



Bank of Uganda

Annual Report

2022-2023



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This report has been prepared in
accordance with the provisions
of Section 49 of the Bank of
Uganda Act (Cap. 51)
Laws of Uganda



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About the Bank

Overview

The Bank of Uganda (BoU) is the Central Bank of the Republic of Uganda. It was opened on 15 August 1966. It is 100 percent owned by the Government of Uganda, but it is not a government Department. Bank of Uganda conducts all its activities in close association with the Ministry of Finance, Planning and Economic Development (MoFPED). Bank of Uganda is responsible for the formulation and implementation of monetary policy as well as regulating and supervising financial institutions.

The Bank of Uganda derives its mandate from Article 161 (1) of the Constitution of the Republic of Uganda, 1995, and from the Bank of Uganda Act (Chapter 51, Laws of Uganda). Article 162 of the Constitution and Section 4 of the Bank of Uganda Act (Chapter 51, Laws of Uganda) spell out the Bank's functions.

Core purpose of BoU

The Bank of Uganda conducts all its activities with the aim of fulfilling its mission. The mission of the BoU is "To Promote Price Stability and a Sound Financial System in Support of Socio-economic Transformation in Uganda". The activities in support of this mission are carried out under the mandate of the Bank of Uganda Act, 2000 and other legislation, and include:

- i. Issuance of Uganda's national currency/legal tender, the Uganda Shilling (UGX),
- ii. Conduct of monetary policy,
- iii. Banker to the government of Uganda,
- iv. Banker to commercial banks,
- v. Supervision and regulation of financial institutions,
- vi. Management of the country's external/foreign reserves,
- vii. Management of Uganda's external debt,
- viii. Adviser to government on financial and economic issues,
- ix. Supervision and regulation of payment systems and payment service providers.

The Bank also has responsibility to the public that is fulfilled through its Corporate Social Responsibility programs.



Deputy Governor's Foreword

Overview

The Bank of Uganda (BoU) presents this annual report to the Parliament of the Republic of Uganda through the Minister of Finance, Planning, and Economic Development (MoFPED), as required by the BoU Act. The report accounts for the BoU's activities and operations, including its procedures, policies, and audited accounts for the fiscal year 2022/23.

Strategic Plan and Initiatives

The BoU initiated the implementation of a new strategic plan for 2022-2027, which focuses on achieving the mission of promoting price stability and a sound financial system in support of Uganda's socioeconomic transformation.

Our mission aligns with the national Vision 2040, which aims to transform Ugandan society into a modern and prosperous country. While our primary mandate is to ensure price and financial sector stability, the BoU also contributes directly to socioeconomic transformation by promoting the increased monetisation of the economy. Specifically, we champion financial inclusion and support the extension of transformative financing to micro, small, and medium-sized enterprises (MSMEs) by administering the Agricultural Credit Facility and the Small Business Recovery Fund.

During the first year under the new strategic plan, the BoU embarked on several initiatives to adapt to the changing operating landscape, including:

- Commencing institutionalising an environmental, social, and governance (ESG) sustainability framework for the BoU and financial sector.
- Implementing a Climate Change Risk Policy to guide the integration of climate change risks in delivering the central bank's policy mandate.
- Developing a data replication project, where all payment service providers were enrolled on the Bank Supervision Application (BSA) to submit returns electronically.

- Driving the amendment of several laws and regulations to enhance the regulation and supervision of supervised financial institutions and payment systems.
- Developing a regulatory framework for consumer protection in payment systems.
- Implementing cost rationalisation measures.
- Establishing a succession policy.

These initiatives, among others, demonstrate the BoU's commitment to innovation, efficiency, and sustainability.

Economic Performance

Uganda's economy grew 5.3% during 2022/23, an improvement from 4.6 % in the previous fiscal year. This growth was mainly driven by the services and industry sectors, particularly trade, manufacturing, and construction. This growth demonstrates the resilience of the Uganda economy to the global headwinds that dominated the year.

However, inflation was higher than the BoU's target of 5% for most of the fiscal year. High inflation was caused by bad weather that hurt crop production, exchange rate depreciation pressures earlier in the year, and sluggish adjustment of domestic fuel prices, despite the global oil price decline due to concerns about a global recession and weaker oil demand.

The Ugandan shilling faced depreciation pressures against the US dollar, primarily due to global factors like heightened uncertainty kindled by the Russia-Ukraine war, supply chain disruptions that spiked commodity prices, and portfolio investors exiting the domestic debt market due to tight global financial market conditions as central banks in advanced economies hiked interest rates to rein in surging inflation.

Monetary Policy and Financial Sector Resilience

To combat worsening inflation, the BoU raised the central bank rate from 7.5% to 10% in three steps from July to October 2022 and maintained it at 10% until June 2023.

Despite inflation and geopolitical tensions, the Ugandan banking sector remained resilient. Total bank assets increased and supervised financial institutions maintained strong capital buffers partly due to increased regulatory minimum capital requirements in line with the Financial Institutions (Revision of Minimum Capital Requirements) Statutory Instrument that was issued in November 2022.

The BoU, in collaboration with other financial sector regulators, developed and approved the Financial Sector Crisis Management Plan (FSCMP) to enhance readiness and response to potential crises.

Payment Systems and Bank Performance

The BoU issued regulations to support the payment systems sector, including lowering the minimum entry requirements for micro e-money issuers. This move is expected to foster innovation and growth in the digital payments. We also advanced the project to implement a national payments switch to promote interoperability, efficiency, and cashless payments.

The BoU posted an operating surplus of UGX 437 billion during the fiscal year from a deficit of UGX 233 billion in the previous fiscal year due to rising global interest rates. However, currency issuance costs rose, driven by high domestic demand for currency.

Board Changes and Future Focus

We are profoundly grateful to Mr James Kahoza, Dr William S. Kalema, Ms Judy Obitre-Gama, and Ms Josephine Okui-Ossiya for their dedicated service as members of the BoU Board of Directors until February 2023.

We thank H.E. The President of the Republic of Uganda, for appointing new members of the Board of Directors effective June 2023. We are confident that the new members of the Board will contribute invaluable to the continued success of the BoU.

I thank the executive management for skilfully steering our teams towards success and the staff of the BoU, whose hard work and dedication facilitated our joint achievements throughout the year.

The BoU remains steadfast, resolute, and committed to supporting national structural transformation by ensuring price and financial sector stability and promoting financial inclusion for the people of Uganda.



Michael Atingi-Ego

Deputy Governor

2022/2023 at a glance





1

Corporate Governance

1.1 Regulatory framework

The Bank of Uganda derives its mandate from Article 161 (1) of the Constitution of the Republic of Uganda, 1995, and from the Bank of Uganda Act (Chapter 51, Laws of Uganda). Article 162 of the Constitution and Section 4 of the Bank of Uganda Act (Chapter 51, Laws of Uganda) spell out the Bank's functions.

1.2 Corporate Governance Statement

The Bank's corporate governance framework includes the Board, the Board Committees, and the Executive Committee of Management. As per Article 162 (2) and (3) of the Constitution of Uganda, the authority of the Bank of Uganda is vested in a Board which consists of a Governor, a Deputy Governor, and not more than five other members. The Governor, the Deputy Governor, and all other members of the Board are appointed by the President with the approval of Parliament.

The Board of Directors ("the Board") is committed to the highest standards of integrity and ethical conduct in carrying out its duties and dealing with all stakeholders. The Board Members have endorsed and abide by the Board of Directors' Charter and Code of Conduct, which is the central instrument of reference in the course of their duties. The obligations inferred from common Law and articulated in the code of conduct include the fiduciary obligation to act in the best interest of the Bank; the duty to act within powers; promote the success of the Bank, exercise independent judgment, exercise reasonable care, skill and diligence and avoid conflicts of interest.

The Board of Directors is ultimately responsible for the performance of the Bank. It has a fiduciary duty to act in the best interest of its stakeholders through overseeing the Management's stewardship over public resources and commitment to serving the public interest. The Board exercises all the powers of the Bank in conformity with the Constitution of the Republic of Uganda and the Bank of Uganda Act.

Accordingly, the Board is collectively responsible for: setting the Bank's strategic goals, providing a prudent and effective risk management framework, overseeing the integrity of financial and reporting systems, establishing the values and ethical standards of the Bank, ensuring a high-performance culture, and ensuring effective communication with the Government and stakeholders. In pursuit of their remit, the members of the Board comply with relevant laws, regulations and codes of best practice and exercise integrity and sound judgement while upholding the principles of transparency and accountability.

1.3 Statutory Obligations of the Board

Section 162 of the Constitution of the Republic of Uganda, 1995 provides for the functions of the Bank of Uganda, whose authority is vested in the Board of Directors as follows:

- i. Promote and maintain the stability of the value of the currency in Uganda;
- ii. Regulate the currency system in the interest of the economic progress of Uganda;
- iii. Encourage and promote economic development and the efficient utilization of the resources of Uganda through effective and efficient operation of a banking and credit system; and,
- iv. Do all such other things not inconsistent with the Constitution as may be prescribed by Law.

In addition to the functions of the Board of Directors outlined in the Constitution of the Republic of Uganda, other statutory duties of the Board are provided for in the Bank of Uganda Act (Cap.51) Laws of Uganda as follows:

In guiding the strategic direction of the Bank, the Board:

- i. Is responsible for the general management of the affairs of the Bank;
- ii. Ensures the functioning of the Bank and the implementation of its functions;
- iii. Formulates the policies of the Bank;
- iv. Does anything required to be done by the Bank under the BoU Act; and;
- v. Does anything that is within, or incidental to, the functions of the Bank.

1.4 Board Committees

To achieve effectiveness and focus in discharging its functions, the Board delegates some of its responsibilities to the Board Committees. The Committees operate within defined terms of reference as laid down in the Board Charter. The Board Committees make recommendations to the Board.

Non-Executive Directors (NEDs) chair the Board Committees, and the Bank Secretary is Secretary to all Committees. All Committees meet quarterly and convene Ad hoc or special meetings as and when necessary. The membership of Board Committees is the Deputy Governor and four NEDs, except the AGCB with only NEDs membership.

01

Human Resources and Remuneration Committee (HRRCB)



HRRCB considers human resource-related policies and other staff matters.

02

Financial Stability Committee (FSCB)



FSCB provides oversight in the supervision and regulation of the financial sector and where necessary advisory support for the wider financial sector.

03

Capital Projects Committee (CPCB)



CPCB provides oversight of the acquisition, utilization, and monitoring of the Bank's capital projects, such as Information Technology (IT), plant, machinery, construction, and significant maintenance works.

04

Strategy and Finance Committee (SFCB)



SFCB ensures that the financial resources of the Bank are appropriately deployed to meet its strategic priorities. It also provides oversight of risk and IT governance.

05

Audit and Governance Committee (AGCB)



AGCB provides assurance to the Board on the effective utilization of resources, internal controls, and risk management.

1.5 Composition of the Board of Directors

The Board of Directors comprises seven (7) Directors namely: the Governor, who is the Chairperson of the Board; the Deputy Governor who is the Deputy Chairperson; and five non-executive Directors (NEDs). The Governor, Deputy Governor, and Directors of the Board are all appointed by the President with the approval of Parliament, and each serves a five-year term, with eligibility for re-appointment. All Directors of the Board possess the requisite qualifications, skills, and experience in economics, finance, Information Technology, and banking and are persons of integrity.

1.6 Board of Directors

Board of Directors who served during the financial year ended 30 June 2023



Mr. Michael Atingi-Ego
DEPUTY GOVERNOR

Appointed: 23 April 2020

Responsibilities: Deputy
Chairperson of the Board
Member of CPCB, FSCB, HRRCB
and SFCB

Trustee of the BoU Defined
Benefits Scheme

Trustee of the BoU Defined
Contribution Scheme

Board meetings attendance: 7/7

Board committee Meetings: 16/19



Ms. Judy Obitre-Gama
NON-EXECUTIVE DIRECTOR

Appointed: 2012 and terms of
office ended in 2023

Responsibilities: Chairperson of
HRRCB

Member of CPCB, AGCB, SFCB
and FSCB

Chairperson of Board of Trustees
BoU Defined Benefits Scheme

Board meetings attendance: 7/7

Board committee Meetings: 22/22



Mr. William Kalema (PhD)
NON-EXECUTIVE DIRECTOR

Appointed: 2012 and terms of
office ended in 2023.

Responsibilities: Chairperson of
FSCB and CPCB

Member of SFCB, HRRCB and
AGCB

Board meetings attendance: 5/7

Board Committee Meetings: 3/22



Mr. Ramathan Ggoobi
NON-EXECUTIVE DIRECTOR

Appointed: July 15, 2022

Responsibilities: Member of SFCB and FSCB

Board meetings attendance: 6/6
Board committee Meetings: 4/6



Mrs. Josephine Okui Ossiya
NON-EXECUTIVE DIRECTOR

Appointed: 2018 and re-appointed in 2023

Responsibilities: Chairperson of SFCB
Member of CPCB, HRRCB, AGCB and FSCB
Trustee of the BoU Defined Benefits Scheme

Board meetings attendance: 5/7
Board committee Meetings: 21/22



Mr. James Kahoza
NON-EXECUTIVE DIRECTOR

Appointed: 2012 and terms of office ended in 2023

Responsibilities: Chairperson of AGCB
Member of CPCB, FSCB, HRRCB, and SFCB

Board meetings attendance: 7/7
Board committee Meetings: 20/22

Board members

6



2

Women

4

Men

1.7 Meetings of the Board

Table 1: Board meetings attendance

BOARD MEMBER		BOARD [7]	SFCB [4]	AGCB [3]	HRRCB [12]	CPCB [1]	FSCB [2]	Overall total of meeting attendance for each member's allocated committees
1.	Mr. Michael Atingi-Ego - DG	7/7	4/4	N/A	11/12	0/1	1/2	16/19
2.	Mr. James Kahoza	7/7	3/4	3/3	11/12	1/1	2/2	20/22
3.	Mr. William Kalema [PhD]	5/7	0/4	0/3	0/12	1/1	2/2	3/22
4.	Ms. Judy Obitre-Gama	7/7	4/4	3/3	12/12	1/1	2/2	22/22
5.	Ms. Josephine Okui Ossiya	5/7	4/4	3/3	11/12	1/1	2/2	21/22
6.	Mr. Ramathan Ggoobi	6/7	3/4	N/A	N/A	N/A	1/2	4/6

Source: Bank of Uganda

1.8 Secretary to the Board

The Bank/Board Secretary provides secretarial services, coordinates policymaking with policy implementation, and advises the Board on legal and corporate governance matters in liaison with the Legal Counsel. The Secretary ensures timely and accurate information flow to the Board, Board Committees, and Management Committees. The Bank Secretariat is accessible to all members of the Board and Management. The Bank Secretary during the FY 2022/23 was Mrs. Susan W. Kanyemibwa.

1.9 Remuneration of Non-Executive Directors

During the period July 2022 to June 2023, the Non-Executive Directors were each paid UGX 5,000,000/= (Five million shillings only), net of tax per month as retainer fees and UGX 2,500,000/= (Two million five hundred thousand shillings only) net of tax per meeting as sitting allowance.

1.10 Assessment of Board performance

Board performance assessment is intended to assess Board effectiveness and identify areas for improvement. This is conducted twice in the Board members' five-year term. The last Board performance assessment exercise was successfully concluded in the FY 2021/22.

1.11 Appointments

The term of office for Mr. James Kahoza, Dr. William S. Kalema, Ms. Judy Obitre-Gama and Ms. Josephine-Okui-Ossiya came to an end on 17 February 2023. New Board members were appointed with effect from 15 June 2023 by His Excellency the President of the Republic of Uganda in the exercise of the powers conferred upon him by Article 162(3) of the Constitution.

The new Board members are:

1. Mr. Japheth Katto
2. Ms. Rosemary Kitembo
3. Mr. Didas Nkurunziza
4. Mrs. Josephine Okui Ossiya (effective 02 August 2023)
5. Mr. Ramathan Ggoobi (effective 15 July 2022)

1.11.1 Newly appointed Bank of Uganda Board members:



Mr. Ramathan Ggoobi



Mrs. Josephine Okui Ossiya



Mr. Japheth Katto



Ms. Rosemary Kitembo



Mr. Didas Nkurunziza

1.12 Executive Management



Adam Mugume (PhD)
Executive Director Research



Mrs. Susan Kanyemibwa
Bank Secretary



Mr. Richard Byarugaba
Executive Director Finance



Mr. David L. Kalyango
Chief Internal Auditor



Mrs. Joyce Okello
Executive Director Risk & Strategy
Management



Mr. Richard Mayebo
Executive Director Information
Technology



Mr. Philip Wabulya
Executive Director Petroleum Fund



Charles Abuka (PhD)
Executive Director Operations



Tumubweinee Twinemanzi (PhD)
Executive Director Supervision



Mr. John Chemonges
Executive Director Administration



Jacob Opolot (PhD)
Economic Advisor to Governor

1.13 Bank Management Committees

The Board of Directors delegates the day-to-day operations of the Bank to the Governor. The Governor is supported by the Deputy Governor and a management team. To achieve efficient and effective operations, the Bank has established committees of Management as an integral part of its organizational structure. These Committees facilitate decision-making on policy, technical and administrative issues and rely on specialized input from the Bank's Directorates and Departments.

1.13.1 Apex Committees of Management

The Governor chairs all the Management Committees below with the Deputy Governor as Alternate Chair.

i. Monetary Policy Committee (MPC)

The MPC ensures prudent development and implementation of policies that foster price and financial stability. It has one sub-committee, the Financial Markets Operations Sub-Committee (FMOS) which is chaired by the Deputy Governor. The FMOS meets daily to implement monetary policy actions in line with the policies, guidelines, and decisions made by the Monetary Policy Committee.

ii. Financial Stability Committee (FSC)

The Financial Stability Committee formulates policies for financial stability and prudential regulation and makes decisions related to crisis resolution of financial institutions. The FSC has one sub-committee, the Supervision and Regulation Sub-Committee.

iii. Executive Committee (EXCOM)

EXCOM is the apex Management Committee. Its membership is the Governor, Deputy Governor, and all Executive Directors. The EXCOM has eight sub-committees responsible for Human Resources Management, Strategy & Finance, Risk Management, Effective Information Management, Financial Markets Development, Currency Matters, Funds Management, and Payment Systems Policy.

iv. Foreign Exchange Reserves Management Policy Committee (FERMPC)

The Foreign Exchange Reserves Management Policy Committee (FERMPC) provides strategic guidance and monitoring of foreign exchange reserves operations based on BoU's strategic objectives and policies. The FERMPC has one sub-committee, the Investment Sub-Committee chaired by the Executive Director Finance.

1.14 Other Committees of Management

Other Committees of Management include the Management Disciplinary Committee (MDC), the Corporate Social Responsibility Committee (CSR), the Building Loans Committee which considers staff requests for building loans, and the Senior Management Committee (SMC).

1.15 Statutory Committee: the Contracts Committee

In line with the Public Procurement and Disposal of Public Assets (PPDA) Act and Regulations, the Bank of Uganda has a fully constituted Contracts Committee. The Contracts Committee is responsible for the conduct of procurement and disposal of goods, works, and services within the provisions of the Law and procedure.

1.16 The Medical Board

An independent Medical Board comprised of five (5) external consultant doctors advises Management and the Board on medical issues. One of the consultant doctors serves as the Chairperson of the Medical Board while the Bank's Director of Medical Department provides secretarial support. The members of the Board include:

1. Dr. Ben Mbonye (Chairman)
2. Dr. Joel Kiryabwire
3. Dr. John Omagino
4. Dr. Victoria Walusansa
5. Prof. Harriet Mayanja-Kizza
6. Dr. Musa Waiswa (Secretary)

1.17 Obituary

Regrettably, the following passed way in 2023:

1. Mr. George William Nyeko, the former Bank Secretary passed away on 03 June 2023, and was laid to rest at his home in Jeeja, Mijera – Kiryandongo District. A seasoned professional administrator, Mr. Nyeko had served as Bank /Board Secretary of the Board of Directors of the Bank of Uganda from 2010 to March 2015. May his soul rest in eternal peace.
2. Mr. Keith Muhakanizi, an Ex-Board Member passed away on 13 April 2023 and was laid to rest at Lwamayongo village in Kabula, Lyantonde district. The late Keith Muhakanizi exceptionally served as a member of the Board of Directors of the Bank of Uganda for a period of five [5] years from 18th July 2016 to July 17, 2021. The late Muhakanizi also served as a member of the Strategy and Finance Committee of the Board. May his soul rest in eternal peace.

1.18 Risk Management

Bank of Uganda maintains a low-risk appetite in the execution of its constitutional mandates and the ultimate responsibility of risk management in the Bank is entrusted to the Board.

The low-risk appetite statement approved by the Board requires that the Bank maintains low-risk tolerance limits at all levels. In line with this low-risk appetite, the Board delegates the oversight of the three lines of defense to the various Board Committees. Directorates form the first line of defense while Risk and Compliance Department provides oversight to the first line and is part of the second line of defense. The third line of defense is provided by the Audit Directorate. The risk management function supports the first line by coordinating the risk management process in all the Departments. To achieve this role, the risk management in the Bank focuses on financial, operational, and non-compliance risks.

1.18.1 Strategic Risk

Strategic risk is the risk that the Bank may not achieve its strategic objectives. These objectives are clearly set out in the Bank's Strategic Plan 2022-2027. Strategic risk may arise from both external and internal business environments. The Policy and Strategic Risk Section was created to assess the risk implications of strategic policies and propose mitigations.

During the year, the strategic risk profile of the Bank was moderate, as most of the identified risks were largely within management control.

Some of the management actions included reserve build up, cost reduction measures and expediting the process of securing an alternate business recovery site and data center.

1.18.2 Financial Risk

During the financial year, Financial risks remained elevated due to the fragile risk environment that was largely contributed to by three major global developments as follows.

- i. The geopolitical tension and conflict in Ukraine which caused supply constraints and resulted into inflation in most of the Advanced Economies (AEs) where the Bank's Foreign Exchange Reserves are invested. To mitigate this supply side inflation, major Central Banks kept raising their policy rates, thereby causing market volatility especially in the bond markets as yields rose and the prices of bonds dropped.
- ii. There were fiscal and monetary policy contradictions in the United Kingdom (UK). In September 2022, the UK introduced a set of fiscal measures including tax cuts and energy price guarantees which contradicted the monetary policy tightening in the UK at that time. The financial markets reacted by the biggest sell-off of government bonds for decades. The Bank of England was forced to intervene using quantitative easing to buy government bonds and prevent a crash of the market.

- iii. There was a banking crisis in the US which saw failure of two major US banks, Silicon Valley Bank and Signature Bank in March 2023 and a downgrade of several US banks. This led to the cut in the outlook for US banks system largely due to the expected funding pressures, regulatory capital weaknesses and rising risks associated with commercial real estate exposures. By the end of the financial year in June 2023, the US banks' indicated material increases in funding costs as well as profitability pressures related to the significant and rapid tightening in US monetary policy. A study on the fragility of the US banking system during the year indicated that 186 more banks were at risk of failure even if only half of their uninsured depositors decided to withdraw their funds. While efforts by the US Fed and the Federal Deposit Insurance company (FDIC) was able to calm the market, the risk remains elevated. As a result, Bank of Uganda revised the risk limits during the year. The specific financial risks exposures are explained below in the market, credit, and liquidity segments.

1.18.3 Credit risk

Credit risk was considered high during the year as interest rates in advanced economies have remained higher than initially expected due to persistent high inflation. High interest rates together with tight lending conditions have significantly raised borrowing and refinancing costs for the counterparty banks and constrained aggregate demand. Typically, it is more challenging to obtain financing and generate strong returns in a higher rate environment, especially one that follows an extended period of ultra-loose monetary policy. Difficulties are greater for counterparty banks in the Euro area that have been in negative rates. In addition, Credit Concentration Risk has continued to remain high during the year, arising mainly from holding the bulk of the reserves in deposits with a few highly rated commercial banks in advanced economies. The BoU revised the credit risk limit to 2% and strategically managed all credit within this limit during the year and embarked on evaluation of new counterparty banks to minimize concentration risk.

