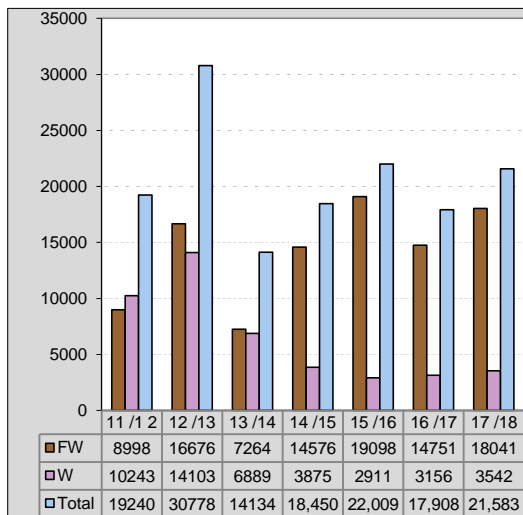


## I. EXPORT AGRICULTURE

### A. 2017/2018 coffee season

The production of the 2017/2018 season increased compared to that recorded in the previous season. Indeed, the total volume of parchment Arabica Coffee amounted to 21,583 against 17,908 T in the same period of the previous season, or an increase of 20, 5%.

**Chart 1:**  
Production of parchment Arabica Coffee at the end of March (in tons)



**Source:** ARFIC report, March 2018

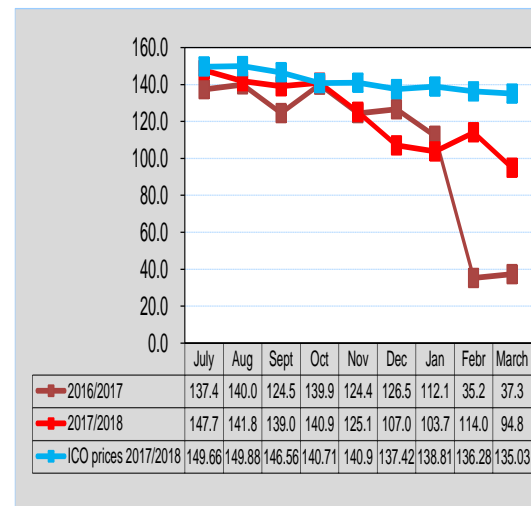
Regarding quality, the share of Fully Washed slightly increased compared to the previous season (83.6 against 82.4%).

After machining, the quantity of green coffee produced at the end of March 2018 stood at 15,864 tons against 13,346 tons recorded in the same period of the previous season, or a rise of 18.9% linked to the increase in production of the 2017/2018 season.

Revenue from the sale of coffee amounted to BIF 69,550.3 against BIF 60,195.6 million in the same period of the

previous season, due to the increase of the quantity sold (14,748 against 13,346 T). The average price on the international market has slightly decreased.

**Chart 2:**  
Evolution of prices of Arabica Coffee by campaign (monthly average price in cts/lb)



**Source:** ARFIC report and [www.ICO.org](http://www.ICO.org), March 2018

### B. Thé

The quarterly production of green leaves tea increased by 14% compared to the same period of the previous year, from 13,965 to 15,921 T, due to good rainfall. This growth was observed in all the tea complexes, with the exception of the Buhoro tea complex, whose production decreased by 3.2%.

**Table 1:**  
**Tea leaves production by tea complex at the end of March (in tons)**

Année		2,014	2,015	2,016	2,017	2,018
Tea factory						
Ijenda	GL	2,806	2,983	3,938	2,240	2,765
	DT	575	631	820	523	571
Rwegura	GL	4,781	5,510	6,416	4,283	5,121
	DT	995	1,122	1,157	901	1,075
Teza	GL	3,180	3,529	4,520	3,039	3,310
	DT	687	790	979	641	682
Tora	GL	2,781	2,610	3,398	2,831	3,203
	DT	588	540	660	552	620
Buhoro	GL	1,363	1,466	1,787	1,573	1,522
	DT	286	304	400	319	310
Total	GL	14,910	16,098	20,058	13,965	15,921
	DT	3,131	3,386	4,016	2,936	3,259

GL : Green Leaves      DT: Dry Tea

**Source: OTB monthly report, March 2018**

The volume of dry tea increased by 11% compared to the first quarter of 2017, from 2,936 to 3,259 T. The average yield to the machining has increased slightly, standing at 21.5 against 20% to the same period of the previous year.

