021,000 that can be explained by a strong mobilization of domestic resources.

5.12 Loans to banks

	June 30, 2019	December 31, 2017
	BIF'000	**BIF'000**
Liquidity supply through tenders (Note (i))	335 229 749	159 990 000
Loans by Bilateral agreement (Note (ii))	0	0
	335 229 749	**159 990 000**

At the end of June 2019, the outstanding commercial bank refinancing (4 banks) by the Central Bank amounted BIF 335,229,749,084 compared to BIF 159, 99 Billion at the same period of the previous year.

This amount includes a liquidity contribution through tenders in the amount of BIF 334,691,945,334 billion for the provision of liquidity by normal tender, and BIF 537,803,750 with liquidity provision by marginal lending facility.

5.13 Shares

	June 30, 2019	December 31, 2017
	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)
	0	**0**

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.

5.14 Other assets

	June 30, 2019	December 31, 2017
	BIF'000	**BIF'000**
Staff loans and advances	23 492 951	22 676 713
Pre-payment for acquisition of property and equipment		
Prepaid expenses	376 429	301 811
Suspense accounts	18 573 921	3 373 559
Pre-payment for notes and coins acquisition	27 499 244	4 580 704
Branches	18 700	8 938
Immobilized fees for notes and coins manufacturing (Note (i))	10 456 197	5 616 637
Purchases of gold (Note (ii))	24 341 224	29 297 025
Other receivables	8 653 237	2, 744,732
Provisions for doubtful Loans	(72 864)	(1, 802,796)
	113 339 040	**66 797 322**

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

(ii) During 2018/2019 financial year, the BRB has purchased 1 607 179 g of gold evaluated at purchase price BIF 173,367, 689,009. This quantity of gold purchased has been added to the quantity already in stock before 01/01/2018.

During the period from 01/01/2018 to 30/06/2019, the BRB carried out 03 sales of non-monetary gold during the month of February (638 666.10gr), in October (653 777.39 gr) and May 2019 (549 711.10 gr) for successively $ 25,048,071.53, $ 23,385,680.18 and $ 20,218,460.31.

This makes a total of $ 68,652,212.02; or equivalent to BIF 123,523,581,171 for a purchase price of the gold stock of BIF 196,991,680,141; thus generating a net loss of BIF 73,468,098,970 which is for the BRB related to "the cost of monetary and exchange rate policy".

Indeed, the monetary gold price is determined in US dollars on the international market (London Gold Fixing) and the price of the rough gold is based on that price (the used international formula releases the numbers in USD).

In private gold buying houses, gold is often sold in US dollars and the beneficiaries will convert these dollars into BIF on the black market, which uses a rate far above the official rate. For those who are paid in BIF, they use the black market rate for conversion.

However, at the BRB, as Central Bank, the gold is purchased in BIF by using the official exchange rate. Under these conditions, the sellers are demotivated to bring their gold at the BRB.

After the sale, the amount obtained much lower than the purchase price, due to the difference between the official and the black market exchange rate.

The difference constitutes a loss on foreign exchange transactions (conversion of foreign currency into BIF). However, this differential should not be considered as a loss for the BRB as long as it helped to replenish the stock of foreign exchange reserves and to accomplish its “price stability” mission.

(iii) As of June 30, 2019, the Bank held a stock of rough gold purchased from producers in Burundi for a total amount of BIF 107,748,213,976.

5.15 Property and equipment

	Land and Building	Motor Vehicles	Furniture and Fittings	Computer Equipment	Assets under construction	Total
COST	BIF'000	BIF'000	BIF'000	BIF'000	BIF'000	BIF'000
At the beginning of the 2017	**42, 546,284**	**1, 621,168**	**10, 072,133**	**4 ,580, 472**		**58,820,057**
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	1 162 440
At the end of the 2017	**52 ,561, 320**	**1, 474 ,478**	**11, 333, 406**	**3 ,359 ,942**	**3, 096 ,819**	**71, 825, 968**
DEPRECIATION						
At the beginning of the 2017	**749, 534**	**854 ,649**	**2,331,277**	**1,124, 874**	**-**	**5 ,060,334**
Depreciation expenses	410 700	154 020	950 251	282 200	-	1 797 170
Disposal depreciation	-17 248	-			-	-17 248
Subsidies depreciation			1 115 729	1,501	-	1,117,230
Accounting adjustment	59 001	-6 280	-5 503	-61 605	-	-14 387
At the end of the year	**1 ,201 ,986**	**1 ,002 ,389**	**4, 391 ,754**	**1, 346, 969**	**-**	**7, 943, 098**
NET BOOK VALUE						
At the end of 2017	**51 ,359, 334**	**472 ,089**	**6 ,941, 652**	**2, 012, 973**	**3, 096, 822**	**63, 882, 867**