1.18.4 Market risk

Risks from higher rates and higher macro volatility in the new regime that have resulted in greater market volatilities, have kept market risk on foreign reserves portfolio high. Market risk remains a strong concern as interest rates are likely to remain high, with the central Banks maintaining a tight monetary policy stance during the year. During the financial year, the Board approved the new market risk limit to be measured in terms of Conditional Value-at-Risk (Conditional VaR). The market risk of the Bank's reserves portfolio as measured in terms of the Conditional VaR was maintained within the limit approved by the Board.

1.18.5 Liquidity risk

Liquidity pressures have been relatively low over the period under review as foreign inflows, increased due to government borrowing in foreign currency. However, this is expected to increase government foreign exchange payments and cause liquidity pressures. This could also arise because of the effects of the strong dollar could spread via weak current account, worsening credit availability, diminished capital inflows, tighter monetary policy on impact, and bigger financial market declines.

1.18.6 Operational risk

Bank of Uganda acknowledges that risks exist in every process and/or activity undertaken in pursuit of its strategic objectives. To effectively manage operational risk, the Bank has in place Operational Risk governance structures at all levels starting from individual staff to the Board. These structures assist in operational risk assessments, evaluation, treatment, monitoring and reporting. Business units and/or departments are charged with ownership of risks in their respective areas and these are recorded in the departmental risk profiles which, when consolidated, form the corporate risk profile for the Bank.

The Bank conducted a Business Impact Analysis (BIA) during the financial year to establish the total number of critical business processes in the Bank and their potential financial and non-financial impact. This exercise improved the Business Continuity Management (BCM) function through risk assessment, gap analysis and the identification of the critical systems of the Bank. This will inform the planned Business Continuity Plan (BCP) testing in the financial year 2023/24.

In line with the SP 2022-27 Strategic Objective and Initiative of Improving Efficiency and Reliability of Bank Processes and Implementing the ISO27000 Roadmap respectively, the Bank embarked on the process of adopting the ISO 27001 Information Security family of standards. In addition, the Bank provided ISO 27001 training for top and mid-Level management to facilitate the change management process in anticipation of the upcoming phases of the ISO27000 Roadmap implementation throughout the Bank.

The Bank is also dedicated to developing strategies to protect against emerging threats through ardently

monitoring and handling information security risks.

During the financial year, sensitization of staff on risk management continued through the Risk Management Awareness Week (RIMAW) with emphasis on health and safety, information security, cyber security and incident reporting. Further sensitization was conducted at departmental and management levels at all Bank premises, aimed at inculcating a healthy corporate risk culture and value system.

The Bank will continue to benchmark with regional and other Central Banks to further improve the Operational Risk Management regime.

1.18.7 Compliance risk

Bank of Uganda is exposed to compliance risk through its operations and activities. This is the risk of legal or regulatory sanctions, material financial loss, or reputational loss the Bank may suffer because of its failure to comply with laws, regulations, prudential guidelines, rules, related self-regulatory standards, and codes of conduct applicable to its activities.

The Board is mandated to establish a compliance management system that ensures the Bank's operations are performed in line with the laws, regulations, rules, and codes of conduct applicable to its activities including compliance with the Bank's policies.

The Bank continued to strengthen its compliance management system by updating its Regulatory/ Compliance Universe with laws and regulations in Uganda that include Revisions of Minimum Capital Requirements Instrument 2022, Micro-Finance Deposit Taking Institutions (Amendment of 2nd schedule) Instruments 2022 and Financial Institutions (Credit Referencing Bureau) Regulations. During the year, compliance risk monitoring was done for respective BoU Departments in order to ascertain the compliance levels and these were moderate. The compliance gaps which were identified were escalated to Management for resolution.

1.18.7.1 Compliance Risk Developments

i. The Data Protection and Privacy Act 2019:

The Data Protection and Privacy Act 2019 protects the privacy of the individual and of personal data by regulating the collection and processing of personal information; provides for the rights of the persons whose data is collected and the obligations of data collectors, data processors and data controllers; and regulates the use or disclosure of personal information.

During the year, the Bank implemented measures to fulfil its obligation as a data collector, data processor and data controller as well as to protect and promote the rights of its data subjects as stipulated under the Data Protection and Privacy Act, 2019 and its accompanying Regulations, 2021. The Bank got registered and obtained a Certificate of Registration number PDPO-202206-0354 on 09 August 2022 from the Personal Data Protection Office under NITA-U, as a data collector, data processor and controller. Subsequently, the Bank prepared and submitted the Annual Compliance report to the Personal Data Protection Office on 28 September 2022. The annual Bank of Uganda registration was renewed on 30 June 2023.

Additionally, during the year, the Bank appointed a data protection and privacy officer and conducted awareness across the Bank to equip its staff with the necessary knowledge and skills on how to handle their personal data as well as data for the stakeholders. BoU management approved the Data Protection and Privacy guidelines which are currently being implemented. The guidelines are detailed procedures that shall be used by staff of the Bank and all those in use or access to personal data, to operationalize the Data Protection & Privacy Act 2019 and the accompanying regulations.

ii. The National Payment Systems Act 2020:

The National Payment Systems Act 2020 provides for;

- i. The safety and efficiency of payment systems
- ii. The functions of the central bank in relation to payment systems
- iii. The rules governing the oversight and protection of payment systems
- iv. Financial collateral arrangements to regulate payment service providers
- v. Regulation of issuance of electronic money

- vi. The oversight of payment instruments.

The Bank has since put measures in place to implement its obligations as outlined in the law and its accompanying regulations.

During the year, the Bank embarked on a Data Replication Project that will provide a solution which will enable real time replication of data and records as required by the National Payment Systems Act 2020.

iii. The Anti-Money Laundering Act 2013 (as amended):

The Anti-Money Laundering Act 2013 (as amended) provides for; the prohibition and prevention of money laundering; establishment of the Financial Intelligence Authority to combat money laundering activities; impose certain duties on institutions and other persons, businesses and professions who might be used for money laundering purposes and other related matters.

During the year, the Bank appointed the Anti-Money Laundering Officer to facilitate the monitoring and control of AML risks in the Bank's operations as required by the Anti-Money Laundering Act 2013 (as amended) and Regulations 2015.

iv. The Occupational Safety and Health Act 2006

The Occupational Safety and Health Act 2006 provides for; duties, obligations and responsibilities of employers and workers; registration of workplaces; health, welfare, safety, fire, machinery, plant & equipment and hazardous materials requirements.

During the year, an Occupational Health and Safety Inspection of the workplace (Head Office and Branches) was conducted to ascertain compliance with the Occupational Safety and Health Act 2006. The compliance gaps which were identified were escalated to Management for resolution, so as to provide a conducive working environment for the staff as well as the stakeholders who access the Bank premises.



1.19 Internal Audit Operations

The Internal Audit function is a key element of good governance in Bank of Uganda. To this end, the Internal Audit Directorate draws its mandate and authority from the Audit Charter, approved by the Audit and Governance Committee of the Board (AGCB). The Charter defines the purpose, authority, and responsibility of the Internal Audit Directorate and underscores its independence. To ensure independence, the Chief Internal Auditor reports functionally to the Chairperson of the Audit Committee of the Board and administratively to the Governor.

The Charter also defines the position of Internal Audit in the Bank structure, the relationship of the Chief Internal Auditor with Management and approval of recommendations for the appointment of managerial audit staff.

The Internal Audit Directorate is given unrestricted access to all records related to the performance of the audit engagements.

The AGCB provides oversight of the operations and performance of the Internal Audit Directorate and defines the scope of work for external auditors.

In discharging Internal Audit mandate, the Directorate follows guidance issued by the International Professional Practices Framework (IPPF), Information Systems Audit and Control Association (ISACA), the Institute of Certified Public Accountants of Uganda (ICPAU), and other related international standards.



1.19.1 Audit Responsibilities

To fulfil Internal Audit responsibilities, the Directorate conducts assurance and consulting engagements that lead to recommendations subsequently followed up to ensure that effective remedial actions are being taken by Management.

To maintain objectivity, Internal Audit does not have operational responsibility for or authority over any of the activities audited.

The management of the Bank is responsible for the system of internal controls and must put in place policies, procedures, and guidelines to ensure that the internal control system effectively addresses and mitigates risks to the achievement of the Bank's strategic objectives.

1.19.2 Audit performance during the year

The Directorate set out to execute the approved annual work plan following a Bank-wide risk assessment. The internal audit directorate was only involved in the provision of assurance or advisory services to the Board and Management.

The areas of audit coverage during the year included review of controls, risk management and governance procedures in the core mandate areas of the Bank, the systems that support those operations as well as some support activities to the Bank operations. Other ad hoc engagements were commissioned by the Board and Senior Management covering various areas within the Bank. The significant findings were reported to the AGCB during their quarterly meetings and remedial actions discussed for management implementation. Generally, the control environment in the Bank was satisfactory.

The Audit Directorate continues to review the Bank's internal control environment with support from the Board and Management and the cooperation of the business units (Departments). The Directorate will continue to exercise professional and ethical conduct in the performance of its mandate.

LOOKING AHEAD

In the year ahead, special emphasis will be placed on review of the emerging digitalization trends/ information technology and its impact on the attainment of the objectives in the Strategic Plan of the Bank SP2022-2027 and the related cybersecurity threats. In addition, the Directorate plans to further the development of programs in continuous auditing and automation of audit processes among others, in order to build capacity of staff.





2

Strategic Plan

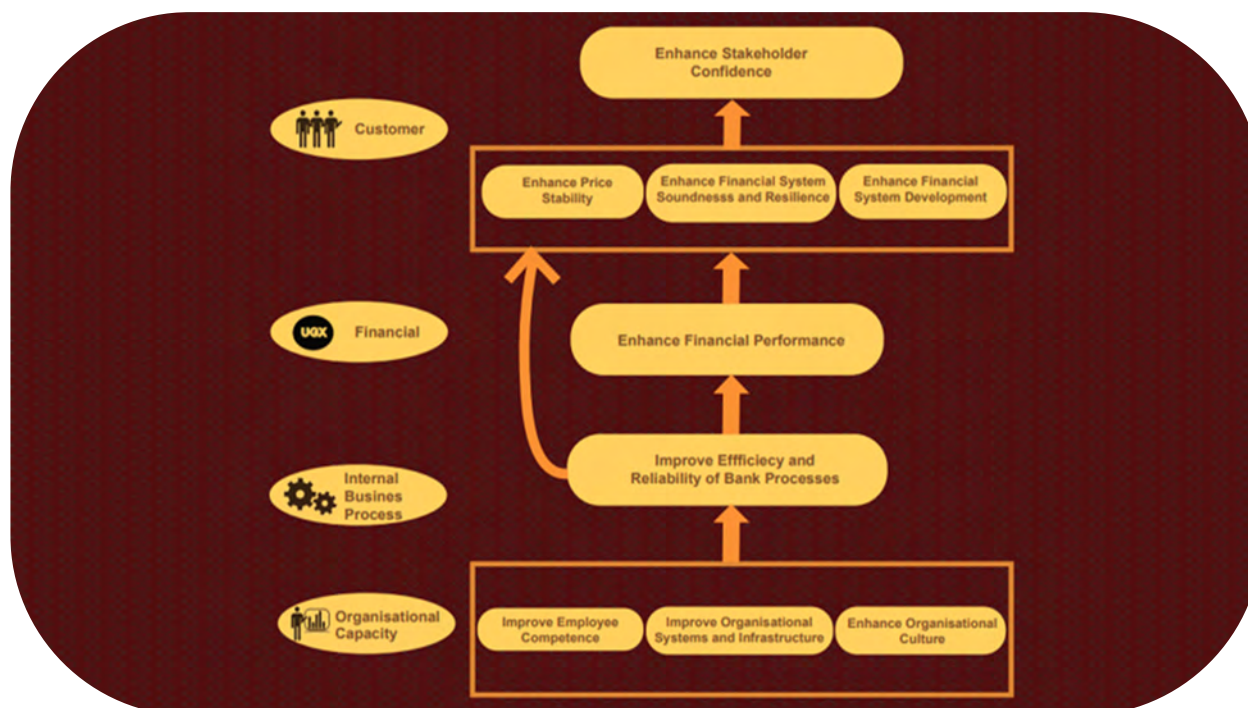
2.1 Bank of Uganda Strategic Plan 2022-2027

Every five years, Bank of Uganda formulates a new Strategic Plan to determine the strategic priorities which the Bank will focus on, to continuously deliver value to its stakeholders. Using the Balanced Scorecard (BSC) strategic planning and performance management framework, the Strategic Plan (SP) outlines the Mission, Vision, Core Values, Strategic Focus Areas, Strategic Objectives, and Initiatives which underpin the Bank's actions for the five-year period.

During the FY 2022/23, the SP2022-2027 was launched. The Plan focuses on delivering strategic initiatives which will enable the Bank to achieve its mission "To promote price stability and a sound financial system in support of the socio-economic transformation in Uganda". The Bank's mission aligns its value proposition to the country's Vision 2040 and the National Development Plan III, underpinned by the recognition that a modern Central Bank has a role to play in three key areas. The first is price stability which speaks to low and stable inflation coupled with exchange rate stability. The second is financial sector stability which focuses on the systemic resilience and soundness of the regulated financial services sector. The third is economic stability in which monetary policy and fiscal policy work together to safeguard macroeconomic stability without which no economic growth and/or socio-economic transformation can take place.

The SP2022-2027 is comprised of nine (9) strategic objectives as shown in Figure 1 and 46 strategic initiatives.

Figure 1: Strategy Map of SP2022-2027



Source: Bank of Uganda

The strategic initiatives include environmental, social, and governance sustainability principles; developing tools for the analysis of climate change and policy interactions; fostering good corporate governance within the regulated financial services providers; as well as developing a framework for the enhancement of financial sector resilience amidst disruptive technologies. In addition, BoU plans to exploit opportunities of big data analytics, artificial intelligence, and machine learning to enhance its capacity to analyze, design, and implement policies; nurture an innovation culture through an Innovation Hub; and work with partners to establish a national payments switch amongst others.

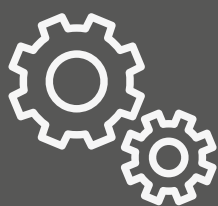
STRATEGIC FOCUS AREAS



STAKEHOLDER ENGAGEMENTS

Strategic Results

Satisfied stakeholders, Positive image and strong brand, High stakeholder confidence in BoU, Minimized negative publicity, Enhanced legal compliance and clarity of BoU mandate, Compliance with MOUs.



PRICE & FINANCIAL STABILITY

Strategic Results

Low and stable inflation, Stable exchange rate, Growth in e-payments, Increased access to financial services, Low systemic risk in the financial system, Adequate currency in circulation, Sound and resilient RFSPs, Climate change risks embedded in all processes, Reduced currency printing costs, Minimised domestic macroeconomic imbalances, Real-time supervisory data collection and analysis.



FINANCIAL STEWARDSHIP

Strategic Results

Bank is financially sustainable, Increased income, Prudent expenditure, BoU managed funds (ACF, PRIR, SBRF) are managed efficiently.



OPERATIONAL EXCELLENCE

Strategic Results

Delivery of value for money goods, services and works, Increased cost savings, Resilient Business Systems, Optimal IT systems utilization, Automation of Business Processes, Projects delivering Value for Money (Cost, Time, Scope, Quality, Benefits), Real time data analysis for evidence-based decisions, Minimal cyber security incidents, Adoption of approved 4IR solutions, Paperless Office.



EMPLOYEE EXCELLENCE

Strategic Results

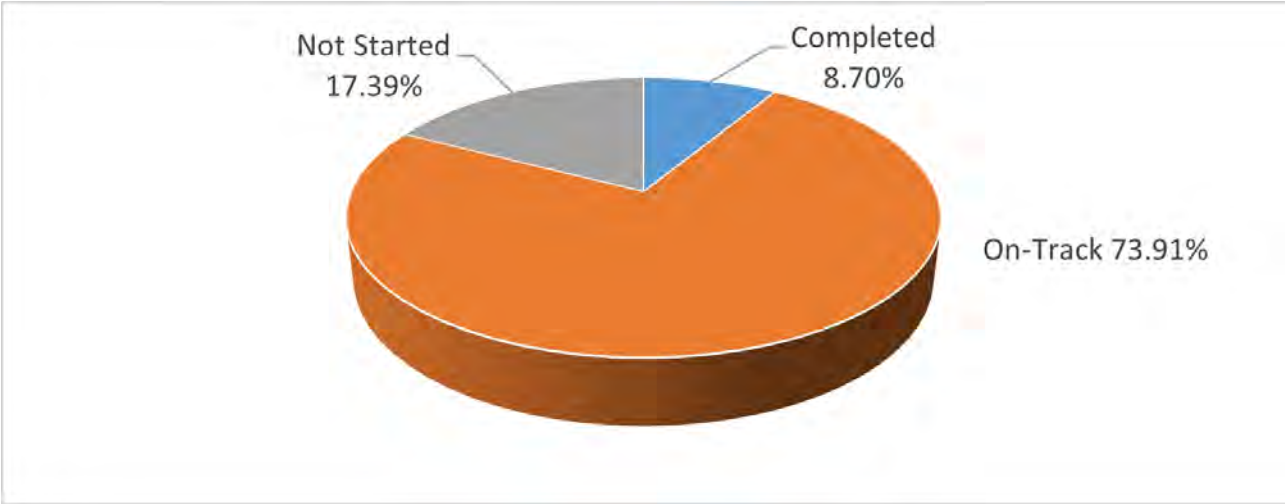
Improved staff performance, Engaged and motivated staff, Skilled and competent staff, Commitment to Corporate Values, Creative and innovative staff, Engaged Leadership.

2.2 The Implementation Status of SP2022-2027 as at 30 June 2023

About 10 percent of the strategic initiatives were completed in the first year as shown in Figure 1. The completed strategic initiatives include the review and alignment of the operational communications strategy to the corporate strategic plan 2022-2027; development of a regulatory framework for consumer protection for the payment systems; development of innovative cost rationalization measures; as well as development of the succession policy to preserve corporate memory and strengthen knowledge transfer.

Looking ahead, the Bank will continue to aid national structural transformation by securing price and financial sector stability as well as promoting the financial inclusion and economic equity of the people of Uganda.

Figure 2: Level of Completion of Strategic Initiatives



Source: Bank of Uganda

The background of the slide features a dark blue, semi-transparent overlay of financial data. It includes several green bar charts, line graphs, and numerical values in white and green. Some of the visible numbers are -05.22, 14.12 (highlighted in a white box), 00, 15, -30.20, 00.21, 22.00, -07, and 9. A large, dark red diagonal shape cuts across the bottom left corner.

3

Monetary Policy

3.1 External Economic Environment

3.1.1 Global economic activity

The global economic growth prospects continued to gradually recover from the effects of the pandemic and the Russia-Ukraine conflict, with improved revisions to forecasts. The IMF World Economic Outlook's update of July 2023, for the growth forecast for 2023 has improved from 2.8 percent in April 2023 to 3.0 percent, 0.2 percentage points higher than the April 2023 growth projection. Growth in 2024 is projected to remain stable at 3.0 percent. (Table 2). Growth in Advanced Economies (AEs) is now projected to grow at 1.5 percent in 2023, which is 0.2 percentage points higher than April 2023 projections. The United States (US), the Euro Area, and the United Kingdom (UK) are projected to grow in 2023 at 1.8, 0.9, and 1.4 percent which are 0.2, 0.1, and 0.7 percentage points higher than April 2023 projections.

The improvement in the outlook is due to the suspension of COVID-19 as a public emergency of international concern, the normalization of supply chains as the effects of the Russia-Ukraine war are mitigated, the decline in commodity prices, particularly energy prices, and resilience in the banking sector. In addition, inflationary pressures are easing especially for advanced economies and financial markets are easing too. However, compared to September 2022 forecasts, the Euro Area has experienced a decline in growth prospects as the Russia-Ukraine war took its toll on the continent.

Growth in Emerging Market and Developing Economies (EMDEs) which had slowed down to 6.8 percent in 2021 and to 4.0 percent in 2022, is now projected to grow steadily at 4.0 percent in 2023 and then grow slightly higher by 4.1 percent in 2024. The previous hopes for higher growth from China are now starting to wane as the country's real estate sector weighs down investment, foreign demand remains weak and youth unemployment rises. Sub-Saharan Africa (SSA) economies are now expected to grow at 3.5 percent in 2023 and even higher in 2024, by 4.1 percent.

Table 2: Global Growth Projections

Real GDP (Percentage Change from Previous Year)	Percentage point differences from April 2023 projections					
	2021e	2022e	2023f	2024f	2022f	2023f
World	6.30	3.50	3.00	3.00	0.20	0.00
Advanced Economies	5.40	2.70	1.50	1.40	0.20	0.00
United States	5.90	2.10	1.80	1.00	0.20	-0.10
Euro Area	5.30	3.50	0.90	1.50	0.10	0.10
Japan	2.20	1.00	1.40	1.00	0.10	0.00
United Kingdom	7.60	4.10	0.40	1.00	0.70	0.00
Emerging Market & Developing Economies	6.80	4.00	4.00	4.10	0.10	-0.10
Russia	5.60	-2.10	1.50	1.30	0.80	0.00
Brazil	5.00	2.90	2.10	1.20	1.20	-0.30
China	8.40	3.00	5.20	4.50	0.00	0.00
India	9.10	7.20	6.10	6.30	0.20	0.00
Sub-Saharan Africa	4.70	3.90	3.50	4.10	-0.10	-0.10
Nigeria	3.60	3.30	3.20	3.00	0.00	0.00
South Africa	4.70	1.90	0.30	1.70	0.20	-0.10
ASEAN -5	4.00	5.50	4.60	4.50	0.10	-0.10
Low-income Countries	4.10	5.00	4.50	5.20	-0.20	-0.20

Source: IMF WEO, July 2023

However, growth remains below pre-pandemic levels, with growth in 2021 and 2022 recorded at 6.3 and 3.5 percent, respectively. The balance of risks remains tilted towards the downside on account of the slowing down of China's growth recovery. It was expected that the opening of China's border activities would boost its growth. However, the country is plagued with real estate weaknesses, elevated youth unemployment, and weak foreign demand.

Globally, inflationary pressures persist which adversely affects household incomes as the tight monetary policy stance instituted to bring inflation back to target constrains economic activity. Tight lending standards continue to curtail credit supply causing elevated debt, particularly for poor countries. In addition, there is

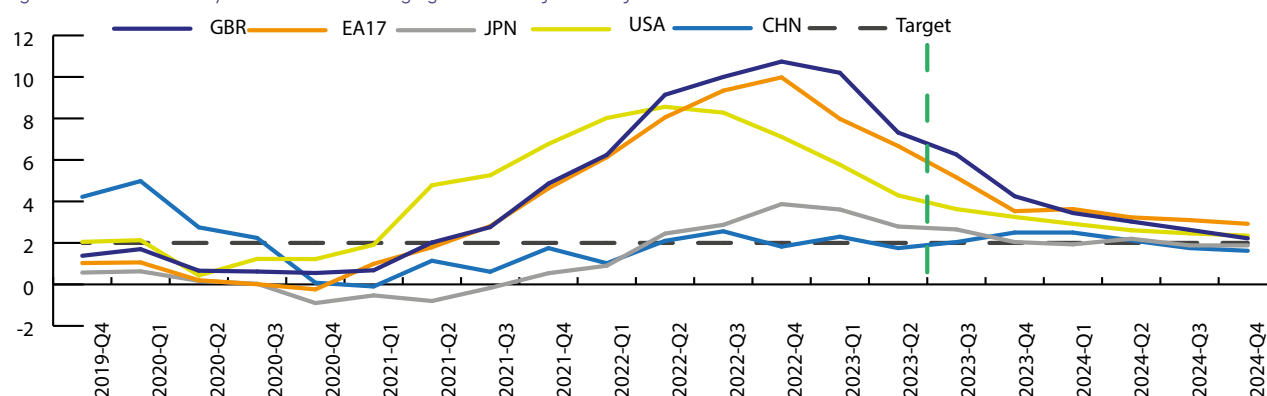
low productivity in the trade and manufacturing sectors. Further, geo-political tensions continue to threaten global growth.