Revenue from tea sales improved by 12% compared to the same period of 2017, from BIF 12,215 to BIF 13,682 million. This increase is linked to the rise of average price both on the local market (BIF 3,597 against 2,319 BIF/kg) and abroad (BIF 5,335 against 4,870 BIF / kg) as well as the increase of the quantity sold (2,608 against 2,582 T).

**Table 2:**  
**Sales of dry tea at the end of March 2018**

		2,014	2,015	2,016	2,017	2,018
Market						
Mombasa	Tons	1,844	2,623	2,233	1,834	2,016
	Value (MBIF)	6,677	10,369	8,776	9,048	10,648
auctions	AP (BIF/kg)	3,621	3,953	3,931	4,932	5,281
	Tons	463	575	485	607	459
Direct sales	Value (MBIF)	1,667	2,396	2,034	2,841	2,557
	AP (BIF/kg)	3,601	4,170	4,193	4,680	5,574
S/Total Export	Tons	2,307	3,198	2,718	2,441	2,475
	Value (MBIF)	8,344	12,766	10,810	11,889	13,206
	AP (BIF/kg)	3,617	3,992	3,977	4,870	5,335
	Tons	114	80	173	141	132
local sales	Value (MBIF)	343	302	516	326	476
	AP (BIF/kg)	3,012	3,780	2,986	2,319	3,597
Total	Tons	2,421	3,277	2,891	2,582	2,608
	Value (MBIF)	8,687	13,068	11,326	12,215	13,682
	AP (BIF/kg)	3,589	3,987	3,918	4,731	5,247

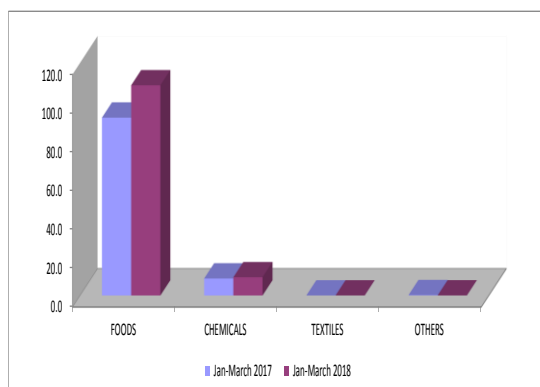
**Source: OTB monthly report, March 2018**

## II. INDUSTRIAL PRODUCTION

### Quarterly developments

Compared to the corresponding quarter of the previous year, industrial production increased in the first quarter of 2018. In fact, the average index of industrial production rose by 17.0% due to the increase production of the food (+ 18.2%) and chemical (+ 7.1%) industries.

**Chart 3:**  
Quarterly weighted average index of the industrial production.



Source: BRB

The increase in activity in the food industry is mainly related to the increase in the production of BRARUDI beverages (+ 8.5%) and cigarettes (+ 65.0%).

The increase in production in the chemical industry is linked to the increase in the production of soaps (+ 2.3%) and plastic containers (+ 158.6%).

**Table 3: Quarterly Production of main industries**

	2017		2018		Percentage change
	January-March	January-March	January-March	January-March	
<b>FOOD INDUSTRIES</b>					
Beverages (Hl)	298,606	312,549	4.7		
Amstel Beer (Hl)	145,106	163,337	12.6		
Soft drinks (Hl)	78,634	90,953	15.7		
Sugar (T)	0	0			
Cotton oil (L)	9,690	3,040	-68.6		
Cigarettes (Thousands units)	144,880	239,060	65.0		
<b>CHEMICAL INDUSTRIES</b>					
Paint (T)	175	166	-5.0		
Oxygen (m <sup>3</sup> )	0	8,175			
Toilet soap (kg)	142,336	152,447	7.1		
Laundry soaps (kg)	2,927,848	2,987,061	2.0		
Foam	2,983	1,109	-62.8		
Plastic crates (units)	15,959	41,271	158.6		
<b>MATERIALS OF CONSTRUCTION</b>					
Tubes PVC (kg)	10,924	810	-92.6		
Fibro-cement Plates (T)	-	-			
Profiles (m) (1)	2,631	3,332	26.7		
Steel Tubes (kg)	-	-			

(1) : This heading covers also Aluzinc sheet steal and false ceiling "Estetic".  
Source : Information provided by industrial firms.

Source: BRB based on survey in the industrial firms.

### III. CONSUMER PRICE INDEX

#### Quarterly developments

In the first quarter 2018, the Consumer Price Index increased by 0.8% compared with the corresponding quarter of 2017. The consumer price index stood at 113.5 compared with 112.8 recorded in the same period of the previous year.

