BANK OF UGANDA

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CONTENTS

ABBREVIATIONS

ACH	Automated Clearing House
AML/CFT	Anti-Money Laundering/Countering the Financing of Terrorism
BOU	Bank of Uganda
CBR	Central Bank Rate
CRB	Credit Reference Bureau
CRS	Credit Reference System
DPF	Deposit Protection Fund
EFT	Electronic Funds Transfer
FCS	Financial Card System
IMF	International Monetary Fund
KYC	Know Your Customer
LCR	Liquidity Coverage Ratio
MAC	Monetary Affairs Committee
MDIs	Microfinance deposit-taking institutions
MoFPED	Ministry of Finance, Planning and Economic Development
NIRA	National Identification and Registration Authority
NPLs	Non-performing loans
PIs	Participating Institutions
ROA	Return on average assets
ROE	Return on average equity
RTGS	Real Time Gross Settlement System
RWA	Risk-Weighted Assets
SFI	Supervised Financial Institution
UBA	Uganda Bankers' Association
UNISS	Ugandan National Inter-bank Settlement System
UShs	Ugandan Shilling

FOREWORD

GOVERNOR, BANK OF UGANDA
Prof. Emmanuel Tumusiime Mutebile

Bank of Uganda (BOU) publishes the Annual Supervision Report (ASR) to inform the public about issues relating to prudential regulation and supervision of Uganda's Supervised Financial Institutions (SFIs). Regulation is prudential when aimed at protecting the financial system as a whole as well as protecting the safety of depositors' funds in individual institutions. The ASR 2018 provides information on BOU's supervisory activities during the year, reforms undertaken to the regulatory framework, performance of the financial system, and potential risks to SFIs' stability.

The SFIs were in good condition, with net-profits having increased over the year. SFIs' capital ratios stood above minimum statutory requirements while the non-performing loans ratio continued to reduce and compared favourably to regional countries.

Aggregate return on equity and return on assets, though positive, were little changed over the past five years. Data on lending activity indicate that these ratios have been constrained by a relatively steady proportion of earning assets to total assets and efforts to improve asset quality. However, by maintaining adequate specific provisions against identified credit losses the SFIs demonstrated a high level of credit risk management.

Overall, the high level of capital, sufficient liquid assets, and substantial funding from deposits indicated minimal risk to the stability of supervised financial institutions over the review period. However, SFIs need to improve corporate governance, internal controls, and reduce concentration risk.

Prof. E. Tumusiime-Mutebile
GOVERNOR

PART I: SUPERVISION OF FINANCIAL INSTITUTIONS

Chapter 1: Supervision of Financial Institutions

1.1. Introduction

This chapter reports on the activities undertaken by the Central Bank, Bank of Uganda (BOU), during the regulation of supervised financial institutions (SFIs) through on-site inspection and off-site surveillance. SFIs comprise – commercial banks, credit institutions, microfinance deposit-taking institutions, foreign exchange bureaus and money remitters – that are licensed, regulated and supervised by BOU.

1.2. On-site Inspection

The objective of on-site inspection is to independently verify that adequate policies, procedures and controls are in place at SFIs, assess appropriateness of risk management systems relative to the risk profile and financial condition of a supervised financial institution. Assessment of a SFI's risk management framework is carried out using the risk based supervision (RBS) methodology and includes an assessment of compliance with all applicable laws, prudential regulations, guidelines, circulars and corrective actions taken by BOU against the SFI.

Commercial Banks

All the twenty four (24) commercial banks operating in Uganda were inspected during the year 2018. The inspections put emphasis on areas deemed to pose significant risk to banks' operations, going concern and strategic outlook. Based on the inspections, BOU issued specific time-bound directives to the commercial banks with respect to identified supervisory concerns. In certain cases, BOU took corrective action in accordance with the provisions of applicable laws and prudential regulations to deter non-compliance in commercial banks. The key supervisory concerns arising from the on-site inspection were as follows:-

Inadequate strategic positioning - some commercial banks' strategic positioning constrained their ability to compete favourably, which weighed down on consistency of returns.

Losses posted by a few new banks notwithstanding adequate capital. However, the commercial banking sector remained well capitalized during the year 2018 and posed minimal threat to stability of the financial system.

Deficiencies in governance - some banks lacked a sufficient numbers of Independent Non-Executive Directors, which constrained constitution of key independent Board committees. Additionally, the implementation of succession plans at Board level, in some institutions was inadequate. This could limit exposure to fresh ideas and enhancement of governance of financial institutions.

The significant credit risk exposure at some commercial banks while there was an overall reduction in credit risk in the sector during the review period. Substantial lending to a few borrowers remained a major source of concentration risk in the sector.

Commercial banks' vulnerability to cyber risk increased, given considerable reliance on technology and third-party service providers to offer banking services. However, commercial banks are continuously undertaking measures to strengthen information technology security and mitigate cyber threats.

The risk of exposure to money laundering due to challenges in monitoring the risk profiles of commercial bank customers.

Credit Institutions (CIs)

Full scope on-site inspections of three credit institutions namely; Mercantile Credit Bank Limited, Top Finance Bank Limited and Opportunity Bank (U) Limited; were conducted during the review period. Specific and time bound directives were issued to institutions with supervisory shortcomings.

The key findings from inspection included lapses in corporate governance practices and weaknesses in management of operational, credit and compliance risks. Follow-up examinations were carried out to review the status of implementation of directives.

Microfinance Deposit-taking Institutions (MDIs)

In line with the risk-based supervisory approach, on-site inspections of the five licensed MDIs were carried out with specific focus on areas of high risk.

The major supervisory concerns arising from the on-site inspections concerned strategic, operational and credit risk. Specific directives were issued to the MDIs to address identified supervisory concerns and follow-up examinations were subsequently carried out to assess the level of implementation of corrective action.

Foreign Exchange Bureaus and Money Remittance Companies

During the review period, 91 on-site examinations and 53 follow-up examinations of foreign exchange bureaus and money remitters were conducted. The major supervisory concerns related to: inability of management information systems (MIS) to support bookkeeping processes, lapses in cash management procedures and inadequate implementation of Anti-Money Laundering and Countering the Finance of Terrorism (AML/CFT) procedures. Directives were issued to the concerned institutions, requiring them to address the identified weaknesses.

1.3. Off-site surveillance of supervised financial institutions

Off-site surveillance entails analysis of financial information submitted to BOU by SFIs on a regular basis. It *enables regular assessment and monitoring of SFIs' financial condition and* compliance with prudential requirements on a regular basis, and *informs investigation of identified anomalies through o*n-site inspections.

Risks faced by Supervised Financial Institutions

Supervised financial institutions face a number of risks, which require effective risk management. BOU, through risk-based on-site inspection, monitors risk management practices at SFIs. Some of the risks faced by SFIs include, but are not limited to the following:

Credit risk is the likelihood that payments may be delayed or not paid at all, which can cause cash flow problems and impact a supervised financial institution's liquidity. It may arise when a debtor is unable to pay interest or principal according to terms of a credit agreement.

Liquidity risk arises when a SFI is unable to fulfil its obligations to creditors or depositors as and when they fall due without undue cost. It usually arises from a mismatch in the asset-liability maturity structure of a supervised financial institution.

Operational risk, usually involves a breakdown in internal controls and corporate governance. It may also arise from major failure of information management systems or events such as cyber-attacks or deliberate acts.

Market risk arises from changes in market prices. Market prices include interest rates, exchange rates, equity prices or any other market price. Specific labels often attach to risk arising from movement in such prices as interest rate risk, exchange rate risk, among others. A supervised financial institution may experience loss when the change in a market price is unfavourable to its position.

The task of supervision by BOU is to monitor and assess the appropriateness of risk management at supervised financial institutions, and where necessary recommend corrective action to enhance risk management practices. However, BOU is not ultimately responsible for risk management at SFIs

Chapter 2: Regulatory Reforms to Strengthen the Financial Sector

2.1. Licensing, approvals and expansion

During the year, BOU considered an application from BRAC Uganda Finance Ltd for a licence to carry on the business of a credit institution (Class 5). The licence was granted on 07 March 2019.

Similarly, M/s Afriland First Bank Uganda Limited submitted an application for a licence to carry on the business of a commercial bank (Class 1). BOU granted the licence in December 2018, with conditions to be fulfilled by M/s Afriland First Bank Uganda Limited.

Stanbic Bank Uganda Limited submitted an application to BOU seeking approval to reorganise as a holding company. The application was granted and the applicant was advised to separate its commercial bank business from the holding company within 12-months from 01 April 2019.

SFI branches and automated teller machines

The number of SFI branches stood at 695 as at 31 December 2018 up from 688 in 2017 while the total number of automated teller machines (ATMs) operated were 839, up from 821 in 2017. The growth in branch and ATM numbers is expected to improve SFIs' geographical coverage, enhance deposit mobilisation, and facilitate access to formal financial services.