3.1.2 Global Inflation and Commodity Price

Global inflation, which was persistently high in the first half of FY 2022/23, has started to moderate as the effect of the tight monetary policy stance starts to be felt. Global inflation is expected to fall from 8.7 percent in 2022 to 6.8 percent in 2023 and 5.2 percent in 2024. Much as the inflation levels are declining, they are still higher than pre-pandemic levels. Economies continue to employ monetary policy tightening, particularly in Advanced Economies, and this is expected to gradually reduce inflation to target, in tandem with the falling commodity prices. The pace of disinflation varies between countries due to different degrees of economic overheating and different exposures to commodity price movements such as oil-exporting and non-oil-exporting countries. Inflation has mainly been driven by declines in commodity prices, particularly, decreases in energy prices and food prices.

Annual Inflation in the Advanced economies is projected to fall from 7.3 percent in 2022 to 4.7 percent in 2023 and 2.8 percent in 2024 while in EMDEs inflation is set to fall from 9.8 percent in 2022 to 8.3 percent in 2023 and 6.8 percent in 2024. The impact of the Russia-Ukraine war on inflation had been mitigated due to the Black Sea Grain initiative, however, with Russia suspending the initiative as well as bombing Ukraine ports in the Black Sea, supply pressures might resurface.

Figure 3: Inflation in Key Advanced and Emerging Economies: Jan 2021 – June 2023



Source: IMF WEO, July 2023

The upside risks to the inflation outlook arise from the constrained labor markets, exchange rate depreciations as currencies respond to instances of the stronger US dollar, and geo-economic fragmentation as BRICS countries broach the idea of ceasing the use of the US dollar as a mode of transaction. In addition, the continued geopolitical tensions particularly in Russia and Ukraine, and climate-related risks could raise commodity prices which will cause inflationary pressures.

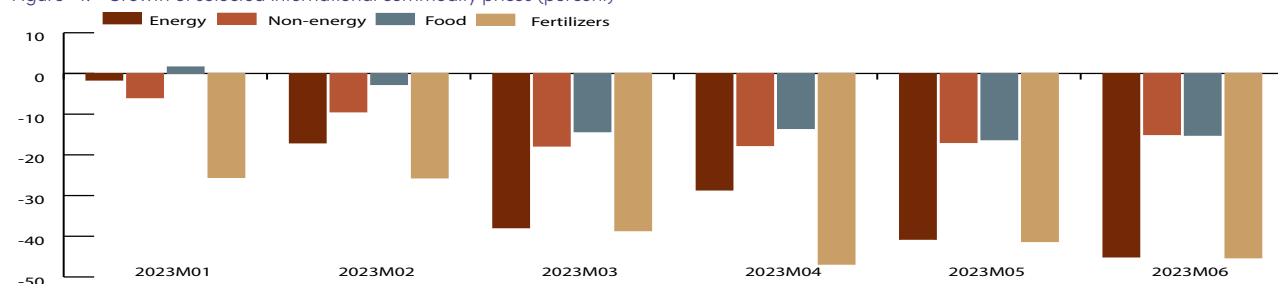
The commodity prices, which were elevated at the beginning of FY 2022/23, have since been on a declining trend. These prices are still above pre-pandemic levels, though. By June 2023, energy prices had eased by 45.1 percent year on year, and by 1.8 percent month on month due to the mild winter weather. Food prices declined by 15.2 percent year on year, in June 2023, as grain prices continued to fall, and cereal prices fell by 14.5 percent year on year and by 2.1 percent month on month. The decline in commodity prices was due to lower economic activity and lower global demand, favorable winter weather which led to lower demand for natural gas, and a redirection of trade away from the Russia- Ukraine trade routes which improved supply prospects.

However, in July 2023, the international food price index by the Food and Agricultural Organization (FAO), which fell by 11.8 percent year on year, rose slightly by 1.3 percent month on month. Wheat prices rose by 1.6 percent and vegetable oil prices rose by 12.1 percent in the month of July 2023 as Russia terminated the Black Sea Grain Initiative with Ukraine, and as uncertainty over Ukraine exports loomed large.

Year on year, oil prices, meat prices, and dairy prices fell by 23.1 percent, 5.1 percent, and 20.6 percent, respectively, in June 2023. However, Sugar prices rose by 29.6 percent in the same month, as shown in Figure 4.

Going forward, the risks to the global commodities prices are tilted to the upside on account of heightened geopolitical tensions between Russia and Ukraine, weaker than expected oil supply from Russia and OPEC+, and unfavorable weather conditions.

Figure 4: Growth of selected international commodity prices (percent)



Source: World Bank Pink sheet

3.1.3 Global Financial Markets

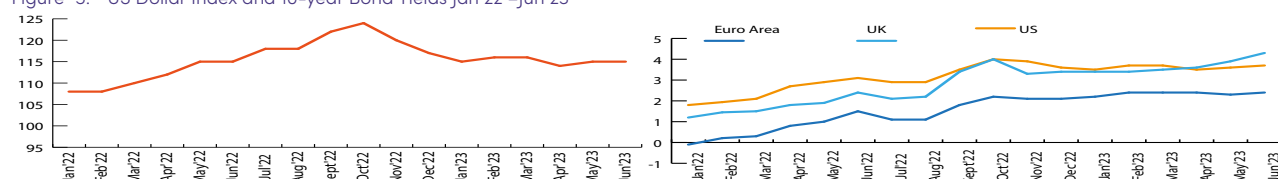
Global financial markets conditions have eased somewhat due to the reduction in banking stress as the US Federal Reserve authorities ensured there was no contagion from the closed banks to the rest of the banking sector. At the beginning of the financial year, conditions were tight following aggressive central bank actions to tame inflationary pressures. The tightened financial conditions caused vulnerabilities in most EMDEs as they struggled with increased borrowing costs, difficulty accessing new financing, depreciated currencies, and capital outflows. This is still the case as monetary policy stances remain tight in several Advanced Economies.

The beginning of the financial year bore threats of recession particularly in the US with inverted yield curves. Even at the end of the financial year, the yield curve remains inverted in the US. Indeed, in July 2023, the US treasury 2-year note yield increased from 4.4 percent to 4.9 percent while the 10-year note yield rose from 3.7 percent to 3.9 percent, respectively. This inversion in the curve points toward recession. However, recession fears have since reduced as economic activity in the US and UK have rebounded into growth territory.

The US Federal index weakened in the three months to July 2023 on the back of investor sentiments that the tight monetary policy cycle was about to end.

The risks to the easing financial conditions lean on the upside. Sudden upside inflation could cause a sharp repricing of financial assets that would amplify the tight liquidity conditions. In addition, further increases in interest rates could exacerbate borrowing costs and increase the risk of defaults.

Figure 5: US Dollar Index and 10-year Bond Yields Jan 22 – Jun 23



Source: US Federal Reserve

Source: Refinitive

3.1.4 Implications for the Uganda Economy

The global growth recovery could provide global demand for Uganda's exports. However, a slump in global output would further constrain demand for Uganda's exports of goods and services as several advanced economies turn inward, to boost their economies. In addition, China's slowdown in growth and in-ward reversal to trade in commodity products instead of the services industry could drive up global prices of commodities, particularly energy prices. In addition, Uganda could face a higher import cost since China is a major source of Uganda's imports. The combination of reduced export earnings with the higher cost of imports if the price effect dominates, implies a reduction in net exports and thus lower domestic growth.

As commodity prices continue to decline, the resultant decline in global inflation means lower imported inflation for Uganda. The lowering of crude oil prices could boost the Ugandan economy as fuel pump prices reduce and production costs fall. Food prices have also fallen reducing the threat of famine for

Uganda; however, this should be monitored due to geopolitical tensions in Russia and Ukraine.

Towards the end of the financial year, the country enjoyed a strengthening of the shilling which could be due to lower import costs as commodity prices ease, particularly oil. Despite the announcement of the World Bank staying new lending to Uganda, the Shilling stabilized after initial depreciation and was boosted by increased inflows from offshore players, NGOs, and remittances. The outlook for the monetary policy stance of most advanced economies remains in the tightening region, being set to unwind in 2024. The current high interest rates are causing yields in advanced economies to remain high which could lead to heightened depreciation pressures on account of capital outflows.

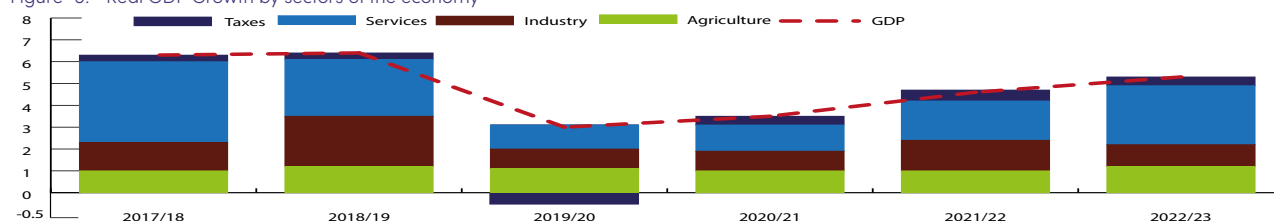
3.2 Domestic Economic Developments and Prospects

3.2.1 Real Economic Growth

The economy remained resilient in the FY 2022/23. Preliminary estimates from Uganda Bureau of Statistics (UBOS) show that the economy grew by 5.3 percent in FY 2022/23 higher than the revised growth of 4.6 percent in FY 2021/22 (Figure 6) reflecting economic recovery as global demand improves. Growth was largely driven by the services and industry sectors. The services sector grew at 6.2 percent, 2.1 percentage point higher than the previous fiscal year growth, largely attributable to the expansion of trade and repair activities which contributed 8.3 percent to the sector growth. Real estate activities and education activities also made notable contribution to growth of the service sectors. The industry sector grew at 3.9 percent from the 5.1 percent registered the previous year largely driven by manufacturing and construction activities with 80 percent combined contribution to the increase of the sector growth. Growth in construction activities decreased to 4.7 percent from 5.2 percent in the previous year while growth in manufacturing decreased to 3.0 percent from the 3.8 percent observed in FY 2021/22.

The Agricultural, Forestry and Fishing activities is estimated to have grown at a constant rate of 5.0 percent in FY 2022/23 and were mainly bolstered by crops and livestock subsectors which grew at 4.7 percent and 8.9 percent respectively during year.

Figure 6: Real GDP Growth by sectors of the economy



Source: UBOS, June 2023

3.2.2 Growth Outlook

There are signs that the growth momentum is beginning to wane reflecting low domestic demand and as higher interest rates weigh on activity. Indeed, high-frequency indicators of economic activity point to a softening in the growth momentum in the three months to June 2023, with the Purchasing Managers Index (PMI) declining to 56.4 in June 2023 relative to 57.4 in May, although these readings remain above the 50-mark.

Going forward, prospects for domestic economic growth are diminishing impacted by adverse global economic developments, tighter domestic monetary and financial conditions, and falling consumer and Business confidence. The economy is now projected to grow in the range of 5–6 percent in 2023/24.

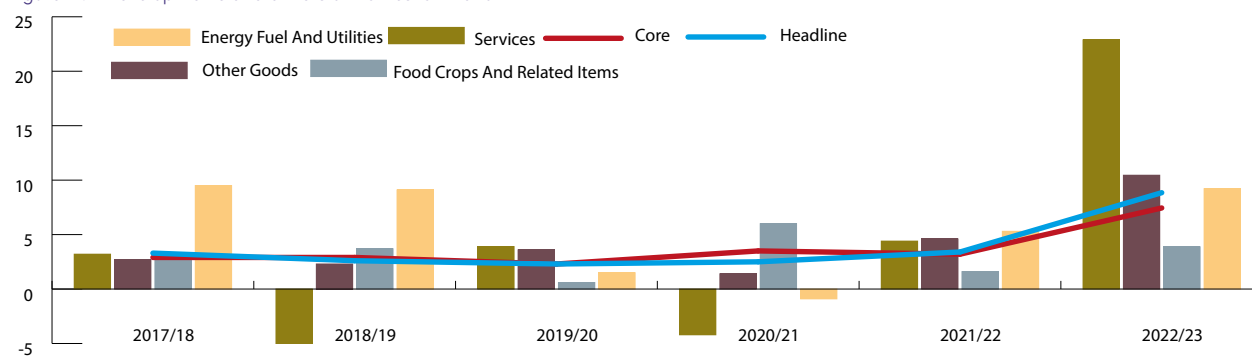
3.2.3 Inflation Developments

Despite the normalization of global supply chains, lower food and energy prices, Inflation was higher than the Bank's 5 percent target for the most part of the FY 2022/23. Inflation remained high reflecting effects of adverse weather conditions on agricultural output translating into higher food crops and other goods prices. In addition, the low pass-through of World oil prices to the domestic economy accounted for the persistent high energy prices over the year.

Headline and core inflation averaged 8.8 percent and 7.4 percent, respectively in FY 2022/23. Particularly, Headline inflation accelerated by 5.4 percentage points from the level registered in the FY 2021/22 largely reflecting the adverse weather conditions. This is the main driver behind the other goods inflation which is visibly the most significant driver of inflation (Figure 7). In addition, the dry weather conditions witnessed in the FY 2022/23 caused prices of some food items to rise significantly and reversed the negative course observed the previous year owing to favorable weather. Although, domestic fuel and liquified gas pump prices peaked in July 2022 reflecting initially the recovering global demand, prices of these fuels were persistently high during most of the financial year.

Annual core inflation increased by 4.3 percentage points from the 3.2 percent observed in FY 2021/22 depicting the marked increase in the growth of the prices of other goods. Other goods inflation increased from 4.6 percent in FY 2021/22 to 10.5 percent as prices of essential goods such as sugar, maize flour and rice increased. The increments in these prices are attributed to the drought experienced in the country.

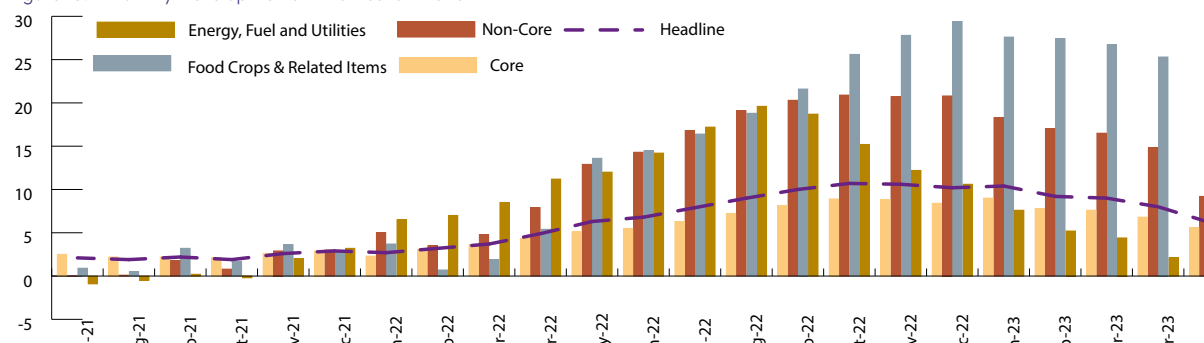
Figure 7: Developments and drivers of Domestic Inflation



Source: Uganda Bureau of Statistics and BoU computations

In terms of monthly developments, inflationary pressures started in May 2022 with both annual headline and core inflation reaching 10.7 percent and 8.9 percent respectively in October 2022 (Figure 8), the highest since 2017. This was largely driven by the drastic increases in prices of; other goods particularly household essentials such as rice, maize flour and sugar. Also, food crop items such as beans, tomatoes and matooke backed the increasing trend of prices over the year. The steep rise in the prices of other goods and food crops was due to adverse weather conditions that reduced the supply of these agricultural products causing prices of these goods to raise.

Figure 8: Monthly Developments in Domestic Inflation



Source: Uganda Bureau of Statistics

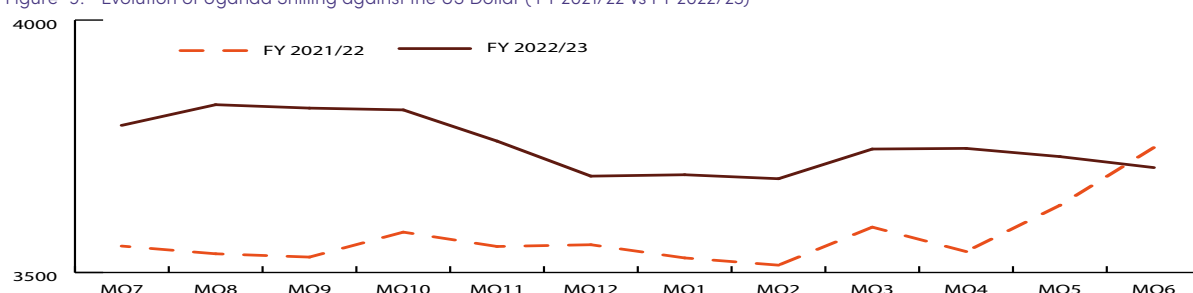
3.2.4 Inflation Outlook

3.2.5 Exchange Rate Developments

In comparison to the FY 2021/22, the Uganda shilling depreciated by 5.1 percent against the US dollar to an annual average exchange rate of UGX 3752.47/US\$ in FY 2022/23 from UGX 3571.78 recorded in 2021/22. Depreciation pressures were carried over from the last quarter of FY 2022/23 as most Advanced economies adopted hawkish monetary policy to curtail global inflationary pressures.

The depreciation pressures further persisted due to spillover effects of the Russia-Ukraine war such as supply chain disruptions, high international commodity prices, deteriorating terms of trade and tight global financial conditions which triggered portfolio investors' exit from the domestic debt market. The Uganda shilling depreciated, year-on-year, by 8.4 percent in both August 2022 and September 2022 registering the highest monthly average rates in FY 2022/23 of UGX 3832.38 and UGX 3825.59, respectively. This pace of depreciation was significantly checked by the contractionary monetary policy stance, and tight liquidity conditions in the money markets due to the tightening of the cash reserve requirement. The Shilling was further supported by an increase in export revenues from various commodity exports which outpaced import expenditure, more favorable terms of trade and lower debt service payments.

Figure 9: Evolution of Uganda Shilling against the US Dollar (FY 2021/22 Vs FY 2022/23)



Source: Bank of Uganda

The Nominal effective exchange rate depreciated, year-on-year, by 1.6 percent indicating that the Uganda shilling weakened against the weighted basket of currencies of Uganda's trading partners and/or key global economies. Despite the depreciation trend of the shilling, BoU purchased on a net basis from the Interbank Foreign exchange Market (IFEM) USD 186.05 million, of which the total purchases for reserve build-up amounted to USD 216.05 million while sales for market intervention amounted to USD 30 million.

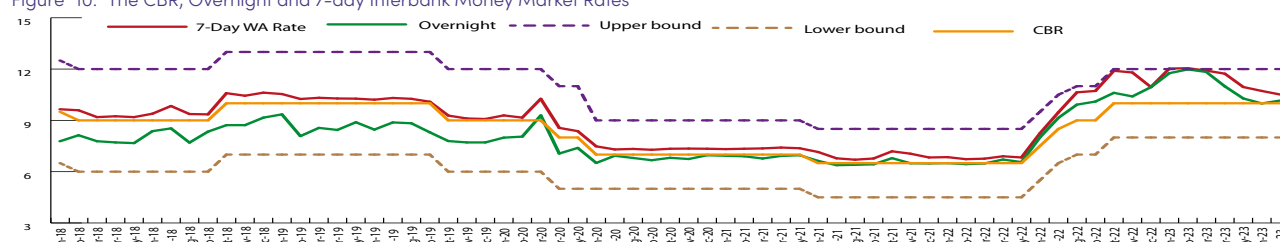
3.3 Monetary Policy and Operations

The primary objective of the Bank of Uganda's (BoU's) monetary policy is to achieve price stability. This is defined as achieving a 5.0 percent target of core inflation over the medium-term (2-3 years). To achieve the inflation objective, BoU continued to implement the Inflation Targeting (IT) monetary policy framework. This is an interest rate-based operational framework where the BoU forecasts the future path of inflation and adjusts the policy rate - the Central Bank Rate (CBR) in response to deviations of inflation forecasts from the target, and deviations of actual output from estimated potential. In addition, the Bank undertakes open market operations to align money market interest rates with the policy rate. Changes in money market rates influence interest rates at which banks lend out money/pay to depositors, which affects consumption and investment decisions of economic agents and consequently, results in inflation that is sufficient to support growth.

BoU raised the key policy rate three times from July to October 2022 to cushion the economy against the worsening inflation outlook spurred by supply chain disruptions from the Russia-Ukraine war but subsequently maintained the rate at 10.0 percent thereafter to June 2023. The band on the CBR was maintained at +/-2 percentage points on the CBR, and the margins on the CBR were kept unchanged at 3 and 4 percentage points for the rediscount and bank rate, respectively.

The tightening liquidity conditions following a succession of policy rate hikes and an increment in the cash reserve ratio at the end of FY 2021/22, resulted in significant increases in Interbank money market rates for FY 2022/23. The 7-day interbank weighted average rate rose to 11.2 percent in FY 2022/23 from 7.0 percent in FY 2021/22 while the overnight rate rose to 10.7 percent from 6.6 percent in the same period. BoU relied on repurchase agreements and deposit auctions to manage financial system liquidity and sequentially align the rates in the interbank market.

Figure 10: The CBR, Overnight and 7-day Interbank Money Market Rates



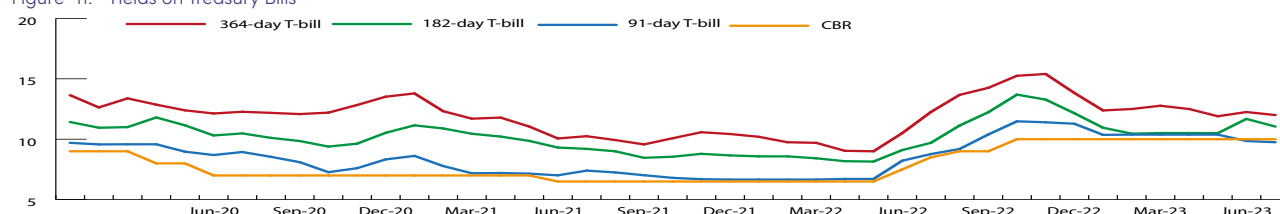
Source: Bank of Uganda

3.4 Interest Rates

3.4.1 Yields on Treasury Bills and Bonds

Yields across all tenors of bills and bonds increased in FY 2022/23 compared to FY 2021/22 as shown in Figure 11. This was attributed to tight global liquidity conditions and heightened inflation expectations although conditions improved in the last half of FY 2022/23.

Figure 11: Yields on Treasury Bills



Source: Bank of Uganda

3.4.2 Lending and Deposit Rates

In FY 2022/23, the weighted average shilling lending rate remained flat at 18.6 percent relative to the previous financial year (Table 3). This was largely driven by a neutral monetary policy stance in the second half of FY 2022/23 which cushioned the credit markets from the lagged effects of the tightening initiated in the first half of the financial year. In addition, BoU provided liquidity support to commercial banks through the Standing lending Facility. However, the weighted average foreign currency lending rate rose to 7.7 percent from 6.0 percent over the same period. The average time deposit rates on shilling deposits rose to 10.6 percent in FY 2022/23 compared to 8.2 percent in FY 2021/22. The spread between the shilling lending and time deposit rates narrowed to 7.9 percent in FY 2022/23 from 10.3 percent in FY 2021/22 reflecting a higher funding cost to lenders.