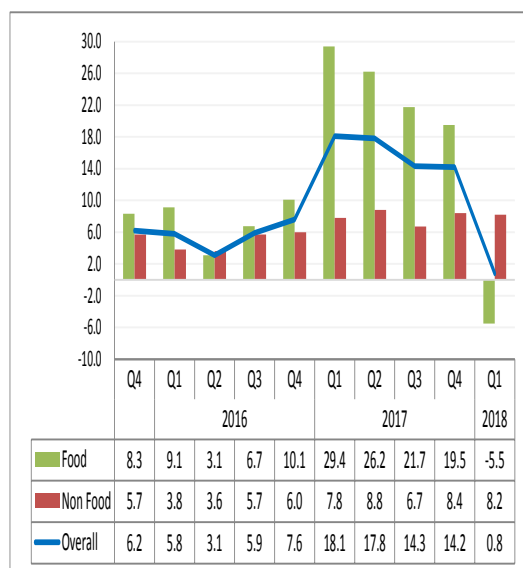
**Table 4:**  
Quarterly Price Index (Basis 2016/2017=100)

	Global index	Food	Non Food
2015			
Q1	90.3	85.7	93.2
Q2	95.0	95.0	94.3
Q3	94.6	92.9	95.6
Q4	95.2	93.6	96.3
2016			
Q1	95.5	93.5	96.7
Q2	97.9	97.9	97.7
Q3	100.2	99.1	101.0
Q4	102.4	103.1	102.1
2017			
Q1	112.8	121.0	104.3
Q2	115.3	123.6	106.3
Q3	114.5	120.7	107.8
Q4	116.9	123.2	110.7
2018			
Q1	113.5	114.2	112.8

Source: BRB based on the statistics of ISTEERU

On a quarter-on-quarter basis, the consumer price index declined by 2.9%, as a result of lower food prices (-7.31%), offsetting higher non-food products (+1.90%).

**Chart 4:**  
**Quarterly Evolution of inflation (in percentage)**



Source: BRB based on the statistics of ISTEERU

## IV. PUBLIC FINANCE

### IV.1. Revenue

Year-on-year basis, cumulative Government revenue stood at BIF 212,518.0 million at the end of March 2018 against BIF 178,349.4 million, or an increase of BIF 34,168.6 million, linked to the rise of tax revenue (BIF 28,587.7 million) and non-tax (BIF 5,580.9 million).

### IV.2. Expenditure

Expenditure incurred at the end of March 2018 reached BIF 308,433.3 against BIF 239,062.7 million in the same period of the previous year, or an increase of 29.0%. This increase concerned both current expenditure (BIF 38,661.8 million) and capital expenditure (BIF 30,708.7 million MBIF).

**Table 5 : Revenue and Expenditure**  
**(in BIF million)**

	March 2017	March 2018
Revenues	178,349.4	212,518.0
Tax revenue	167,379.2	195,966.9
Non tax revenue	10,970.3	16,551.1
Exceptional revenue	-	-
Grants	31,293.5	51,981.0
Expenses	239,062.7	308,433.3
Current expenses	192,136.3	230,798.1
Of which salaries	97,090.4	102,164.1
Capital expenditure	46,926.5	77,635.2
Overall balance excluding grants	- 60,713.3	- 95,915.2
Overall balance including grants	- 29,419.8	- 43,934.2

Source: MFBCDE

### IV. 3. Domestic debt

The outstanding amount of domestic debt increased by BIF 239.6 billion compared to the end of March 2017 (1,657.2 against BIF 1,417.6 billion), linked to the increase of Government debt towards banking sector (+BIF 218.3 billion) and non-bank sector (+BIF 21.3 billion).

Compared to the previous quarter, outstanding domestic debt increased by BIF 9.4 billion (1,657.2 against BIF 1,647.8 billion) due to the Government debt towards banking sector (+BIF 21.4 billion) whilst non-banking sector dropped (-BIF 12.0 billion).

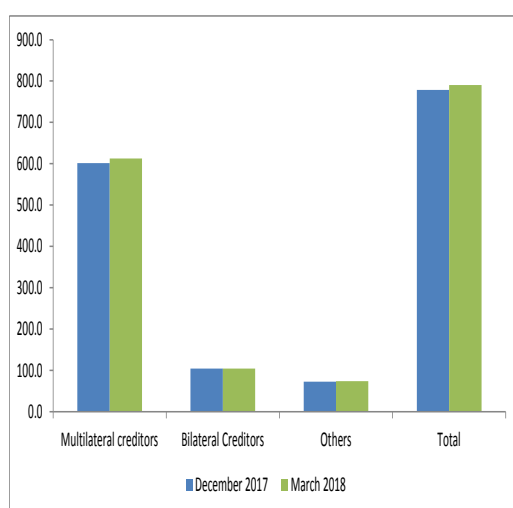
#### IV.4. External debt

External debt rose by BIF 61.3 billion at the end of March 2018 compared to the corresponding quarter of the previous year (790.4 against BIF 729.1 billion).