	Land and Building	**Motor Vehicles**	**Furniture and Fittings**	**Computer Equipment**	**Asset under construction**	**Total**
COST	BIF'000	BIF'000	BIF'000	BIF'000	BIF'000	BIF'000
At the beginning of 2018-2019	**39, 433,166**	**1, 474, 478**	**11, 380,108**	**2, 260,364**	**11, 994,104**	**66, 542,220**
acquisitions	306,257	297,828	1, 698,750	1, 270,166	14, 842,896	18, 415,897
Disposal	-	34,750	-	0		34,750
Accounting adjustment	-	0		0	0	
At the end of the 2018-2019	**39, 739,423**	**1, 737,556**	**13, 078,858**	**3, 530,529**	**26, 837,000**	**84, 923,367**
Amortization						
At the beginning of the 2018-2019	**1,383, 164**	**1, 215,363**	**2, 751,882**	**1, 691,301**	**-**	**7, 041,711**
Depreciation expenses	525,099	178,341	2, 779,089	443,059	-	2, 195,669
Disposal depreciation	0	0	0	0	-	0
Subsidies depreciation				0	-	0
Accounting adjustment	436	8 060	11 820	-99 007	-	0
At the end of the 2018-2019	**1, 908,699**	**1, 401,764**	**5, 542,791**	**2, 035,353**	**-**	**10,888,607**
NET BOOK VALUE						
At 30^{th} June 2019	**37, 830,724**	**335,792**	**7, 536,067**	**1, 495,176**	**26, 837,000**	**74, 034, 760**

5.16 Intangible assets

	June 30, 2019	December 30, 2017
COÛT	BIF'000	BIF'000
At the beginning of the year	722 803	689 701
Acquisitions	624 900	33 102
Disposal Accounting adjustment	-86 942	0,000
At the end of the year	**1 260 761**	**722 803**
Amortization		
At the beginning of the year	355 168	344 741
Depreciation expenses	403,640	10 427
Accounting adjustment Depreciation/ disposal	-41 777	
At the end of the year	**717,031**	**355,168**
NET BOOK VALUE	**543 730**	**367 635**

5.17 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.

5.18 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 depreciate the loss, the remaining loss is imputed to the general reserve.

5.19 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 revaluation account which is not distributable.

5.20 Currency in circulation

	June 30, 2019	December 31, 2017
	BIF‘000	BIF‘000
Cumulated notes and coins manufactured	1 599 957 034	1 259 156 684
Cumulated notes and coins destroyed	878 797 658	(742 863 798)
Bank currency in reserves	121 212 415	(189 167 915)
Cash Balance at the Bank	216 943 514	(18 978 507)
Currency in circulation	**383 003 445**	**308 146 364**

5.21 Government sectors deposits

	June 30, 2019	December 31, 2007
	BIF’ 000	BIF’ 000
Deposits of central government in BIF	202 498 813	157 188 723
Deposits of Local Administrations, Govt. Agencies and Public Organizations in BIF	45 027 345	35 784 645
Deposits of Central Government in foreign currency	143 646 494	71 860 297
Deposits of local Administrations, government agencies and public org in foreign currencies	2 631 104	12 025 983
	393 803 756	**276 859 648**