Table 3: Commercial Banks' Interest Rates

		FY2017/18	FY2018/19	FY2019/20	FY2020/21	FY2021/22	FY2022/23
Local currency	Lending (UGX)	20.3	20	19.3	19	18.6	18.6
	Deposit (WARD)	2.9	3.3	2.4	2.4	2.1	2.6
	Demand	1.5	1.5	1.5	1.6	1.5	2
	Saving	3.5	3.6	2.5	2.4	2.4	2.6
	Time	8.9	10.1	9.9	9.4	8.2	10.6
	Spread	11.5	9.8	9.3	9.6	10.3	7.9
Foreign currency	Lending (US\$)	7.7	7.5	6.4	5.9	6	7.7
	Deposit (WARD)	1.3	1.4	1.3	1.3	1.2	1.4
	Demand	1	1.1	1	1	1	1.1
	Saving	1.7	1.8	1.8	1.8	1.8	1.9
	Time	2.7	3	2.6	3.3	3.7	4.4
	Spread	5.4	5	4.5	3.7	2.6	3.3

Source: Bank of Uganda

The shilling lending rate remained elevated across the major economic sectors. The highest and above industry average lending rates were charged for loans to; Agriculture at 21.5 percent; Building, Mortgages, Construction and Real Estate and services at 20.4 percent; and Personal and Household loans at 19.7

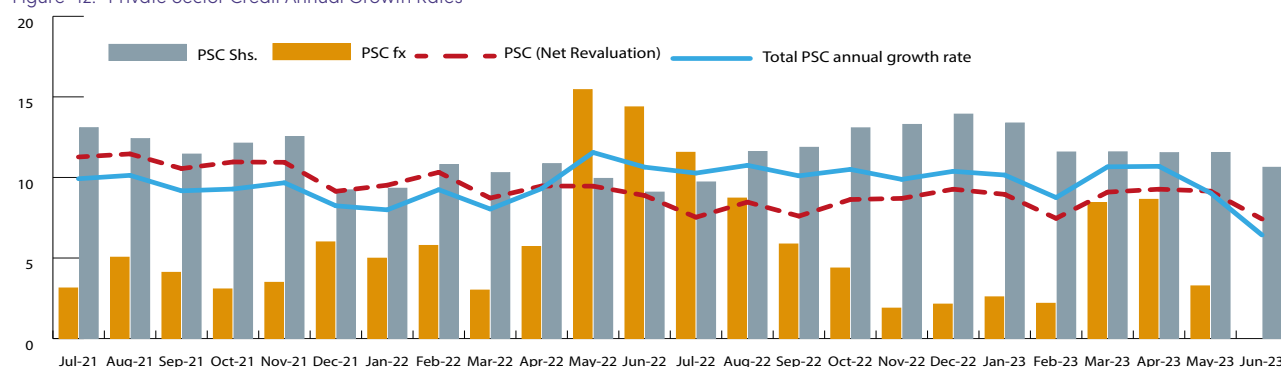
percent during the year. The lowest Interest rates were observed in Transport and Communication at 14.8 percent; Manufacturing sector at 16.0 percent; and Trade at 18.1 percent which sectors are largely dominated by prime borrowers.

3.5 Banks Credit and Monetary Aggregates

3.5.1 Private Sector Credit

Private Sector Credit (PSC) growth rose to an average annual growth rate of 10.0 percent in FY 2022/23 from 9.5 percent in FY 2021/22 with both shilling and foreign-denominated loans growing by 12.0 percent and 4.7 percent from 10.9 percent and 6.2 percent respectively over the period (Figure 12). Despite the increase in private sector credit growth, it still remains below the 12 percent pre-COVID-19 historic average. Net of capitalized interest and foreign exchange movements, PSC growth fell to 8.7 percent in FY 2022/23 from 10.2 percent in FY 2021/22.

Figure 12: Private Sector Credit Annual Growth Rates



Source: Bank of Uganda

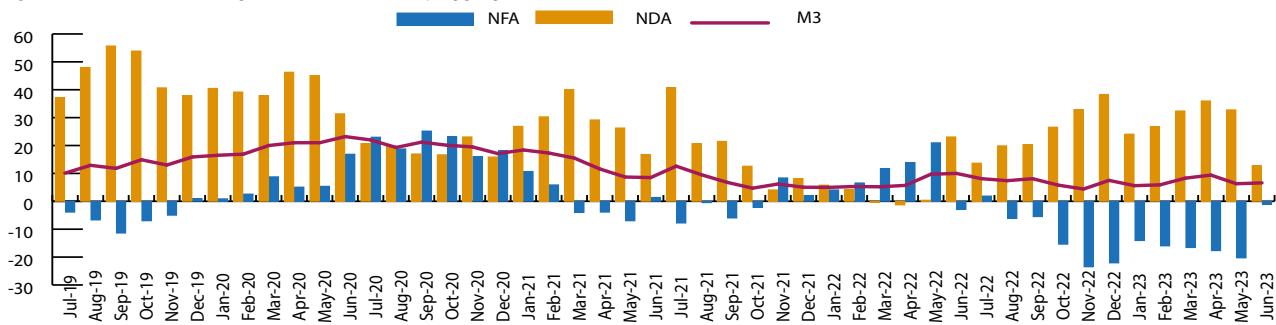
The growth in PSC was uneven across major sectors of the economy. Credit growth slowed in agriculture; transport & communication; electricity & water; and building, mortgage, construction & real estate; to 1.2 percent, 8.6 percent, minus 17.5 percent and 7.1 percent, respectively in the FY 2022/23. However, increased growth in credit was recorded in the manufacturing, trade, business services and personal & household loans sectors.

During the financial year, we saw the ratio of Non-Performing Loans (NPLs) to total gross loans edge up from 5.32 percent in June 2022 to 5.76 percent in June 2023 but had come off a high of 5.89 percent recorded in April 2023. The fall in NPLs in the final months of the financial year were mainly on the back of improving liquidity conditions and a pickup in economic activity.

3.5.2 Monetary Aggregates

Growth in money supply was lackluster in FY 2022/23. Broad money, M3 which is comprised of foreign and domestic currency deposits as well as currency in circulation grew by an average of 6.9 percent in FY 2022/23, down from the 7.1 percent average registered in FY 2021/22. The slow-down in growth in broad money was largely driven by a fall in shillings deposits growth which suppressed the rise in foreign currency deposits and currency in circulation. Shillings deposits grew by 3.0 percent in FY 2022/23, down from 15.9 percent in FY 2021/22 while currency in circulation and foreign currency deposits grew by 10.6 percent and 5.3 percent from 6.2 percent and 3.4 percent respectively. Figure 13 shows that money growth in FY 2022/23 resulted from a growth in Net Domestic Assets (NDA) surpassing the decline in Net foreign Assets (NFA). Overall, in FY 2022/23, Net Domestic Assets and Net Foreign Assets registered respective growth of 26.4 percent and (minus) 13.0 percent from 11.6 percent and 4.0 percent growth in FY 2021/22.

Figure 13: Annual Percentage Growth of Monetary Aggregates



Source: Bank of Uganda



4

Financial Stability

4.1 State of Supervised Financial Institutions (SFIs)

4.1.1 Tier I – Commercial Banks

The Ugandan banking sector remained resilient despite weak economic growth prospects, heightened inflation, and elevated geopolitical tensions. Total banks' assets grew by 8.4 percent from UGX 44.6 trillion as at end-June 2022 to UGX 48.3 trillion as at end-June 2023. The increase in banks' assets was mainly attributed to holdings of Government of Uganda securities, which rose by 12.2 percent, amidst a slowdown in credit growth. Concerns about slowing economic growth induced greater caution in banks towards extending loans to the private sector. In this regard, commercial banks' gross loans and advances increased by 4.7 percent from UGX 18.6 trillion in June 2022 to UGX 19.4 trillion in June 2023. This was considerably lower than the 12.2 percent growth posted in the previous year. Nevertheless, the growth observed this year was boosted by net extensions that amounted to UGX 635.0 billion within the period leading to June 2023.

This is suggestive of a potential shift in banks' risk tolerance vis-à-vis private sector lending, which could stimulate economic expansion moving forward. However, it should be noted that like in the previous year, net capitalized interest on loans, which accounted for UGX 895.5 billion, remained a significant contributor to the overall increment in loans.

Commercial Banks maintained strong capital buffers, majorly due to the increase in the regulatory minimum capital requirements and profitability. Commercial banks' core capital adequacy ratio (CAR) increased from 21.4 percent to 24.8 percent, in part due to a 25.4 percent boost in banks' current year net after-tax profits and 71.7 percent increase in banks' permanent shareholders' equity. This followed the issuance of the Financial Institutions (Revision of Minimum Capital Requirements) Instrument, 2022 on 16 December 2022, by the Minister of Finance, Planning and Economic Development (MoFPED) aimed at enhancing SFIs' resilience. Under the Instrument, the minimum required paid-up capital for Financial Institutions was, effective 31 December 2022, increased to UGX 120 billion and UGX 20 billion from UGX 25 billion and UGX 1 billion, for Tier I (Commercial Banks) and II (Credit Institutions), respectively and to UGX 150 billion and UGX 25 billion by 30 June 2024. Most banks, including all Domestic Systemically Important Banks (DSIBs), have met the minimum capital requirements. Furthermore, pursuant to the Financial Institutions (Capital Buffers and Leverage Ratio) Regulations 2020, banks complied with the additional capital conservation buffer requirement of 2.5 percent, and the additional Systemic Risk Capital buffer in the range of 0.0 – 1.0 percent for DSIBs, depending on their level of systemic importance.

Although initially challenging, liquidity and funding conditions improved towards June 2023. The improvement in funding conditions was partly due to maturities of banks' investment in treasury bonds that were not rolled over in the bond switch, and an increase in retail deposits from customers. As a result, the industry ratio of liquid assets to total deposits (liquidity ratio) increased from 46.5 percent in June 2022 to 49.4 percent in June 2023, with all banks meeting the regulatory minimum of 20 percent. The industry liquidity coverage ratio (LCR), a measure of the ability of banks to withstand a 30-day liquidity stress period, increased from 184.5 percent in June 2022 to 373.4 percent at end-June 2023, well above the 100 percent benchmark.

Asset quality on the other hand remains a concern, characterized by the anemic growth in lending activity and an increase in non-performing loans. The banks' aggregate non-performing loans (NPLs)-to-gross loans ratio increased from 5.3 percent to 5.7 percent during the year ended June 2023, as the stock of NPLs increased by 12.7 percent compared to only 4.7 percent for gross loans. However, SFIs continue to take measures to address credit risk, including prudent provisioning for expected credit losses and write-off of impaired loans. The Financial Institutions (Credit Reference Bureau) Regulations 2022 that were recently gazetted will enable banks to enhance credit risk management, including expanding credit information-sharing among the banking institutions and other accredited credit providers.





4.1.2 Tier II Credit Institutions (CIs)

Total assets held by Credit Institutions (CIs) grew by 10.2 percent from UGX 445.3 billion as at end-June 2022 to UGX 490.6 billion as at end-June 2023. This increase was mainly due to an increase in loans and advances by 8.9 percent to UGX 280.7 billion and placements with commercial banks in Uganda by 73.1 percent to UGX 70.4 billion, over the review period. In the same way, the aggregate core and total capital to risk weighted assets ratios of CIs improved to 18.6 percent and 19.5 percent from 12.4 percent and 13.3 percent, respectively, well above the regulatory requirements. On the other hand, customer deposits contracted by 2.3 percent to UGX 243.3 billion, mirroring a period of tightened liquidity for CIs. In line with this trend, the CIs' NPL ratio worsened from 6.1 percent in June 2022 to 8.3 percent in June 2023, partially attributable to the challenging macroeconomic environment and a deterioration in the repayment capacity for micro borrowers.

4.1.3 Tier III - Microfinance Deposit-taking Institutions

Total assets of Microfinance Deposit-taking Institutions (MDIs) marginally increased by 14.7 percent to UGX 864.4 billion as at end-June 2023, largely due to a 15.8 percent increase in gross loans and advances. Despite an improvement in the MDIs' NPL ratio from 6.8 percent to 5.7 percent, the aggregate core capital-to-risk weighted assets and total capital-to-risk weighted assets ratios reduced from 38.6 percent and 41.3 percent in June 2022 to 34.8 percent and 37.5 percent in June 2023. For MDIs, this reduction was partly due to the introduction of Basel's operational risk requirements for SFIs' capital, emphasizing the necessity of robust capital buffers in counteracting operational risks.

4.2 Supervision of Financial Institutions

4.2.1 Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) Supervision

In response to Uganda's downgrade and placement on the "grey list" of jurisdictions with strategic deficiencies by the Financial Action Task Force (FATF) in January 2020, several concerted efforts were initiated to rectify the identified deficiencies.

The Supervision Directorate hosted the IMF Mission Team from March 13–17, 2023, to deliberate on the fortification of anti-money laundering and countering the financing of terrorism (AML/CFT) supervision tools. The agreed-upon measures encompassed refining offsite risk-based tools and methodologies for banks, enhancing onsite inspection procedures, strengthening the legal, regulatory, and institutional framework for supervisory enforcement actions, as well as developing supervisory risk assessment tools for money remitters and forex bureaus.

Subsequent to these developments, a meeting was convened by the FATF's International Cooperation Review Group in January 2023. The review concluded that Uganda demonstrated substantial compliance with most FATF Recommendations.

4.2.2 Onsite examinations

Throughout the year, BoU performed onsite examinations at several banks, unearthing some shortcomings. Identified shortcomings ranged from poor risk management practices and governance lapses to outdated banking systems and a high rate of staff turnover. Concurrently, a pilot run of the revised risk-based supervision framework highlighted operational and credit risks, vulnerabilities in digital platforms, insufficient core banking systems, and corporate governance deficiencies. These observations underscore the need for reinforced strategic planning, risk management, and corporate governance across all SFIs.

BoU has, in response, issued specific time-bound directives to these institutions to rectify the identified areas of concern.

4.2.3 The Financial Sector Crisis Management Plan

In an effort to enhance the financial sector's readiness and response to potential crises, BoU, in collaboration with other financial sector regulators under the Financial Sector Stability Forum (FSSF), successfully developed and approved the Financial Sector Crisis Management Plan (FSCMP) in December 2022. The FSCMP represents a collective and forward-looking effort to detect and proactively mitigate potential risks and challenges, ensuring a more robust and coordinated response to any future crises. This comprehensive plan covers mechanisms for early warning systems, procedures for effective communication, and coordination among regulatory authorities. It also outlines contingency plans, resolution frameworks, and recovery strategies to minimize the impact of any potential crisis on the financial sector and the broader economy. With the implementation of the FSCMP, the financial sector will be better prepared to handle uncertainties, maintain financial stability, and thus facilitate continuous economic growth.

4.3 Regulatory Developments

The Financial Institutions (Revision of Minimum Capital Requirements) Instrument 2022

The amendments to the capital requirements came into force following the signing of the Financial Institutions (Revision of Minimum Capital Requirements) Instrument 2022 by the Minister of Finance, Planning and Economic Development (MoFPED) on 16 November 2022. The statutory instrument increases the minimum paid up capital and the minimum capital unimpaired by losses (core capital) requirements of Commercial Banks and Credit Institutions from UGX 25 billion and UGX 1 billion to UGX 150 billion and UGX 20 billion, respectively. The increase is being implemented in two phases: the first phase came into force on 31 December 2022 while the second phase took effect from 30 June 2024.

Amendment of the Foreign Exchange Act, 2004, and the Foreign Exchange (Forex Bureaus and Money Remittance) Regulations, 2006.

The proposed amendments to the Foreign Exchange Act, of 2004 were considered and approved by Parliament on 29 June 2023. On 17 August 2023, the Foreign Exchange (Amendment) Bill, 2023 was assented to by the President of the Republic of Uganda.

Amendment of the Microfinance Deposit-Taking Institutions Amendment Act, 2003

The proposed amendments to the Microfinance Deposit-Taking Institutions (MDIs) Act 2003 were passed and assented to by Parliament of Uganda and the President on 09 March 2023 and 16 May 2023, respectively. In this regard, BoU has so far licenced Salaam Bank, an Islamic finance institution.

The Micro Finance Deposit-taking Institutions (Registered Societies) Regulations, 2023

Following guidance from the Ministry of Finance, Planning and Economic Development, Bank of Uganda finalized and published the Registered Societies Regulations 2023 in the Uganda Gazette on 02 June 2023. Receipt of applications from and licensing of the Registered Societies (Large SACCOs) is due to start in FY 2023/24.

Credit Reference System (CRS) Regulations

The Financial Institutions (Credit Reference Bureau) Regulations, 2022, were updated and subsequently gazetted on 30 September 2022. These regulations were designed to broaden the reach of credit reference services to encompass non-regulated credit providers as well. Following the gazettement of this regulation, BoU issued a directive on 21 October 2022, lifting the obligation for a record submitted to the Credit Reference Bureaus (CRBs) to contain a financial card number. Starting from 01 January 2023, all credit applications by Ugandan citizens reported to the CRBs had to include a National Identification Number (NIN) as the primary unique identifier. For non-Ugandan citizens, a combination of either a refugee number, passport number, or work permit number was made mandatory, pending the issuance of alien identification numbers by the National Identification and Registration Authority (NIRA).

The Foreign Exchange (Amendment) Bill 2020

The Cabinet approved the Foreign Exchange (Amendment) Bill 2022 on 16 January 2023. Subsequently, the Bill was updated by the First Parliamentary Counsel (FPC) and gazetted in Volume CXVI No. 25 of the Uganda Gazette on 14 April 2023. To support the ensuing Parliamentary discussions, the Uganda Printing and Publishing Corporation is set to print a batch of 750 copies of the updated Bill.

The draft Financial Institutions (Liquidity) Regulations, 2021

BoU revised the Financial Institutions (Liquidity) Regulations in order to enhance financial institutions' liquidity risk management, align Uganda with international standards and financial system developments, such as the Basel III framework on Liquidity Coverage Ratio and Net Stable Funding Ratio standards for banks. Subsequently, in June 2023, the Deputy Governor signed and forwarded the revised regulations to the First Parliamentary Counsel for gazetting.

The Consolidated Corporate Governance Guidelines, 2022

Following approval by the Board, the Consolidated Corporate Governance Guidelines were issued to SFIs in October 2022, with a compliance deadline of 31 December 2022. However, some SFIs subsequently sought BoU's dispensation on two aspects of the Guidelines: to extend the deadline for recruitment of additional Independent Non-Executive Directors (INEDs), and to relax the requirement for SFIs to appoint a suitably qualified in-house Company Secretary who shall be a senior manager and vetted by BoU, to instead continue allowing SFIs the option to outsource the role.

The Financial Stability Committee (FSC) reviewed both matters and recommended as follows, for the Board's ratification.

- i. To extend the deadline for the appointment of additional INEDs to 31 December 2023, to allow for the usually rigorous and lengthy process of recruiting the required INEDs.
- ii. To maintain the requirement to bring the Company Secretary role in-house but allow SFIs that are still outsourcing to comply by 31 December 2023. BoU's rationale on this stance for having this role in-house is that the company secretary role is increasingly integral to Corporate Governance and management of SFIs and requires in-depth knowledge of the SFIs' internal operations, dynamics and access to highly sensitive and confidential information on the SFIs' operations and competitive advantage.

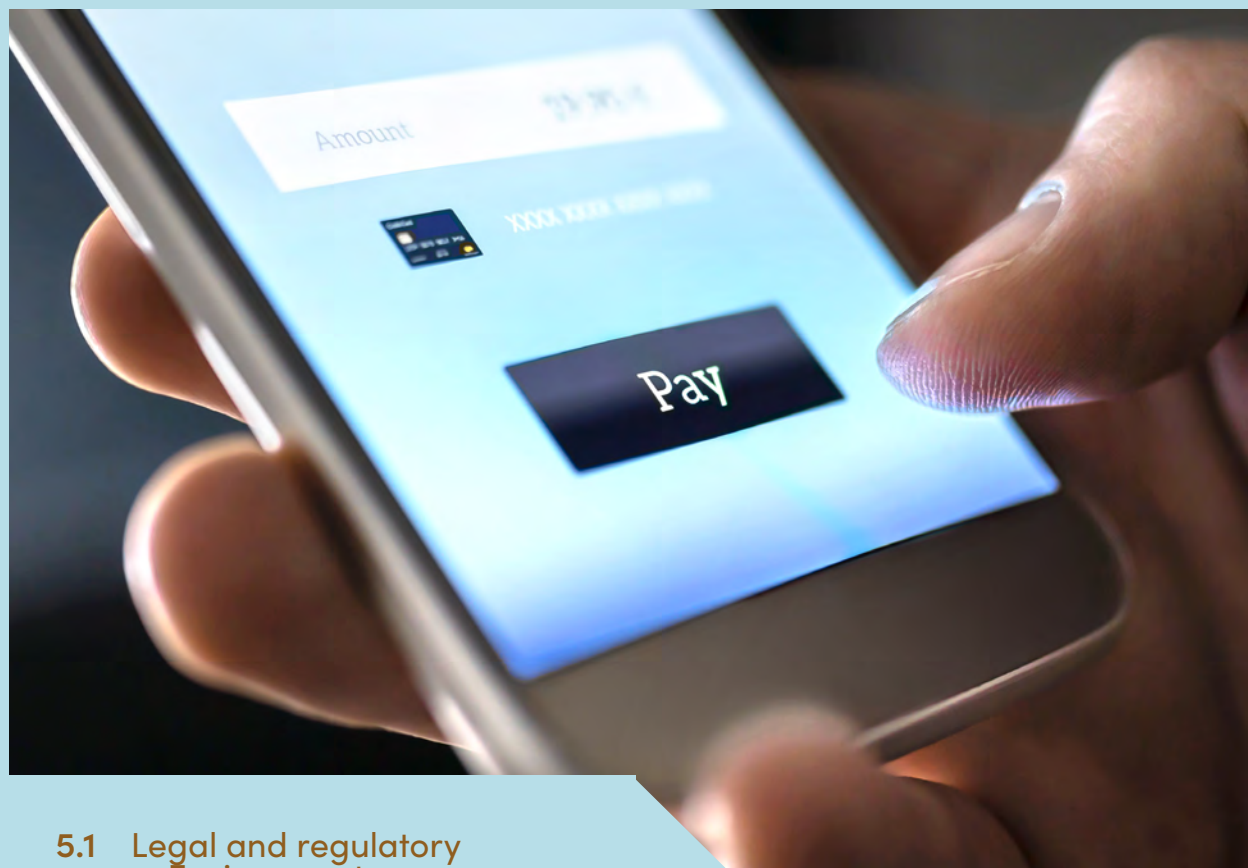
4.4 Financial Stability Assessment

Overall, systemic risks to the banking sector remained elevated, on account of the effects of the sluggish pace of domestic and global economic recovery, geopolitical tensions in Europe, mounting inflationary pressures, and the tight monetary policy implemented during the year. Notably, these adverse macroeconomic conditions have started to pass through to credit risk and asset quality. However, there are signs that domestic inflation has peaked, which together with the positive direction of the indicators of domestic economic activity, is expected to support banking sector performance. Nevertheless, BoU continues to vigilantly monitor risks to financial stability as macroeconomic and financial conditions shift. The Bank is prepared to implement appropriate macroprudential policy measures to ensure the financial sector's ongoing stability.



5

National Payments



5.1 Legal and regulatory Environment

- i. Bank of Uganda continued with implementation of the National Payment Systems Act, 2020 and the Regulations thereunder. This new regulatory framework has provided the bedrock for growth in electronic payments and digital financial services in general.
- ii. To further strengthen the payment systems regulatory framework, Bank of Uganda and Ministry of Finance, Planning and Economic Development issued the National Payment Systems (Amendment) Regulations, 2022 and the National Payment Systems (Consumer Protection) Regulations, 2022. The amendment regulations lowered the minimum entry requirements for micro e-money issuers to UGX 100 million as minimum paid-up capital. This initiative is expected to support innovation by enabling smaller players in the digital space to regularize their operations under the National Payment Systems Act, 2020. The statutory instrument also created an expanded band of minimum capital requirements for medium size institutions as a tiered approach. This will support the nascent digital payments sector to remain financially strong while at the same time balancing between the risks and consumer protection.
- iii. The Consumer Protection Regulations facilitate quick resolution of customer

complaints pertaining to digital financial services and thus enhance consumer empowerment. Bank of Uganda also commenced work on the National Payment Systems Fair Competition Regulations, which aim to ensure that there is fair competition in the market so as not to stifle innovation to the detriment of the consumers.