Compared to the previous quarter, outstanding external debt grew by BIF 12.1 billion quarter-on-quarter, from BIF 778.3 million to BIF 790.4 billion.

#### Chart 5:

#### Composition of outstanding external debt by creditor (in BIF Billion)



Source: BRB

The increase of external debt recorded in the first quarter of 2018 is linked to revaluation gains (BIF 15.0 billion) and new drawings (BIF 0.5 billion), which offset the amortization of the principal (BIF 3.4 billion).

On a year-on-year basis, the stock of external debt fell by USD 17.9 million, from 445.5 million to USD 427.6 million.

#### V. Balance of international transactions

#### Quarterly developments

The international transactions recorded a surplus of BIF 27,394.1 million in the first quarter of 2018, more than that recorded in the same quarter 2017 (BIF 9,053.7 millions).

This improvement concerned the capital account and financial transactions (BIF 48,648.9 against BIF 29,743.4 million), the current transactions have been stabilized (-21,254.8 against -20,689.7 MBIF).

#### Table 6:

#### International transactions (in BIF million)

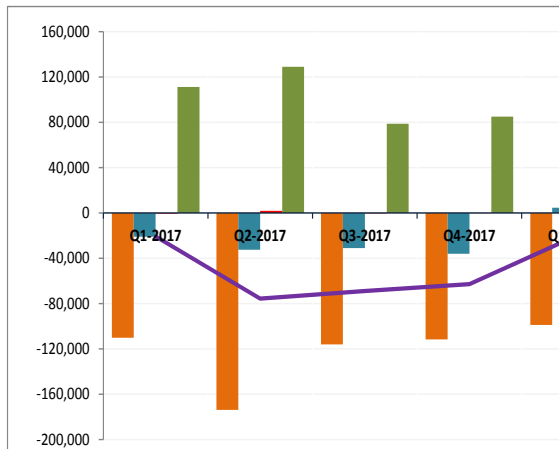
	Q1-2017	Q2-2017	Q3-2017	Q4-2017	Q1-2018
<b>I. Current transactions</b>	<b>-20,689.7</b>	<b>-75,633.0</b>	<b>-68,928.6</b>	<b>-62,870.0</b>	<b>-21,254.8</b>
a. Goods	-110,207.9	-173,884.8	-116,010.9	-111,597.4	-98,920.0
b. Services	-21,018.0	-32,549.5	-31,064.0	-36,013.7	4,508.6
c. Primary incomes	-749.9	1,876.2	-531.1	-265.3	-82.1
d. Secondary incomes	111,286.1	128,925.1	78,677.4	85,006.3	73,238.7
<b>II. Capital and Financial transactions account</b>	<b>29,743.4</b>	<b>39,141.2</b>	<b>18,105.4</b>	<b>27,527.5</b>	<b>48,648.9</b>
a. Capital account	30,818.2	40,737.2	25,939.9	36,142.3	51,848.4
b. Financial transactions account	-1,074.8	-1,596.0	-7,834.5	-8,614.8	-3,199.4
<b>BALANCE: (I+II)</b>	<b>9,053.7</b>	<b>-36,491.8</b>	<b>-50,823.2</b>	<b>-35,342.5</b>	<b>27,394.1</b>

Source: BRB

The slight increase of the current account deficit is mainly due to the decline deficit of goods and services (- BIF 94,411.4 against -BIF 131,225.9 million) and the decrease surplus of secondary incomes (BIF 73,238.7 against BIF 111,286.1 million).

**Chart 6:**

**Balance of current transactions (In BIF million)**

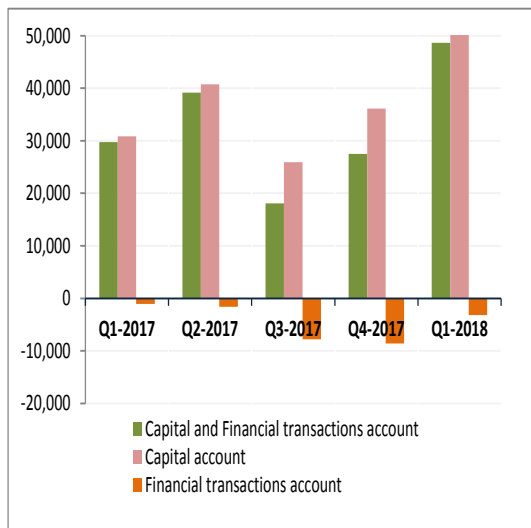


Source: BRB

The improvement of capital and financial account surplus concerned the capital account (BIF 51,848.4 against BIF 30,818.2 million), the financial account deficit have deteriorated (- BIF 3,199.4 against - BIF 1,074.8 million).

