

	15	16	17	18	19	
32	P	A1	B1	4	5	20
31	14	05 JUN 2015			6	21
30	13				7	22
29	12	11	10	9	8	23
	28	27	26	25	24	

**BANQUE DE LA
RÉPUBLIQUE DU
BURUNDI (B.R.B.)**

FINANCIAL STATEMENTS
FOR THE YEAR ENDED

31 DECEMBER 2014

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BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)**Corporate Data**

REGISTERED OFFICE	:	Avenue du Gouvernement B.P. 705 Bujumbura Republic of Burundi
BRANCHES	:	Agence Ngozi B.P 4 Ngozi Republic of Burundi Agence Gitega B.P 107 Gitega Republic of Burundi
AUDITORS	:	Grant Thornton Ebene Tower 52, Cybercity Ebène Republic of Mauritius
LEGAL ADVISERS	:	BANZUBAZE Sylvèstre 12 Avenue de la Révolution B.P 3031 Bujumbura Republic of Burundi KIYUKU Salvator Immeuble Wege B.P 335 Bujumbura Republic of Burundi SIZIMWE Sixte K. Avenue de Grèce, Immeuble NKAMICANIYE BP 6520 Bujumbura Republic of Burundi SEGATWA Fabien & Associés Avenue NGEN DANDUMWE Immeuble GATOGATO 2 nd Floor Bujumbura Republic of Burundi

BANQUE DE LA REPUBLIQUE DU BURUNDI (BRB)

DIRECTORS' REPORT

The Board of Directors are pleased to present the annual report and the audited financial statements for the financial year ended 31 December 2014, which disclose the financial position of the “Banque de la République du Burundi” (“the Bank” or “the Central Bank”).

PRINCIPAL ACTIVITIES

The Bank's main objective is to formulate, define and implement monetary policy directed to the economic objective of maintaining domestic price stability conducive to a balanced and sustainable growth of the national economy. It has the responsibility to ensure the liquidity, solvency and financial stability of the monetary market, foreign exchange market and the banking and financial system in general.

RESULTS

The results for the year are as shown on page 8.

BOARD OF DIRECTORS

During the year and at the date of this report, the members of the Board of Directors were as follows:

		Date appointed
Jean CIZA	President and Governor	09 August 2012
Melchior WAGARA	First Deputy Governor	06 January 2011
Aimee Laurentine KANYANA	Second Deputy Governor	06 January 2011
Léon NIMBONA	Member	13 March 2006
Jacques NGENDAKUMANA	Member	07 April 2011
Eloi RUGERINYANGE	Member	07 April 2011
Melchiade NZOPFABARUSHE	Member	07 April 2011
Florence NSHIMIRIMANA	Member	27 August 2013

MANAGEMENT COMMITTEE

During the year and at the date of this report, the members of the management committee were as follows:

		Date appointed
Jean CIZA	President and Governor	09 August 2012
Melchior WAGARA	First Deputy Governor	06 January 2011
Aimee Laurentine KANYANA	Second Deputy Governor	06 January 2011

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

DIRECTORS' REPORT (CONTD)

AUDIT COMMITTEE

The members of the Audit Committee of the Bank are as follows:

	Date appointed
Léon NIMBONA	15 December 2006
Eloi RUGERINYANGE	07 April 2011
Florence NSHIMIRIMANA	27 August 2013

AUDITORS

Grant Thornton, Mauritius, were re-appointed during the year 2013 as external auditors of the Bank for the years ended 2013, 2014 and 2015.

On behalf of the Board of Directors


GOVERNOR

Date: 03 APR 2015

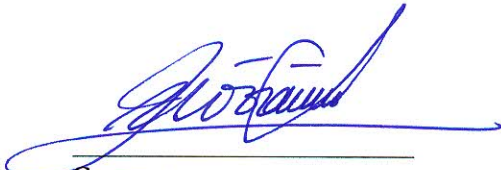
BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Bank is set up under the Act No. 1/34 of 02 December 2008 and requires the Directors to prepare financial statements for each financial year which present fairly the financial position, financial performance and cash flows of the Bank. They are also responsible for safeguarding the Bank's assets.

The Directors are responsible for the preparation and presentation of the annual financial statements in compliance with the Act No. 1/34 of 02 December 2008 and in accordance with International Financial Reporting Standards (IFRS) as applicable to central banks. This responsibility also includes the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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



Governor

Date: 03 APR 2015



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BANQUE DE LA RÉPUBLIQUE DU BURUNDI

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the Banque de la République du Burundi, the "Bank", which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Act No. 1/34 of 02 December 2008, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

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

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

Opinion

In our opinion, the financial statements on pages 8 to 46 give a true and fair view of the financial position of the Bank as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Act No.1/34 of 02 December 2008.



INDEPENDENT AUDITORS' REPORT (CONTD) TO THE MEMBERS OF BANQUE DE LA RÉPUBLIQUE DU BURUNDI

Emphasis of matter

Without qualifying our opinion, we draw attention to loans and advances to Government. As described in Note 13 to these financial statements, loans and advances as at 31 December 2014 amounted to BIF 448,063,605,000 and consisted of Government's special advances, special credit, consolidated loan 2012 and ordinary advances granted to the Government during the year.

During the year ended 31 December 2013, the Government of the Republic of Burundi could not repay its debts on special credit and consolidated loan 2012 and consequently, the repayment of these debts was rescheduled to January 2014 and new repayment agreements were signed by the Bank and the Ministry of Finance.

The consolidated loan 2012 was rescheduled in January 2013 and January 2014 while special credit was rescheduled in January 2014.

The repayments of the special credit and consolidated loan 2012 were resumed in January 2015 based on agreements signed between the Bank and the Ministry of Finance.

Following a shortfall in budgeted revenue during the financial year 2014, the Bank has granted advances to the Government for an amount of BIF 55,186,913,879 as at 31 December 2014. As at 03 March 2015, these advances reached BIF 76,601,096,600. The Bank has not fixed a limit to the advances granted to Government and no repayment terms agreed due to the uncertainty in budgeted revenue for the financial year 2015.

The continuous increase in the balance of advances granted to the Government coupled with associated uncertainty of repayment indicate a potential credit risk.

The financial statements for the year ended 31 December 2014 do not take into account this potential credit risk as new repayment plans have been agreed between the Bank and the Government for special credit and consolidated loan 2012 and the Bank expects part repayment of the ordinary advances granted during the financial year 2014. However, if these repayment plans are not met, the impact on profitability and treasury could be significant.

Grant Thornton
Chartered Accountants

K.RAMCHURUN, FCCA
Licensed by FRC

Date: 03 APR 2015

EBÈNE, REPUBLIC OF MAURITIUS

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

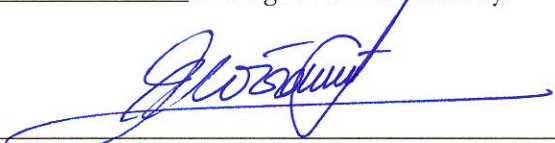
	Notes	31 December 2014 BIF'000	31 December 2013 Restated BIF'000
Interest income	5	17,062,554	17,195,126
Interest expense	6	(184,404)	(164,184)
Net interest income		16,878,150	17,030,942
Net fee and commission income	7	285,225	329,244
Net income from foreign exchange transactions		4,489,797	3,695,987
Other operating income	8	1,531,682	576,515
Operating income		23,184,854	21,632,688
Operating expenses	9	(22,755,386)	(20,031,800)
Gain/(loss) on foreign exchange		7,118,051	(14,988,276)
Profit/(loss) for the year		7,547,519	(13,387,388)
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain on revaluation of land and building		31,331,282	-
<i>Items that will be reclassified subsequently to profit or loss</i>			
		-	-
Other comprehensive income for the year		31,331,282	-
Total comprehensive income for the year		38,878,801	(13,387,388)