5.22 Banks and other financial institutions

	June 30, 2019	December 31, 2017
	BIF‘000	BIF‘000
Deposits of commercial banks in BIF	195 384 044	199 300 862
Deposits of commercial banks in foreign currencies	21 749 878	21 864 870
Deposits of financial institutions and microfinance in BIF	11 140 026	4 000 881
Deposits of financial institutions and microfinance in foreign currencies	813 189	857 111
	229 087 138	**226 023 724**

5.23 Other deposits

	June 30, 2019	December 31, 2017
	BIF‘000	BIF‘000
Import deposits	38 420 681	17 665 883
Contentious Deposits	3 955 722	1 534 785
Other deposits	36 962 477	28 588 799
	79 338 880	**47 789 467**

5.24 Due to International Monetary Fund

	June 30, 2019	December 31, 2017
	BIF‘000	**BIF‘000**
Credit facilities:		
Poverty Reduction and Growth credit facility	94 290 189	92 267 781
Extended credit facility	3 947 920	53 871 830
SDRs allocation	189 421 251	185 358 399
Account N ° 1	7 303 242	7 520 775
Securities Account	335 463 384	305 201 619
Value adjustment account:		
Account N ° 1	-239 429	688 689
Securities Account	-14 465 985	23 361 000
	615 720 573	**668 270 096**

Debts towards the IMF are denominated in SDR and are daily revaluated 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 30th 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 30th 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). This allows the Bank to have provision for IMF N° 1 and Securities account adjustments.

5.25 Foreign liabilities

	June 30, 2019	December 31, 2017
	BIF'000	BIF'000
Non-residents deposits in BIF	749 044	612 631
Foreign currencies payable values	33 241	89 844
Non-residents deposits in foreign currencies	10 424 573	6 280 249
	11 206 858	**6 982 725**

5.26 Other liabilities

	June 30, 2019	December 31, 2017
	BIF'000	BIF'000
Provisions	7 875 618	5 014 390
Payables values in BIF	11 146 455	4 821 988
Received Subsidies(Note (i))	2 613 529	2 613 529
Other creditors	137 667	137,667
	21 773 269	**12 587 574**

(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

6. 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 18th September 2014, Executive Management has set up a Risk Management Unit which directly report to the Executive Management Committee.

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.

	June 30, 2019	**December 31, 2017**
Financial assets	BIF '000	**BIF'000**
Foreign assets	80 715 897	115 201 290
Documentary credits provisions	30 635 151	12 214 250
Loans and advances to the Government	762 093 939	787 208 020
Loans to banks	335 229 749	159 990 000
Staff Loans and advances	23 420 087	22 676 713
Total financial assets	**1 232 094 823**	**1 097 290 273**

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 5.8 to the financial statements, the loans to the Government as at 30th June 2019 amounted to BIF 762,093,938,576 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, 2016 and 2017 financial years as well as the ordinary advances granted during 2018/2019 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 26th 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 2056;
- 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 216,009,178,756 at the end of 2018/2019. The article 3 related to the 2017 Finance Act, prevails a budgetary support of the Central Bank of BIF 144,281,68,000. 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

2018/2019 (BIF 000)	USD	EUR	GBP	SEK	Other currencies	SDR	Total
Financial assets							
Cash and cash equivalents	7 734 061	1 357 479	4 840	9 238	51 073	-	9 156 691
Foreign assets	56 188 872	40 729 434	2 374 703	-	2 095 011	1 597 418	102 985 438
Documentary credits provisions	30 635 151	-	-	-	-	-	30 635 151
Loans and receivables	**94 558 084**	**42 086 913**	**2 379 543**	**9 238**	**2 146 084**	**1 597 418**	**133 620 589**
IMF Quota	-	-	-	-	-	377 640 070	377 640 070
Available-for-sale financial assets	-	-	-	-	-	**377 640 070**	**377 640 070**
Total financial assets	**94 558 084**	**42 086 913**	**2 379 543**	**9 238**	**2 146 084**	**379 237 488**	**511 260 659**