- iv. As at 30 June 2023, twenty six (26) institutions had been licensed as Payment Service Providers and Payment System Operators including two (2) commercial banks and two (2) institutions which received approval to test innovations under the regulatory sandbox. These institutions have collectively introduced several innovative digital solutions which are gaining traction in the transport sector, health sector, savings and investments, education and micro insurance. This has expanded access to financial services and financial inclusion in general.

According to the World Bank Global Index Report, 2021, access to formal financial services in Uganda is reported at 66% compared to the Sub-Saharan average of 55% largely enabled by mobile money penetration.



5.2 National E-Payments Strategy

Bank of Uganda continued to implement the financial sector e-payments strategy. Notable developments under this multistakeholder initiative include;

a. Promoting infrastructure development and interoperability through the National Switch

Bank of Uganda commenced the establishment of a National Switch which will support interoperability of payments, support digital innovation, centralize Anti Money Laundering and Cyber Security standards and ultimately lower transaction fees. The infrastructure will provide a centralised interface for interoperable transfers between mobile money systems, Point of Sale (POS) Systems, Automated Teller Machines (ATMs), card payment schemes and internet-based e-commerce portals whose settlement will be done by the Central Bank.

Bank of Uganda also commenced the data replication project which will enable replication of all e-money transactions at the central bank. The replication initiative is a key consumer protection measure that will support timely regulatory interventions by the Central Bank.

b. Fostering innovations, competition, consumer protection & digital financial literacy.

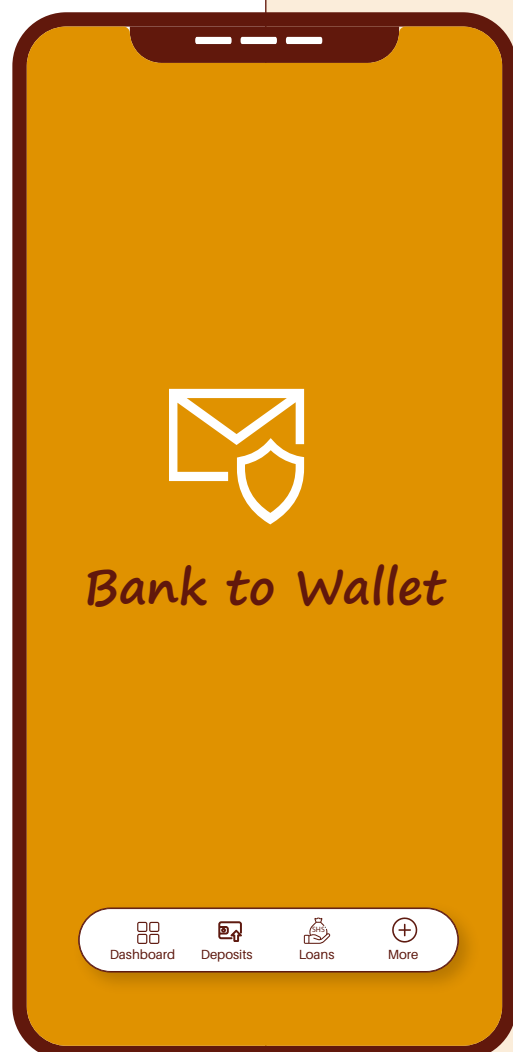
Bank of Uganda continued to promote sustainable innovation through the regulatory sandbox. The sandbox is a framework through which market players can test financial innovations in a live environment under regulatory oversight. The innovations tested under this initiative included use of social media channels to initiate payment instructions and sim skin technology as a means of delivering cost effective financial services to the unbanked and under-banked communities. The sandbox is a key avenue through which Bank of Uganda aims to democratize access to financial services, support digital innovation and promote sustainable financial inclusion. In the post reporting period, approval was granted to two additional institutions to test the automation of direct debits and contactless payments under the regulatory sandbox.

c. Strengthening collaborative stakeholder engagements, both in-country and beyond borders.

Stakeholder collaboration continued to be at the centre of the Bank of Uganda's e-payments initiatives. Accordingly, Memoranda of Understanding were executed with several stakeholders such as United Nations Capital Development Fund (UNCDF), Makerere University Business School (MUBS) and Uganda Communications Commission (UCC) following which joint public awareness campaigns were held. The campaigns focused on promoting financial literacy, educating the public about digital financial services, the attendant risks and mitigation measures. The Bank also continued to actively engage other players in the Fintech space such as the Uganda Fintech Service Providers Association and the Payment Service Providers Association. the latter held quarterly engagements with the Bank of Uganda top management to discuss regulatory developments and general financial policy matters.

5.3 Performance of Payment Systems

Significant increase was noted in the performance of both wholesale and retail payment systems during the financial year 2022/23. This was underpinned by the licensing of new payment service providers and payment system operators, introduction of new digital products, public awareness activities carried out on e-payments, and provision of risk management guidelines to the licensees.



5.3.1 Mobile Money transactions

During the year ended 30 June 2023 mobile money transaction values significantly increased by 22.6% from UGX 156 trillion in June 2022 to UGX 191.3 trillion while the transaction volumes increased by 20.8% from 4.8 billion to 5.8 billion over the same period. Similarly, the number of registered mobile money customers as at June 30 2023 stood at 42.9 million reflecting a 11.4% increase from 38.5 million in June 2022. The active customers (who transacted at least once in the preceding three months) increased by 16.3% from 22.7 million in June 2022 to 26.4 million in June 2023. As at the same date, the 26.4 million active e-money accounts were held by a total of 20.7 million NIN holders, representing approximately 46.8% of the total population in Uganda. Statistics continue to show a stronger preference for low value transactions with an average transaction value of UGX 36,477 posted during the year. In addition, low value transactions remain dominant with 92.8% of the transaction volume constituted by transactions less or equal to UGX 50,000.

All the e-money issued is fully backed up by cash held in trust accounts in partner Banks. As at year end, balances held on trust accounts by the partner banks stood at UGX 1.46 trillion, reflecting a 10.5% increment from UGX 1.43 trillion reported in June 2022.

5.3.2 The Kampala Automated Clearing House (KACH) system

The KACH is where payment orders namely, customer cheques, Direct Debit/Credits and ETFs continue to be exchanged and processed electronically between banks. The cheques are processed after undergoing truncation and digitization.

Consistent with the Central Bank's policy measure to limit interbank cheques, cheque transaction values declined by 15.4% from UGX 6.5 trillion in the year to June 2022 to UGX 5.5 trillion in the year to June 2023. On the other hand, Electronic Funds Transfer (EFT) transaction values, increased by 17.2% from UGX 47.8 trillion in the preceding year to UGX 56 trillion in the twelve months ended 30 June 2023 as indicated in the table below.

Table 4: Performance of KACH system

	2023		2022	
	EFTs	Cheques	EFTs	Cheques
Value (UGX) Trillions	56.02	5.46	47.75	6.53
Volume (Millions)	12.6	1.2	12.1	1.2

Source: Bank of Uganda

5.3.3 Performance of the Uganda National Interbank Settlement System

The Uganda National Inter-Bank Settlement System (UNISS) is the Real Time Gross Settlement (RTGS) system for Uganda. It is an Inter-bank Large Value Transfer System that facilitates the safe and efficient transfer of large and time critical payments between participants. A significant upturn was registered in the Uganda National Interbank Settlement System whose transaction volume rose by 25% from 1.44 million transactions reported in the year ended June 2022 to 1.8 million transactions in the year to June 2023.

Similarly, the transaction values significantly increased by 31.3% from UGX 557.6 trillion for the year ended June 2022 to UGX 731.9 trillion in the year to June 2023. RTGS continued to settle transactions from Interswitch and ABC Banking platforms. The Uganda shilling (UGX) remained the most transacted currency while the rest of the currencies remained insignificant.

5.3.4 The Shared Agent Banking Platform

The Agent Banking Platform is a shared system used by the financial institutions to offer agent banking services. As of 30 June 2023 a total of 23 institutions (22 commercial banks and 1 Microfinance Deposit-taking Institution) had signed up to the platform.

Modest results were posted by the shared agent banking platform which supports agent interoperability. The transaction volume on the shared agent banking platform marginally increased by 2.3% from 8.6 million transactions in the year ended June 2022 to 8.8 million transactions in the twelve months to June 2023. Transaction values on the other hand, registered a significant increase of 29% from UGX 9.7 trillion in June 2022 to UGX 12.5 trillion in June 2023. The shared agent banking platform continues to be a key enabler for the mobilization of deposits especially in the rural areas.

5.3.5 Debit and Credit Card performance

Debit card transaction values increased by 36.5% from UGX 1.26 trillion in the year ended June 2022 to UGX 1.72 trillion in 2023 while credit card transaction values significantly increased by 61.1% from UGX 66.4 billion to UGX 107 billion over the same period. A similar trend was noted for point-of-sale transactions whose transaction values increased by 28% from UGX 711.6 billion to UGX 910.4 billion over the same period.

5.3.6 East African Payment System (EAPS) performance

East African Payment System (EAPS) is an initiative of the East African Community (EAC) Central Banks and is linked to the RTGS systems of the EAC member states. This multi-currency system supports cross-border payments in which transactions are executed across the region in any of the currencies of the EAC Partner States. Currently, Uganda, Kenya, Rwanda, and Tanzania are on EAPS.

The statistics show a 26.2% decline in inbound EAPS transaction values from UGX 1.3 trillion posted in the year ended June 2022 to UGX 0.96 trillion in 2023. Regarding the outbound transaction values, an overall decline of 20.8% was noted from UGX 1.2 trillion to UGX 0.95 trillion over the same period. Kenya remained Uganda's main trading partner on EAPS during the period under review. The decline is mainly attributed to the Global shocks and the Covid-19 aftereffects leading to the general slowdown in the regional trade.

5.3.7 Regional Payment and Settlement System for COMESA

The Regional Payment and Settlement System (REPSS) is an electronic platform that facilitates cross-border payments within the COMESA region. REPSS enables settlement banks in participating COMESA countries to send and receive payments within the COMESA region. The transaction value processed by REPSS increased by 34.4% from USD 25 million in 2022 to USD 33.6 million in 2023. Currently, the systems allow settlement of payment instructions denominated in USD and EURO. Nine (9) out of the nineteen (19) COMESA countries were active on REPSS.

5.4 Financial Inclusion Developments

5.4.1 National Financial Inclusion Strategy

Bank of Uganda, Ministry of Finance, Planning and Economic Development and other stakeholders conducted an end term evaluation of the National Financial Inclusion Strategy 2017 – 2022. The implementation lessons informed the development of the second National Financial inclusion Strategy 2023 – 2027 whose vision is “Individuals can use appropriate formal financial products & services to manage risks, plan for the future, and achieve their financial goals & firms are able to access affordable financing & products to facilitate innovation & firm growth and job creation”. The new strategy will underpin the national financial inclusion agenda for the period 2023 – 2028.

5.4.2 Financial Literacy activities

- i. Bank of Uganda continued to oversee the implementation of the Strategy for Financial Literacy in Uganda, 2019 – 2024. The strategy provides for the coordination of financial sector players including financial regulators, financial service providers, development partners and other stakeholders in a bid to increase the dissemination of financial literacy knowledge to the lowest bottom of the pyramid population.
- ii. Financial literacy and digital literacy in particular continue to be a barrier to the usage of financial services. Accordingly, Bank of Uganda and UNCDF developed standard core messages on digital financial literacy. The messages will support the national efforts towards financial literacy.
- iii. NPSD participated in the women in FinTech hackathon 2022 Digital Impact awards to discuss the impact of NPS Act, 2020 on women led FinTechs. The awards seek to close the gender gap in access to technology, skills, and usage of digital financial services by providing women innovators and students an opportunity to use digital financial technology to explore business concepts.
- iv. Information was disseminated to the stakeholders through a quarterly financial inclusion newsletter which covered statistical developments, regulatory and policy matters. Bank of Uganda also conducted a financial literacy stakeholder mapping exercise and several public awareness engagements through radio talk shows.





6

Reserve Management and Domestic Market Operations

6.1 Foreign Exchange Reserves and Investment Management Operations

The Central Bank continued to manage foreign exchange reserves in line with the investment objectives of capital preservation, liquidity, and reasonable returns, consistent with the acceptable risk.

The level of foreign exchange reserves on 30 June 2023 was USD 4,074.63 million (4.15 months of import cover), a decrease of 0.37% from USD 4,089.88 million (4.17 months of import cover) as of 30 June 2022 and a decrease of 3.31% from USD 4,214.17 million (5.48 months of import cover) as of 30 June 2021.

The drop in the foreign reserves during the financial year was mainly on account of net outflows of foreign currency relating to government payments to meet external debt and import obligations.

Return on foreign assets significantly recovered to close at 2.54% at the end of June 2023 from a slump of -0.89% seen at the close of June 2022.



The leap in performance was largely driven by rate rises by central banks that resulted in higher rates of return on deposits in the money markets portfolio and moderation of interest rate volatility in the latter part of the FY as markets started to anticipate a peak to the advanced Central Bank's hiking cycles.

However, persistent high global inflation coupled with the Ukraine-Russia war tensions drove volatility in yields and uncertainty, especially in the first half of the financial year, which decreased valuations of the fixed income portfolio.

During the period,

- i. The Bank revised the Foreign Exchange Reserves Management Policy which included;
 - Adoption of the Conditional Value at Risk (CVaR) approach as opposed to the Value at Risk (VAR).
 - Widening of investment room through revision of market and credit risk limits as well as inclusion of Organization for Economic Co-operation and Development (OECD) countries as part of the eligible markets, in line with global investment trends by central banks.
- ii. Revised Strategic Asset Allocation framework. The significant enhancement was the increased allocation to the internally managed fixed income portfolio.

Performance of the foreign reserves' portfolio is expected to remain strong mainly due to re-investment in higher yielding issuances, which will be enhanced by the increase in the fixed income

portfolio, and reduced volatility as rates peak, plateau and possibly decline over the next year.

6.2 Financial Markets Development

During the period, the Bank further pursued financial markets development through various initiatives aimed at creating an enabling environment for deeper and wider markets. The notable achievement during the year was the gazetting of the Financial Institution Preference and Appraised Book Value Regulations in May 2023. The regulations are aimed at supporting wider adoption of the master repurchase agreements through fostering confidence in the legality and protections of financial institutions that engage in the same.



7

Currency management

The Bank continued to achieve its core mandate of issuing legal tender to facilitate transactions throughout the country.

The value of Currency in Circulation (CIC) grew by UGX 487 billion (7.1 percent) from UGX 6.8 trillion recorded in FY 2021/22 to UGX 7.3 trillion in 2022/23. The net value of banknotes in circulation increased by UGX 477 billion from UGX 6.6 trillion in June 2022 to UGX 7.1 trillion in June 2023, while that of coins increased by UGX 9.9 billion. This was on account of increased demand for cash in response to increased economic activity.

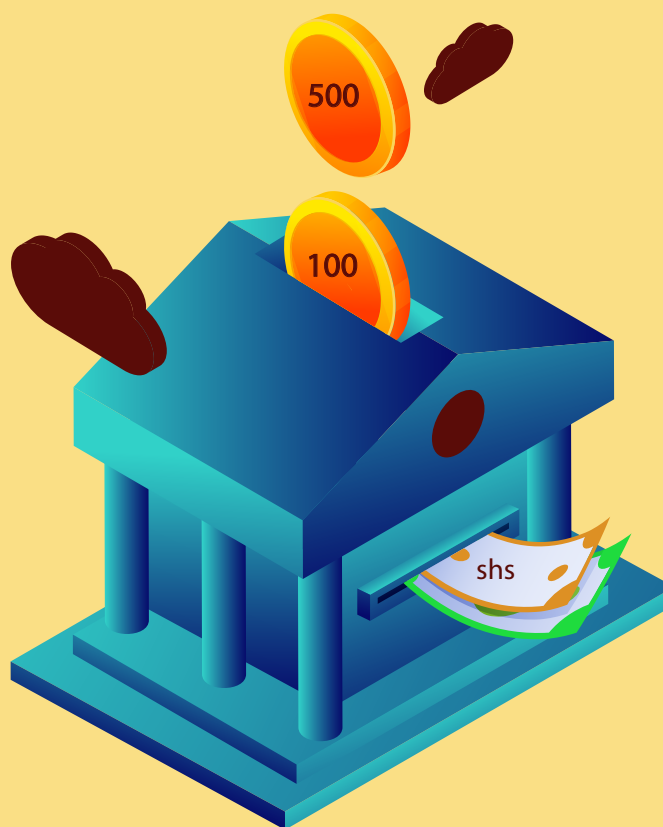
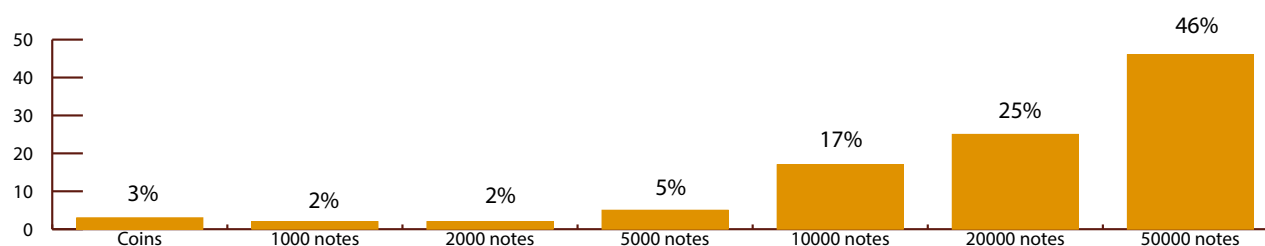


Table 5: Value of currency in circulation

Period	Coins	1,000	2,000	5,000	10,000	20,000	50,000	Total	Growth
Ugx 'trillions									
FY 2018/19	177	112	121	248	682	1,147	2,110	4,597	
FY 2019/20	189	123	142	316	956	1,539	2,441	5,706	24%
FY 2020/21	193	145	135	289	1,016	1,687	2,561	6,026	6%
FY 2021/22	206	142	143	291	1,154	2,023	2,885	6,844	14%
FY 2022/23	216	148	155	331	1,273	1,863	3,345	7,331	7%

Source: Bank of Uganda

Figure 14: Composition of currency in circulation as at June 2023



Source: Bank of Uganda

7.1 Currency withdrawals and Deposits

During the FY 2022/23, the demand for cash as reflected by withdrawals of banknotes and coins from the Central Bank, increased by 14 percent from an outturn of UGX 10.2 trillion in FY 2021/22 to UGX 11.6 trillion. Deposits from commercial banks, on the other hand, grew by 19 percent, from UGX 9.4 trillion received in FY 2021/22 to UGX 11.1 trillion in FY 2022/23.

Table 6: Currency withdrawals and deposits

Period	Withdrawals (Trillions)				Deposits (Trillions)			
	Bank notes	Coins	Total	Y-on-Y	Bank notes	Coins	Total	Y-on-Y
FY 2018/19	8,764	11.77	8,776		8,501	1.74	8,503	
FY 2019/20	9,333	11.59	9,345	6%	8,236	0.1	8,236	-3%
FY 2020/21	8,793	6.39	8,800	-6%	8,478	1.54	8,479	3%
FY 2021/22	10,176	13.46	10,189	16%	9,370	0.48	9,370	11%
FY 2022/23	11,620	10.31	11,630	14%	11,143	0.43	11,143	19%
Average	9,737	10.7	9,748		9,145	0.9	9,146	

Source: Bank of Uganda

7.2 Currency processing

To maintain clean currency in line with the policy on currency, the currency department sorts cash deposited by commercial banks and issues both new and reissue banknotes into circulation. During the FY 2022/23, currency department sorted banknotes amounting to UGX 10.3 trillion, a growth of 8 percent from the value of UGX 9.6 trillion sorted in the previous financial year. This resulted in a 19 percent expansion in reissue currency returned during the same period. Out of UGX 10.3 trillion sorted, UGX 7.9 trillion (76 percent) was returned as reissue, while 24 percent was cancelled.

Table 7: Currency processing

Period	Deposits	Sorted	Reissue Returned	Cancelled	Shredded Online
Ugx 'trillions					
FY 2018/19	8,504.06	8,320.04	5,922.56	1,157.53	1,239.96
FY 2019/20	8,235.61	7,731.35	5,744.65	975.17	1,011.53
FY 2020/21	8,477.51	8,986.73	6,448.41	1,531.15	1,007.17
FY 2021/22	9,369.97	9,600.80	6,599.81	1,646.72	1,354.40
FY 2022/23	11,142.79	10,339.47	7,881.28	1,775.45	682.74
Average	9,145.99	8,995.68	6,519.34	1,417.20	1,059.16

Source: Bank of Uganda

7.3 Currency issuance costs

As the Bank issued more new currency to meet the economy's demand during the period 2022/23, currency issuance costs also grew by 16 percent from UGX 172.3 billion in FY 2021/22 to UGX 199.3 billion in 2022/23.

Table 8: Currency processing

Cost Item	FY 2022/23	FY 2021/22	Growth
Ugx 'trillions			
Banknote Issuance	189,953,602,574	162,870,446,156	16.63%
Coin Issuance	9,391,573,584	9,432,173,661	-0.43%
Total	199,345,176,158	172,302,619,817	15.69%

Source: Bank of Uganda

7.4 Currency outlook

To meet the projected expansion in the demand for cash, maximising efficiencies in processing turnover will be essential to help cushion the rate of growth in the cost of currency issuance. The Bank will continue to work with the banking sector to enhance efficiencies in the cash value chain.

Inflation is expected to decline in the months ahead due to lower energy prices, improved global supply chains, and exchange rate stability supported by tight monetary and fiscal policy conditions. As a result, the overall cost of currency is expected to be in tandem with the demand for cash driven by macroeconomic conditions.

Following the operationalization of the National Payment Systems Act, the attendant developments in the financial technology (fintech) sector have set in motion a number of positive developments. For example, payments statistics indicate that non-cash payments continue to grow in variety and value, this could have a moderating impact on growth in cash use over time to the extent that the use cases have a substituting impact on nominal cash demand.



8

BoU Administered Funds



8.1 Agricultural Credit Facility (ACF)

The Agricultural Credit Facility (ACF) was established to provide affordable credit to small, medium and large enterprises engaged in the agriculture value chain with the sole objective of transforming the agricultural sector which was predominantly comprised of smallholder farmers. Consistent with the above objective, the Agricultural Credit Facility (ACF) continues to facilitate access to finance by the smallholder farmers who constitute two-thirds of the agricultural sector in Uganda.

Over the last thirteen (13) years, the Scheme has had several innovations aimed at enhancing financial inclusion such as providing 100 percent financing for primary production and primary processing, as well as the introduction of block allocation that allows micro borrowers to access financing using unregistered collateral. The Scheme continues to support mechanization and value addition of the agricultural sector through the provision of medium to large-scale financing to farmers and agro-processors along the various agricultural value chains. To support these interventions, GoU has capitalized the Scheme to the tune of UGX 269.38 billion to cover disbursements. The capitalisation of UGX 269.38 billion together with the reflows (repayments from PFIs) have enabled cumulative lending of up to UGX 414.16 billion as GoU contribution. This has been matched with PFIs' contribution of UGX 404.13 billion bringing cumulative lending under the ACF to UGX 818.29 billion as at 30 June 2023.

8.1.1 Performance of ACF

8.1.1.1 Annual performance

During the year, BoU received 1,458 applications which was a 14 per cent increase compared to 1,275 applications that were received in the year ended 30 June 2022. The corresponding value of loan applications received also significantly increased by UGX 100.91 billion from UGX 65.82 billion received in 30 June 2022, to UGX 166.73 billion received in the year under review. This represents a 153 per cent increase in demand for the ACF loans. A total of 1,125 projects were funded with UGX 123.38 billion during the year with the GoU contribution of UGX 61.71 billion. Disbursements during the year increased by UGX 48.50 billion (from UGX 74.88 billion disbursed in 2022 to UGX 123.38 billion disbursed in 2023) representing a 65 per cent increase. Uptake of Block Allocation also increased during the year with UGX 5.63 billion disbursed to 851 micro borrowers under this arrangement. This represents a 72 per cent increase in loans disbursed under Block Allocation

during the year. This increase in performance is attributed to the increased sensitisation by BoU as well as engagement with the PFIs.