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

**STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Notes	31 December 2014 BIF'000	31 December 2013 Restated BIF'000	31 December 2012 Restated BIF'000
ASSETS				
Cash in hand		6,925,696	11,237,318	8,529,258
Placements and other balances	10	485,022,348	496,397,143	468,165,665
Documentary credit	11	7,285,078	4,768,469	6,324,713
Quota from International Monetary Fund (IMF)	12	173,204,308	183,446,355	182,966,314
Loans and advances to Government	13	448,063,605	396,574,294	410,025,016
Loan to a financial institution	14	2,000,000	-	-
Investments	15	-	-	9,380
Other assets	16	32,546,853	16,702,181	11,835,516
Property and equipment	17(a)	43,607,604	11,243,924	6,544,134
Intangible assets	17(b)	277,298	210,452	324,849
TOTAL ASSETS		<u>1,198,932,790</u>	<u>1,120,580,136</u>	<u>1,094,724,845</u>
EQUITY AND LIABILITIES				
EQUITY				
Share capital		11,000,000	11,000,000	11,000,000
General reserve	18	37,997,129	37,997,129	28,503,553
Foreign exchange revaluation reserve	18	-	9,578,845	6,778,694
Special reserve	18	1,863,561	5,672,104	5,672,104
Revaluation reserve	17(a)	31,331,282	-	-
Profit/(loss) for the year		7,547,519	(13,387,388)	12,293,727
TOTAL EQUITY		<u>89,739,491</u>	<u>50,860,690</u>	<u>64,248,078</u>
LIABILITIES				
Currency in circulation	19	233,280,418	211,683,709	198,246,926
Deposits from Government	20	188,051,258	170,694,500	127,657,532
Deposits from banks and other financial institutions	21	122,755,336	90,520,712	72,030,090
Other deposits	22	11,612,789	9,568,664	17,274,153
Due to International Monetary Fund (IMF)	23	542,504,827	575,949,344	566,643,565
Deposits from non-residents	24	2,441,808	3,119,319	33,595,073
Other liabilities	25	8,546,863	8,183,198	15,029,428
TOTAL LIABILITIES		<u>1,109,193,299</u>	<u>1,069,719,446</u>	<u>1,030,476,767</u>
TOTAL LIABILITIES AND EQUITY		<u>1,198,932,790</u>	<u>1,120,580,136</u>	<u>1,094,724,845</u>

The financial statements on pages 8 to 46 were approved for issue by the Board of Directors on 03 APR 2015 and signed on its behalf by:


Governor

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital BIF'000	General reserve BIF'000	Special reserve BIF'000	Foreign exchange revaluation reserve BIF'000	Revaluation reserve BIF'000	Profit/(loss) for the year BIF'000	Total equity BIF'000
Balance at 01 January 2013 (Before restatement)	11,000,000	28,503,553	5,672,104	6,778,694	-	11,027,397	62,981,748
Restatement (Note 30)	-	-	-	-	-	1,266,330	1,266,330
Balance at 01 January 2013 (Restated)	11,000,000	28,503,553	5,672,104	6,778,694	-	12,293,727	64,248,078
Transfer to General Reserve	-	9,493,576	-	-	-	(9,493,576)	-
Transfer of realised foreign exchange to foreign exchange revaluation reserve	-	-	-	2,800,151	-	(2,800,151)	-
Transactions with the shareholder	11,000,000	37,997,129	5,672,104	9,578,845	-	-	64,248,078
Loss before restatement	-	-	-	-	-	(15,463,043)	(15,463,043)
Restatement (Note 30)	-	-	-	-	-	2,075,655	2,075,655
Loss after restatement	-	-	-	-	-	(13,387,388)	(13,387,388)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year (Restated)	-	-	-	-	-	(13,387,388)	(13,387,388)
Balance at 31 December 2013 (Restated)	11,000,000	37,997,129	5,672,104	9,578,845	-	(13,387,388)	50,860,690

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

STATEMENT OF CHANGES IN EQUITY (CONTD)
FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital	General reserve	Special reserve	Foreign exchange revaluation reserve	Revaluation reserve	Profit/(loss) for the year	Total equity
	BIF'000	BIF'000	BIF'000	BIF'000	BIF'000	BIF'000	BIF'000
Balance at 01 January 2014 (Restated)	11,000,000	37,997,129	5,672,104	9,578,845	-	(13,387,388)	50,860,690
Transfer to Special Reserve	-	-	(3,808,543)	-	-	3,808,543	-
Transfer of realised foreign exchange to foreign exchange revaluation reserve	-	-	-	(9,578,845)	-	9,578,845	-
Transactions with the shareholder	11,000,000	37,997,129	1,863,561	-	-	-	50,860,690
Profit for the year	-	-	-	-	-	7,547,519	7,547,519
Other comprehensive income	-	-	-	-	31,331,282	-	31,331,282
Total comprehensive income for the year	-	-	-	-	31,331,282	7,547,519	38,878,801
Balance at 31 December 2014	11,000,000	37,997,129	1,863,561	-	31,331,282	7,547,519	89,739,491

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	31 December 2014	31 December 2013
	BIF'000	BIF'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net cash (used in)/from operating activities (Note 26)	<u>(59,095,491)</u>	<u>20,707,497</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment	(2,338,239)	(5,411,593)
Interest received	16,844,487	17,134,931
Net cash from investing activities	<u>14,506,248</u>	<u>11,723,338</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Currency in circulation	21,596,709	13,436,783
Net cash from financing activities	<u>21,596,709</u>	<u>13,436,783</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(22,992,534)	45,867,618
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	507,574,265	476,694,923
Effects of exchange rate changes on cash and cash equivalents	<u>7,118,051</u>	<u>(14,988,276)</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE 27)	<u>491,699,782</u>	<u>507,574,265</u>

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. PRINCIPAL ACTIVITIES

The Bank was established in Burundi in 1964 and has been successively governed by the Acts of 21 January 1965, No. 1/1 of 03 January 1976, No. 1/36 of 07 July 1993 and No. 1/34 of 02 December 2008. The address of its registered office and principal place of business is Avenue du Gouvernement, PO Box 705, Bujumbura, Republic of Burundi. The functions of the Bank, as stated in the Act No. 1/34, focus on the following objectives:

- To define and implement the monetary policy;
- To define and implement the foreign exchange rate policy;
- To hold and manage foreign exchange reserves;
- To regulate and supervise banks, financial institutions and microfinance institutions;
- To issue bank notes and coins;
- To promote the stability and solidity of the financial system;
- To promote a reliable, efficient and solid national payment system;
- To act as the Government's banker;
- To perform any other duties pursuant to the Act No. 1/34 of 02 December 2008; and
- To perform any task that any other law would give to the Central Bank subject to its compatibility with its autonomy.

The stated capital of the Bank amounts to BIF 11 billion and is wholly subscribed by the Government.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1 New and revised standards that are effective for the annual year beginning on 01 January 2014

In the current year, the Bank has applied the following new and revised Standards issued by the International Accounting Standards Board ("IASB") that are mandatory for the first time for the financial year beginning on 01 January 2014:

IAS 39	Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)
IAS 36	Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)
IFRS 10, 12 and IAS 27	Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
IAS 32	Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
IFRIC 21	Levies

The Directors have assessed the impact of these revised standards and amendments and concluded that none of these have an impact on these financial statements.

2.2 Standards, Amendments and Interpretations to existing standards that are not yet effective and have not been adopted early by the Bank

At the date of authorisation of these financial statements, certain new Standards, Amendments and Interpretations to existing Standards have been published but are not yet effective, and have not been adopted early by the Bank.

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTD)

2.2 Standards, Amendments and Interpretations to existing standards that are not yet effective and have not been adopted early by the Bank (Contd)

Management anticipates that all of the relevant pronouncements will be adopted in the Bank's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new Standards, Amendments and Interpretations is provided below.

IFRS 9	Financial Instruments
IAS 19	Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
IFRS 14	Regulatory Deferral Accounts
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
IFRS 15	Revenue from Contracts with Customers
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
IAS 27	Equity Method in Separate Financial Statements (Amendments to IAS 27)
IAS 16 and IAS 41	Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)
Various	Annual Improvements to IFRSs 2010-2012 and 2011-2013 cycles

3. SUMMARY OF ACCOUNTING POLICIES

3.1 Overall considerations

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

3.2 Basis of preparation

The financial statements have been prepared under the historical cost basis, as modified by the revaluation of certain properties and financial instruments, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The financial statements are prepared on the going concern basis and are presented in thousands of Burundi Francs (BIF'000).

3.3 Revenue recognition

Revenue from the ordinary course of business is measured by reference to the fair value of consideration received or receivable.

Interests on financial assets are recognised when the amount of interest can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Bank.

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

3. SUMMARY OF ACCOUNTING POLICIES (CONTD)

3.3 Revenue recognition (Contd)

Interest is recognised on an accrual basis, based on the amount of principal outstanding using effective interest rate, or the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying value of the assets at initial recognition.

3.4 Property and equipment

Property and equipment (other than land and buildings) are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on the straight line method over the estimated 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 stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation will be performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any increase arising on the revaluation of land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation rate for the current year are as follows:

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

3.5 Intangible assets and amortisation

Intangible assets consist of computer software and are recognised at cost less accumulated depreciation. Computer software are amortised on a straight line basis over a period of 4 years.

3.6 Investments in gold

Gold is held by the Bank for reserve management purposes. Gold is initially recognised based on the acquisition cost, including transaction costs. Gold held by the Bank is subsequently measured based on the Reuters world price of gold (in U.S. Dollar per ounce). Foreign currency amounts are then translated into local currency using the exchange rate at the reporting date. All gains and losses realised by the Bank are recognised in the statement of comprehensive income.