Table 1: Number of licensed branches/outlets for supervised financial institutions

	2015	2016	2017	2018
Commercial bank branches	573	570	544	549
ATMs	842	860	821	839
Foreign exchange bureaus	280	267	260	275
Money remitters	225	241	241	258
MDIs	76	78	78	80
Credit institutions	57	61	66	66

Source: Bank of Uganda

2.2. Regulatory reforms

The Tier IV Microfinance Institutions and Money Lenders Act 2016

Regulations to guide implementation of S.110 of the Tier 4 Microfinance Institutions and Money Lenders Act, 2016 were drafted by BOU and reviewed by Ministry of Finance, Planning and Economic Development (MoFPED). Approved regulations are expected to be gazetted during the year 2019. BOU expects to start receiving applications for a licence from eligible registered societies once the regulations are gazetted. Preliminary data indicates that thirty three registered societies would be eligible to apply for a licence from BOU.

Microfinance Deposit-taking Institutions Act 2003

Proposed amendments to the MDI Act, 2003, which were forwarded to the MoFPED in 2015 for further action, are yet to be finalized. Completion of the legislative process remains outside BOU's control.

Legal and regulatory developments in the Foreign Exchange Bureaus and Money Remitters sub-sector

Proposed amendments to the Foreign Exchange Act, 2004 and the Foreign Exchange (Forex Bureaus and Money Remittance) Regulations, 2006 were approved by Cabinet during the review period. It is expected that the proposed amendments will be considered by the 10^{th} Parliament during its fourth session.

The transacting of forex bureau and money remittance business without a valid licence from BOU continues to be a challenge. However, BOU implemented an approved strategy that entails sensitization aimed at curbing unlicenced transacting forex bureau and money remittance business. In this regard, sensitization meetings were held during the year at the border points of Busia, Katuna, Ishaka, Notorko and Mutukula as well as an assessment of progress made to reduced unlicenced operations. Previously unlicenced operators at Mutukula and Malaba border posts were granted licences posts while applications from operators at Katuna and Cyanika are being considered by BOU.

2.3. The Deposit Protection Fund

The Deposit Protection Fund (DPF) became a separate legal entity following amendment of the Financial Institutions Act, 2004.

A memorandum of understanding (MOU) between BOU and the DPF was executed in 2018 to establish an arrangement for the sharing of information and resources to facilitate the performance of each party's functions and duties.

2.4. Credit Reference Bureau services

The number of financial cards issued to borrowers stood at 1,639,235, up from 1,503,324 as at December 31, 2017 while the number of branches of Participating Institutions installed on the Credit Reference Bureau system reduced from 559 to 551 due to branch closures. The number of credit enquiries made to the CRBs increased by 73.49% to 1,034,706 of December 2018.

CRB Regulations

Comments were received from the Ministry of Finance Planning and Economic Development on the revised draft Financial Institutions (Credit Reference Bureau) Regulations, 2017 and BOU provided a response to the comments. The revised regulations subsequently submitted to First Parliamentary Counsel for Legislative drafting. Once approved, the revised CRB Regulations will provide a framework for access to the CRBs by other non-bank lenders and regulation of licensed CRBs.

Linking the Financial Card System (FCS) to the National ID

BOU is working with NIRA to match Financial Card System (FCS) records held by PIs with National Identification Numbers (NINs). Once the exercise is completed, successfully matched FCS records will be shared with PIs. This is expected to improve the reliability of borrower information and curb cases of multiple borrowing.

e-KYC Project

In accordance with the Registration of Persons Act, 2015 a project to establish a Centralized Application Programming Interface (API) for purposes of validating customer identification within the financial sector is underway in collaboration with NIRA.

A Project Taskforce comprised of officials from BOU, NIRA and UBA was set up to oversee the API project.

Credit Reference Bureau - Public Awareness Campaign

A Public Awareness Campaign dubbed "MY MONEY" covering topics related to – the Deposit Protection Fund, the Credit Reference System and Financial Literacy was launched in October 2018 leading up to World Savings Day. The campaign was implemented in two phases through events upcountry and in Kampala. The events included workshops and exhibitions in the various towns visited.

The workshops discussed options to improve and develop a credit reference report model and formulate an action plan to enhance data quality. A consultant was subsequently engaged to develop E-learning modules to facilitate continuous and self-paced learning with respect to CRB services by both BOU and PIs.

2.5. Strengthening supervision

Supervisory colleges

BOU participated in Supervisory Colleges organized by home regulators of foreign owned banks operating in Uganda as part of consolidated supervision best practices. The colleges provided an avenue for home and host regulators from various jurisdictions to jointly evaluate risks facing banking groups and the adequacy of measures taken to mitigate possible risks.

The Supervisory Colleges discussed ABSA Group Limited (Formally Barclays Africa Group), Standard Chartered Bank Group, Ecobank Transnational International Group, Bank of India Group, Bank of Baroda Group and United Bank for Africa banking group.

Harmonisation of Examination Methodologies

The East African Community (EAC) Partner States' Central Banks carry out joint on-site examinations with a view to harmonise examination approaches. Accordingly, BOU officials participated in examinations of two banks in Tanzania. Joint examinations enable supervisors to share experiences, develop skills in emerging areas like fintech, and facilitate implementation of Article 4 of the Protocol on the establishment of the EAC Monetary Union under which Partner States agreed to adopt common principles and rules for the regulation and supervision of the financial system.

IFRS 9 assessment and guidance

An assessment to determine the impact of IFRS9 on SFIs' capital positions was carried from 2017 and for the three quarters up to September 2018. It was intended to inform formulation of measures to minimize the impact of IFRS 9 implementation on SFIs' capital positions. The results revealed that SFIs were fine tuning models for measuring Expected Credit Losses (ECL), faced challenges in obtaining adequate information to support fine tuning of models, and needed time to build internal capacity in modelling. A guidance note on the minimum expectations for implementation of IFRS9 was issued to SFIs during the review period.

Whereas reports from External Auditors indicated that implementation of IFRS9 at SFIs was largely acceptable as at December 31, 2018; BOU will continue to monitor implementation and provide the necessary guidance.

Capacity building

Internal capacity in emerging supervisory issues was enhanced through training and attachment of staff to regional central banks and international authorities responsible for supervision of financial institutions.

The training included topics on Anti-Money Laundering, Islamic Banking, IFRS9 implementation, problem bank resolution, risk-bases supervision, financial inclusion, core principles of banking supervision and the Basel regulatory framework.

PART II: ASSESSMENT OF FINANCIAL STABILITY

Chapter 3: Performance of the Banking Sector

3.1. Banks' assets and liabilities

Total assets held by banks grew, in nominal terms, by 6.0 percent to UShs. 28.1 trillion from UShs. 26.5 trillion (Table 3). This was slower than the 12.0 percent growth achieved during 2017 due to a 75.4 percent reduction in banks' REPO loan and BOU deposit facility from UShs. 2.5 trillion to UShs. 0.6 trillion coupled with slower growth in holdings of Government securities (Table 3).

Table 2: Excerpt of banks' assets

	Dec 2015	Dec 2016	Dec 2017	Dec 2018
Total assets				
Volumes (UShs. trillion)	21.7	23.7	26.5	28.1
Annual growth (percent)	10.9	9.1	12.0	6.0
Government securities				
Volumes (UShs. trillion)	4.1	5.1	5.6	6.0
Annual growth (percent)	-8.9	25.6	9.1	8.3
Loans				
Volumes (UShs. trillion)	10.8	11.5	11.7	12.9
Annual growth (percent)	14.9	6.1	1.5	10.9
REPO Loan & BOU Deposit Facility				
Volumes (UShs. trillion)	0	0.8	2.5	0.6
Annual growth (percent)	-100	0.0	204.1	-75.4

Source: Bank of Uganda

Loans grew by 10.9 percent to UShs. 12.9 trillion compared to 1.5 percent growth registered in 2017 (Table 3). The growth in lending was driven by improved macroeconomic conditions and increased public investment in infrastructure and other sectors of the economy.

3.2. Capital Adequacy

Capital adequacy is assessed to ensure banks have sufficient capital relative to risk associated with the business of a commercial bank. All banks met the regulatory minimum capital adequacy requirements, with the aggregate core capital and total capital as a ratio of risk weighted assets (RWAs) at 19.8 percent and 21.6 percent respectively though there was a drop compared to the corresponding ratios of 20.9 percent and 23.2 percent recorded the previous year (Table 4).

The decrease in capital ratios was largely due to faster growth in RWAs (13.1 percent) given increased lending compared to the increase in core (6.8 percent) and total capital (5.3 percent) during the review period.

The consolidated leverage ratio (the non-risk based capital requirement) was relatively stable at 11.1 percent, though 0.1 percentage points lower than in December 2017, and well above the Basel III recommended minimum of 3 percent.