8.1.1.2 Cumulative performance

Cumulatively, BoU has received 4,196 loan applications from the PFIs with a total value of UGX 1.22 trillion out of which a total of 3,455 loan applications have been processed and funded to the tune of UGX 818.29 billion representing 82 per cent of the total number of applications received at BoU. The cumulative Government of Uganda (GoU) contribution to the PFIs stood at UGX 414.16 billion as of 30 June 2023, while loan repayments made by the PFIs amounted to UGX 285.38 billion. These recoveries account for 69 per cent of the total GoU contribution refinanced to the PFIs. The outstanding loans with the PFIs stood at UGX 128.78 billion while the distressed loans remained at UGX 4.04 billion with a non-performing asset (NPA) ratio of 0.98 per cent compared to the aggregate ratio of 5.93 per cent for commercial banks.

8.1.2 Investments financed

Several projects under various agricultural value chains have been financed by the scheme. The projects funded include on-farm activities, which comprise farm improvement projects such as construction of farm structures, valley dams, hatcheries, greenhouses, irrigation systems and excavation of fishponds. Other funded projects included purchase of machinery/equipment, working capital for the grain trade, livestock, post-harvest management and agro-processing.

Table 9: Projects funded as at 30 June 2023

Funded Activity	No. of projects	Total Loan Amount	GoU Contribution	PFI Contribution
		UGX	UGX	UGX
On-farm Activities	2,986	254,421,045,823	131,951,405,824	122,469,639,999
Financing working capital for grain trade	264	319,777,075,262	159,896,537,631	159,880,537,631
Post-harvest Management	99	89,034,492,505	44,792,065,454	44,242,427,051
Agro-processing (value addition)	106	155,062,280,514	77,519,437,726	77,542,842,788
TOTAL	3,455	818,294,894,104	414,159,446,635	404,135,447,469

Source: Bank of Uganda

8.1.3 Regional uptake of funds under the ACF

In terms of value, the Central, Western and Eastern regions had the highest uptake accounting for 53%, 23% and 20% of the total loan amount disbursed respectively. The beneficiaries in these regions utilised the highest amount of loans because they are engaged mainly in commercial farming and agro-processing. Funding in these regions was extended to the projects engaged in value addition of poultry products, grain processing, dairy processing, sugar processing and acquisition of infrastructure for post-harvest management. The Central region had the highest level of agriculture commercialization mainly due to the availability of registered land and a good land tenure system which attracts funding from banks. On the other hand, the low uptake of the funds in the Northern region was occasioned by the land tenure system where most of the land is communally owned and therefore, farmers are not able to secure land titles required by the PFIs for lending. The introduction of the Block Allocation arrangement under the ACF has provided a solution to farmers constrained by a lack of registered collateral to access financing under the ACF. As a result of the Block Allocation arrangement, the Northern region has the second highest number of beneficiaries accounting for 32 per cent after the Western region which stood at 45 per cent of the total beneficiaries under Block Allocation.

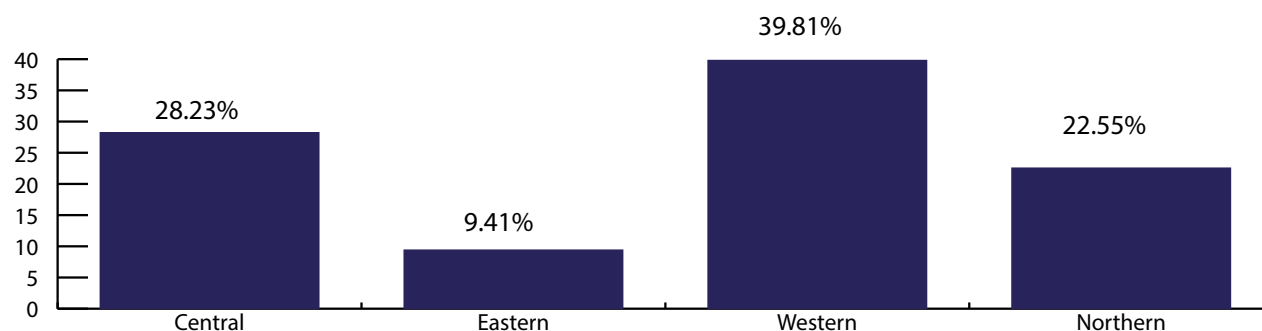
Table 10: Regional distribution of the ACF Funds as at 30 June 2023

Region	Total Loan Amount (UGX)-PFI &GoU	No. of beneficiaries	PFI Contribution (UGX)	GOU Contribution (UGX)	% Amount disbursed per region
Central	433,428,328,919	975	215,991,686,312	217,436,642,608	53%
Western	186,480,976,569	1,376	89,531,634,674	96,949,341,895	23%
Eastern	162,396,482,529	325	80,955,953,440	81,440,529,089	20%
Northern	35,989,106,087	779	17,656,173,043	18,332,933,044	4%
TOTAL	818,294,894,104	3,455	404,135,447,469	352,453,268,234	100%

Source: Bank of Uganda

In terms of the number of beneficiaries, the Western (39.8%) Central (28.2%) and Northern (22.6%) regions, had the highest number of beneficiaries under the ACF. Most of the beneficiaries in the Northern region were under the Block Allocation arrangement.

Figure 15: Graphical representation of the regional ACF uptake by number of beneficiaries as at 30 June 2023



Source: Bank of Uganda

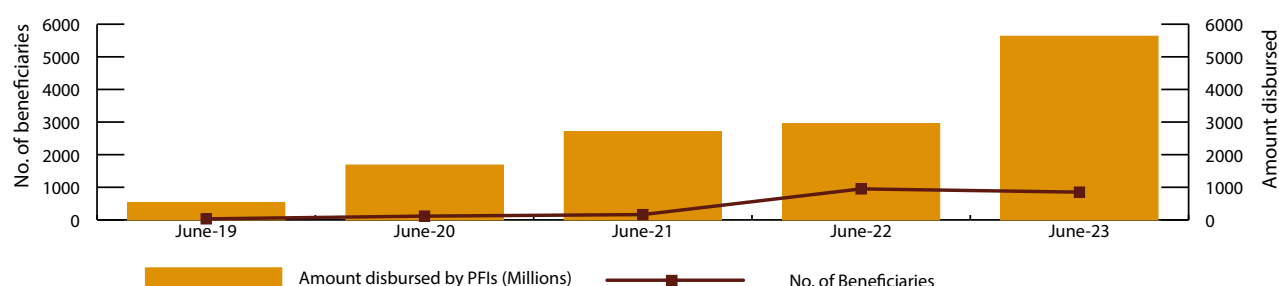
8.1.4 Unlocking access to finance by the smallholder farmers through Block- allocation

Block Allocation arrangement under the ACF was introduced in 2018 to unlock access to finance by the smallholder farmers by easing restrictions on collateral requirements by the PFIs. The objective of this initiative was to unlock access to credit in regions with communal land tenure system and to benefit the micro and smallholder farmers who are otherwise excluded for lack of registered collateral, mainly land titles to secure credit.



Under the Block Allocation arrangement, PFIs bulk small loans (UGX 20 million and below) into a block of UGX 1.5 bn and submit the block as one loan application to BoU for refinancing. This arrangement may not require the registered collateral but alternative collateral such as Cashflows, Chattel mortgages, borrower's credit rating, banking history may be considered. PFIs are also allowed to appraise the eligible borrowers and disburse loans to them before submitting the loan applications to BoU for reimbursement of the GoU contribution. This way, delays in loan processing and approval are avoided and farmers can access financing in time. The loan amount extended to each borrower is capped at UGX 20 million to minimise the risk of default since the loans are largely unsecured. This product mainly targets micro and smallholder farmers engaged in primary production whose working capital requirements needs include agricultural inputs such as fertilisers, pesticides, seedlings, and farm restocking to increase output. The loan terms under Block Allocation remain the same across the entire ACF scheme.

Figure 16: Performance of ACF Block Allocation as at 30 June 2023



Source: Bank of Uganda

Since its introduction, this arrangement has demonstrated to be the best channel of Agriculture finance for smallholder farmers. This is evidenced by the growing number of beneficiaries under this arrangement constituting 61 per cent of the total number of beneficiaries under the ACF as at 30 June 2023. The value of loans disbursed under this arrangement increased by UGX 5.6 billion during the year ended 30 June 2023, relative to the previous year. The financing was mainly extended for the acquisition of agro-inputs such as fertilizers, seeds and pesticides.

Cumulatively UGX 13.50 billion has been extended to 2,113 rural farmers under the Block Allocation arrangement with disbursements increasing progressively year after year since the product was introduced in 2018. The loans were mainly advanced through Postbank (U) Ltd, dfcu Bank Ltd, Centenary Bank Ltd, Equity Bank (U)Ltd, Housing Finance Bank and Pride Microfinance Ltd. Financing to farmers in this category has been extended for; cattle restocking for dairy and beef production, poultry farming, agricultural inputs and farm infrastructure as well as grain trade. Most of the beneficiaries under Block Allocation are from the Western and Northern regions, constituting 44.8 per cent and 31.9 per cent of the total number of projects financed respectively. Figure 16 and Table 11 below provides a trend analysis in the uptake of Block Allocation.

Table 11: Performance of Block Allocation over the last 5 years

Year	No. of Beneficiaries	Amount disbursed by PFIs ('000)
June-19	32	534,500
June-20	116	1,683,000
June-21	163	2,701,500
June-22	951	2,948,712
June-23	851	5,632,502
Total	2,113	13,500,214

Source: Bank of Uganda

From the table and graph above, it is evident that the uptake of micro loans under this initiative has been increasing year on year as evidenced by the growth in disbursements and the number of micro borrowers.



8.2 The Small Business Recovery Fund (SBRF)

The COVID-19 pandemic negatively impacted both the supply side (production of goods and services) and the demand side of the economy (consumption and investment). Micro, Small and Medium Enterprises (MSMEs) were disproportionately affected by the COVID-19 pandemic due to their being labour-intensive, possession of very thin liquidity reserves and their lack of assets to use as collateral to access quick credit. The quarantine and lockdown measures imposed by the Government of Uganda on 18 March 2020, and the 18th of June 2021 led to a decrease in demand, supply chain disruptions, raw material shortages, transportation challenges and cash flow disruptions. Bank of Uganda (BoU), the Uganda Bankers' Association (UBA) together with the Private Sector Foundation of Uganda (PSFU) were at the forefront of working with the Government of Uganda (The Ministry of Finance, Planning and Economic Development (MoFPED) to design and implement a stimulus package for the MSME sector. The stimulus package was aimed at resolving the liquidity challenges that MSMEs faced as a result of the pandemic and related measures. The package included tax deferrals, payment of domestic arrears, lowering the Central Bank Rate (CBR), loan restructuring and recapitalizing the Uganda Development Bank, among others. However, the reality was that many MSMEs failed to benefit from the stimulus package due to various reasons. Therefore, the Small Business Recovery Fund (SBRF) was established in 2021 to facilitate the provision of loans to small businesses that suffered financial distress arising from the effects of COVID – 19 pandemic. The scheme operates as a public-private partnership between the Government of Uganda (GoU) and supervised financial institutions, collectively referred to as the Participating Financial Institutions (PFIs) that include commercial banks, Microfinance Deposit-taking Institutions (MDIs) and Credit Institutions (CIs). The scheme's operations are governed by a Memorandum of Agreement (MoA) where Bank of Uganda (BoU) is the Fund Administrator.

8.2.1 Performance of the SBRF as at 30 June 2023

The performance of the Fund has improved compared to the previous year with cumulative number of applications increasing from 305 as at 30 June 2022 to 1,129 in the year ended 30 June 2023. The value of the applications received increased by UGX 9.91 billion. Loan disbursements also increased by UGX 8.78 billion from UGX 1.71 billion as of 30 June 2022, to UGX 10.49 billion. The increase was attributed to the amendment of the SBRF MoA which removed the restrictions to the uptake of the fund. The amendments included; increasing the annual turnover from UGX 100 million to UGX 300 million, reducing the number of employees from 5 to 2 since most of the targeted beneficiaries are informal in nature, allowing part of the funds borrowed under SBRF to be used to settle existing loans since the majority of the beneficiaries had non-performing loans, increasing the maximum amount from UGX 100 million to UGX 200 million and introducing the Block Allocation model to accommodate the small businesses that did not have the

registered collateral that meets the conventional banking requirement. These amendments together with the continuous sensitizations and engagements with PFIs, have yielded some good results as exhibited in the quarterly and annual performance. In addition, BoU has automated the loan application process which has improved the turnaround time for loan processing. We are optimistic that this, along with continuous awareness, will lead to additional increases in the uptake of the Fund going forward. The table below indicates the movement in the performance of the Fund between financial year 2022 and financial year 2023.

Table 12: Cumulative Annual Performance Compared

Portfolio Classification (cumulative)	30 June 23	30 June 22	Variance
Applications Received (Number)-	1,129	305	824
Value of loan applications Received (UGX)	14,666,800,000	4,761,400,000	9,905,400,000
Number of Loans Disbursed	899	122	777
Total Value of Loan Disbursements (UGX)	10,485,900,000	1,714,600,000	8,771,300,000

Source: Bank of Uganda

8.2.2 Marketing and publicity of the ACF and SBRF

As fund administrator, BoU is responsible for marketing the scheme and ensuring increased awareness among the population to increase the uptake of the ACF funds.

In executing this mandate, BoU involves all the stakeholders in the agricultural value chain, including the public sector, policymakers in ministries, departments and government agencies (MDAs), farmer-based non-government organisations and farmer groups, and media houses.

During the year ended 30 June 2023, BoU undertook several activities that included: radio talk shows across the country, townhall meetings with leaders of districts, exhibitions, workshops, meetings with various policymakers and influencers, articles in the print media, and the attendance of annual agricultural awards in the central and northern regions. These activities offered opportunities to engage with value chain actors and key sector players in the agriculture sector.

There is a need to increase awareness of the ACF, especially in the eastern and northern regions, where there is still low uptake. In the upcoming FY 2023/24, our marketing strategy will target engagements in these regions and involve PFIs because they are critical drivers of the scheme's uptake.

We further intend to continue working with all stakeholders, especially the private sector players and media houses like the Nation Media Group through their regional Seeds of Gold farm clinics and the Vision Group for countrywide publicity.





8.3 Petroleum Revenue Management

The management of Petroleum Revenue in Uganda is legislated in Part VIII of the Public Finance Management Act (PFMA), 2015. It prescribes the collection, deposit, management, investment, and expenditure of all petroleum revenue accruing to Government. The Act establishes the Petroleum Fund (PF) to receive all petroleum revenue, and the Petroleum Revenue Investment Reserve (PRIR) for investments. The Minister of Finance, Planning and Economic Development is responsible for the overall management of the PF and oversees the transfer into and the disbursements from the PF. BoU is responsible for the operational management of the PRIR.

BoU performs its roles as Banker to Government by maintaining the accounts of Government including the PF, and the mandate of operational management of the PRIR.

8.3.1 Petroleum Fund

As of July 1, 2022, the amount in the PF was USD 5.4 million for the USD account and UGX 90.03 billion for the UGX account. During the year, there were inflows of USD 0.185 million and UGX 116.7 billion, with no appropriation of funds from the PF. Consequently, by 30 June 2023, the PF retained USD 5.6 million and UGX 206.7 billion.

8.3.2 Petroleum Revenue Investment Reserve

According to the PFMA, the operational management of the PRIR shall be in accordance with the Petroleum Revenue Investment Policy [Section 64(3)] and within a framework of a written agreement between the Minister and the Governor [Section 63(1)].

In fulfillment of the requirements of the Act, the Operational Management Agreement was signed in June 2022, and the Petroleum Revenue Investment Policy (PRIP) was subsequently issued to BoU by the Ministry of Finance, Planning and Economic Development in July 2022.

8.3.2.1 Operational Management Agreement

The Operational Management Agreement governs the relationship between BoU and the Ministry and stipulates their respective roles with respect to the management and PRIR. It provides for establishment of policies and guidelines necessary for the management of the fund, guidance on selection and appointment of external fund managers. It also provides for the fees which the Ministry will pay to BoU for managing the fund.

8.3.2.2 Petroleum Revenue Investment Policy

The (Petroleum Revenue Investment Policy) PRIP stipulates the Purpose, Objectives, and Investment Principles of the fund. It also sets the portfolio structure, asset allocation, currencies, and risk tolerance of the PRIR.

The PRIP prescribes the portfolio structure of the PRIR categorizing investments into three portfolios; the Investment Tranche for long-term investments, the Liquidity tranche for short-term investment, and the Cash Management Tranche – for cash management of funds that have been appropriated to the Consolidated Fund, but are yet to be withdrawn by Government for expenditure.

The MoFPED permits investment of the PRIR in the following asset classes: Money Market Instruments, Money Market Funds, Sovereign Bonds, Corporate Bonds, Infrastructure Bonds, Hard Currency Emerging Market Debt and Global Equities.

The Ministry also assigns BoU the responsibility to determine a permissible level of risk that is compatible with the objective of maximizing the return and emphasizes the importance of risk management in mitigating the volatility and uncertainty inherent in substantial exposure to risky assets.

The conclusion of these prerequisite documents provided direction and paved the way for BoU in executing its mandate.

8.3.2.3 BoU Internal Management of the PRIR.

Following the issuance of the PRIP, BoU is in the final stages of developing the internal operational management framework for the PRIR. The purpose of the framework is to provide a comprehensive guide for the management of the PRIR, ensuring that BoU's investment operations are conducted in a manner that is efficient, transparent, accountable, and in line with best practice. It sets out the key strategies, procedures and guidelines that will drive BoU's operations and provides a framework for governance, risk management and oversight, performance measurement and reporting, and continuous improvement.

The BoU is confident that the Operational Management framework will strengthen its processes by ensuring consistent, transparent, and effective investment operations, and contribute to the overall success in the management of the PRIR.

Figure 17: Operational Management Framework for the PRIR



Source: Bank of Uganda

8.3.3 Expectations in FY 2023/24

BoU anticipates heightened petroleum sector-related activities in FY 2023/24 which may result in increased flows to the Petroleum Fund.

As the country moves closer to commercial oil production, the Bank anticipates the various players under the revenue management pillar to intensify their activities. In collaboration with its partners in petroleum revenue management, BoU will continue to participate in:

- i. Strengthening revenue management and accountability,
- ii. Continuous capacity development to build operational and technical capacity of staff,
- iii. Stakeholder engagements to promote collaboration and enhance transparency,
- iv. Continuous assessment for robustness of systems and infrastructure that have been implemented.

The BoU reiterates its commitment to ensuring the highest standards of governance and its determination to ensure the long-term sustainability of the Petroleum Revenue Investment Reserve.



9

Business Excellence

9.1 Human Resource Report

9.1.1 Managing the Bank

The success of the Bank depends on its ability to attract, develop, and retain an engaged and diverse talent. During the FY 2022/23, the Bank continued to focus efforts on building and developing a strong performance culture to achieve its strategic objectives and mandate.

To ensure that the Bank's organisational structures are aligned to Strategy, the Bank engaged a consultant (KPMG) to conduct an organizational structure review (OSR) exercise. The findings of the OSR were presented to the Board in February 2023. The resolutions of the Board are expected to be implemented during the FY 2023/24.

A total of 968 employees carried out the Bank's mandate at its headquarters in Kampala, and eight other branches in the towns of Jinja, Mbale, Gulu, Arua, Fort Portal, Kabale, Mbarara, Masaka and Lira currency processing centre.

9.1.2 Attracting and Recruiting Talent

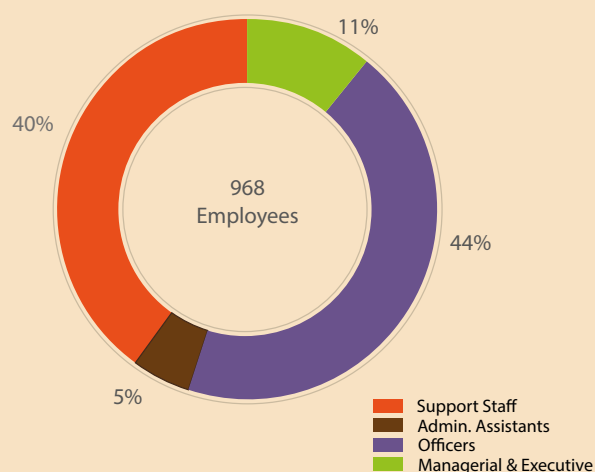
The Bank is an equal opportunity employer that endeavors to attract, motivate, and retain the right people, with the right knowledge, skills, competencies, attitudes, and behavioral characteristics. The recruitment is dictated by the work plan and actual or anticipated human resources gaps.

2022/23 Key performance highlights

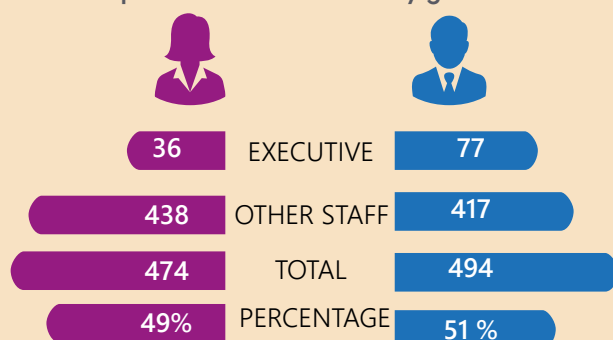
- > Recruitment and deployment of 4 staff (1 Medical Doctor, 1 Plumber, 1 Electrician and 1 Technician) were successfully completed.



Composition of Bank staff by role



Composition of Bank staff by gender



The Bank supports a number of professional networks aimed at promoting professional excellence and best practices.

9.1.3 Managing Performance

The Bank considers performance management as a continuous process for managing results at all levels of the organization. The focus is to ensure that all business and support units (directorates, departments, teams and employees) are aligned to the achievement of the organization's strategic objectives.

To enhance organizational performance, the Bank uses the Balanced Scorecard framework for strategy formulation, implementation, performance monitoring, measurement, and reporting.

The Bank conducted a comprehensive salary survey, and the findings were presented to the Board of Directors.

2022/23 Key performance highlights

- > The Bank implemented cost rationalization measures including revising eligibility of responsibility allowance, transfer allowances and reduction in paper usage among others.
- > 360 Degree Feedback assessments were conducted for the Bank's Leadership Team with specific focus on mentoring and coaching for leadership development.

9.1.4 Employee Training and Development

The Bank continued to invest in the acquisition of knowledge and skills for employees. This has been critical in enhancing employee development, performance, and career growth. To drive the achievement of the Bank's Strategic plan 2022- 2027, training programs were conducted in the following key strategic areas.

- i. Report writing skills.
- ii. Leadership Development-Female Future Programme.
- iii. Information Technology: cloud computing, e-payments, cyber security management.
- iv. Leadership and Management Development Modular Programme for senior managers.
- v. Occupational Health and Safety Training.
- vi. In-House Central Banking Course.
- vii. Medical Emergency Care Skills Upgrade and Continuous Medical Education (CME).

2022/23 Key performance highlights

- > The Bank's performance under staff capacity building programmes was satisfactory. A total of 510 employees attended various training programmes, with 415 trained in various skills development courses and 175 in the Bank's strategic priority training areas.
- > The Bank embarked on plans to revamp and upgrade the training center with the aim of promoting alternative methodologies of training such as online learning. This initiative is intended to support a blended learning approach in the delivery of capacity building programs for staff.



9.1.5 Organizational culture and values

The Bank's culture is shaped by our core values of Transparency & Accountability, Integrity, Teamwork and Excellence (TITE) which are the guiding principles that define how we interact with each other, our customers, and stakeholders.