The Bank also purchases raw gold from producers in Burundi at negotiable prices based on the price of raw gold per kg. This gold is recognised at acquisition cost.

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

3. SUMMARY OF ACCOUNTING POLICIES (CONTD)

3.7 Foreign currency

When preparing the financial statements of the Bank, foreign currency transactions are translated into the functional currency at the exchange rate prevailing at the dates of the transactions. At the reporting date, monetary items denominated in foreign currency are re-measured at year-end exchange rates. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined. Exchange differences, arising on the settlement of transactions at rates different from those at the dates of the transactions, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognised in the statement of comprehensive income.

Foreign currency transactions are recorded in Burundi Francs based on the average exchange rate on the date of transaction. Assets and liabilities denominated in foreign currencies are adjusted daily to changes in exchange rates. The assets and liabilities denominated in foreign currencies and in the financial statements at the reporting date are translated into Burundi Francs based on the average exchange rate at the reporting date. Positive and negative differences from the fluctuation of exchange rates are assigned to a revaluation account which cannot in any case be disposed of.

3.8 Financial instruments

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs.

The Bank recognises financial assets and liabilities and their related income and expenses by distinguishing operations denominated in Burundi Francs to those denominated in foreign currencies.

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

The separate presentation of these transactions is seen as a better presentation of the financial position, financial performance and risk profile.

Financial assets

Regular way of purchases and sales of financial assets are recognised or derecognised on the trade date. Such purchases and sales require the delivery of assets within the period defined by laws and regulations or by agreement on the market.

Classification of financial assets

For the purpose of subsequent measurement, financial assets are classified into loans and receivables and available-for-sale financial assets. The classification is determined at initial recognition of financial assets, depending on the nature and purpose thereof.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

3. SUMMARY OF ACCOUNTING POLICIES (CONTD)

3.8 Financial instruments (Contd)

Financial assets (Contd)

Classification of financial assets (Contd)

Loans and receivables

The Bank's loans and receivables comprise of foreign assets (excluding gold holdings), loans and advances to Government, loans to commercial banks and other financial institutions and loans and advances to employees.

The Bank, acting as the Government's banker may grant overdrafts as 'working capital' for its daily operations in case of cash flow shortages.

In its role a 'lender of last resort', the Bank also provides loans to commercial banks which are as specified by the Bank's Treasury Bills and promissory notes drawn on the recipients of loans granted to Class A companies eligible for refinancing with the exception of the coffee sector companies that are defacto eligible given economic and strategic importance of this product.

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

Specific allowances are made for doubtful accounts whenever 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, and are recognised in the statement of comprehensive income. When a receivable is considered irrecoverable, it is recognised in the statement of comprehensive income. Any recoveries are credited to the statement of comprehensive income if they had been initially taken as an expense.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of the other categories.

The Bank's available-for-sale financial assets include unquoted investments and provisions for documentary credits and are measured at fair value or at cost if their fair values cannot be estimated reliably.

Dividend income is recognised when the right to receive payment is established.

Impairment of financial assets

The Bank assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

3. SUMMARY OF ACCOUNTING POLICIES (CONTD)

3.8 Financial instruments (Contd)

Financial assets (Contd)

Impairment of financial assets (Contd)

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

Derecognition of financial assets

The Bank derecognises a financial asset when 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.

If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, it recognises its retained interest in the assets and related liabilities that it is required to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognise the financial asset and recognises the consideration received as a secured borrowing.

Upon derecognition of a financial asset measured at amortised cost, the difference between the carrying value of the asset and the sum of the consideration received or receivable is recognised in the statement of comprehensive income.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss.

The effective interest rate is a method of calculating the amortised cost of a financial liability instrument and of interest expense over the reporting period. The effective interest rate is the rate that discounts the 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) through the expected life of the instrument or to the net carrying amount on initial recognition.

The Bank recognises currency in circulation, deposits from the Government, deposits from banks and other financial institutions, other deposits, dues to the IMF, deposits from non-residents and other liabilities.

Currency in circulation

Notes and coins issued represent an unserviced liability of the Bank and are recorded at face value.

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

3. SUMMARY OF ACCOUNTING POLICIES (CONTD)

3.8 Financial instruments (Contd)

Financial liabilities (Contd)

Derecognition of financial liabilities

The Bank derecognises a financial liability when it is extinguished, discharged, cancelled or expires. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable, including any non-monetary assets transferred or liabilities assumed, is recognised in the statement of comprehensive income.

3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash balances, current accounts held, term deposits and other deposits held with other financial institutions.

3.10 Taxation

According to Article 74, Act No. 1/34 of 02 December 2008 governing the Bank, the operations of the Central Bank and the profits thereon are exempt from all taxes and fees (direct or indirect taxes) paid to Government. However, the Central Bank remains subject to taxes levied by the local government.

Stamp duty, registration and tax paid on delivering services, all contracts, all effects and all documents issued by the Central Bank and all transactions processed in the course of business are all exempt from taxation.

3.11 Dividend payable

Dividends are recognised upon payment.

3.12 Staff costs

Staff costs include all costs related to staff comprising of performance bonus and contribution to pension plans.

3.13 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If a provision is measured based on estimates of cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows (the effect of the time value of money is significant value).

If it is anticipated that part or all of the economic benefits required to settle a provision are expected to be recovered by one third, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount can be measured reliably.

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

3. SUMMARY OF ACCOUNTING POLICIES (CONTD)

3.14 Government grants

Government grants are not recognised until there is reasonable assurance that the Bank will comply with the conditions attached to the grants and these will be received.

Government grants shall be recognised in the statement of comprehensive income on a systematic basis over the periods in which the Bank recognises as expenses the related costs. Specifically, government grants whose primary condition is that the Bank should purchase, construct or acquire by any other means non-current assets, are recognised 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 expected lives of the related assets. The grant is recognised as income over the useful life of the depreciable asset by reducing depreciation.

3.15 Printing and manufacturing of notes and coins

The production cost of bank notes and coins correspond to the portion of bank notes and coins put in circulation during the financial year are recognised in the statement of comprehensive income while the remaining unused portion is recognised under other assets.

3.16 Comparatives

The comparative figures have been, if necessary, adjusted to comply with IFRS and ensure consistency with the amendments made to the current financial statements.

4. SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES AND ESTIMATION UNCERTAINTY

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives and residual values of intangible asset and property and equipment

As described in Note 3, Management reviews the useful lives of depreciable assets at each reporting date. At the reporting date, management assesses that the useful lives represent the expected utility of the assets to the Bank. The carrying amounts are analysed in Notes 17. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

Recoverability of loans and advances to Government

At 31 December 2014, Management has assessed the recoverability of loans and advances to Government and concluded that there is no indication of any event or events that would give rise to any signs of impairment.

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

4. SIGNIFICANT MANAGEMENT JUDGEMENT IN APPLYING ACCOUNTING POLICIES
AND ESTIMATION UNCERTAINTY (CONTD)

Impairment of available-for-sale financial assets

The Bank follows the guidance of *LAS 39: Financial Instruments: Recognition and Measurement* to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Bank evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

5. INTEREST INCOME

	<u>31 December 2014</u>	<u>31 December 2013</u>
	BIF'000	BIF'000
Interest on placements in BIF	15,663,846	14,925,335
Interest on placements in foreign currency	1,398,708	2,269,791
	<u>17,062,554</u>	<u>17,195,126</u>

6. INTEREST EXPENSE

	<u>31 December 2014</u>	<u>31 December 2013</u>
	BIF'000	BIF'000
Monetary policy expenses	35,757	4,165
Interest on foreign currency liabilities	148,647	160,019
	<u>184,404</u>	<u>164,184</u>

7. NET FEE AND COMMISSION INCOME

	<u>31 December 2014</u>	<u>31 December 2013</u>
	BIF'000	BIF'000
Fees and commissions	<u>285,225</u>	<u>329,244</u>

8. OTHER OPERATING INCOME

	<u>31 December 2014</u>	<u>31 December 2013</u>
	BIF'000	BIF'000
Other income	1,408,149	495,988
Reversal of provisions	123,533	80,527
	<u>1,531,682</u>	<u>576,515</u>

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

9. OPERATING EXPENSES

	31 December 2014	31 December 2013	31 December 2012
	BIF'000	Restated BIF'000	Restated BIF'000
Staff costs	14,515,840	12,670,204	13,355,373
Key management remuneration	54,120	53,904	100,675
Overseas travelling and related costs	645,905	800,935	670,883
General maintenance expenses	959,402	636,729	550,921
General operating overheads	491,008	764,270	952,826
Insurance	95,447	64,216	55,999
Printing and stationery	446,738	342,553	223,929
Rates and taxes	10,384	7,741	2,375
Professional fees	326,644	172,073	200,756
Banking supervision costs	-	112,512	310,512
Depreciation and amortisation	1,283,704	773,299	572,298
Provision	88,034	1,276,282	715,733
Cost of printing and manufacturing of notes and coins	2,896,782	1,077,678	131,774
Meetings, conferences and seminars	269,241	178,601	56,383
Others	672,137	1,100,803	227,247
	<u>22,755,386</u>	<u>20,031,800</u>	<u>18,127,684</u>

10. PLACEMENTS AND OTHER BALANCES

	31 December 2014	31 December 2013
	BIF'000	BIF'000
Current accounts	223,189,953	241,446,505
Placements	76,112,573	57,053,630
Special Drawing Rights (SDRs) (Note (i))	183,917,766	196,111,749
Gold	1,802,056	1,785,259
	<u>485,022,348</u>	<u>496,397,143</u>

Note (i)

Special drawing rights (SDRs) are supplementary foreign exchange reserve assets defined and maintained by the International Monetary Fund. SDRs represent a claim to currency held by IMF member countries for which they may be exchanged for certain convertible foreign currencies.