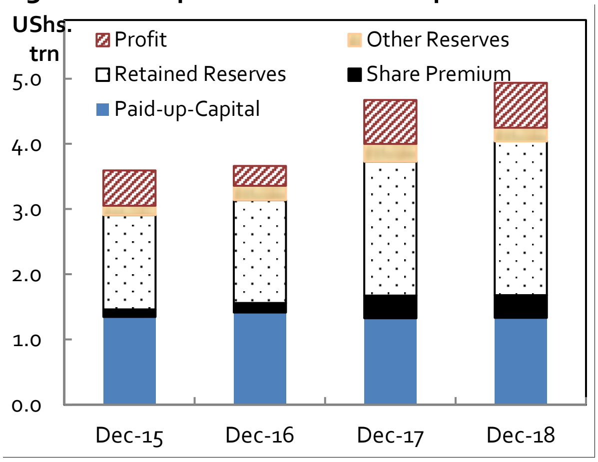
Table 3: Aggregate capital adequacy ratios for the banking sector (percent)

	Dec 2015	Dec 2016	Dec 2017	Dec 2018
Total capital adequacy ratio	21.0	19.8	23.2	21.6
Core capital adequacy ratio	18.6	17.3	20.9	19.8
Leverage ratio	11.1	9.6	11.2	11.1

Source: Bank of Uganda

Total shareholder equity (paid-up capital and retained reserves) grew by 5.6 percent to UShs. 4.9 trillion; up from UShs. 4.7 trillion in December 2017. The increase was however lower than the growth of 27.6 percent registered in the previous year largely due to slower accumulation of retained reserves (14.8 percent) compared to the previous year (30.1 percent). The aggregate paid-up capital increased by 0.5 percent as at end of 2018.

Figure 1: Composition of banks' capital

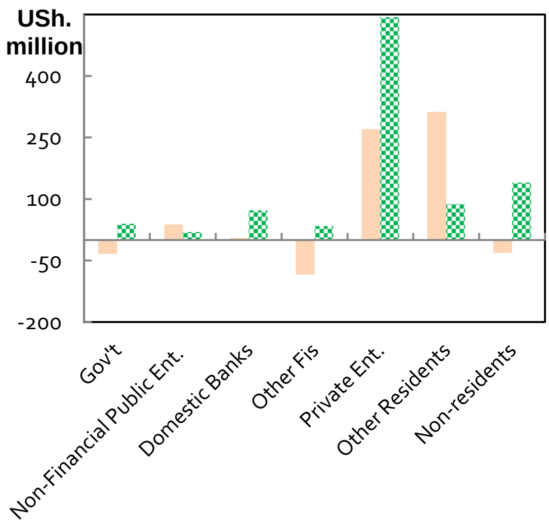


Source: Bank of Uganda

3.3. Funding and liquidity

Customer deposits, the main source of bank funding, accounted for 84.5 percent of the total liabilities of the banking sector and increased by 7.8 percent to UShs. 19.6 trillion by the year's end. Foreign currency deposits, the main driver of deposit growth, increased by 14.1 percent (11.0 percent net of valuation effects) up from 3.1 percent in the previous year and constituted 38.6 percent of the total deposits at the end of 2018. The increase in foreign currency deposits was mainly driven by foreign currency inflows for private investment.

Graph 1: Customer deposits (percent)



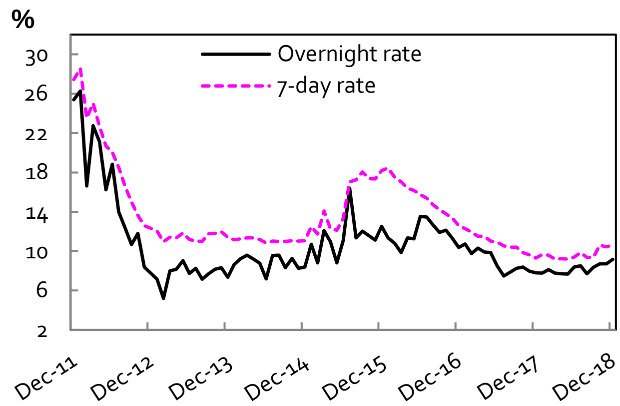
Source: Bank of Uganda

Local currency deposits increased by 4.1 percent to UShs. 12.0 trillion, compared to the 17.8 percent growth registered the previous year.

Activity in the interbank market

Interbank funding costs were relatively low during the year given an accommodative monetary policy stance. The 7-day weighted average, and the overnight, interbank interest rate of 10.6 percent and 9.2 percent respectively stayed close to the policy rate though slightly up from 9.3 percent and 7.8 percent respectively at the end of December 2017.

Graph 2: Interest rates in the domestic interbank market (percent)



Source: Bank of Uganda

Liquidity

Banks' holding of liquidity assets exceeded prudential minimum requirements (Table 5). Liquidity regulations require banks to hold a specified amount of liquid assets. The liquid assets ratio stood at 45.5 percent, well above the regulatory minimum of 20 percent. However, this was lower than 54.6 percent recorded at the end of 2017.

The lower liquid assets ratio was due to a drop in aggregate liquid assets by 10.1 percent compared to an increase of 7.8 percent in total deposits.

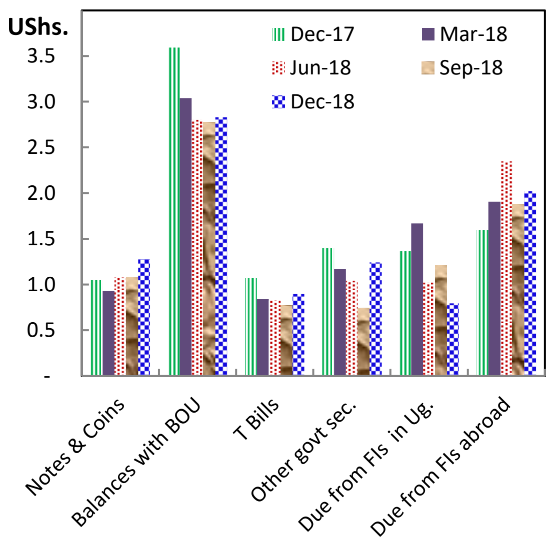
The Liquidity Coverage Ratio (LCR), which assesses whether a bank holds sufficient high quality liquid assets to withstand a 30-day stress scenario, stood at a monthly average of 261.6 percent compared to 313.6 percent in December 2017. Nonetheless, this was more than the LCR minimum requirement of 100 percent. All banks met the LCR minimum requirement on a consolidated basis.

Table 4: Key indicators of bank liquidity (percent)

	Dec 2015	Dec 2016	Dec 2017	Dec 2018
Liquid assets to total deposits	46.4	51.5	54.6	45.5
Liquid assets to total assets	31.7	35.3	37.4	31.7
Total loans to total deposits	73.1	70.8	64.1	66.0

Source: Bank of Uganda

Figure 2: Analysis of banks' liquid assets (trillion)

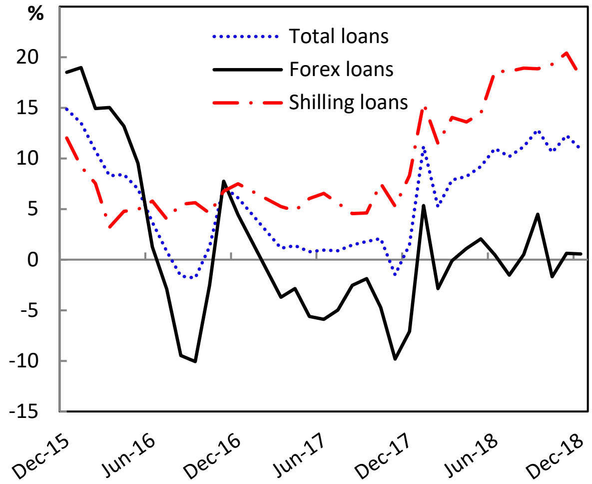


3.4. Performance of credit

Lending activity

Shilling denominated lending increased by 18.0 percent to UShs. 8.2 trillion, which was higher than the 8.3 percent growth registered in the previous year. Growth in foreign currency denominated lending was marginal, registering an increase of 0.6 percent over the year, and comprised 36.8 percent of total loans. The increase in bank lending partly reflected the reduction in the cost of credit.