2018/2019 (BIF 000)	USD	EUR	GBP	Other currencies	SDR	Total
Financial liabilities						
Deposits from Government	79 391 312	6 133 656	34 571	-	-	**85 559 539**
Deposits from Banks and financial institutions	20 622 485	6 013 647	30 201	1 779	-	**26 668 112**
Due to IMF	-	-	-	-	287 680 945	**287 680 945**
Foreign liabilities	21 497 835	10 742 593	648 462	151 607	-	**33 040 498**
Total financial liabilities	**118 275 341**	**23 304 433**	**711 971**	**153 304**	**331 519 133**	**473 964 183**

2017 (BIF 000)	**USD**	**EUR**	**GBP**	**SEK**	**Other currencies**	**SDR**	**Total**
Financial Assets							
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
Loans and receivables	**71 698 221**	**19 290 887**	**3 928 019**	**102 084**	**3 968 021**	**19 384 356**	**118 371 588**
IMF Quota	-	-	-	-	-	349, 307 ,774	349, 307 ,774
Available-for-sale financial assets	-	-	-	-	-	349, 307 ,774	349 ,307 ,774
Total financial assets	**71 698 221**	**19 290 887**	**3 928 019**	**102 084**	**3 968 021**	**368 692 130**	**467 679 362**

2017 BIF (000)	**USD**	**EUR**	**GBP**	**OTHERS**	**SDR**	**TOTAL**
Financial Liabilities						
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
Total Financial Liabilities	**76 258 838**	**19 812 638**	**437 932**	**589 245**	**631 821 949**	**728 482 670**

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 June 30, 2019, this ratio stood at 2.3% (3.8% at December 31, 2017).

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.

7. 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 integrally. 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.

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.

It is expected that every five years, the Bank has to develop a fair value valuation of its land and buildings under the conditions prescribed by IFRS13. This means that the Bank will soon have to produce a new valuation of its assets and land.

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.

	June 30, 2019 Book value BIF'000	Fair Value BIF'000
Financial assets		
Cash	9 191 708	9 191 708
Foreign assets	80 715 897	80 715 897
Documentary credits provisions	30 635 151	30 635 151
IMF Quota	377 640 070	377 640 070
Loans and advances to the Government	762 093 939	762 093 939
Loans to banks and other financial institution	335 229 749	335 229 749
Staff loans and advances	23 420 087	23 420 087
	1 618 926 601	**1 618 926**
Financial liabilities		
Currency in circulation	383 003 446	383 003
Deposits from the Government Sector	393 803 756	393 803 756
Banks and other financial institutions	229 087 138	229 087 138
Other deposits	79 338 880	79 338 880
Due to IMF	615 720 573	615 720 573
Foreign Liabilities	11 206	11 206 859
Other liabilities	43 418 602	43 418 602
	1 755 579 254	**1 755 579 254**

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
Financial assets		
Cash	15 509 517	15 509 517
Foreign assets	115 201 290	115 201 290
Documentary credits provisions	12 214 250	12 214 250
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	22 420 087	22 072 330
	1 493 296 005	**1 492 948 248**
Financial liabilities		
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	668 270 096	668 270 096
Foreign Liabilities	6 982 725	6 982 725
Other liabilities	12 587 575	12 587 575
	1 546 659 564	**1 546 659 564**

8. 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.

9. Related parties transactions

The following transactions concern related parties' transactions:

(i) **Government**

Refer to Note 5.11 of this report "Loans and advances to Government".

(ii) **Employees**

Refer to Note 5.14 of this report "Other assets" – Staff loans and advances.

a) **EXECUTIVE MANAGERS WAGES**

Executive Management Remuneration	**June 30, 2019**	**December 31, 2017**
	BIF'000	BIF'000
Annual salary	**894 353**	**636 754**

	June 30, 2019	**December 31, 2017**
Salary Advances	BIF'000	BIF'000
Opening Balance	14 500	-
Advances during the year	51	9000
Reimbursement	(46 500)	(4 500)
Closing Balance	**19 000**	**4 500**

Housing Loans	**June 30, 2019**	**December 31, 2017**
	BIF'000	BIF'000
Opening Balance	968 499	1 060964
Loans during the year	50	
Reimbursement	-169 152	-92 465
Closing balance	**849 347**	**968 499**