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

11. DOCUMENTARY CREDIT

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

The Central Bank uses a commercial bank in Belgium, namely ING Belgium SA for its transactions and consequently an amount of BIF 7,285,078,000 (equivalent to EUR 3,686,683.60 and USD 208,549.80) was held by ING Belgium SA to that effect.

12. QUOTA FROM INTERNATIONAL MONETARY FUND (IMF)

	31 December 2014	31 December 2013
	BIF'000	BIF'000
IMF Quota	<u>173,204,308</u>	<u>183,446,355</u>

Each IMF member country is assigned a quota, or contribution, that reflects the country's relative size in the global economy. Each member's quota also determines its voting rights at the IMF.

13. LOANS AND ADVANCES TO GOVERNMENT

	31 December 2014	31 December 2013
	BIF'000	BIF'000
<i>Government's Special Advances</i>		
Opening balance	134,038,128	137,735,732
Repayment during the year	(3,697,602)	(3,697,604)
Closing balance (Note (i))	<u>130,340,526</u>	<u>134,038,128</u>
<i>Special credit (Note (ii))</i>	107,284,306	107,284,306
<i>Consolidated loan 2012 (Note (iii))</i>	155,251,860	155,251,860
<i>Ordinary advances (Note (iv))</i>	55,186,913	-
	<u>448,063,605</u>	<u>396,574,294</u>

Pursuant to the agreement between the Government and the Central Bank and in compliance with Section 7, paragraph 8 of the Act No. 1/34 02 December 2008, the Central Bank acts as the Government's Banker. Section 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 an overdraft balance for a period of seven years, with effect from 2009.

- (i) The Government's Special Advances is a rescheduling facility agreement (the "Agreement") dated 07 April 2010. The repayment period for the principal and interest has been rescheduled over a 40 year period as from the date of signature of the Agreement and carries an interest rate of 6.04% per annum.

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

13. LOANS AND ADVANCES TO GOVERNMENT (CONTD)

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

As from 31 August 2013, the Government ceased repayment on the special credit. A new agreement has been signed between the Government and the Central Bank on 21 January 2014. The agreement stipulates that the rescheduling will not carry penalty interest for late payment. The repayment of the principal and interest will resume on 31 January 2015 as per the repayment schedule agreed.

- (iii) For the financial year 2011, the current account was set at BIF 36.4 billion which corresponds to 7.7% of fiscal revenues for 2011. The current account balance rose from BIF 86.2 billion in 2012 to BIF 155.2 billion in 2013 due to insufficient budgetary support. On 04 January 2013, the Central Bank and the Government of the Republic of Burundi signed a rescheduling agreement whereby the repayment period shall be forty (40) years with one year moratorium on capital as from 31 January 2014. Interest will be paid monthly at an interest rate of 4.52% per annum. Unpaid instalments carry interest rates at 4.52% per annum as from the 30th day.

The Government has also ceased the principal and interest payment of the agreement dated 04 January 2013 for a period of 5 months for the interest and 12 months for the principal balance. Interest payment will resume on 31 January 2014 and that of principal balance on 31 January 2015. The interest and capital payments will be done as per the repayment schedule. The last interest payment will be on 30 November 2053 and the last principal payment on 31 December 2053.

- (iv) Following a shortfall in budgeted revenue during the financial year 2014, the Bank has regularly granted advances to the Government for a total amount of BIF 55,186,913,879 at the end of 2014. At 03 March 2015, the advances reached BIF 74,601,096,600. The Bank has not fixed any limit with the Government and no repayment terms agreed due to the uncertainty in budgeted revenue for financial year 2015.

14. LOAN TO A FINANCIAL INSTITUTION

Pursuant to a loan agreement dated 07 August 2014 with the Banque Nationale pour le Développement Economique, the Central Bank has advanced an amount of BIF 2,000,000,000 to finance the treasury of the borrower. This loan is secured and carries interest rate at 10% per annum for a period of three months. Following an addendum to the agreement, the loan has been extended by three additional months up to 08 February 2015. The loan was fully recovered on that date.

15. INVESTMENTS

	31 December 2014	31 December 2013
	BIF'000	BIF'000
Société Concessionnaire de l'Exploitation du Port de Bujumbura (EPB)	-	9,380
Société Immobilière Publique (SIP)	-	20,000
Impairment losses	-	(29,380)
	<u>-</u>	<u>-</u>

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

15. INVESTMENTS (CONTD)

The Bank holds 3% of the share capital of EPB and 5% of the share capital of SIP. These companies are incorporated in the Republic of Burundi and their principal activities are in the transport and real estate sector respectively.

The shares are unquoted and currently presented at cost in the absence of an observable market. Following the adverse performance of these investee companies, the Directors have made an impairment assessment and, as a consequence, decided to fully impair these investments during the financial year 2013.

16. OTHER ASSETS

	31 December 2014	31 December 2013	01 January 2012
	<u>BIF'000</u>	Restated <u>BIF'000</u>	Restated <u>BIF'000</u>
Staff loans and advances	12,094,001	10,109,303	8,022,491
Deposits for acquisition of property and equipment	448,282	334,425	810,534
Prepayments	7,034,071	1,298,800	-
Suspense account	261,707	112,793	163,100
Deposits for bank notes and coins	3,042,715	511,478	-
Cost of printing and manufacturing of notes and coins (Note (i))	1,705,149	2,830,507	1,266,330
Purchase of gold from producers ((Note (ii))	6,488,587	-	-
Other receivables	2,744,732	2,744,803	2,864,710
Provision for doubtful debts	(1,272,391)	(1,239,928)	(1,291,649)
	<u>32,546,853</u>	<u>16,702,181</u>	<u>11,835,516</u>

- (i) Following a change in accounting policy (Note 30), cost of printing and manufacturing of notes and coins pertaining to the portion not yet issued in circulation have been recognised within other assets.
- (ii) During the year 2014, the Bank has purchased 105,650.65 grams of raw gold from producers in Burundi for a total amount of BIF 6,488,587,000.

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

17(a). PROPERTY AND EQUIPMENT

COST/VALUATION	Land and buildings	Motor vehicles	Furniture and fittings	Computer equipment	Assets in the course of construction	Total
	BIF'000	BIF'000	BIF'000	BIF'000	BIF'000	BIF'000
At 01 January 2014	3,326,115	1,163,333	8,380,105	1,643,872	2,073,019	16,586,444
Additions	730,011	367,860	823,691	333,828	-	2,255,390
Transfer	2,073,019	-	-	-	(2,073,019)	-
Revaluation	30,214,749	-	-	-	-	30,214,749
Adjustments	45,541	-	(36,056)	796	-	10,281
At 31 December 2014	36,389,435	1,531,193	9,167,740	1,978,496	-	49,066,864
DEPRECIATION						
At 01 January 2014	1,116,532	964,868	2,021,425	1,239,695	-	5,342,520
Charge for the year	368,060	156,379	478,561	256,987	-	1,259,987
Amortisation of grants	-	-	509	6,095	-	6,604
Revaluation	(1,116,532)	-	-	-	-	(1,116,532)
Adjustments	-	-	(33,319)	-	-	(33,319)
At 31 December 2014	368,060	1,121,247	2,467,176	1,502,777	-	5,459,260
NET BOOK VALUES						
At 31 December 2014	36,021,375	409,946	6,700,564	475,719	-	43,607,604
At 31 December 2013	2,209,583	198,465	6,358,680	404,177	2,073,019	11,243,924

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

17(a). PROPERTY AND EQUIPMENT (CONTD)