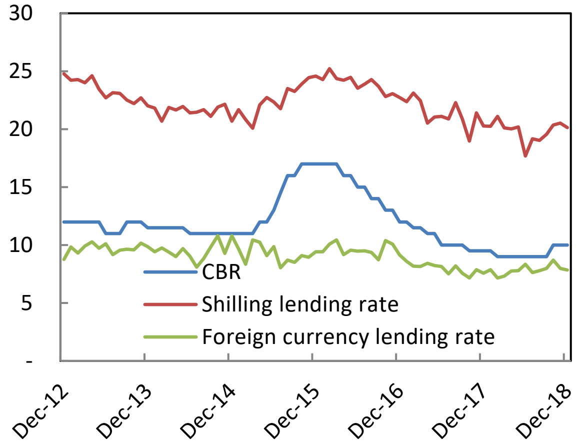
Graph 3: Annual changes in the stock of bank loans (percent)



Source: Bank of Uganda

The weighted average lending rate on shilling loans was 20.2 percent compared to 20.3 percent in December 2017 while that on foreign currency loans was 7.8 percent compared to 7.6 percent over the same period.

Graph 4: Commercial banks' weighted average lending rates and the CBR (percent)



Source: Bank of Uganda

Sectoral analysis indicated that real estate and construction, trade and commerce, and the household sector took a significant share of bank loans.

In terms of annual sectoral credit growth, the increase in credit was spread out among all sectors. Lending to the manufacturing, trade and the real estate sectors picked up by 14.4 percent, 11.9 percent and 6.7 percent respectively.

A lending survey carried out by BOU in 2018 showed that loans to the trade sector grew on account of banks' shift towards more lending to SMEs while increased lending to the manufacturing sector was demand driven. Conversely, annual loan growth to the agriculture and households loans sector slowed down.

Table 5: Sector allocation of bank loans

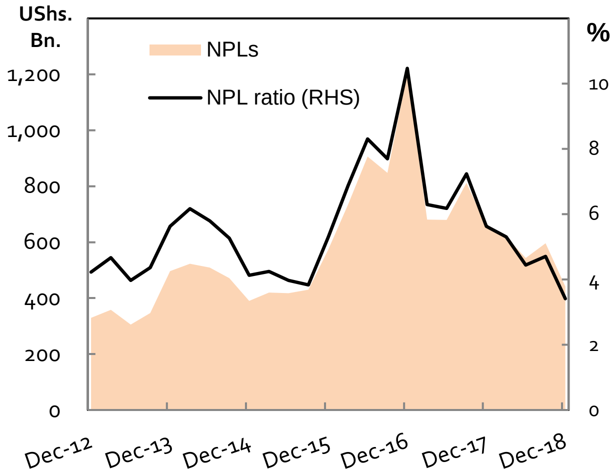
Sector	Percent	Dec. 2016	Dec. 2017	Dec 2018
		%	%	%
Agriculture	Share of Total	9.8	12.4	12.7
	YoY growth	9.3	28.1	14.2
Manufacturing	Share of Total	13.7	12.6	13
	YoY growth	-2.2	-6.9	14.4
Trade & commerce	Share of Total	18.6	18.7	18.9
	YoY growth	5.3	2.4	11.9
Real estate & construction	Share of Total	23.4	20.5	19.8
	YoY growth	3.0	-11.0	6.7
Personal & household loans	Share of Total	16.5	18.6	18.7
	YoY growth	14.9	14.7	11.5

Source: Bank of Uganda

Asset quality and non-performing loans

The quality of bank loans measured by the NPL ratio continued to improve as reflected by an industry NPL ratio of 3.4 percent compared to 5.6 percent in December 2017, the lowest NPL ratio since June 2012. The NPLs ratio reported by other East African Countries were 11.4 percent for Kenya, 10.7 percent for Tanzania, and 10.5 percent for Rwanda as at end- December 2018.

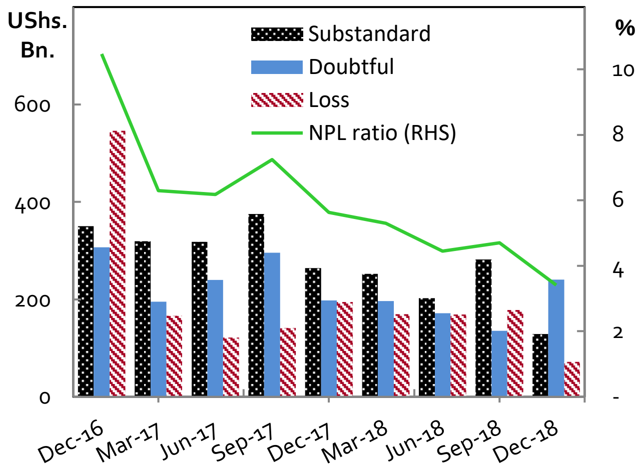
Graph 5: Banks' NPLs



Source: Bank of Uganda

The improvement in asset quality was due to better performance of the economy and increased loan write-offs. NPLs reduced by 32.7 percent to UShs. 441.1 billion while loan write-offs amounted to UShs. 289.4; up from UShs. 262.0 billion over the year ended December 2017.

Graph 6: Breakdown of Non-performing loans



Foreign currency denominated loans contributed most to the reduction in NPLs, with forex denominated NPLs dropping by the equivalent of UShs. 178.3 billion while Shilling denominated NPLs reduced by UShs. 36.8 billion.

A reduction in NPLs was realized across most sectors. The real estate sector NPL ratio at 1.9

percent, down from 4.6 percent in December 2017, was the lowest and bad loans to the sector decreased by UShs. 62 billion.

However, non-performing loans for manufacturing sector increased during the year with a NPL ratio of 2.3 percent. This was mainly due to an increase in the sector's Shilling denominated NPLs by UShs. 19.3 billion.

3.5. Earnings and profitability

On aggregate, bank profits were reasonable but relatively unchanged compared to the previous year. Net after-tax profits increased by 1.2 percent to UShs. 692.7 billion, while the return on equity (ROE) and return on assets (ROA) declined to 14.4 and 2.5 percent (Table 7). Net interest margin narrowed slightly to 11.1 percent constraining potential for growth in interest income and profits.

Table 6: Key indicators of banks' profitability

	Dec 2017	Mar 2018	June 2018	Sept 2018	Dec 2018
Net profit after tax-Year to Date (UShs. bn)	683	658.9	738.7	751.2	691.8
No. of loss making banks	6	6	6	7	7
Net interest margin (%)	11.6	11.7	11.5	11.3	11.1
ROA (%)	2.7	2.6	2.8	2.8	2.5
ROE (%)	16.4	15	16.7	16.3	14.4
Cost of deposits (%)	2.8	2.7	2.5	2.4	2.3
Cost to income (%)	74	74.8	72.8	72.6	73.9

Source: Bank of Uganda

3.6. Sensitivity to market risk

Banks' exposure to market risk remained low. Foreign currency exposure as a proportion of regulatory core capital stood at 7.5 percent, well within the limit on foreign exchange open position of +/-25 percent. Similarly, loans dominated in foreign currency were 63.0 percent of foreign currency deposits, which was within the statutory limit of 80 percent. The ratio of foreign currency assets to total assets increased to 31.0 percent.

Table 7: Banks' foreign currency exposure (percent)

	Forex exposure/ core capital	Forex assets/ forex liabilities	Forex loans/ forex deposits	Forex assets/ total assets
Dec-14	-6.9	97.1	85.1	31.8
Dec-15	-5.9	101.8	77.6	37.5
Dec-16	-8.5	99.2	79.3	35.6
Dec-17	-5.4	92.4	71.5	29.6
Dec-18	-7.5	94.1	63.0	31.0

Source: Bank of Uganda

3.7. Conclusion

Overall, risk to financial stability continued to ease while bank performance held steady over the year. Asset quality improved and lending to the private sector grew by 10.9 percent compared to 1.5 percent the previous year. Banks' resilience is expected to remain strong supported by the relatively accommodative monetary policy stance, improvement in economic conditions and a pickup in economic growth. Downside risks to the outlook include global and regional trade tensions. However, stress tests conducted by BOU showed that the banking system has adequate capital and liquidity buffers to withstand plausible shocks.

Chapter 4: Performance of Non-Bank Financial Institutions and Oversight of Payment Systems

4.1. Credit institutions (CIs)

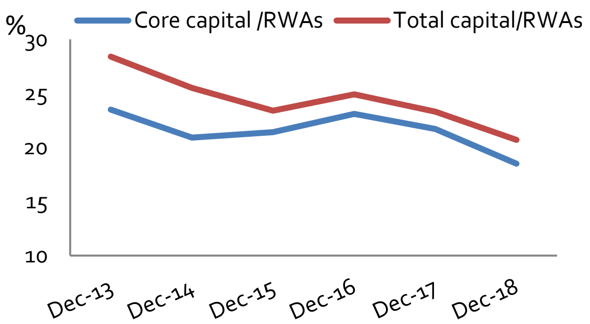
Total assets held by CIs increased by UShs.95.6 billion or 17.61 percent to UShs.638.4billion largely due to growth lending activity. Net loans and advances increased by UShs.88.9 billion or 28.5 percent to UShs.401.2 billion while total deposits grew by UShs.50.3 billion or 13.4 percent to UShs.425.3 billion over the review period.