9.1.6 Welfare and work-life balance

The Bank values employee wellness and work-life balance as key drivers of performance. Employee engagement program ensures that employees are given the opportunity to meet with management in their various ranks to deliberate on the various issues that affect them.

2022/23 Key performance highlights

- > To improve the work life balance, awareness workshops on mental health and counselling sessions were conducted at different levels. In addition, the Bank continued to support sports activities and facilitate staff in their fitness programmes.
- > The Bank also continued to implement daily three hours flex time policy for breastfeeding mothers aimed at mitigating stress to the new mothers.

9.2 Information Technology

The Bank endeavours to deliver cost-effective, quality, and timely Information Technology (IT) services and support to its customers and stakeholders in a consistent and reliable manner and in compliance with international standards and best practice. In the FY 2022/23, the Bank undertook the following IT initiatives to facilitate the delivery of its mandate.

9.2.1 Automation of Internal Operations:

9.2.1.1 Agriculture Credit Facility (ACF) and Small Business Recovery fund (SBRF)

The Bank automated the operations of both the ACF and SBRF loans facilities in a bid to improve the efficiency of the process by providing a web-based application that enables the participating institutions to submit electronic loan and refinance requests. In addition to eliminating the need for paper submissions in line with the Banks strategic objective of a 'paperless' office, the system improves the auditability and traceability of the loan applications and management of reconciliation. This automation also reduces the risk of human error in the management of the loans from loan request to loan closure and enables the bank to process more loan requests, faster.

9.2.1.2 Payments Notifications

A Payments Notification System was developed to consolidate the multiple legacy tools that send out payment notifications both internally and externally to improve operations, administration and support efficiency, improve the security of the data contained therein, and utilise modern technology that can be enhanced and supported by current skilled resources.

9.2.1.3 Records Management

The Bank automated the records management processes to improve the operations of the Board Affairs and to ensure compliance with the legislation, policies and standards in the management of sensitive Bank records.

9.2.1.4 The Budget Preparation and Management System (BPMS).

The Bank rolled out the BPMS to handle both the Budget Preparation and Budget Implementation aspects. This enabled the automation of Budget Commitment Forms (BCFs) and Procurement Form 5s, contributing towards a paperless office strategic initiative.

9.2.2 Application Enhancements

The BoU Banking application was enhanced to enable straight through processing of Forex EFTs. In addition, the Pensioners Administration System was enhanced to enable straight through processing from the Banks Human Resource Management systems to eliminate the need for additional manual data entry thereby improving efficiency and mitigating against human error.

9.2.3 Environmental Sustainability

Aligned with our strategic IT Rationalization approach, the Bank has transitioned to outsourced managed printing services starting with Headquarters. This decision is geared towards cost efficiency, as well as a reduction in paper usage and environmental impact, reflecting our commitment to sustainable practices.

9.2.4 Technology Investments and Upgrades

In alignment with our strategic goal of enhancing operational efficiency and reliability, the Bank successfully executed a project aimed at upgrading our IT storage infrastructure. This initiative included a seamless migration of the Bank's data to a cutting-edge storage technology platform, underscoring our commitment to continuous improvement and innovation across our banking processes.

9.2.5 Cyber security

For the third consecutive year, the Bank diligently upheld its commitment to meeting the compliance standards set forth by the SWIFT Customer Security Program (CSP). This program serves to establish fundamental information security benchmarks across all financial institutions utilizing SWIFT, consequently mitigating the inherent risks associated with electronic payment processing over the SWIFT platform. Additionally, the Bank successfully completed the upgrade of its SWIFT infrastructure, ensuring full alignment with ISO20022 standards. These accomplishments exemplify our steadfast dedication to maintaining the utmost security and operational integrity within our financial operations. In a proactive step towards bolstering cybersecurity measures, the Bank introduced comprehensive cybersecurity awareness training. This initiative not only empowers our staff with essential knowledge but also underscores their crucial role in collectively countering cyber threats and safeguarding against cybercrime. Projects to further improve the cybersecurity posture of the Bank are ongoing and are expected to complete in FY 2023/24.

9.3 Financial Consumer Empowerment

During the FY 2022/23, financial empowerment engagements for consumers of financial services were conducted. Financial consumers were sensitized on consumer rights and obligations, obligations of loan guarantors, handling of dormant accounts in banks and mobile money service providers, complaints handling mechanism and extension of Bank of Uganda Covid-19 Credit relief measures (CRM) to the Education and Hospitality Sectors, among others. The sensitization engagements were conducted through Radio talk shows, face to face engagements with district political and technical leaders in the select districts across the country

9.3.1 Financial Consumer Empowerment Mechanism (FCEM)

Bank of Uganda operates a financial consumer empowerment mechanism (FCEM) whose main purpose is to coordinate information, inquiries, complaints handling and resolution, supported by the Access to Information Act 2005; Access to Information regulations 2011; the Financial Consumer Protection (FCP) Guidelines 2011 and the National Payment Systems Act 2020.

As Bank of Uganda, we are practicing FCP by promoting fair and equitable financial services practices through:

- i. Setting minimum standards for financial service providers in dealing with the consumers.
- ii. Encouraging transparency to inform and empower consumers in making the right choices.
- iii. Providing efficient and effective mechanisms for handling consumer complaints relating to the provision of financial products and services.
- iv. Offering financial literacy / education
- v. Fostering confidence in the financial services sector.

The FCEM works to ensure fair and responsible treatment of financial consumers in their purchase and use of financial products and services and their dealings with financial service providers.



9.3.2 Empowerment of Financial Consumers in FY 2022/23

Mass sensitizations / engagements contributed to public awareness on the existence of a mechanism for consumer protection, and at the same time reducing the number of complaints escalated to BoU.

FCEM interacted with consumers at National Trade Fairs and radio talk shows held in Gulu, Hoima, Masindi and Kamwenge districts, and at the town hall meetings held in Kasese (February 2023), Hoima (March 2023), and Soroti (April 2023). A total of 327 complaints and inquiries were received during the FY 2022/23, of which 148 were resolved while the rest remain in progress.

Table 13: Empowerment of Financial Consumers in FY 2022/23

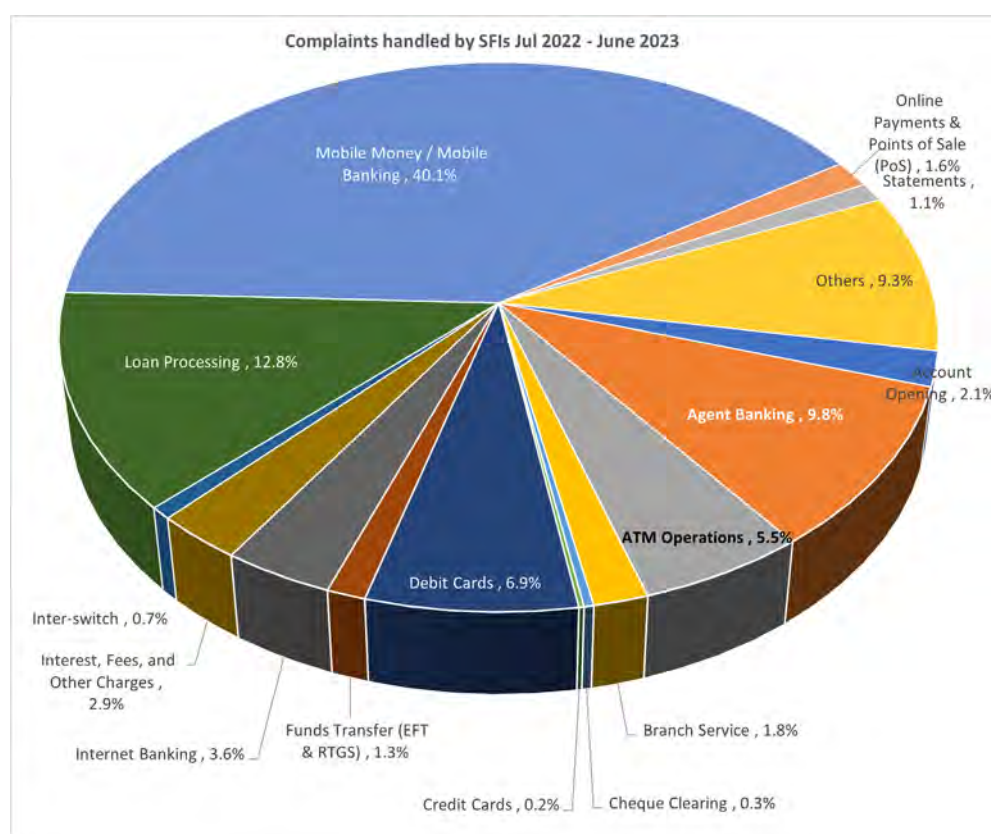
Status	Inquiries	Complaints
In Progress	0	166
Resolved / Closed	14	147
Total	14	313

Source: Bank of Uganda

9.3.3 Complaints handling by Supervised Financial Institutions

A total of 433,258 complaints were received and handled by SFIs between July 2022 and June 2023, a significant decline from 917,938 raised during FY 2021/22. The biggest number of complaints was in the Mobile Money / Mobile Banking category, accounting for 40.1% of complaints raised, followed by complaints about Loan Processing at 12.8%, Agent Banking at 9.8% and Debit Cards at 6.9%.

Figure 18: Chart indicating the various categories of complaints received from the SFIs



Source: Bank of Uganda

There was a tremendous increase in Mobile Money / Mobile Banking complaints as compared to 29.3% for the period ending June 2022, partly explained by the rapid uptake of mobile money services promoted by Financial Inclusion campaigns amid increased fraud and network disruptions. The number of complaints in the loan processing category also greatly increased from 6.3% to 12.8% as the public has not fully recovered from the impact of the COVID 19 pandemic, with many SFI customers grappling with foreclosure on their collateral. 184 complaints remained in progress while 2,346 involved financial compensation to the customers.



9.4 Corporate Social Responsibility in support of maternal and child health care

9.4.1 Bank of Uganda Donates to Rubaya Health Centre IV, Kabale District

On the 2nd of December 2022, Bank of Uganda handed over the newly constructed Mutebile Maternity ward in Rubaya Health Centre IV located in Ndorwa West Kabale District in memory of the late Governor Emmanuel Tumusiime Mutebile. The ceremony was officiated by Hon. David Bahati the Minister of State for Trade, Industry and Cooperatives, Kabale District officials; Mrs. Mutebile and family; and locals who applauded Bank of Uganda for the intervention.

“ Bank of Uganda under the theme “Maternal and child Healthcare for a healthy society” has supported health centres in Uganda by purchasing Medical Equipment and infrastructure development.



Newly constructed Mutebile Block

The Late Prof. Emmanuel Tumusiime-Mutebile was a devoted humanitarian as he embodied, exemplified, and lavished a sense of Ubuntu and humility especially among the less fortunate. The new maternity block was named in his memory as a symbol to his enduring legacy of service to humanity

The donation to Rubaya health centre IV included; construction of Mutebile maternity block, a solar system, construction of a patient walkway, adult patient beds with mattresses, paediatric beds with mattresses, epoxy delivery beds, an ultrasound scan machine with ultrasound gel an infant warmer, ward screens, a patient stretcher, a manual vacuum aspirator set (MVA) set, a patient monitor, electric suction pump, penguin suckers, water purifiers (20 Lit), drip stands, an oxygen concentrator, nebulizer, implant removal set, baby resuscitation kit, hand washing apparatuses, sanitizer, liquid soap, examination gloves, surgical gloves, examination gloves, temperature guns, disposal face masks, BoU branded cloth face masks, face shields, pulse oximeters and environmental protection by planting a memorial tree, flowers and various other trees for shade, fruit and hedge in the facility.







10

Climate Change

Bank of Uganda is actively collaborating with the Government of Uganda to fortify the nation's commitment to environmental sustainability and climate resilience. BoU is dedicated to refining and augmenting government policies pertaining to the infusion of climate change risk responsive and cognizant principles within the economy and financial system. This endeavor aims to not only embed climate change risk conscious practices within the financial sector, but also enhance the nation's resilience and capacity to effectively manage climate change-related risks.

In this regard the Ugandan government enacted the National Climate Change Act 2021 which domesticated the Paris Agreement and the Kyoto Protocol, and also gave power of law to the United Nations Framework Convention on Climate Change (UNFCCC). The Act mandates the creation of a Framework Strategy on Climate Change, as well as a National Climate Action Plan. In addition, the Third National Development Plan 2020/21 – 2024/25 (NDP III) dedicates a full programme to Climate change, Environment and Natural Resources in a bid to implement the Uganda Green Growth Development Strategy (UGGDS).

Climate change adaptation requires coordinating actions among many players including governments, central banks, the private sector, civil society and the international community. In response, BoU developed a Climate Change risk Policy (CCrP) to this effect and has put in place a Climate Change risk Task Force (CCrT), to spear head the implementation of this Climate change risk policy as it conducts its mandatory role in enabling the smooth functioning of the economy.

10.1 Implementation Status of the BoU Climate Change Risk Policy

Following the approval of the Climate Change Risk Policy, a Taskforce was constituted to address key pillars therein, namely: incorporating climate change risk analysis and assessments in the conduct of micro-prudential supervision of financial institutions; incorporating climate change risks assessments in reserves and special funds management; development of the models cognizant of climate change risks in macroprudential analyses, scenario modelling and stress testing; and the identification and resolution of existing data gaps around climate related statistics. The taskforce is also expected to continually liaise with external, national and international climate change adaptation practitioners to keep Bank of Uganda up to date with climate change developments. This Taskforce or CCrT has commenced spearheading the incorporation of Climate related risks in the various macroeconomic, macro and micro prudential and risk management frameworks within Bank of Uganda.

10.2 Progress on the implementation CCrP

10.2.1 Strategic Partnerships

10.2.1.1 The Network for Greening the Financial System (NGFS)

The Network of Central Banks and Supervisors for Greening the Financial System (NGFS) is a group of Central Banks and Supervisors willing to share best practices and contribute to the development of environment and climate risk management in the financial sector. They also on a voluntary basis support mobilization of mainstream finance to support the transition towards a sustainable economy. The NGFS membership currently consists of 127 members and 20 observers. Bank of Uganda applied, and was approved for membership to the NGFS and now participates in plenary meetings, work streams, and capacity building initiatives. The work streams within the NGFS cover the following areas: Supervision, Climate Scenario Design and Analysis, Monetary Policy and achievement of Net Zero for Central Banks. The taskforces within NGFS cover Nature-Related Risks, and Capacity Building and Training. Bank of Uganda participation in the activities of these workstreams and taskforces, enables it to build capacity, skills and expertise in achieving its objectives in incorporating Climate risks in its major analytical frameworks as well as share its experience in doing so.

10.2.2 Other Partnerships

Bank of Uganda is liaising with a unit within the Ministry of Finance Planning and Economic Development, that is focused on climate change, and that works closely with the NDC partnership initiative, MEPMI and other similar transnational institutions. This collaboration is aimed at engaging in activities essential to development of ideas on how best to incorporate climate change risk management within financial system operations, climate taxonomies and baseline diagnostics.

Bank of Uganda is also represented on the National Taskforce of Climate Change Mechanism that is chaired by the Ministry of Water and Environment, and was established to support formulation of national technical and administrative procedures for implementing climate change mechanisms and domestic carbon pricing for Uganda



11

Directors' report

The Directors are pleased to present their report on the activities and financial results for the year ended 30 June 2023. The report on the performance of the Bank fulfills the provisions of the Bank of Uganda Act (Cap. 51) Laws of Uganda, which require the Bank to make a report on its activities and operations during the preceding year, within three months after the end of each financial year.

11.1 Nature of business

As a Central Bank, the primary function of the Bank of Uganda is to formulate and implement monetary policy aimed at achieving and maintaining price stability and ensuring a sound financial system. The financial sector is a mechanism through which the monetary policy is transmitted. The Central Bank also fosters a stable and efficient payment system, is a banker and adviser to the government on financial and economic matters, and issuer of currency notes and coins as dictated by economic requirements.

11.2 Financial results

The Bank's total comprehensive income according to the statement of profit or loss and other comprehensive income for the year ended 30 June 2023, was UGX 277,755 million compared to UGX 486,102 million as of 30 June 2022. The decrease is attributed to foreign exchange translation losses in FY 2022/23 arising out of the appreciation of the Uganda Shilling against the major currencies. In contrast, the FY 2021/22 generated a foreign exchange translation gain.

The total operating income for the year ended 30 June 2023, amounted to UGX 1,155,028 million compared to UGX 303,136 million in the previous year largely driven by a 185 percent growth in interest income.

The bank realized interest income from the foreign assets' reserves amounting to UGX 438,611 million in FY 2022/23 compared to UGX 113,773 million in FY 2021/22. Central Banks in the major economies tightened monetary policy aggressively during the year and increased the interest rates in response to the high inflation rates. The Federal Reserve Bank delivered 350 basis points lifting the funds rate target range maximum from 1.75% to 5.25%. The Bank of England (BOE) increased the bank rate by 375 bps from 1.25% to 5% and the European Central Bank (ECB) raised its policy rate by 400 basis points. This increase in the interest rates boosted the return earned on the foreign reserves.

Local interest income increased from UGX 256,859 million in June 2022 to UGX 616,608 million in FY 2022/23 with significant contributions from advances to the Government and income from Government recapitalization securities.

The total operating expenditure outturn (including Interest expense) in FY 2022/23 increased by 34 percent to UGX 718,356 million compared to UGX 537,121 million in FY 2021/22.

Total assets grew by 13.8 percent to UGX 27,048,417 million up from UGX 23,763,023 million reported as at 30 June 2022. Foreign assets accounted for 66 percent while domestic assets accounted for 34 percent of the total assets at the end of June 2023. This increase in total assets was largely on account of an increase in advances to the government arising from redemptions of principal and interest on treasury securities.

Total liabilities increased to UGX 22,990,596 million as at 30 June 2023, representing a 15.1 percent increase from UGX 19,982,956 million held as at 30 June 2022. The increase was on account of an increase in currency in circulation, government deposits and vertical repos.

The Bank's net worth increased by 7.3 percent to UGX 4,057,821 million up from UGX 3,780,067 million at the end of June 2022. This growth was attributed to the comprehensive income of UGX 277,755 million registered during the year ended 30 June 2023.

Further details of the Bank's Financial statements are set put on page 88 to page 174 of this report.

11.3 Dividend

The Directors do not recommend payment of a dividend to the Government for the year ended 30 June 2023 (30 June 2022: Nil).

11.4 Directors

The Directors who held office during the year and to the date of this report were:

Executive Directors

Michael Atingi-Ego	Member and Alternate Chairman
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Non Executive Directors

James Kahoza	Term of office expired on 17 February 2023
William S. Kalema	Term of office expired on 17 February 2023
Judy Obitre-Gama	Term of office expired on 17 February 2023
Josephine Okui Ossiya	Reappointed on 02 August 2023
Japheth Katto	Appointed on 15 June 2023
Rosemary Kisembo	Appointed on 15 June 2023
Didas Nkurunziza	Appointed on 15 June 2023
Ramathan Ggoobi	Appointed 15 July 2022

None of the Non-Executive Directors had any financial interests in the Bank during the year. None of the Executive Directors had loans with the Bank. However, loans may be granted as part of the entitlements of the Directors as outlined in the terms and conditions of service. The loans are therefore recovered from emoluments in accordance with the Bank's policy.

11.5 Auditor

In accordance with Section 43 of the Bank of Uganda Act (Cap. 51) Laws of Uganda, the financial statements shall be audited once every year by the Auditor General or an auditor appointed by him to act on his behalf. For the year ended 30 June 2023, M/s. EY Certified Public Accountants, were appointed to conduct the external audit exercise on behalf of the Auditor General.

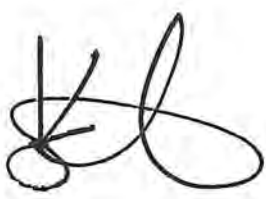
11.6 Events after the reporting period

Events material to the understanding of these financial statements that occurred between the financial year end and the date of this report have been disclosed in note 54.

Approval of the financial statements

The financial statements were approved and authorised for issue at a meeting of the Board of Directors held on 22 September 2023.

By order of the Board



Susan Kanyemibwa

Bank Secretary

22 September 2023



BANK OF UGANDA BOARD OF DIRECTORS

Seated (L-R); Mrs. Josephine Okui Ossiya (Director), Mr. Michael Atingi-Ego (Deputy Governor), Mrs. Rosemary Kitembo (Director)
Standing (L-R); Mr. Japheth Katto (Director), Mr. Didas Nkurunziza (Director), Mrs. Susan Kanyemibwa (Board Secretary), Mr. Ramathan Ggoobi (Director)



12

Statement of Directors' Responsibilities

The Bank's Directors are responsible for the preparation of financial statements that give a true and fair view of Bank of Uganda comprising the statement of financial position as at June 30, 2023 and the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Bank of Uganda Act, 2000.

The Directors are also responsible 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 and for maintaining adequate accounting records and an effective system of risk management.

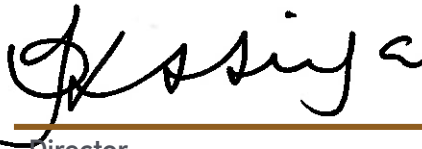
The Directors have made an assessment of the ability of the Bank to continue as a going concern and have no reason to believe that the Bank will not be a going concern for at least twelve months from the date of these financial statements.

12.1 Approval of the financial statements

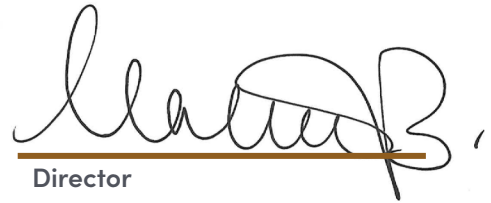
The financial statements of Bank of Uganda which appear on page 88 to page 174 were approved and authorised for issue by the Board of Directors on 22 September 2023.



Chairman



Director



Director

13

Report of the Auditor
General to Parliament

Under the terms of Section 43 of the Bank of Uganda Act (Cap 51) and the National Audit Act, 2008, I am required to audit the financial statements of the Bank of Uganda. In accordance with the provisions of Section 23 of the National Audit Act, I appointed M/s Ernst & Young, Certified Public Accountants, to audit the financial statements on my behalf and report to me to enable me report to Parliament in accordance with Article 163 (4) of the Constitution of the Republic of Uganda (as amended).

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Bank of Uganda (the "Bank") set out on page 88 to page 174, which comprise the statement of financial position as at 30 June 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bank of Uganda as at 30 June 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Bank of Uganda Act.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing ("ISAs"). My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report. I am independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Uganda, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, my description of how my audit addressed the matter is provided in that context.

I have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of my report, including in relation to these matters. Accordingly, my audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements.

Key audit matter

How my audit addressed the key audit matter

1. Determination of expected credit losses on financial assets

The Bank is required to compute expected credit losses (ECLs) on financial instruments held at fair value through other comprehensive income and at amortised cost in accordance with IFRS 9 *Financial Instruments*.

As disclosed in Notes 22, 24, 26, 28, 30, 31 and 33 to the financial statements, these financial instruments amounted to UGX 21,638,368 million as at 30 June 2023 (30 June 2022: UGX

My audit procedures included, but were not limited to, the following:

- Understanding the Bank's process and governance over the expected credit loss models and related adjustments.

18,495,502 million). The allowance for expected credit losses recognised on these financial assets amounted to UGX 375,697 million as at 30 June 2023 (30 June 2022: UGX 354,960 million)

The estimation of expected credit losses is based on a forward-looking approach that requires the Bank to make judgements that are largely subjective. The Bank is also required to disclose the key judgments and the material inputs into the ECL computations.

The determination of ECLs was considered a key audit matter because of the significant amounts involved, related estimation uncertainty and the significant subjective judgments involved.