COST/VALUATION	Land and buildings	Motor vehicles	Furniture and fittings	Computer equipment	Assets in the course of construction	Total
	BIF'000	BIF'000	BIF'000	BIF'000	BIF'000	BIF'000
At 01 January 2013	2,910,583	1,539,364	3,988,096	2,419,475	1,750,675	12,608,193
Additions	416,520	-	4,549,528	123,201	322,344	5,411,593
Disposals	-	(151,560)	-	-	-	(151,560)
Adjustments	(988)	(224,471)	(157,519)	(898,804)	-	(1,281,782)
At 31 December 2013	3,326,115	1,163,333	8,380,105	1,643,872	2,073,019	16,586,444
DEPRECIATION						
At 01 January 2013	1,028,316	1,254,674	1,924,725	1,856,344	-	6,064,059
Charge for the year	88,216	86,224	201,308	276,550	-	652,298
Amortisation of grants	-	-	509	6,095	-	6,604
Disposals	-	(376,030)	(105,117)	(899,294)	-	(1,380,441)
At 31 December 2013	1,116,532	964,868	2,021,425	1,239,695	-	5,342,520
NET BOOK VALUES						
At 31 December 2013	2,209,583	198,465	6,358,680	404,177	2,073,019	11,243,924
At 31 December 2012	1,882,267	284,690	2,063,371	563,131	1,750,675	6,544,134

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

17(a). **PROPERTY AND EQUIPMENT (CONTD)**

The land and buildings of the Bank were revalued by experts from Ministry of Transport, Public Works and Equipment in March 2014. The details pertaining to the revaluation and fair value of land and buildings are described in Note 29. If the buildings were stated on the historical cost basis, the amount would be as follows:

	31 December 2014
	<u>BIF'000</u>
Buildings	<u>4,756,024</u>

17(b). **INTANGIBLE ASSETS**

	31 December 2014	31 December 2013
	<u>BIF'000</u>	<u>BIF'000</u>
COST		
At 01 January	404,989	404,989
Additions	82,849	-
Adjustment	430	-
At 31 December	<u>488,268</u>	<u>404,989</u>
AMORTISATION		
At 01 January	194,537	80,140
Charge for the year	16,433	114,397
At 31 December	<u>210,970</u>	<u>194,537</u>
NET BOOK VALUES		
At 31 December	<u>277,298</u>	<u>210,452</u>

18. **RESERVES**

General Reserve Fund

The General Reserve Fund is a reserve fund created in accordance with section 71 of the Act 1/34 of 02 December 2008 governing the Central Bank of Burundi. This section states that whenever the Bank is profitable and so long as the share capital plus the General Reserve Fund is less than 10% of the total assets, the profits are appropriated to the General Reserve Fund. Once the ratio is 10%, 20% of profit for the year is appropriated to the General Reserve Fund.

Special Reserve Fund

The Board of Directors may decide, after appropriation being made to the General Reserve Fund, to appropriate specific amounts to the Special Reserve Fund. The balance is paid to the Treasury. Section 72 of the Act 1/34 of 02 December 2008 stipulates that if the bank makes a loss, the loss can be offset against the Special Reserve Fund. In the event the loss could not be fully offset, the remaining part is allocated to general reserve.

Foreign Exchange Reserve

Under Section 71 of the Act 1/34 of 02 December 2008 governing the Central Bank of Burundi, unrealised profits are appropriated to a Foreign Exchange Reserve which is not distributable.

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

19. CURRENCY IN CIRCULATION

	31 December 2014	31 December 2013
	BIF'000	BIF'000
Total notes and coins purchased	741,155,000	667,325,000
Total notes and coins destroyed	(420,475,293)	(419,714,293)
Cash in vault	(54,035,875)	(10,692,650)
Cash in till	(33,363,414)	(25,234,348)
Currency in circulation	<u>233,280,418</u>	<u>211,683,709</u>

20. DEPOSITS FROM GOVERNMENT

	31 December 2014	31 December 2013
	BIF'000	BIF'000
Deposits of the Central Government in BIF	99,243,572	69,923,850
Deposits of the Central Government in foreign currency	71,634,982	82,442,838
Deposits of the local government, government agencies and public organisations in BIF	16,079,082	17,158,141
Deposits of the local government, government agencies and public organisations in foreign currency	1,093,622	1,169,671
	<u>188,051,258</u>	<u>170,694,500</u>

21. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2014	31 December 2013
	BIF'000	BIF'000
Deposits from commercial banks in BIF	106,514,557	68,580,740
Deposits in foreign currencies from commercial banks	13,580,928	14,130,120
Deposits from financial institutions and microfinance in BIF	1,819,089	5,726,045
Deposits from financial institutions and microfinance in foreign currency	840,762	2,083,807
	<u>122,755,336</u>	<u>90,520,712</u>

22. OTHER DEPOSITS

	31 December 2014	31 December 2013
	BIF'000	BIF'000
Deposits on import	9,222,585	7,533,009
Other current accounts	2,390,204	2,035,655
	<u>11,612,789</u>	<u>9,568,664</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

23. DUE TO INTERNATIONAL MONETARY FUND

	31 December 2014	31 December 2013
	BIF'000	BIF'000
<i>Borrowings :</i>		
Loan for Poverty Reduction and Growth	82,740,967	91,040,528
Other borrowings	121,252,400	126,380,242
Allocation of SDRs	166,117,521	175,940,507
Current account Number 1	7,903,242	7,903,242
Securities account	175,602,585	171,770,702
<i>Fair value adjustment:</i>		
Current account Number 1	(478,567)	128,183
Securities account	(10,633,321)	2,785,940
	<u>542,504,827</u>	<u>575,949,344</u>

The loans and deposits accounts with IMF are denominated in SDR and are revalued on a daily basis. At the reporting date, they were revalued in BIF based on the average exchange rate of SDR to BIF.

Since 2010, the IMF accounts are subject to the following conditions:

- The IMF revalues its accounts on an annual basis on the 30th April. Consequently, the Bank revalues its IMF accounts from SDR to BIF on 30th April when IMF closes its financial year
- The Bank opened two “fair value adjustment” accounts to account for fair value adjustments in Current Account Number 1 and Securities Account. Hence, on 30th April 2015, the Bank would update the fair value based on IMF figures.

24. DEPOSITS FROM NON-RESIDENTS

	31 December 2014	31 December 2013
	BIF'000	BIF'000
Deposit from non-residents in BIF	2,135,472	2,393,090
Current account in foreign currency	36,108	168,380
Deposit from non-residents in foreign currency	270,228	557,849
	<u>2,441,808</u>	<u>3,119,319</u>

25. OTHER LIABILITIES

	31 December 2014	31 December 2013
	BIF'000	BIF'000
Provisions	4,108,718	4,247,560
Other payables in BIF	3,468,571	2,959,914
Grants (Note (i))	9,398	13,606
Other creditors	960,176	962,118
	<u>8,546,863</u>	<u>8,183,198</u>

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25. OTHER LIABILITIES (CONTD)

- 25.(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 consideration was recorded as government subsidies under other liabilities in accordance with the accounting policy described in section 3.14.

26. CASH FLOWS FROM OPERATING ACTIVITIES

	31 December 2014	31 December 2013
	BIF'000	BIF'000
Profit/(loss) for the year	7,547,519	(13,387,388)
Depreciation/amortisation	1,283,024	773,299
Interest income	(17,062,554)	(17,195,126)
Interest expense	184,404	164,184
Adjustments	(44,029)	52,900
Effects of exchange rate changes on cash and cash equivalents	(7,118,051)	14,988,276
Profit before working capital changes	(15,209,687)	(14,603,855)
Change in documentary credit	(2,516,609)	1,556,244
Change in Quota from IMF	10,242,047	(480,041)
Change in loans and advances to Government	(51,489,311)	13,450,722
Change in loans and advances to banks and financial institutions	(2,000,000)	-
Change in investments	-	9,380
Change in other assets	(15,814,672)	(4,866,665)
Change in deposits from government	17,356,758	43,036,968
Change in deposits from banks and other financial institutions	32,234,624	18,490,622
Change in other deposits	2,044,125	(7,705,489)
Change in due to IMF	(33,444,517)	9,305,779
Change in deposits from non-residents	(677,511)	(30,475,754)
Change in other liabilities	363,665	(6,846,230)
Cash (used in)/from operating activities	(58,911,088)	20,871,681
Interest income received	(184,403)	(164,184)
Net cash (used in)/ from operating activities	(59,095,491)	20,707,497

27. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the year comprise of:

	31 December 2014	31 December 2013
	BIF'000	BIF'000
Cash in hand in BIF	6,925,696	11,237,318
Placements and other balances	484,774,086	496,397,143
	491,699,782	507,634,461

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

28. FINANCIAL INSTRUMENT RISK

The Central Bank of Burundi is exposed to various financial risks: credit risk, liquidity risk, exchange rate risk and interest rate risk. The management of such risks has not yet been allocated to a specific department. However, the Internal Audit department and the Audit Committee collaborate to strengthen and enhance the risk management process. As from 18 September 2014, Management has set up a Risk Management Unit consisting of senior level members who work under the supervision of an advisor designated by Management.