Overall, all CIs were well capitalised, liquid and generally financially sound during 2018.

Capital adequacy and liquidity

CIs maintained paid-up capital above the statutory minimum requirement of UShs. 1 billion. The core, and total, capital to Risk Weighted Assets (RWAs) ratios stood at 18.5 percent and 20.7 percent respectively, down from 21.7 percent and 23.3 percent as at end of December 2017. Aggregate core capital stood at UShs. 92.9 billion while total capital amounted to UShs. 104.0 billion.

Graph 7: Capital adequacy indicators



Source: Bank of Uganda

Indicators of liquidity were satisfactory. The aggregate liquid assets to total deposits and loans to deposits ratios were 34.1 percent and 84.6 percent respectively. However, liquid assets decreased by UShs. 24.6 billion or 14.5 percent to UShs. 145.0 billion.

Asset quality

The aggregate NPL ratio improved to 2.7 percent largely due to growth in lending notwithstanding an increase, albeit slight, in the volume of non-performing loans by UShs. 0.1 billion or 0.9 percent to UShs.10.9 billion.

Earnings and profitability

Cis net profits grew by UShs. 7.9 billion or 292.6 percent to UShs. 10.6 billion. This was due to growth in net interest income by 21.8 percent and a wider net interest margin of 15.1 percent compared to 14.5 percent the previous year. ROA and ROE improved to 1.7 percent and 8.7 percent respectively. Interest income continued to be the major source of earnings for Cis and amounted to UShs. 107.2 billion.

4.2. Microfinance deposit-taking Institutions (MDIs)

The overall financial condition of MDIs was deemed fair. Total assets held by MDIs increased by UShs.51.75 billion or 11.02 percent to UShs.521.52 billion, with gross loans making up 59.9 percent of the total assets.

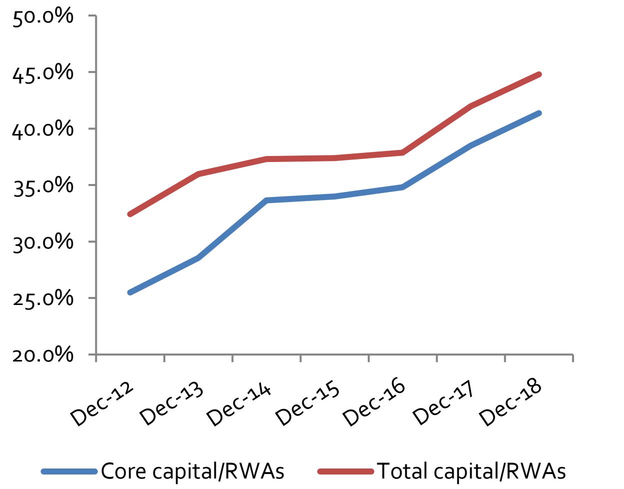
Capital adequacy

All MDIs maintained core capital above the statutory minimum paid-up capital requirement of UShs. 500 million.

The aggregate core, and total, capital to risk-weighted assets ratios stood at 41.4 percent and 44.8 percent respectively, which was above the corresponding minimum requirements of 15 percent and 20 percent. Core, and total, capital grew by UShs.24.1 billion or 17.2 percent and UShs.25.1 billion or 16.4 percent respectively compared to an increase in risk-weighted assets of Shs.32.9billion or 9.1 percent.

The faster growth in core and total capital compared to risk-weighted assets resulted in an improvement in the capital adequacy ratios.

Graph 8: Capital adequacy ratios for MDIs

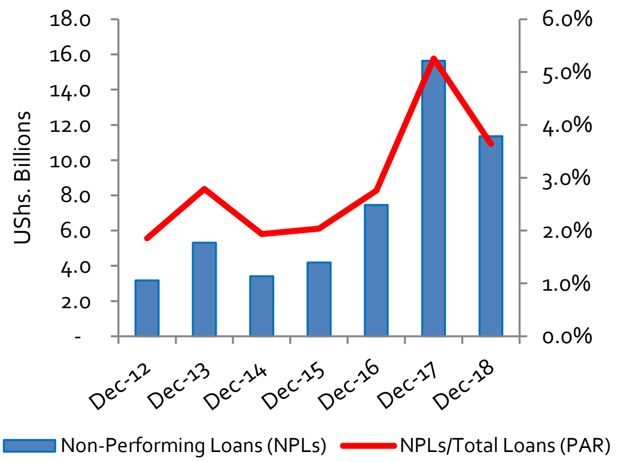


Source: Bank of Uganda

Asset quality

Asset quality, measured by the PAR ratio, improved to 3.6 percent from 5.0 percent as at end December 2017. This was due to a significant reduction in non-performing loans by 20.3 percent relative to growth in gross loans 10.4 percent.

Graph 9: Asset quality of MDIs



Source: Bank of Uganda

Earnings and profitability

Aggregate net after-tax profits improved by UShs. 4.1 billion or 29.9 percent to UShs.18.0 billion. Total income increased marginally by UShs. 2.5bn or 1.5 percent of which interest income from loans contributed 70.9 percent. However, total expenses amounted to 85.7 percent of earnings.

The annualised ROA and ROE ratios improved to 3.5 percent and 10.6 percent from 2.9 percent and 9.4 percent as at 31 December, 2017 respectively. This was due to faster growth in net after tax profits compared to increases in total assets and total equity over the review period.

Liquidity and funding

All MDIs maintained liquid asset in excess of the statutory minimum requirement of 15 percent of total deposit liabilities. Liquid assets as a proportion of deposits were 61.5 percent up from 59.3 percent as at December 31, 2017. Total liquid assets held by MDIs increased by UShs. 16.9 billion or 13.3 percent to UShs. 144.4 billion largely due to growth in balances with financial institutions in Uganda.

Customer deposits grew by UShs. 20.15 billion or 9.4 percent to UShs. 234.84 billion, accounting for 68.7 percent of MDIs' funding.

4.3. Foreign exchange bureaus and money remittance companies

The Forex Bureaus and Money Remittances sub-sector comprised of 192 Foreign Exchange Bureaus with a total of 275 outlets as at December 31, 2018. The money remitters as at the same date were 72 (comprising of 65 Forex Bureaus/Money Remitters, 4 CIs and 3 MDIs) with a total of 258 outlets.

Total assets held by the sub-sector decreased by 3.0 percent or UShs. 3.5 billion to UShs.114.3 billion.

Solvency of the sub-sector

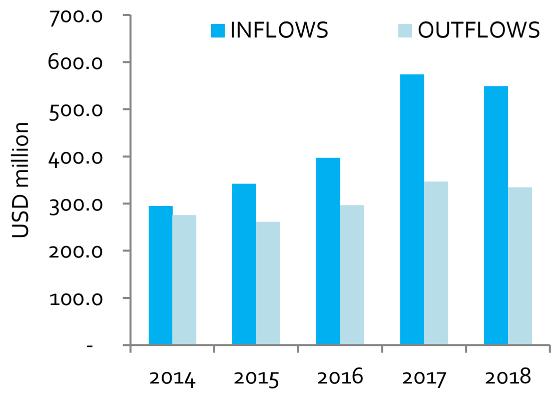
Total capital and reserves held by the sub sector as stood at Shs.68.5 billion depicting an increase of Shs.5.7 billion or 9.1 percent from Shs.62.8 billion as at December 31, 2017. However, the top ten (10) bureaus accounted for 51.0 percent of the total capital and reserves held by the sub-sector.

Profit before tax increased by 25 percent or Ushs.2.4 billion to Ushs.12.0 billion partly on account of exchange rate depreciation during the period.

Money remittances

Money remittance inflows decreased by 4.3 percent from USD573.9million during the year 2017 to USD549.2 million in 2018. Similarly, outflows decreased by 3.6 percent from USD347.2million to USD334.7million over the same period.

Graph 10: Money remittances (USD millions)



Source: Bank of Uganda

4.4. Payment systems

There was significant improvement in Financial Market Infrastructure (FMI), in particular payments systems. This was a result of steps taken by BOU, commercial banks and the government to promote technological innovations. The improvements enhanced convenience in payments; reduced costs associated with cash transactions, enabled fast payments and settlement and increased the use of cashless payments as well as access to banking services. Some of the means for making payments include cheques, electronic fund transfers (EFTs), online banking, real time gross settlement system (RTGS) and mobile phones. BOU has specific responsibility for SFI clearing and settlement systems.