**Chart 7 :**

**Balance of capital account and financial transactions (in BIF million)**



Source: BRB

## VI. MONETARY SURVEY

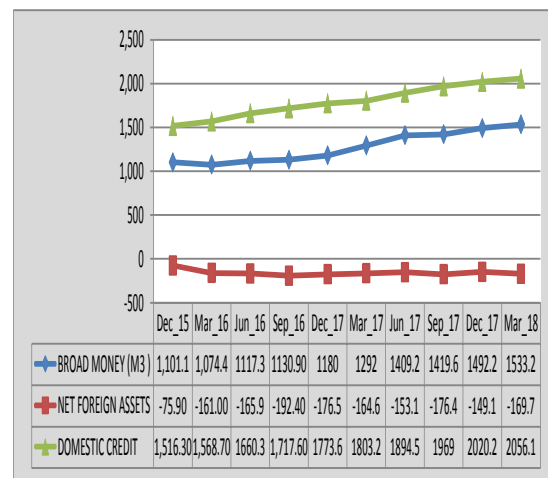
### VI.1. Broad money (M3) and its Counterparts

#### Quarterly developments

At the end of the first quarter 2018, the Money Supply M3 rose by 5.7% (from BIF 1,492.2 to 1,533.2 billion).

**Chart 8:**

**Money supply (M3) and its counterparts (in BIF billion)**



Source: BRB

The progress of Money Supply M3 resulted from the increase of M2 by 2.7% and residents deposits denominated in foreign currency by 6.7%.

**Table 7:**

**The components of Money supply (in BIF million)**

	2017				2018
	March	June	Sept	Dec	March
Currency out of banks	229,548.1	262,113.8	250,454.4	263,881.6	250,966.1
Demand deposits	636,592.2	699,328.5	707,312.1	725,465.2	752,348.8
Time deposits	304,625.5	306,944.7	319,601.4	342,367.5	358,694.3
Foreign deposits of residents	121,247.4	140,815.8	142,228.7	160,509.7	171,240.6
<b>TOTAL</b>	<b>1,292,013.2</b>	<b>1,409,202.8</b>	<b>1,419,596.6</b>	<b>1,492,224.0</b>	<b>1,533,249.8</b>

Source: BRB

The M2 growth is attributable to the increase of demand deposits (+BIF 26,883.6 million), savings and term deposits (+16,326.8 million), whereas the currency outside banks decreased (-BIF 6,662.6 million).

**Table 8:**  
**Quarterly change of broad money and its Counterparts (in BIF million)**

	March 2017	June 2017	Sept. 2017	Dec. 2017	March 2018 (p)
	Dec. 2016	March 2017	June 2017	Sept. 2017	Dec. 2017
Currency in circulation out of banks	-2,034.2	32,565.7	-11,659.4	13,427.2	-12,915.5
Demand deposits with commercial banks	45,012.4	22,524.2	41,093.2	25,597.3	20,630.7
Demand deposits with BRB	1,169.5	1,765.1	4,431.6	-8,912.5	6,252.9
Demand deposits with other monetary institutions	16,961.6	38,447.0	-37,541.2	1,468.3	0.0
Time deposits	23,607.0	2,319.2	12,656.7	22,766.2	16,326.8
Foreign deposits of residents	27,277.4	19,568.4	1,412.9	18,281.0	10,730.9
<b>TOTAL = Broad Money (M3)</b>					
<b>- CONTRERPARTS</b>	<b>111,993.7</b>	<b>117,189.6</b>	<b>10,393.8</b>	<b>72,627.5</b>	<b>41,025.8</b>
Net foreign assets	11,892.9	11,512.8	-23,262.1	27,294.1	-20,604.7
Net claims on the government	79,961.6	25,927.5	25,627.2	76,888.8	22,880.0
Claims on the economy	-50,367.3	65,341.0	48,891.7	-25,644.1	12,957.9
Other items, net	70,506.5	14,408.4	-40,863.1	-5,911.3	25,792.6

**Source: BRB**

The rise of the demand deposits denominated in domestic currency was due to the increase in other non-financial corporations deposits (+19,418.9 million), the deposits of public nonfinancial corporations (+BIF 8,313.2 million) and those included in "Other Accounts" (+ BIF 3,517.3 million) whilst household deposits (-BIF 2,459.3 million) and those of other financial corporations (-BIF 2,195.2 million) declined.