The Bank manages its risks through a sound management of its financial assets and financial liabilities. The major risks relate to exchange rate risk and credit risk.

In line with the requirements of IFRS 7: “*Financial instruments: Disclosures*”, disclosure has been made to reflect the risk management by the Bank.

The risk management process of the Bank includes the following:

Credit risk: risk of loss resulting from the inability of customers of the Bank to meet their financial commitments.

Liquidity risk: risk that the Bank is unable to meet its obligations as they fall due.

Interest risk and foreign exchange risk: risk of loss or impairment of assets due to changes in interest rates or exchange rates; interest rate risk and exchange rate risk are related to the Bank’s operations.

CREDIT RISK MANAGEMENT

Credit risk is the risk that a counterparty fails to discharge an obligation to the Bank.

Credit risk exposure

The table below shows the maximum credit risk exposure on financial assets of the Bank, net of impairment.

	31 December 2014	31 December 2013
	BIF’000	BIF’000
Financial assets		
Placements and other balances	483,220,292	494,611,844
Documentary credit	7,285,078	4,768,469
Loans and advances to Government	488,063,605	396,574,294
Loan to a financial institution	2,000,000	-
Staff loans and advances	12,094,001	10,109,303
Total financial assets	992,662,976	906,063,950

The Bank’s policy is to deal with counterparties with high credit ratings from internationally recognised agencies.

- (i) The credit risk for cash and cash equivalents is limited since the counterparties are banks with high credit ratings assigned by internationally recognised agencies.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

28. FINANCIAL INSTRUMENT RISK (CONTD)

CREDIT RISK MANAGEMENT (CONTD)

Credit risk exposure (Contd)

The Bank grants loans to its employees on request. The repayment of principal and interest is guaranteed since deducted from salaries. The staff also pledges its personal pension plan, life insurance and lumpsum. The staff's spouse also provides personal guarantee.

For housing loans, in addition to the above, the Bank takes a fixed charge on the property until final repayment. The Bank also insures the property against possible risks.

Also, the borrower ensures that his or her spouse signs a separate document, as a surety to guarantee his commitments.

For mortgage loans, the Bank retains all the pledged documents mentioned above, the title deed of the mortgage property until the extinction of the obligations of the borrower. The Bank further protects itself by taking insurance from insurance companies to cover for such credit risks.

- (ii) As described in Note 13, loans and advances to Government amounted to BIF 448,063,605,000 and consist of Government's special advances, special credit, consolidated loan and ordinary advances given to the Government during the financial year 2014.

During the year ended 31 December 2013, the Government of the Republic of Burundi could not repay its debts on special credit and consolidated loan 2012 and consequently, the repayment of these debts was rescheduled to January 2014 and new repayment agreements were signed by the Bank and the Ministry of Finance.

The consolidated loan 2012 was rescheduled in January 2013 and January 2014 while special credit was rescheduled in January 2014.

The repayments of the special credit and consolidated loan 2012 were resumed in January 2015 based on agreements signed between the Bank and the Ministry of Finance.

Following a shortfall in budgeted revenue during the financial year 2014, the Bank has granted advances to the Government for an amount of BIF 55,186,913,879 as at 31 December 2014. As at 03 March 2015, these advances reached BIF 76,601,096,600. The Bank has not fixed a limit to the advances granted to Government and no repayment terms agreed due to the uncertainty in budgeted revenue for the financial year 2015.

The continuous increase in the balance of advances granted to the Government coupled with associated uncertainty of repayment indicate a potential credit risk.

The financial statements for the year ended 31 December 2014 do not take into account this potential credit risk as new repayment plans have been agreed between the Bank and the Government for special credit and consolidated loan 2012 and the Bank expects part repayment of the ordinary advances granted during the financial year 2014. However, if these repayment plans are not met, the impact on profitability and treasury could be significant.

- (iii) Credit risk associated with documentary credit is limited since the counterparty is a reputable international bank with high credit rating.
- (iv) Loan to a financial institution has been repaid on 08 February 2015 (Note 14).

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

28. FINANCIAL INSTRUMENT RISK (CONTD)

MARKET RISK

The Bank's activities also expose it to financial risks associated with fluctuations in exchange rates and interest rates. Exposure to market risk is measured using sensitivity analysis.

The Bank manages the foreign exchange reserves of the country which is placed with several correspondent banks to minimise risks. In terms of foreign exchange reserves, the Bank's assets are presented in the following table.

Foreign exchange risk

The table below summarises the Bank's foreign currency exposures on financial assets and financial liabilities as at 31 December:

2014 (BIF 000)	USD	EUR	GBP	AUD	Other currencies	SDR	Total
<u>Financial assets</u>							
Cash and cash equivalents	3,356,495	2,532,660	7,372	-	1,029,169	-	6,925,696
Placements and other balances	218,248,459	54,443,403	3,100,685	23,133,682	307,194	183,986,869	483,220,292
Documentary credits	323,888	6,962,190	-	-	-	-	7,286,078
Loans and receivables	221,928,842	63,938,253	3,108,057	23,133,682	1,336,363	183,986,869	497,432,066
Special Drawing Rights (SDR)	-	-	-	-	-	173,204,308	173,204,308
Available-for-sale financial assets	-	-	-	-	-	173,204,308	173,204,308
Total financial assets	221,928,842	63,938,253	3,108,057	23,133,682	1,336,363	357,191,177	670,636,374

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FOR THE YEAR ENDED 31 DECEMBER 2014

28. FINANCIAL INSTRUMENT RISK (CONTD)

MARKET RISK (CONTD)

Foreign exchange risk (Contd)

2014 (BIF 000)	USD	EUR	GBP	Other currencies	SDR	Total
<u>Financial liabilities</u>						
Deposits from Government	28,661,211	44,067,393	-	-	-	72,728,604
Deposits from Banks and financial institutions	9,397,686	4,997,032	24,859	2,113	-	14,421,690
Due to IMF	-	-	-	-	542,504,827	542,504,827
Deposits from non-residents	179,615	93,978	-	6	32,837	306,336
Total financial liabilities	38,238,512	49,158,303	24,859	2,119	542,537,664	629,961,457

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FOR THE YEAR ENDED 31 DECEMBER 2014

28. FINANCIAL INSTRUMENT RISK (CONTD)

MARKET RISK (CONTD)

Foreign exchange risk (Contd)

The table below summarises the Bank's foreign currency exposures on financial assets and financial liabilities as at 31 December:

2013 (BIF 000)	USD	EUR	GBP	AUD	Other currencies	SDR	Total
Financial assets							
Cash and cash equivalents	4,135,932	5,122,736	13,303	-	1,965,347	-	11,237,318
Placements and other balances	215,621,504	44,801,178	3,392,216	34,416,239	268,998	196,111,749	494,611,884
Documentary credits	850,003	3,918,466	-	-	-	-	4,768,469
Loans and receivables	220,607,439	53,842,380	3,405,519	34,416,239	2,234,345	196,111,749	510,617,671
Special Drawing Rights (SDR)	-	-	-	-	-	183,446,355	183,446,355
Available-for-sale financial assets	-	-	-	-	-	183,446,355	183,446,355
Total financial assets	220,607,439	53,842,380	3,405,519	34,416,239	2,234,345	379,558,104	694,064,026

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

28. FINANCIAL INSTRUMENT RISK (CONTD)

MARKET RISK (CONTD)

Foreign exchange risk (Contd)

2013 (BIF 000)	USD	EUR	GBP	Other currencies	SDR	Total
<u>Financial liabilities</u>						
Deposits from Government	13,904,980	70,546,684	-	-	-	84,451,664
Deposits from Banks and financial institutions	12,519,907	3,665,429	26,085	2,506	-	16,213,927
Due to IMF	-	-	-	-	575,949,344	575,949,344
Deposits from non-residents	348,266	357,908	-	-	50,616	756,790
Total financial liabilities	26,773,153	74,570,021	26,085	2,506	575,999,960	677,371,725

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

28. FINANCIAL INSTRUMENT RISK (CONTD)

MARKET RISK (CONTD)

Foreign exchange risk (Contd)

The Bank performs a sensitivity analysis to estimate the potential impact of a change in exchange rates on an annual basis. The following table shows the sensitivity analysis of a change in exchange rates on the profit and equity of the Bank.