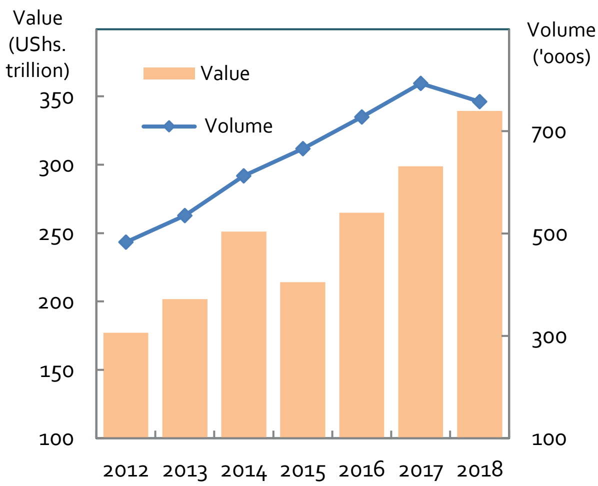
Uganda National Interbank and Settlement Systems (UNISS)

An upgrade of the UNISS was completed in October 2018, which improved automation and efficiency of processing transactions. UNISS is a real time gross settlement system for large value transactions in the Uganda Shilling and widely used foreign currencies namely: United States Dollar (USD), Euro, British Pound (GBP) and Kenya Shillings (KES).

UNISS performance in the Uganda Shilling

The value of transactions on UNISS grew by 13.5 percent to UShs. 339.2 trillion although there was a reduction in the volume of transactions by 4.5 percent. During the year 757,334 transactions were handled by UNISS.

Graph 11: UNISS annual transactions by volume and value



Source: Bank of Uganda

UNISS performance in foreign denominated currencies

A total of USD 9.7 billion was settled from 115,403 transactions compared to USD 8.6 billion for 134,163 transactions the previous year. The highest proportion of foreign currency denominated transactions, in value and volume, were settled in the USD (Table 9). The Kenyan shilling (KES) recorded the second highest volume and value of transactions equivalent to USD 483.2 million in 7,294 transactions.

Table 8: UNISS volume and values transacted in foreign currencies

	2017	2018
Total value settled in all foreign currencies (USD equivalent; millions)	8,643	9,782
Proportion by currency (% value)		
USD	91.5	91.7
EUR	2.9	2.7
GBP	0.7	0.4
KES	4.8	4.9
TZS	0.1	0.2
RWF	0.0	0.1
Total volume settled	134,163	115,403
Proportion by currency (% volume)		
USD	92.4	89.6
EUR	1.8	2.5
GBP	0.6	1.0
KES	4.9	6.3
TZS	0.1	0.4
RWF	0.0	0.1

Source: Bank of Uganda

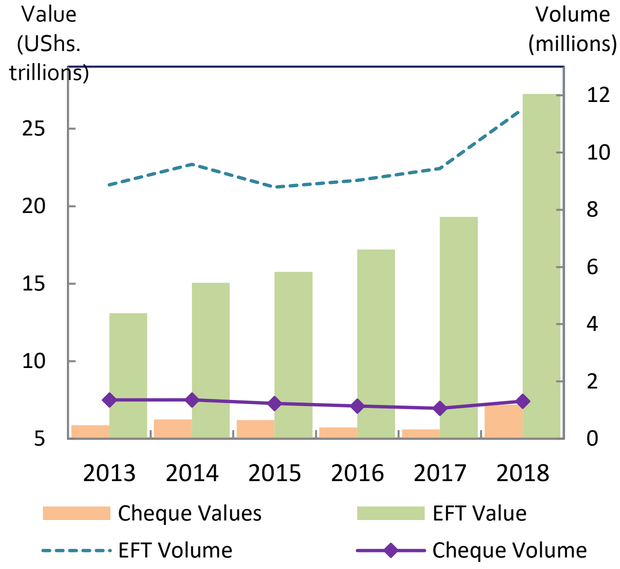
Automatic Clearing House (ACH)

The ACH is an automated system for clearing cheques and EFT transactions, both in Uganda Shillings (UShs.) and widely used foreign currencies. During the year BOU installed a new ACH system with cheque truncation capability. This reduced the time required to clear a cheque to two days and costs associated with cheque clearing and processing of EFTs.

Performance of the Automatic Clearing House

Installation of the new ACH system resulted in more transactions being processed and minimal system downtime during the year. There was significant growth in usage of the system both in terms of volume (1.3 million transactions) and value (UShs. 7.2 trillion) of cheque transactions compared to 1.1 million transactions worth UShs. 5.6 trillion the previous year. Similarly, the aggregate volume and value of EFT (credits and debits) transactions increased by 21.8 percent to 10.2 million and by 41.1 percent to UShs. 27.2 trillion respectively.

Graph 12: Performance of the ACH



Source: Bank of Uganda

During the year a total of 92,070 EFT transactions denominated in foreign currencies, equivalent to USD 1,069.6 million, were cleared through the system. This was an increase from 65,122 EFT transactions, equivalent to USD 792.7 million, during the previous year. Transactions denominated in the USD accounted for 96.9 percent of EFT volume and value handled by the ACH.

On the other hand, the value of foreign currency denominated cheques cleared through the ACH reduced by 2.8 percent to USD 241.2 million although the volume of cheques rose by 16.2 percent to 81,657 during the review period. Transactions in US dollars continue to register the highest activity.

Mobile money services

During the review period there were seven mobile money service providers, namely; MTN, Airtel, Uganda Telecom, Africell, M-Cash, EzeeMoney and Micropay. Mobile money operations achieved significant growth, with the number of registered users across the networks increased by 4.5 percent to 24.5 million.

The value of transactions; compared to the previous year; increased by 12.5 percent to UShs. 71.0 trillion. Similarly, the number of transactions grew by 54.2 percent to 1.9 billion (Table 10). Most transactions were executed to pay over-the-top taxes (OTT), make airtime purchases and other small value transactions.

Table 9: Performance of mobile money services

Year ended	Dec 2016	Dec 2017	Dec 2018
No. of transactions (billions)	0.97	1.2	1.9
Value of transactions (UShs. trillions)	43.8	63.1	71.0
Y-O-Y growth of no of transactions (%)	40.5	23.8	54.2
Y-O-Y growth of value of transactions (%)	34.8	44.0	12.6
No of registered customers (millions)	21.6	23.4	24.5

Source: Bank of Uganda

The mobile money network did not encounter any major interruption during the review period resulting in an average systems uptime of 97 percent.

Chapter 5: International assessment

5.1. Article IV Consultation

Article IV of the IMF Articles of Agreement provides, among others, that each member shall seek to promote stability by fostering orderly underlying economic and financial conditions and a monetary system that does not tend to produce erratic disruptions.

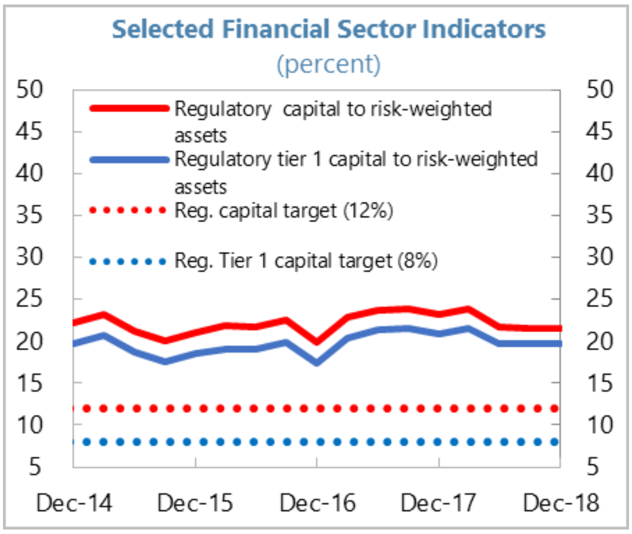
Under this Article an IMF mission visited Uganda between January to February 2019 for consultation and bank supervision was one of the areas discussed.

The IMF Executive Board assessment concurred that bank supervision and regulation are generally sound and noted that there were improvements in Uganda's compliance with AML/CFT standards[1].

SFI supervision

The Article IV discussion found that supervision and regulation broadly follow international best practices although BOU could rely less on regulatory forbearance. The report found that some aspects of supervision, like bank resolution, could be strengthened. It was also noted that SFI financial reporting, internal controls and governance need to be improved.

Based on financial soundness indicators as at September 2018 the IMF concluded that banks remain well capitalised, liquid, and profitable except for some small banks. It observed that BOU stress tests indicate the system's ability to withstand shocks had improved.



Source: IMF Country Report No. 19/125 (May 2019)

Financial Stability Review

The IMF found that there's need to enhance the following areas.

- Stress testing to involve BOU research and financial markets departments in the stress testing exercise. It was found that BOU had embarked on improving the stress testing framework to integrate other departments.

- Financial safety nets to provide for emergency liquidity assistance (ELA), increased supervisory reach and intrusion for SFIs that receive ELA. To this end amendments to the BOU Act, 2000 providing a legal basis for ELA were put forth and will be subject to the legislative process.

Further information is available on the IMF's website. BOU remains committed to continuous improvement of the regulation and supervision framework.