The increase of the savings and time deposits denominated in domestic currency is related to the accumulation of deposits of other non-financial corporations (+BIF 11,212.4 million) and household deposits (+BIF 6,045.5 million).

The rise of residents 'deposits in foreign currency resulted from the increase of household deposits (+ BIF 10,683.0 million), deposits of other non-financial corporations (+BIF 2,836.3 million) and those classified as "other accounts" (+BIF 3,289.5 million) which offset the decrease of public non-financial corporations deposits (-BIF 6,067.9 million).

The rise of net claims on the government (+BIF 22,880.0 million) and the claims on the economy (+BIF 12,957.9 million) which exceeded the decrease of net foreign assets (-BIF 20,604.7 million) and other items net (-BIF 25,792.6 million) is the main source of the money supply upward.

The rise of net claims on government is mainly due to the increase of Treasury bills owned by the commercial banks (+BIF 72,566.8 million) which offset the decline of net advances allocated by the central bank to the Government (-BIF 46,251.0 million).

Compared to the previous quarter, net foreign assets declined by BIF 20,604.7 million, linked to the downward of central bank foreign assets (-BIF 41,338.4 million) while those held by commercial banks increased (+20,734.1 million). Likewise, the international reserves decreased, from USD 105.9 to 72.9 million.

**Table 9:**  
**Evolution of net foreign assets**  
**(in BIF million)**

	2017				2018
	March	June	Sept.	Dec.	March
Foreign assets held by BRB	194,792.3	200,827.6	198,728.4	199,389.8	153639.2
Foreign liabilities of BRB	327,928.2	341,304.6	332,752.2	338,555.6	334143.8
<b>I. Net foreign assets</b>	<b>-133,135.9</b>	<b>-140,477.0</b>	<b>-134,023.8</b>	<b>-139,165.8</b>	<b>-180,504.6</b>
Foreign assets held by commercial banks	118,563.4	153,908.6	141,770.0	146,133.0	169526.8
Foreign liabilities of the commercial banks	150,057.7	166,549.0	184,125.7	156,052.6	158712.3
<b>II. Net foreign assets</b>	<b>-31,494.3</b>	<b>-12,640.4</b>	<b>-42,355.7</b>	<b>-9,919.6</b>	<b>10,814.5</b>
<b>TOTAL I + II</b>	<b>-164,630.2</b>	<b>-153,117.4</b>	<b>-176,379.5</b>	<b>-149,085.4</b>	<b>-169,690.1</b>

Source: BRB

## VI.2. Banking autonomous liquidity factors

### Quarterly developments

At the end of the first quarter 2018, the total autonomous liquidity factors decreased by BIF 95,348.8 million, from BIF 63,345.3 million to -BIF 31,998.5 million.

This decline resulted from the expansive impact related to the increase of net claims on government (-BIF 46,251.0 million), net foreign assets (-BIF 41,338.8 million) and other items net (-BIF 13,857.7 million).

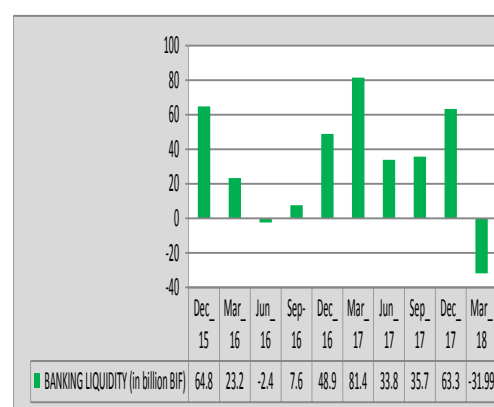
**Table 10:**  
**Quarterly change of Banking Liquidity (in BIF million)**