	<u>2014</u>	<u>2013</u>	Impact on profit and equity	
	Positive variation	Positive variation	<u>2014 (BIF 000)</u>	<u>2013 (BIF 000)</u>
USD	1%	1%	1,836,903	1,938,343
EUR	11%	3%	1,665,587	(621,829)
GBP	5%	1%	150,460	33,794
AUD	8%	15%	1,799,800	5,162,436
SDR	6%	1%	(10,342,334)	(1,964,419)

Similarly, a negative movement in the exchange rate will have an opposite effect on the profit and equity of the Bank. For example, a negative movement of 1% in USD will have a negative impact of BIF 1,836,903,000 on profit and equity for the financial year 2014.

INTEREST RATE RISK

Interest rate risk arises when interest rates on financial assets decrease, and on the other hand, the interest rates increase on financial liabilities. With respect to marginal lending and borrowing facility, there is no interest rate risk. This is due to the fundamental objective of the monetary policy of the Bank to stabilise inflation in the country, and hence the Bank has to bear the cost on this facility.

However, the Bank incurs a cost on the monetary policy as it pays interest on marginal lending facility to achieve its objective of monitoring inflation.

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FOR THE YEAR ENDED 31 DECEMBER 2014

28. FINANCIAL INSTRUMENT RISK (CONTD)

INTEREST RATE RISK (CONTD)

	2014 (BIF 000)				Total
	0 to 3 months	3 to 12 months	More than 1 year	Interest free	
ASSETS					
Cash and cash equivalents	-	-	-	6,925,696	6,925,696
Placements and other balances	413,517,877	-	-	69,702,415	483,220,292
Documentary credits	-	-	-	7,285,078	7,285,078
Special Drawing Rights (SDR)	-	-	-	173,204,308	173,204,308
Loans and advances to Government	6,099,512	18,298,537	368,478,642	55,186,914	448,063,605
Loan to a financial institution	2,000,000	-	-	-	2,000,000
Staffs loans and advances	363,788	830,178	10,710,549	189,486	12,094,001
TOTAL ASSETS	421,981,177	19,128,715	379,189,191	312,493,897	1,132,792,980
LIABILITIES					
Currency in circulation	-	-	-	233,280,418	233,280,418
Deposits from the Government	-	-	-	188,051,258	188,051,258
Banks and other financial institutions	-	-	-	122,755,336	122,755,336
Other deposits	-	-	-	11,612,789	11,612,789
Due to IMF	6,345,693	13,981,180	176,319,763	345,858,191	542,504,827
Deposits from non-residents	-	-	-	2,441,808	2,441,808
Other liabilities	-	-	-	8,546,863	8,546,863
TOTAL LIABILITIES	6,345,693	13,981,180	176,319,763	912,546,663	1,109,193,299
Net on-balance sheet interest sensitivity gap	415,635,484	5,147,535	202,869,428	(600,052,766)	23,599,681
At 31 December 2013					
TOTAL ASSETS	254,553,488	3,505,179	401,850,504	440,838,452	1,100,747,623
TOTAL LIABILITIES	186,814,089	13,749,299	192,797,891	676,358,169	1,069,719,448
Net on-balance sheet interest sensitivity gap	67,739,399	(10,244,120)	209,052,613	(235,519,717)	31,028,175

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NOTES TO THE FINANCIAL STATEMENTS
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28. FINANCIAL INSTRUMENT RISK (CONT'D)

LIQUIDITY RISK

The ultimate responsibility for liquidity risk management rests with the Management Committee, which establishes a framework for liquidity risk management to manage its short and long term liabilities. The Bank is exposed to liquidity risk when it fails to meet expenses on a given maturity. The Bank has always taken a conservative approach by limiting external borrowings except for the balance of payments liquidity risk by investing in a period not exceeding one month and monitoring the daily position of each currency. The Bank manages liquidity of its foreign currency assets in order to settle commitments of the Bank and Government as and when they fall due. The Bank has set limits with regard to currency and counterparty exposures to contain the risk. The following table details the contractual term to maturity of financial assets and liabilities of the Bank and the agreed repayment periods.

ASSETS	On demand	Less than 3 months	Between 4 – 12 months	Between 13 - 60 months	Above 60 months	TOTAL
Cash and cash equivalents	6,925,696	-	-	-	-	6,925,696
Placements and other balances	483,220,292	-	-	-	-	483,220,292
Documentary credits	7,285,078	-	-	-	-	7,285,078
Special Drawing Rights (SDR)	173,204,308	-	-	-	-	173,204,308
Loans and advances to Government	55,186,914	6,099,512	18,298,537	97,592,196	270,886,446	448,063,605
Loan to a financial institution	-	2,000,000	-	-	-	2,000,000
Staff loans and advances	115,507	363,789	830,178	4,877,882	5,906,645	12,094,001
TOTAL ASSETS	725,937,795	8,463,301	19,128,715	102,470,078	276,793,091	1,132,792,980
LIABILITIES						
Currency in circulation	233,280,418	-	-	-	-	233,280,418
Deposits from the Government	188,051,258	-	-	-	-	188,051,258
Deposits from Bank and other financial institutions	122,755,336	-	-	-	-	122,755,336
Other deposits	11,612,789	-	-	-	-	11,612,789
Due to IMF	345,894,299	6,309,585	13,981,180	176,319,763	-	542,504,827
Deposits from non-residents	2,441,808	-	-	-	-	2,441,808
Other liabilities	8,546,863	-	-	-	-	8,546,863
TOTAL LIABILITIES	912,582,771	6,309,585	13,981,180	176,319,763	-	1,109,193,299
Net liquidity gap	(186,644,976)	2,153,716	5,147,535	(73,849,685)	276,793,091	23,599,681
At 31 December 2013						
TOTAL ASSETS	694,161,178	1,230,762	3,505,179	40,523,091	361,327,413	1,100,747,623
TOTAL LIABILITIES	851,350,799	11,821,459	13,749,299	192,797,891	-	1,069,719,448
Net liquidity gap	(157,189,621)	(10,590,697)	(10,244,120)	(152,274,800)	361,327,413	31,028,175

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

28. FINANCIAL INSTRUMENT RISK (CONTD)

CAPITAL RISK MANAGEMENT

Section 78, Act No. 1/34 governing BRB states that the ratio of net assets to total assets should be at least 5% on 31 December 2008, the date on which the Act came into force. This ratio is increased by 1% annually until the target of 10% is reached as provided in Sections 4 and 73.

When the total capital and general reserve is less than the minimum ratio, as defined in the Act, the Central Bank's capital is covered by the Government, by transfer in favor of the latter.

When the cash flow of the government does not allow it, it shall, notwithstanding Section 33, issue additional bonds subscribed by the Central Bank to market conditions.

Pursuant to Article 78, the minimum capital adequacy ratio of the Central Bank is expected to reach 10% at 31 December 2014 (9% at 31 December 2013). However, at 31 December 2014, the actual ratio amounted to 7.5% (4.5% at 31 December 2013).

RISK MANAGEMENT OF OFF BALANCE SHEET ACCOUNTS

These accounts are primarily government and other governmental institutions accounts which are maintained by the Bank whereby foreign governments and other international institutions grant advances to the Government of Burundi. The other off-balance sheet accounts relate to the documents received from commercial banks as collateral for refinancing credits and guarantees of the Bank for issuing the treasury certificates.

Documents received from commercial banks as collateral funding

The credit risk on the documents received from commercial banks is minimised by the fact that these documents comprise of marketable treasury securities (bills and bonds), which are less risky than promissory notes drawn on private companies.

Guarantees of the Central Bank to issue treasury securities

There is a risk that the Treasury may not meet the maturity requirements of treasury bills which lead to advances from the Central Bank to the Government. However, this risk is low because these advances are limited to a percentage of revenue of the prior year.

29. FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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**NOTES TO THE FINANCIAL STATEMENTS
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29. FAIR VALUE MEASUREMENT (CONTD)

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can assess at the measurement date;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data (that is unobservable inputs).

29.1 Fair value measurement of non-financial assets and liabilities

The financial assets measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

<u>31 December 2014</u>	<u>Notes</u>	<u>Level 1</u> <u>BIF'000</u>	<u>Level 2</u> <u>BIF'000</u>	<u>Level 3</u> <u>BIF'000</u>	<u>Fair value</u> <u>BIF'000</u>
Assets					
Gold	(i)	1,802,056	-	-	1,802,056
Land and buildings	(ii)	-	-	36,021,375	36,021,375
Total		<u>1,802,056</u>	<u>-</u>	<u>36,021,375</u>	<u>37,823,431</u>
<u>31 December 2013</u>	<u>Note</u>	<u>Level 1</u> <u>BIF'000</u>	<u>Level 2</u> <u>BIF'000</u>	<u>Level 3</u> <u>BIF'000</u>	<u>Fair value</u> <u>BIF'000</u>
Assets					
Gold	(i)	1,785,259	-	-	1,785,259

There has been no transfer between levels 1 and 2 during the year under review.