Vehicle loans

	June 30, 2019	**December 31, 2017**
	BIF'000	BIF'000
Opening balance	58 370	79 941
Loans during the year		
Reimbursement	-16 539	-21 571
Closing balance	**41 831**	**58 370**

Other Loans	**June 30, 2019**	**December 31, 2017**
	BIF'000	BIF'000
Opening balance	40 137	13 516
Loans during the year		50 000
Reimbursement	-30 904	-23 562
Closing balance	**9 233**	**39 954**

OFF-BALANCE SHEET ITEMS 2018/2019

BIF 000.000

ASSETS		LIABILTIES	
Collection bills	**93**	Payable Collection bills	**93**
IDA Loans	**113**	Regideso/IDA Liabilities	**113**
Overdraft securities deposit	**1 216**	BIRD securities depositors	**302**
		IDA securities depositors	**76**
		OTBU securities depositors	**15**
		CADEBU securities depositors	**465**
		AFDB securities depositors	**325**
		MIGA securities depositors	**33**
Chinese loans to the Government	**41 003**	Burundi liabilities to China	**41 003**
URSS loan to the Government	**2 125**	Burundi liabilities to the URSS	**2 125**
Equipment loans effects	**22 499**	Equipment loans	**22 499**
Credit cash	**1 111**	credit cash effects	**1 111**
Korean loans to the Government	**28**	Burundi liabilities to Korea	**28**
Belgium loans to the Government	**929**	Burundi liabilities to Belgium	**929**
Act of guarantee on goods	**232**	Depositors guarantees acts	**232**
Registered Government DC orders	**2 638**	Government DC provisions	**2 638**
Registration of Import guarantees orders	**23**	Importers guarantees	**23**
Vehicles guarantees deposits	**5**	Credit guarantee vehicles	**5**
Treasury bills	**110 970**	Treasury Bills accounts	**110.970**
Treasury bonds	**1 273 503**	Treasury Bonds accounts	**1 273 503**
Pledge Treasury Bills	**12 803**	Registered Treasury Bills pledge	**12 803**
Treasury Bonds Pledge	**358 574**	Registered Treasury Bonds Pledge	**358 574**
Loans to B.E.R.B	**1 003**	Loans to B.E.R.B	**1 003**
TOTAL	**1 828 868**	**TOTAL**	**1 828 868**

OFF-BALANCE SHEET 2017

BIF 000.000

ASSETS		LIABILITIES	
Collection Bills	**93**	Payable Collection bills	**93**
IDA Loans	**113**	Regideso/IDA Liabilities	**113**
Overdraft securities deposits	**1 215**	BIRD Securities Depositors	**301**
		IDA Securities Depositors	**75**
		OTBU Securities Depositors	**15**
		CADEBU Securities Depositors	**465**
		AFDB Securities Depositors	**325**
		MIGA Securities Depositors	**33**
Chinese Loans to the Government	**41 003**	Burundi liabilities to China	**41 003**
URSS Loans to the Government	**2 125**	Burundi liabilities to the URSS	**2 125**
Equipment Loans Effects	**11 250**	Equipment loans	**11 250**
Cash Loans	**1 690**	Credit Cash Effect	**1 690**
Korean Loans to the Government	**28**	Burundi Liabilities to Korea	**28**
Belgium loans to the Government	**929**	Burundi Liabilities to Belgium	**929**
Act of guaranty on goods	**231**	Depositors guarantees acts	**231**
Registered Government DC orders	**2 638**	Government DC provisions	**2 638**
Registration of imports guaranties orders	**22**	Importers guarantees	**22**
Vehicles guarantees deposits	**5**	Vehicles loans guarantee	**5**
Treasury bills	**362 660.05**	Treasury bills accounts	**362 660.05**
Treasury bonds	**449 301.0**	Treasury bonds accounts	**449 301.0**
Treasury Bills Pledge	**200 418.17**	Registered Treasury Bills pledge	**200 418.17**
Treasury Bonds Pledge	**52 800.0**	Registered Treasury Bonds pledge	**52 800.0**
Loans to the B.E.R.B	**1 002**	Loans to B.E.R.B	**1 002**
TOTAL	**1 127 523.22**	**TOTAL**	**1127523.22**