	March 2017	June 2017	Dec. 2017	March 2018
	Dec. 2016	March 2017	Sept. 2017	Dec. 2017
Currency in circulation	-49.9	-34,213.1	-10,463.4	6,103.7
Net foreign assets	28,937.9	-7,341.1	-5,142.0	-41,338.8
Net claims on the government	34,978.9	-1,221.5	21,326.8	-46,251.0
Other items, net	-31,336.3	-4,786.3	21,895.8	-13,857.7
<b>Sub - total of autonomous factors</b>	<b>32,530.6</b>	<b>-47,562.0</b>	<b>27,617.2</b>	<b>-95,343.8</b>
Refinancing	-160.0	-18,102.5	36,840.0	25,113.2
-Banking sector	840.0	-18,102.5	36840	25,113.2
-Other financial intermediaries	-1,000.0	0.0	0	-1,000.0
Withdrawal liquidity	0.0	0.0	0	0.0
<b>Balance = liquidity reserves</b>	<b>32,370.6</b>	<b>-65,664.5</b>	<b>64,457.2</b>	<b>-70,230.6</b>
-Banking sector	33,312.2	-65,645.8	64,778.0	-69,283.4
-Other financial intermediaries	-941.6	-18.7	-320.8	-947.2

Source: BRB

Due to this developments of the total autonomous factors, the banking reserves declined by BIF 69,286.4 million even though the refinancing from Central Bank increased (+BIF 25,113.2 million).

**Chart 9:**  
**Evolution of Banking Liquidity (in BIF billion)**



Source: BRB

## VII. Main activity indicators of the banking sector in March 2018

At the end of March 2018, the banking sector's balance sheet rose. Compared to the same period of the previous year, deposits and credit increased. In terms of soundness, the banking sector remained well capitalized, solvent and profitable.

### VII.1. Assets

On year-on-year basis, total banking sector assets rose by 22.1%, from BIF 1,854.9 billion to BIF 2,265.9 billion in March 2018, following the increase of Treasury securities (716,145.6 against 461,571.6 MBIF). The total amount loans rose by 10.9%, from BIF 731,099.6 million to BIF 810,749.5 million at the end of March 2018.



The share of Treasury Securities in the total assets increased, from 24.9% to 31.6% at the end of March 2018. However, the share of loans to the private sector in the total assets decreased, from 39.4% to 35.8% at the end of March 2018.

## VII.2. Liabilities

Compared to the same period of the previous year, total deposits increased by 18.8%, from BIF 1,081.3 billion to BIF 1,284.5 billion at the end of March 2018. During the same period, the Central Bank refinancing rose on average weekly, from BIF 93,972 to 171,915 million in March 2018.

**Table 11:**  
**Main indicators of the banking sector in March 2018 (in BIF million)**

	Total banking sector		
	31/03/2017	31/03/2018	Variation en %
<b>I. ASSETS</b>	<b>1,854,974.5</b>	<b>2,265,051.8</b>	<b>22.1</b>
<b>Main ASSETS</b>	<b>1,487,029.4</b>	<b>1,865,762.7</b>	<b>25.5</b>
<b>A. Liquid Assets</b>	<b>755,929.8</b>	<b>1,055,013.2</b>	<b>39.6</b>
. Cash	46,142.4	59,275.3	28.5
. B.R.B.	167,955.5	186,613.1	11.1
. Banking sector	60,631.3	94,587.5	56.0
. Treasury securities	461,571.3	716,145.6	55.2
<b>B. Loans</b>	<b>731,099.6</b>	<b>810,749.5</b>	<b>10.9</b>
. Short term	409,108.3	435,751.7	6.5
. Medium term	191,151.6	211,188.5	10.5
. Long term	130,839.7	163,809.3	25.2
. Leasing	-	-	-
. Other loans	-	-	-
<b>C. Others</b>	<b>367,945.1</b>	<b>399,289.1</b>	<b>8.5</b>
<b>II. LIABILITIES</b>	<b>1,854,974.5</b>	<b>2,265,051.8</b>	<b>22.1</b>
<b>Main liabilities</b>	<b>1,306,612.8</b>	<b>1,634,156.8</b>	<b>25.1</b>
. Deposits	1,081,298.8	1,284,518.8	18.8
. among which ten large deposits	331,353.1	533,274.0	60.9
. Refinancing from BRB	91,465.2	170,466.8	86.4
. Others	-	-	-
. Banking sector	133,848.8	179,171.2	33.9
. among which residents	71,643.4	143,095.7	99.7
. Others	548,361.7	630,895.0	15.1
<b>IV. BANKING SECTOR INDICATORS</b>			
<b>Capital adequacy</b>			
. Core capital (in MBIF)	213,766.5	262,462.7	22.8
. Total capital (in MBIF)	248,404.6	295,862.9	19.1
. Risk Weighted assets	1,035,351.1	1,164,385.0	12.5
. Core capital adequacy ratio (threshold 12%)	20.6	22.5	
. Total capital adequacy ratio (threshold 14%)	24.0	25.4	
. Leverage ratio (threshold 7%)	12.9	12.3	
<b>Quality and concentration of loan portfolio</b>			
. Large exposure	144,676.8	141,112.4	-2.5
. Watch loans	49,778.1	49,674.4	-0.2
. Non Performing loans	102,787.5	136,025.6	32.3
. Overdue loans	152,027.7	179,260.5	17.9
. Provisions	78,091.8	95,476.0	22.3
. Total gross loans/Total gross assets (in %)	39.4	35.8	
. Loans to the Government/Total gross assets	26.9	34.0	
. Loans to the Government/Core capital (*)	245.0	303.8	
. Non Performing loans rate	14.1	16.8	
. Overdue loans rate	20.8	22.1	
. Rate of provisioning (in %)	76.0	70.2	
. Large exposure/Total gross loans (in %)	19.8	17.4	
<b>Liquidity</b>			
. Liquidity ratio in local currency (*)	57.2	59.8	
. Liquidity ratio in foreign currency (*)	118.4	91.3	
. Total loans/Total deposits (*)	67.6	63.1	
. Stable resources/immobilized assets	136.4	140.0	
. Ten large deposits/Total deposits (*)	30.6	41.5	
<b>Profitability and performance</b>			
. Profit before tax	3,445.6	18,704.4	442.8
. Net profit	407.6	16,950.7	4,058.7
. Banking net product	34,945.3	49,277.5	41.0
. ROA		0.7	
. ROE		5.7	