(i) **Gold**

Valuation technique

Gold is valued on the Reuters world price of gold (in U.S. Dollar per ounce).

(ii) **Land and buildings**

Evaluation technique

The land and buildings of the Bank are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Bank's land and buildings as at 31 December 2014 have been performed by experts in construction from the Ministry of Transport, Public Works and Equipment.

The fair value of buildings was determined by reference to the Ministerial Ordinance No 720/CAB/304/2008 dated 20 March 2008 based on the method of discounting the future value of land and constructions in case of surrender for public use.

The fair value of the land was determined based on the comparable market approach that reflects recent transaction prices for similar properties.

29.2 Fair value measurement of other non-financial assets and liabilities

Other financial assets consists of prepayments, suspense accounts, other receivables for which fair value is not applicable since these are not fair valued on a recurring or non-recurring basis.

The Bank did not have any non-financial liabilities at the reporting date.

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

29. FAIR VALUE MEASUREMENT (CONTD)

29.3 Fair value measurement of financial assets and liabilities

Other than staff loans and advances, Management considers the carrying value of these financial assets and financial liabilities in the financial statements approximates their fair values.

	31 December 2014	
	Carrying Value BIF'000	Fair Value BIF'000
Financial assets		
Cash and cash equivalents	6,925,696	6,925,696
Placements and other balances	483,220,292	483,220,292
Documentary credits	7,285,078	7,285,078
Special Drawing Rights (SDR)	173,204,308	173,204,308
Loans and advances to Government	448,063,605	448,063,605
Loan to a financial institution	2,000,000	2,000,000
Staff loans and advances	12,094,001	13,235,126
	<u>1,132,792,980</u>	<u>1,133,934,105</u>
Financial liabilities		
Currency in circulation	233,280,418	233,280,418
Deposits from the Government	188,051,258	188,051,258
Banks and other financial institutions	122,755,336	122,755,336
Other deposits	11,612,789	11,612,789
Due to IMF	542,504,827	542,504,827
Deposits from non-residents	2,441,808	2,441,808
Other liabilities	8,546,863	8,546,863
	<u>1,109,193,299</u>	<u>1,109,193,299</u>
	31 December 2013	
	Carrying Value BIF'000	Fair Value BIF'000
Financial assets		
Cash and cash equivalents	11,237,318	11,237,318
Placements and other balances	494,611,884	494,611,884
Documentary credits	4,768,469	4,768,469
Special Drawing Rights (SDR)	183,446,355	183,446,355
Loans and advances to Government	396,574,294	396,574,294
Staff loans and advances	10,109,303	11,087,984
	<u>1,100,747,623</u>	<u>1,101,726,304</u>
Financial liabilities		
Currency in circulation	211,683,709	211,683,709
Deposits from the Government	170,694,500	170,694,500
Banks and other financial institutions	90,520,712	90,520,712
Other deposits	9,568,664	9,568,664
Due to IMF	575,949,344	575,949,344
Deposits from non-residents	3,119,319	3,119,319
Other liabilities	8,183,198	8,183,198
	<u>1,069,719,446</u>	<u>1,069,719,446</u>

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

30. **RESTATEMENT**

During prior years, all cost of printing and manufacturing of notes and coins was expensed in the statement of comprehensive income. During the financial year 2014, the Bank has changed its accounting policy in order to amortise the cost of printing and manufacturing of notes and coins over its utilisation period. Following this change, the cost of printing and manufacturing of notes and coins issued in circulation during the year under review was expensed in the statement of comprehensive income and the remaining portion was recorded under other assets. In accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors*, the financial statements for the two preceeding years have been restated. The table below shows the changes following the restatement.

	<u>31 December 2013</u>	<u>31 December 2012</u>
	BIF'000	BIF'000
(Loss)/profit before restatement	(15,463,043)	11,027,397
Cost of printing and manufacturing of notes and coins recognised under other assets	2,075,655	1,266,330
(Loss)/profit after restatement	(13,387,388)	12,293,727

31. **CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS**

The Bank has several cases in litigations in Burundi Courts. However, based on all the opinions received, the Bank is of the opinion that any of the court cases will not materialise into liabilities having a material impact on its financial statements.

32. **RELATED PARTY TRANSACTIONS**

The following relates to transactions with related parties:

(a) **GOVERNMENT**

Refer to note 13 of the financial statements "Loans and advances to Government".

(b) **EMPLOYEES**

Refer to note 16 of the financial statements "Other assets".

(c) **Key management personel remuneration**

	<u>31 December 2014</u>	<u>31 December 2013</u>
	BIF'000	BIF'000
Annual salary	332,802	288,371
<i>Salary advances</i>		
	<u>31 December 2014</u>	<u>31 December 2013</u>
	BIF'000	BIF'000
Opening balance	-	628
Repayment	-	(628)
Closing balance	-	-

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

32. RELATED PARTY TRANSACTIONS (CONTD)

(c) Key management personnel remuneration (Contd)

Housing loans

	31 December 2014	31 December 2013
	BIF'000	BIF'000
Opening balance	1,102,349	1,223,383
Repayment	(91,692)	(121,034)
Closing balance	<u>1,010,657</u>	<u>1,102,349</u>

Vehicle loans

	31 December 2014	31 December 2013
	BIF'000	BIF'000
Opening balance	10,032	14,700
Repayment	(4,763)	(4,668)
Closing balance	<u>5,269</u>	<u>10,032</u>

33. OFF-BALANCE SHEET ITEMS

OFF-BALANCE SHEET ITEMS 2014
BIF 000.000

ASSETS		LIABILITIES	
Collection bills	3	Collection bills payable	3
AID advances	113	Commitment Regideso/AID	113
Deposit on securities	1,216	Deposit securities BIRD	302
		Deposit securities AID	76
		Deposit securities OTBU former-Tutelle	15
		Deposit securities CADEBU	465
		Deposit securities BAD	325
		Deposit securities MIGA	33
Chinese loan to the State of Burundi	41,005	Burundi commitments to China	41,005
URSS loan to the State of Burundi	2,125	Commitment of Burundi to the URSS	2,125
Equipment loan	11,101	Equipment loan	11,101
Government bills	580	Government bills	580
Korean loan to the State of Burundi	28	Commitment of Burundi to Korea	28
Belgium loan to the State of Burundi	929	Commitment of Burundi to Belgium	929
Deposit on goods	232	Deposit surety bonds	232
Government deposits	2,638	Government deposits	2,638
Import guarantees	23	Deposits paid by importers	23
Depot vehicles	5	Credit guarantee vehicles	5
Treasury	170,800	Treasury accounts	170,800
Treasury bonds	77,100	Treasury accounts	77,100
Pledge B/T	32,704	B/T registered pledge	32,704
Pledge O/T	17,000	Pledge O/T	17,000
Claim on B.E.R.B	1,003	Claim on B.E.R.B	1,003
TOTAL	<u>358,605</u>	TOTAL	<u>358,605</u>

BANQUE DE LA RÉPUBLIQUE DU BURUNDI (BRB)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

33. OFF-BALANCE SHEET ITEMS (CONTD)

OFF-BALANCE SHEET ITEMS 2013			
BIF 000.000			
ASSETS		LIABILITIES	
Collection bills	3	Collection bills payable	3
AID advances	113	Commitment Regideso/AID	113
Deposit on securities	1,216	Deposit securities BIRD	302
		Deposit securities AID	76
		Deposit securities OTBU former-Tutelle	15
		Deposit securities CADEBU	465
		Deposit securities BAD	325
		Deposit securities MIGA	33
Chinese loan to the State of Burundi	41,005	Burundi commitments to China	41,005
URSS loan to the State of Burundi	2,125	Commitment of Burundi to the URSS	2,125
Equipment loan	4,753	Equipment loan	4,753
Government bills	1,268	Government bills	1,268
Korean loan to the State of Burundi	28	Commitment of Burundi to Korea	28
Belgium loan to the State of Burundi	929	Commitment of Burundi to Belgium	929
Deposit on goods	232	Deposit surety bonds	232
Government deposits	2,638	Government deposits	2,638
Import guarantees	23	Deposits paid by importers	23
Depot vehicles	5	Credit guarantee vehicles	5
Treasury	148,750	Treasury accounts	148,750
Treasury bonds	37,100	Treasury accounts	37,100
Pledge B/T	30,365	B/T registered pledge	30,365
Claim on B.E.R.B	1,003	Claim on B.E.R.B	1,003
TOTAL	<u>271,556</u>	TOTAL	<u>271,556</u>

34. COMPARATIVES

Where necessary, comparatives have been adjusted to conform to changes in presentation in the current year.