[1] Executive Board assessment, IMF Country Report No. 19/125

PART III: STATISTICAL APPENDICES

6.0. APPENDIX 1: Financial Soundness Indicators for Supervised Financial Institutions

Table 1A: Financial soundness indicators for commercial banks (*percentage ratios*)

	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18
Capital adequacy						
Regulatory capital to risk-weighted assets	22.9	22.2	21.0	19.8	23.2	21.6
Regulatory tier 1 capital to risk-weighted assets	19.9	19.7	18.6	17.3	20.9	19.8
Total qualifying capital to total assets	14.4	14.7	14.7	13.4	17.6	17.6
Asset quality						
NPLs to total gross loans	5.6	4.1	5.3	10.7	5.6	3.4
NPLs to total deposits	4.1	3.0	3.9	7.4	3.6	2.3
Specific provisions to NPLs	47.2	48.9	41.6	60.4	54.6	54.1
Earning assets to total assets	69.7	71.5	69.2	67.3	71.9	69.1
Large exposures to gross loans	36.3	38.3	41.0	42.4	38.0	42.9
Large exposures to total capital	105.2	113.2	123.5	153.6	94.8	112.5
Earnings & profitability						
Return on assets	2.5	2.6	2.6	1.3	2.7	2.5
Return on equity	15.2	16.1	16.0	8.3	16.4	14.4
Net interest margin	11.5	11.0	11.3	12.9	11.6	11.1
Cost of deposits	3.7	3.6	3.3	3.5	2.8	2.3
Cost to income	77.2	68.7	69.3	84.9	74.0	73.9
Overhead to income	46.7	40.0	42.0	49.6	48.9	53.7
Liquidity						
Liquid assets to total deposits	42.5	44.0	46.4	51.5	54.6	45.5
Total loans to total deposits	74.2	74.2	74.2	70.8	64.1	66.0
Market sensitivity						
Foreign currency exposure to regulatory tier 1 capital *	-3.0	-7.0	-5.9	8.5	-5.4	-7.5
Foreign currency loans to foreign currency deposits	81.7	85.1	77.6	79.3	71.5	63.0
Foreign currency assets to foreign currency liabilities	96.8	97.1	101.8	99.2	92.4	94.1

**Net short open position if negative. Net long open position if positive.*

Source: Bank of Uganda

Table 1B: Financial soundness indicators for CIs (*percentage ratios*)

	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18
Capital adequacy						
Core capital to risk-weighted assets	23.5	20.9	21.4	23.1	21.7	18.5
Total capital to risk-weighted assets	28.4	25.5	23.4	24.9	23.3	20.7
Provisions to core capital	13.5	11.9	11.1	11.9	9.9	9.4
Asset quality						
NPLs to total gross loans	3.4	4.0	3.6	4.0	3.5	2.7
Specific provisions to NPLs	59.6	44.2	54.2	60.0	50.0	45.0
Earnings & profitability						
Return on assets	1.4	1.6	0.5	0.1	0.5	1.7
Return on equity	6.8	8.3	2.8	0.6	2.7	8.7
Net interest margin	5.2	5.2	4.9	4.8	4.6	17.1
Cost of deposits	4.4	4.3	5.4	5.5	5.0	3.3
Cost to income	92.9	99.5	87.8	101.1	90.2	86.9
Liquidity						
Liquid assets to total deposits	50.4	42.3	46.3	52.3	45.2	34.1
Loans to deposits	68.9	75.9	82.4	76.3	83.2	84.6
Market sensitivity						
Foreign currency loans to foreign currency deposits	57.3	66.6	47.8	50.7	33.5	28.6
Foreign currency assets to foreign currency liabilities	129.0	105.4	117.0	109.2	91.6	60.2

Source: Bank of Uganda

Table 1C: Financial soundness indicators for MDIs (*percentage ratios*)

	Dec - 13	Dec - 14	Dec -15	Dec- 16	Dec- 17	Dec-18
Capital adequacy						
Core capital to risk-weighted assets	28.5	33.6	34.6	34.8	38.5	41.4
Total capital to risk-weighted assets	36	37.3	38.2	37.81	41.9	44.8
Provisions to core capital	6.4	5.2	6.5	10.4	8.5	6.5
Asset quality						
NPLs to total gross loans	1.9	2.0	2.7	5.3	5.0	3.6
Specific provisions to NPLs	66.4	70.8	63.4	68.3	64.1	67.5
Earnings & profitability						
Return on assets (year-to-date)	3.5	5.6	3.9	3.09	2.9	3.5
Return on equity (year-to-date)	11.9	20.3	10.4	10.5	9.4	10.6
Cost to income	85.7	81.8	86.6	86.8	87.8	85.7
Liquidity						
Liquid assets to total deposits	62.4	55.1	43.8	55.75	59.3	61.5
Loans to deposits	78	72.4	83.1	79.17	80.1	79.9

Source: Bank of Uganda

6.1. APPENDIX 2: Aggregated Statement of Financial Position for SFIs

Table 2A: Aggregated Statement of Financial position for Commercial banks

UShs. Billion, as at year end	2013	2014	2015	2016	2017	2018
ASSETS						
Cash & cash assets	692.0	786.6	811.3	810.8	1,109.0	1,293.4
Balances with BOU	1,730.1	2,104.88	1,982.6	2,858.7	2,544.5	2,784.0
Bank of Uganda securities	-	-	-	51.0	1,988.8	438.8
Due from financial institutions	2,043.7	1,424.7	2,547.6	2,594.3	2,049.0	2,958.4
Government securities	3,648.7	4,463.2	4,064.8	5,105.3	5,570.0	6,032.9
Total gross loans & advances	8,274.6	8,274.3	9,501.8	11,493.3	11,661.6	12,935.7
LESS: Provisions	261.7	229.3	285.6	820.2	410.5	273.8
Net loans & advances	8,012.9	8,018.0	9,216.2	10,673.0	11,251.1	12,661.9
Net fixed assets	583.2	821.3	925.9	838.3	819.0	854.4
Other assets	610.3	1,967.4	843.2	757.7	1,196.7	1,097.0
TOTAL ASSETS	**17,320.9**	**19,586.1**	**21,722.2**	**23,689.1**	**26,528.1**	**28,120.8**
LIABILITIES						
Deposits	11,504.3	13,218.7	14,821.1	16,235.7	18,181.1	19,595.7
Due to financial institutions	825.9	563.4	630.1	595.5	499.4	574.1
Administered funds	1,033.2	1,187.6	1,255.9	1,063.3	1,283.9	1,023.5
Other liabilities	892.9	1,425.7	1,422.0	2,132.9	1,890.3	2,403.7
TOTAL LIABILITIES	**14,256.3**	**16,395.4**	**18,129.1**	**20,027.4**	**21,854.7**	**23,597.0**
SHAREHOLDERS' FUNDS						
Paid-up capital	1,272.3	1,287.4	1,346.8	1,414.6	1,326.5	1,332.8
Share premium	91.8	102.3	115.4	145.9	347.8	347.8
Retained reserves	914.3	1,174.3	1,446.6	1,578.5	2,053.5	2,358.8
Other reserves	159.7	139.2	143.2	218.9	272.7	209.1
Profit – Loss (current year)	414.0	487.4	541.1	303.9	672.8	688.5
TOTAL SHAREHOLDERS' FUNDS	**2,852.1**	**3,190.6**	**3,593.1**	**3,661.8**	**4,673.3**	**4,937.0**
OFF BALANCE SHEET ITEMS						
Letters of Credit	354.2	469.0	354.2	337.2	348.6	383.4
Guarantees & performance bonds	1,157.3	1,573.8	1,841.3	2,548.1	3,176.4	3,561.0
Unused loans/overdrafts commitment	1,092.8	1,162.5	1,325.9	2,079.0	2,407.2	2,687.4
Other off balance sheet items	268.7	376.7	168.4	148.4	362.9	461.7
TOTAL OFF BALANCE SHEET ITEMS	**2,873.0**	**3,582.0**	**3,829.6**	**5,112.7**	**6,295.0**	**7,048.5**