Source: BRB

## VIII. KEY FINANCIAL SOUNDNESS INDICATORS IN MARCH 2018

In March 2018, the banking sector has sound indicators and complied with all prudential standards. The banking sector remained well-capitalized and the profitability indicators have increased.

### VIII.1. Capital Adequacy

At the end of March 2018, the banking sector was adequately capitalized and has enough capital buffers to absorb inherent risks. The total capital Tier 2 and the core capital Tier 1 adequacy ratios remained above the regulatory requirement that encompasses the capital buffers requirement of 12.5 and 14.5% respectively. The core capital adequacy ratio and the global capital adequacy ratio improved, from 20.6 to 22.5% and from 24.0 to 25.4% respectively from March 2017 to March 2018.

Over the same period, the leverage ratio was 12.3% against 12.9% at the end of March 2017 with a minimum standard of 7%.

### VIII.2. Quality of loans portfolio

Compared to March 2018, the quality of the loans portfolio deteriorated; the impairment rate increased from 20.8% to 22.1% at the end of March 2018.

Over the same period, overdue loans increased by 17.9%, from BIF 152,027.7 million to BIF 179,260.5 million in March 2018.

An analysis of loans by class shows that the watch loans and loss decreased respectively by 0.2% and 41.6%. The doubtful loans decreased by 30.5% on

year-to year basis, from BIF 33,219.3 million to BIF 23,098.0 million at the end of March 2018.

The rate of impairment of loans in “Tourism and hotel” sector was 38.8%. “Agriculture” and “trade” sectors have impairment’s rates of 10.9% and 15.3% respectively whereas “construction” and “manufacturing” sectors have impairment rates of 15.3% et 30.7% respectively.

Given that high impairment of loans, the banking sector was more cautious and made a lot of provisions in order to face potential losses. The provisioning rate is 70.2% at the end of March 2018 against 76.0 in the same period of 2017.

The concentration risk towards the large exposure is minimized. Loans to large exposures are 17.4% of total loans in March 2018 against 19.8% at the end of March 2017.

However, the banking sector faces a concentration risk towards “trade” sector which represented 27.9% of total loans.

### VIII.3. Profitability

Compared to the same period of the previous year, the banking sector’s profitability increased. Indeed, the sectoral net profit established at 16,950.7 million at the end of March 2018. The net banking product rose by 41.0%, from MBIF 34,945.3 to MBIF 49,277.5.

The return-on-assets (ROA) and the return-on-equity (ROE) established at 0.7% and 5.7% respectively at the end of March 2018.

### VIII.4. Liquidity

At the end of March 2018, the liquidity ratios both in local and in foreign currency remained above the regulatory threshold of 20% (Liquid Assets/Total deposits) with respectively 59.8% and 91.3% against 57.2 and 118.4% at the end of March 2017.

However, the banking sector undergoes relatively high concentration risks on deposits, since only the share of ten deposits represented 41.5% of total deposits in March 2018 against 30.6% in the same period of the previous year.