Source: Bank of Uganda

Table 2B: Aggregated Statement of Financial Position for CIs

USh. Billion, as at year end	2013	2014	2015	2016	2017	2018
ASSETS						
Cash	11.5	14.6	16.4	18.6	23.5	22.9
Balances with institutions in Uganda	63.1	56.2	70.3	117.3	123.9	101.0
Balances with commercial banks outside Uganda	0.5	0.3	1.0	1.5	3.1	0.5
Investments	7.9	11.4	29.9	20.2	19.1	20.7
of which Government securities	7.9	11.4	29.9	20.2	19.1	20.7
Loans and advances (Net)	147.6	187.3	225.3	251.0	305.6	401.2
of which administered funds	-	-	-	-	0.4	14.6
Premises and fixed assets (Net)	23.4	28.4	32.3	35.7	41.3	60.2
Other assets	11.7	12.8	14.4	18.8	26.3	32.0
Total assets	**265.7**	**311.0**	**389.6**	**463.1**	**542.8**	**638.4**
LIABILITIES						
Total deposit liabilities to depositors	164.9	195.1	254.3	303.9	375.3	425.6
Loan Insurance Fund	4.8	4.9	4.9	4.8	5.1	6.5
Balances due to commercial banks/associated companies/residents/non-residents	21.5	21.9	27.3	30.0	24.5	36.2
Borrowings at Bank of Uganda	0.6	0.4	0.3	0.2		
Administered funds	-	-	-	-	4.6	8.2
Other liabilities	16.3	22.4	17.5	25.6	26.3	33.7
Provisions	3.1	5.3	2.4	2.7	3.2	3.9
Capital	50.7	56.3	81.9	87.4	100.4	122.5
of which paid up capital	21.8	21.8	54.1	66.6	84.1	96.6
Profit for current year	3.7	5.0	1.0	(0.17)	2.7	10.6
Total liabilities and capital	**265.7**	**310.9**	**389.6**	**463.1**	**542.8**	**638.4**

Source: Bank of Uganda

Table 2C: Aggregated Statement of Financial Position for MDIs

UShs. Billion, as at year end	2013	2014	2015	2016	2017	2018
ASSETS						
Notes and coins	5.7	6.2	8.6	10.2	11	14.1
Balances with institutions in Uganda	52.2	73.9	74.7	106.8	116	134.2
Government securities	0	0	1.1	2.8	1.5	2.7
Net loans outstanding	**173.6**	**203.1**	**265.7**	**286.7**	**273.8**	**304.7**
Inter branch/ due from own offices	-	0.01	-	-	-	-
Net fixed assets	12.9	15.9	25.2	34.4	36.9	44.6
Long-term investments	-	-	-	-	0.1	0.1
Other assets	19.7	24	25.7	28.6	30.5	21.2
Total assets	**264.1**	**323.1**	**401**	**469.5**	**469.8**	**521.5**
LIABILITIES						
Deposit liabilities	92.7	145.3	182.9	204.1	214.7	234.8
Loan insurance fund	16.9	12.1	10.5	7.3	7.9	7.9
Borrowings	46.9	32.3	41.9	70.6	53.8	58.2
Other liabilities	18.9	22.5	27.6	31.2	24.7	22.0
Grants/deferred income	5.5	5.5	6.8	6.3	6.9	10.5
Inter branch/ Due to own Offices	-	-	-	-	-	-
Other long-term Liabilities	0.6	0.3	-	-	-	-
Total liabilities	**181**	**218**	**269.7**	**319.5**	**308**	**333.4**
FINANCED BY:						
Capital	69.9	98.9	123.6	142.5	153.3	179.3
Subordinated debt	13.1	6	7.7	7.7	8.5	8.5
Preference shares	-	-	-	-	0	0
Total liabilities & equity	**264.1**	**323.1**	**401**	**469.7**	**469.8**	**521.5**

Source: Bank of Uganda

6.2. APPENDIX 3: Aggregated Statement of Comprehensive and other income for SFIs

Table 3A: Aggregated Statement of Comprehensive and other income for Commercial banks

UShs. billion; *annualised*	2013	2014	2015	2016	2017	2018
INCOME						
Interest income						
Advances	1,389.5	1,464.1	1,722.0	1,868.8	1,808.0	1,903.0
Government securities	349.8	416.1	497.6	689.3	681.9	609.0
Deposits abroad	29.5	8.6	12.0	17.3	22.3	34.9
Other	91.0	132.0	68.8	117.7	151.5	161.4
Charges, fees & commissions	335.3	376.1	419.3	429.9	533.8	518.0
Foreign exchange income	216.4	197.6	257.6	219.7	170.6	252.9
Other income	127.2	153.9	147.9	261.1	323.7	264.3
TOTAL INCOME	**2,538.7**	**2,802.3**	**3,196.6**	**3,603.8**	**3,691.9**	**3,743.6**
EXPENSES						
Interest expense on deposits	406.8	438.5	467.6	539.9	480.3	426.2
Other interest expenses	119.8	154.3	189.8	169.3	157.7	144.5
Provisions for bad debts	247.9	212.2	217.7	638.2	295.4	186.6
Salaries, wages, staff costs	504.4	583.9	646.9	723.9	773.9	834.4
Premises, depreciation, transport	221.7	253.9	296.5	322.2	328.9	349.6
Other expenses	458.3	494.8	612.6	664.6	704.2	824.0
TOTAL EXPENSES	**1,958.9**	**1,925.4**	**2,213.5**	**3,057.8**	**2,740.3**	**2,765.3**
Extraordinary credits (charges)	0.1	0.0	0.0	0.0	0.0	0.0
Net profit before tax	579.9	664.7	765.3	546.0	951.6	976.1
LESS: Corporation tax	165.9	179.5	224.1	243.9	278.7	284.3
NET PROFIT AFTER TAX	**414.0**	**485.2**	**541.2**	**302.1**	**672.9**	**691.8**

Source: Bank of Uganda

Table 3B: Aggregated Statement of Comprehensive and other income for CIs

UShs. billion; *annualised*	2013	2014	2015	2016	2017	2018
INCOME						
Interest on loans and advances	37.2	49.8	60.1	67.6	73.5	89.8
Interest on government securities	1.6	4.6	3.1	3.6	2.9	2.1
Other interest income	8.1	1.3	5.8	10.9	2.1	1.8
Total interest income	46.9	55.7	69.0	82.0	90.3	107.2
Total non-interest income	20.0	20.2	25.3	28.4	34.5	42.2
TOTAL INCOME	**66.9**	**75.9**	**94.3**	**110.5**	**124.8**	**149.4**
EXPENSES						
Total interest expense	6.6	7.8	12.2	15.8	16.9	17.8
Provisions for bad debts	6.3	4.2	8.0	6.4	8.4	6.4
Salaries & other staff costs	24.3	28.4	33.8	39.3	33.9	39.0
Other non-interest expense	24.4	29.3	36.7	47.4	38.3	44.3
TOTAL EXPENSES	**61.6**	**69.7**	**90.7**	**108.9**	**120.7**	**134.5**
Taxation	1.6	1.0	2.6	3.7	2.3	4.3
NET INCOME	**3.7**	**5.2**	**1.0**	**(2.1)**	**1.8**	**10.6**

Source: Bank of Uganda

Table 3C: Aggregated Statement of Comprehensive and other income for MDIs

USHs. billion; *annualised*	2013	2014	2015	2016	2017	2018
INCOME						
Total credit income	82.5	97.8	110.0	138.6	141.3	144.9
Total other income	11.2	13.8	16.9	22.8	24.3	23.1
GROSS FINANCIAL INCOME	**93.7**	**111.6**	**126.9**	**161.4**	**165.6**	**168.0**
EXPENSES						
Total financial expenses of lending funds	12.0	15.8	16.9	31.4	29.9	24.6
Provision for bad debts	3.4	4.6	5.3	12.3	11.5	8.4
Net financial income	78.3	91.3	104.8	117.6	124.1	135.0
Total operating expenses on financial services	66.3	73.3	84.3	100.0	104.9	112.0
NET INCOME FROM OPERATIONS	**11.9**	**17.9**	**20.3**	**17.6**	**19.2**	**23.0**
Total grant income for financial services	1.7	2.9	0.8	1.3	0.6	0.2
Total grant income for non-financial services	-	-	-	-	0.2	-
Income from non-financial services	0.03	0.005	0.3	0.9	0.0	0.9
Total operating expenses on non-financial services	0.08	0.004	0.8	0.0	0.2	0.6
Net operating profit/loss from non-financial services	-0.05	0.001	-0.5	0.9	0.2	0.3
NET PROFIT FOR THE PERIOD	**13.6**	**20.8**	**18.3**	**21.8**	**20.3**	**24.2**
Corporation tax	3.2	3.1	6.1	7.6	6.5	6.2
NET PROFIT AFTER TAX	**10.4**	**17.7**	**12.2**	**14.1**	**13.8**	**17.9**
RETAINED EARNINGS	33.6	46.9	61.8	53.7	61.1	72.5

Source: Bank of Uganda

6.3. APPENDIX 4: Credit Reference Bureau statistics

	Dec-2013	Dec-2014	Dec-2015	Dec-2016	Dec-2017	Dec-2018
Branches on FCS	590	600	617	616	593	606
Branches on CRB	579	580	593	603	559	551
Cumulative Financial Cards	948,936	1,093,107	1,235,845	1,378,329	1,503,324	1,639,235
Number of Enquiries (During year)	568,501	611,895	613,829	614,620	596,406	1,034,706

Source: Bank of Uganda