- Reviewing management and Board committee meeting minutes to identify matters that are relevant to determination of ECLs and checking whether the matters were considered in the determination of ECLs.
- Testing the completeness and accuracy of inputs into the ECL models by tracing a sample of the inputs to the information sourced by management from internal systems and external data providers.
- Evaluating the assumptions made in respect to expected future cash flows considering market conditions.
- Understanding the terms for the financial assets and evaluating whether the terms are considered in the determination of ECLs.
- Assessing whether disclosures made in the financial statements are in accordance with the requirements of IFRS 9 *Financial Instruments* and IFRS7 *Financial Instruments: Disclosures*.

2. Determination of liabilities and contingencies arising from litigation and contractual claims

The Bank is inherently liable with respect to legal and contractual claims risks that arise in the normal course of executing its mandate. At the year-end, there were pending legal cases and contractual claims where the Bank was a party. As disclosed in Note 47 to the financial statements, for the matters for which the Bank's management and directors' assessment is that it is probable that the outcome will be unfavourable to the Bank, the estimated loss has been provided for. The disclosures to the financial statements also include contingent liabilities for which the quantum and likely outcome is uncertain. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur.

The assessment of legal and contractual claims provisions and contingent liabilities inherently involves the exercise of significant judgement and estimates of the outcome of future events. Litigation and other judicial proceedings inherently raise judgement and complex legal issues and are subject to uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case and differences in interpretation of applicable law and contracts. Upon resolution of any pending legal matter, the Bank may be forced to incur costs in excess of the established provisions.

The determination of legal and contractual claims provisions and contingent liabilities was considered a key audit matter because of the significance of the potential amounts involved, related estimation uncertainty and the significant subjective judgments involved. I also considered that the related disclosures are important to the understanding of the financial statements including that it is possible that the financial position, results of operations or cash flows of the Bank could be materially affected if the outcome is different from the Bank's assessment.

My audit procedures included, but were not limited to, the following:

- Understanding the Bank's process for accounting for the obligations and contingencies arising from litigation and contractual claims.
- Reviewing correspondences, meeting minutes and third-party confirmations to identify potential claims against the Bank and checking that potential legal and contractual claims exposures are assessed and accounted for.
- Obtaining confirmations from the Bank's external lawyers on the status of the legal cases and contractual claims including the likely outcome and estimated exposure of the matters.
- Reviewing the disclosures in the financial statements in respect to litigation and contractual claims and checking that they are materially consistent with the audited financial information.

Other Information included in the Bank's Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and my auditor's report thereon. The Bank's directors and management are responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report

in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Bank of Uganda Act, 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.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the directors, I determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



John F.S. Muwanga
Auditor General
Kampala

25 September 2023



14

Financial Statements

14.1 Statement of profit or loss and other comprehensive income

For the year ended		30 Jun 2023	30 Jun 2022
	Note	UGX (m)	UGX (m)
Interest income calculated using the effective interest method	8	976,285	312,768
Other interest and similar income	8	79,134	57,864
Interest expense calculated using the effective interest method	9	(94,416)	(110,080)
Net interest income		961,003	260,552
Profit on domestic foreign exchange trade	10	59,850	70,094
Fees and commissions	11	34,377	33,709
Net losses on financial assets at fair value through profit or loss	12	(9,330)	(198,607)
(Losses)/gains arising from derecognition of financial assets measured at FVOCI	13	(3,796)	312
Other income	14	18,508	15,353
Net non interest and other income		99,609	(79,139)
Expected credit loss (expense)/release on financial assets	15	(20,749)	11,643
Net operating income before foreign exchange (losses)/gains		1,039,863	193,056
Net foreign exchange (losses)/gains	16	(205,470)	735,967
Net operating income		834,393	929,023
Expenses			
Employee benefits	17	(247,863)	(110,614)
General and administration costs	18	(81,046)	(74,743)
Currency costs	19	(214,064)	(179,831)
Financial and professional charges	20	(26,110)	(23,121)
Depreciation	35	(30,095)	(34,083)
Amortization	37	(4,013)	(4,649)
Total expenses		(603,191)	(427,041)
Net surplus	21	231,202	501,982
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Net change in fair value for debt instruments at fair value through OCI	24	(9,222)	(38,592)
Net change in impairment for debt instruments at fair value through OCI	12		4
Net amount reclassified to profit or loss for debt instruments at fair value through OCI	24	7,850	312
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Revaluation of property, plant and equipment		53,483	55,365
Actuarial gains/(losses) on defined benefit pension plan	34	3,169	(61,294)
Net change in fair value for equity instruments at fair value through OCI	25	(1,870)	15,502
Unrealised foreign exchange gains on equity instruments at fair value through OCI	25	(6,870)	12,823
Other comprehensive income/(expense) for the year		46,552	(15,880)
Total comprehensive income for the year		277,754	486,102

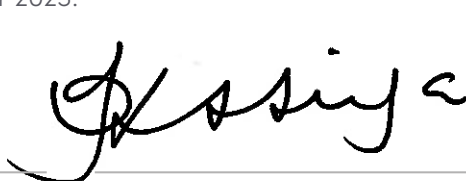
14.2 Statement of financial position

As at			30 Jun 2023	30 Jun 2022
	Note		UGX (m)	UGX (m)
Assets				
Foreign assets				
Cash and cash equivalents	22		3,544,110	1,828,910
Financial assets at fair value through profit or loss	23		4,236,081	4,227,388
Debt instruments at fair value through other comprehensive income	24		1,157,278	1,200,291
Equity instruments at fair value through other comprehensive income	25		431,568	260,427
Debt instruments at amortised cost	26		6,785,586	8,873,376
Derivative financial instruments	27		37,979	70,188
Assets held with International Monetary Fund	28		1,704,214	1,952,592
Total foreign assets			17,896,816	18,413,172
Domestic assets				
Investments in government securities	30		1,059,773	855,445
Loans, advances and drawdowns to government	31		7,232,183	3,640,661
Loans and advances to staff	33		155,224	144,227
Retirement benefits plan	34		87,863	97,131
Property, plant and equipment	35		391,231	366,982
Intangible assets	37		14,909	18,665
Assets held for sale	38		14,806	-
Other assets	39		195,612	226,740
Total domestic assets			9,151,601	5,349,851
Total assets			27,048,417	23,763,023
Liabilities				
Foreign liabilities				
IMF obligations	28		2,539,212	2,599,064
IMF Rapid Credit Facility	29		1,219,644	1,250,439
Other foreign liabilities	40		416	416
Derivative financial instruments	27		26,720	23,256
Total foreign liabilities			3,785,992	3,873,175
Domestic liabilities				
Currency in circulation	41		7,313,597	6,827,752
Government deposits	42		5,689,715	4,465,024
Commercial and Central Banks' deposits	43		3,778,279	4,032,189
Repurchase agreements with commercial banks	44		2,162,444	598,956
Other liabilities	46		225,043	148,477
Provisions	47		35,526	37,383
Total domestic liabilities			19,204,604	16,109,781
Total liabilities			22,990,596	19,982,956
Equity				
Issued capital	48		20,000	20,000
BoU recapitalisation funds	49		1,641,718	1,641,718
Reserves	50		2,396,103	2,118,349
Total equity			4,057,821	3,780,067
Total liabilities & equity			27,048,417	23,763,023

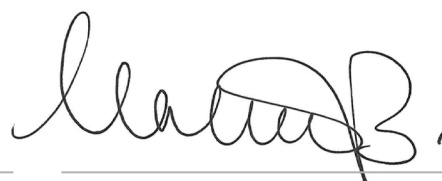
The financial statements on page 88 to page 174 were approved and authorised for issue by the Board of Directors on 22 September 2023.



Chairman



Director



Director

14.3 Statement of changes in equity

For the year ended 30 June 2023	Issued capital	BoU recapitalisation	Translation reserve	Asset re-valuation reserve	Fair value reserve	Revenue reserve	Actuarial reserve	General reserve	Totals
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
At 01 July 2021	20,000	1,641,718	3,000,561	150,610	129,708	(2,042,607)	(5,302)	399,277	3,293,966
Surplus for the year	-	-	-	-	-	501,982	-	-	501,982
Other comprehensive income	-	-	-	-	(38,592)	-	-	-	(38,592)
Net change in fair value for debt instruments at FVOCI	-	-	-	-	4	-	-	-	4
Net change in impairment for debt instruments at FVOCI	-	-	-	-	312	-	-	-	312
Net amount reclassified to profit or loss for debt instruments at FVOCI	-	-	-	-	-	-	-	-	-
Revaluation of property, plant and equipment	-	-	-	55,365	-	-	-	-	55,365
Actuarial losses on defined benefit pension plan	-	-	-	-	-	-	(61,294)	-	(61,294)
Net change in fair value of equity instruments at FVOCI	-	-	-	-	15,502	-	-	-	15,502
Unrealised foreign exchange gains on equity instruments at FVOCI	-	-	-	-	12,823	-	-	-	12,823
Total comprehensive income	-	-	-	55,365	(9,951)	-	(61,294)	-	(15,880)
Revaluation surplus release	-	-	-	(18,267)	-	18,267	-	-	-
Foreign exchange gains	-	-	735,967	-	-	(735,967)	-	-	-
At 30 June 2022	20,000	1,641,718	3,736,528	187,708	119,757	(2,258,325)	(66,596)	399,277	3,780,067
At 01 July 2022	20,000	1,641,718	3,736,528	187,708	119,757	(2,258,325)	(66,596)	399,277	3,780,067
Surplus for the year	-	-	-	-	-	231,202	-	-	231,202
Other comprehensive income	-	-	-	-	(9,222)	-	-	-	(9,222)
Net change in fair value for debt instruments at FVOCI	-	-	-	-	12	-	-	-	12
Net change in impairment for debt instruments at FVOCI	-	-	-	-	7,850	-	-	-	7,850
Net amount reclassified to profit or loss for debt instruments at FVOCI	-	-	-	53,483	-	-	-	-	53,483
Revaluation of property, plant and equipment	-	-	-	-	(1,870)	-	-	-	(1,870)
Net change in fair value of equity instruments at FVOCI	-	-	-	-	(6,870)	-	-	-	(6,870)
Unrealised foreign exchange losses on equity instruments at FVOCI	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	53,483	(10,100)	-	3,169	-	46,552
Revaluation surplus release	-	-	-	(24,584)	-	24,584	-	-	-
Foreign exchange losses	-	-	(205,470)	-	-	205,470	-	-	-
At 30 June 2023	20,000	1,641,718	3,531,058	216,607	109,657	(1,797,069)	(63,427)	399,277	4,057,821

14.4 Statement of cash flows

For the year ended			30 Jun 2023	30 Jun 2022	
		Note	UGX (m)	UGX (m)	
Cash flows from operating activities:	Net surplus for the year	21	231,202	501,982	
	Amortisation	37	4,013	4,649	
	Depreciation	35	30,095	34,083	
	Loss/(gain) on sale of property, plant and equipment	37	856	(66)	
	Loss on sale of Intangibles		101	198	
	Credit loss expense/(release) on financial assets	15	20,749	(11,643)	
	Gains/(losses) arising from derecognition of financial assets measured at FVOCI		3,796	(312)	
	Change in fair value for financial assets at fair value through profit or loss		(432)	(184,497)	
	Net foreign exchange differences		(54,926)	(54,788)	
	Defined benefit plan gains/(costs) charged to profit or loss		30,590	(87,995)	
			266,044	201,611	
	Foreign assets				
	(Increase)/decrease in financial assets at fair value through profit or loss		(8,261)	108,920	
	Decrease/(increase) in debt instruments at fair value through other comprehensive income		37,845	(75,370)	
	Increase in equity instruments at fair value through other comprehensive income		(179,880)	(4,875)	
Decrease in debt instruments at amortised cost		2,088,527	137,898		
Decrease/(increase) in derivative financial instruments		32,209	(20,825)		
Decrease/(increase) in assets held with International Monetary Fund		248,413	(1,730,941)		
Decrease/(increase) in total foreign assets			2,218,853	(1,585,194)	
Domestic assets					
Increase in investments in government securities		(204,354)	(360,834)		
(Increase)/decrease in loans, advances and drawdowns to government		(3,592,222)	808,487		
(Increase)/decrease in loans and advances to commercial banks		(16,876)	11,889		
Increase in loans and advances to staff		(11,772)	(9,348)		
Increase in assets held for sale		(14,806)	-		
Decrease in other assets		31,128	173,156		
(Increase)/decrease in total domestic assets			(3,808,902)	623,350	
Increase in total assets			(1,590,049)	(961,844)	
Foreign liabilities					
(Decrease)/increase in IMF obligations		(59,852)	1,720,806		
Decrease in IMF Rapid Credit Facility		(30,795)	(16,860)		
Increase in derivative financial instruments		3,464	11,799		
(Decrease)/increase in total foreign liabilities			(87,183)	1,715,745	
Domestic liabilities					
Increase in currency in circulation		485,845	810,787		
Increase/(decrease) in government deposits		1,224,691	(1,445,712)		
(Decrease)/increase in commercial and Central Banks' deposits		(253,910)	553,949		
Increase/(decrease) in repurchase agreements with commercial banks		1,563,488	(1,967,758)		
Increase in other liabilities		76,566	44,654		
Decrease in provisions		(1,857)	(25,984)		
Increase/(decrease) in total domestic liabilities			3,094,823	(2,030,063)	
Increase/(decrease) in total liabilities			3,007,640	(314,318)	
Net cash from/(used in) operations			1,683,635	(1,074,551)	
Bank contribution to BoU defined benefit plan		34	(18,153)	(16,043)	
Net cash from/(used in) operating activities			1,665,482	(1,090,594)	
Cash flows from investing activities:	Proceeds from sale of property, plant and equipment		15,783	707	
	Purchase of property, plant and equipment	35	(17,500)	(5,531)	
	Purchase of software	37	(358)	(5,185)	
	Net cash used in investing activities			(2,075)	(10,009)
	Principal payment of leases	45	-	(120)	
Net cash used in financing activities			-	(120)	
Increase/(decrease) in cash and cash equivalents			1,663,407	(1,100,723)	
Net foreign exchange differences			54,926	54,788	
Add: Cash and cash equivalents at the beginning of the year			1,830,370	2,876,305	
Cash and cash equivalents at 30 June			22	3,548,703	1,830,370

For the purpose of this statement, cash refers to foreign currency assets defined as cash and cash equivalents.

For purposes of the cash flow, cash and cash equivalents exclude allowances for expected credit losses.

Additional information on operational cash flows from interest:

	30-Jun-23	30-Jun-22
	UGX (m)	UGX (m)
Interest received:	681,449	215,925
Interest paid:	74,411	100,838



15

Notes to the financial
statements

1 Reporting entity

Bank of Uganda is the Central Bank of Uganda as established under the Bank of Uganda Act 1966 as amended by the Bank of Uganda Act, 2000. Also the Constitution of the Republic of Uganda, 1995, Article 161, provides that the Bank of Uganda shall be the Central Bank of Uganda and therefore the reporting entity.

2 Basis of preparation

2.1 Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Bank of Uganda Act, 2000.

Details of significant accounting policies are included in Note 3.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments
- Financial instruments at fair value through profit or loss;
- Financial assets at FVOCI;
- The receivable for defined benefit obligations recognised as fair value of the plan assets less the present value of the defined benefit obligation, plus unrecognised actuarial gains less unrecognised past service cost and unrecognised actuarial losses; and
- Revaluation of certain property, plant and equipment.

2.3 Functional and presentation currency

The financial statements are presented in Uganda Shillings (UGX), which is the functional currency of the Bank. Except as otherwise indicated, financial information presentation in Uganda shillings has been rounded to the nearest million (UGX (m)). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

2.4 Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements and have been applied consistently by the Bank.

3.1 New standards, amendments and interpretations

3.1.1 New standards, amendments and interpretations effective and adopted by the Bank

The Bank has applied all pronouncements that became effective for annual reporting periods beginning on or after 01 January 2022.

The pronouncements became effective for the Bank during the annual reporting period commencing 01 July 2022. These standards and amendments did not have a material impact on the financial statements.

Title	Effective Date	Effect on BoU
Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)		
The amendments prohibit deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	Annual reporting periods beginning on or after 01 January 2022	The Bank did not have any sales of such items produced by property, plant and equipment made available for use.
Reference to the Conceptual Framework (Amendments to IFRS 3)		
The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.	Annual reporting periods beginning on or after 01 January 2022	These amendments had no impact on the financial statements of the Bank.
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)		
The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, and materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant, and equipment used in fulfilling the contract).	Annual reporting periods beginning on or after 01 January 2022	These amendments had no impact on the financial statements of the Bank
IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter		
Makes amendments to the following standards: IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs.	Annual reporting periods beginning on or after 01 January 2022	These amendments had no impact on the financial statements of the Bank as it is not a first-time adopter and does not have any subsidiaries.
IFRS 9 Financial Instruments Fees in the ‘10 per cent’ test for derecognition of financial liabilities.		
The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.	Annual reporting periods beginning on or after 01 January 2022	These amendments had no impact on the financial statements of the Bank
IAS 41 – Agriculture – Taxation in fair value measurement		
The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.	Annual reporting periods beginning on or after 01 January 2022	These amendments had no impact on the financial statements of the Bank as it does not hold assets in the scope of IAS 41.

3.1.2 New standards, amendments and interpretations issued not yet effective

The below new accounting standards and interpretations have been published but are not mandatory for the current year and have not been early adopted by the Bank.

New or revised pronouncement	When effective
IFRS 17 Insurance contracts	
The standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The standard ensures that entities provide relevant information that faithfully represents those contracts and gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	Annual reporting periods beginning on or after 1 January 2023
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17)	
The amendment permits entities that first apply IFRS 17 and IFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before.	An entity that elects to apply the amendment applies it when it first applies IFRS 17
Amendments to IFRS 17	
Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. The main changes are: Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk.	Annual reporting periods beginning on or after 1 January 2023
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)	
The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.	Annual reporting periods beginning on or after 1 January 2023
Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination.	
Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level. Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements. Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives. Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held. Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts. Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach	Annual reporting periods beginning on or after 1 January 2023

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

Annual reporting periods beginning on or after 1 January 2023

Definition of Accounting Estimates (Amendments to IAS 8)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

Annual reporting periods beginning on or after 1 January 2023

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Annual reporting periods beginning on or after 1 January 2023

International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12

The Amendments introduce:

A mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and

Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

Annual reporting periods beginning on or after 1 January 2023

Classification of liabilities as current or non-current and non-current liabilities with covenants

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

Annual reporting periods beginning on or after 1 January 2024

Lease liability in a sale and leaseback amendment to IFRS 16

The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains

Annual reporting periods beginning on or after 1 January 2024

Disclosures: Supplier Finance Arrangements Amendments to IAS 7 and IFRS 17

The amendments clarify the characteristics of supplier finance arrangement where one or more finance providers pay amounts an entity owes to its suppliers. The amendments require an entity to provide information about the impact of supplier finance arrangements on liabilities and cashflows including the terms and conditions of the arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period, and the type and effect of non-cash changes in the carrying amounts of those arrangements.

Annual reporting periods beginning on or after 1 January 2024

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted.

The above pronouncements are not expected to have a material impact on the Bank's financial statements.

3.1.3 Sustainability reporting

In June 2023, the International Sustainability Standards Board published the first sustainability related disclosure standards: IFRS S1 and IFRS S2. The standards will assist entities to prepare consistent and reliable sustainability information. The standards are effective on or after 1 January 2024, however the adoption of the standards in Uganda will depend on a decision that is to be made by the Institute of Certified Public Accountants of Uganda.

3.2 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date.

Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Changes in the fair value of monetary securities denominated in foreign currency classified as FVTOCI are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets, such as equities classified as FVTOCI, are included in other comprehensive income.

3.3 Recognition of income and interest expense

3.3.1 Interest income and expenses

Interest income and expense are recognised in profit or loss using the effective interest rate method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate.

Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 4

Interest expense presented in the statement of profit or loss and OCI includes financial liabilities measured at amortised cost

Interest income and expense on financial assets and financial liabilities at FVTPL are presented in net gains/ losses on financial instruments at FVTPL.

3.3.2 Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- Interest on financial assets and financial liabilities measured at amortised cost; and
- Interest on debt instruments measured at FVOCI.

Interest expense presented in the statement of profit or loss and OCI includes:

- Interest expense on financial liabilities measured at amortised cost.

3.3.3 Profit on Domestic Foreign Exchange Trade

Profit on domestic foreign exchange trade relates to income earned on sale or purchase of foreign exchange to or from Government of Uganda.

3.3.4 Fees and commissions

Fees and commission income includes ledger fees and commission on letters of credit opened on behalf of Government. Other fees include currency processing, Real Time Gross Settlement (RTGS), Central Securities Depository (CSD) and Clearing house fees.

3.3.5 Net gain on financial assets at fair value through profit or loss

Net gain on financial instruments at FVTPL represents non-trading derivatives held for risk management purposes used in economic hedge relationship but not qualifying for hedge accounting relationships, financial assets at FVTPL. The line item includes fair value changes and foreign exchange differences.

3.3.6 Net gain/(loss) on derecognition of financial assets measured at amortised cost or FVOCI

Net loss on derecognition of financial assets measured at amortised cost includes loss or income recognized on sale or derecognition of financial assets measured at amortised costs calculated as the difference between the book value (including impairment) and the proceeds received.

3.3.7 Dividend income

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of other income based on the underlying classification of the equity investment. Dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in OCI.

3.4 Financial assets and liabilities

3.4.1 Recognition and measurement

Financial assets and liabilities, with the exception of loans and advances to Government, commercial banks and staff, are initially recognised on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to Government, commercial banks and staff are recognised when funds are transferred to their respective accounts.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Bank will account for such difference as follows:

- If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss); and
- In all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

3.4.2 Classification and measurement of financial instruments

i. Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss. For all financial assets the amount presented on the statement of financial position represent all amounts receivable including interest accruals.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are never bifurcated. Instead the whole hybrid is

assessed for classification.

IFRS 9 requires:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments and that have contractual cash flows that are SPPI, are subsequently measured at Fair Value Through Other Comprehensive Income (FVTOCI);
- All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Bank may make the following irrevocable election /designation at initial recognition of a financial asset on an asset- by asset basis:

- The Bank may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in OCI; and
- The Bank may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

a. Financial assets at amortised cost or at FVTOCI

The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are SPPI.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Bank determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Bank's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Bank has more than one business model for managing its financial instruments which reflect how the Bank manages its financial assets in order to generate cash flows. The Bank's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Bank considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Bank does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Bank takes into account all relevant evidence available such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Bank determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period, the Bank has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment. See Note 4.

b. Financial assets at FVTPL

Financial assets at FVTPL are:

- Assets with contractual cash flows that are not SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in Note 6.

c. Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Bank enters through the external fund managers enters into derivative transactions with various counter parties. These include interest rate swaps, futures and forward foreign exchange contracts.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Fully collateralised derivatives that are settled net in cash on a regular basis through the respective clearing houses are only recognised to the extent of the overnight outstanding balance.

The notional amount and fair value of such derivatives are disclosed separately in Note 26. Changes in the fair value of derivatives are included in net gains on financial assets measured at fair value through profit or loss.

3.4.3 Reclassifications

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply

prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Bank's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Bank holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described under note 3.4.9.

3.4.4 Impairment of financial assets

The Bank recognises loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Cash and cash equivalents
- Debt instruments at fair value through other comprehensive income
- Debt instruments at amortised cost
- Assets held with IMF
- Investments in Government securities
- Loans, advances and draw downs to Government;
- Loans and advances to commercial banks; and
- Loans and advances to staff.

No impairment loss is recognised on equity investments.

With the exception of Purchased Originated Credit Impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).
- A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided in note 4.
- ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

3.4.5 Credit impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets.

Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit impaired. The Bank assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration

in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikelihood to pay indicators and a back-stop if amounts are overdue for 90 days or more.

3.4.6 Purchased or originated credit impaired (POCI) financial assets

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Bank recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. A favourable change for such assets creates a credit loss release.

3.4.7 Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Bank considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Bank; or
- the borrower is unlikely to pay its credit obligations to the Bank in full.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counter party are key inputs in this analysis.

The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. As noted in the definition of credit impaired financial assets above, default is evidence that an asset is credit impaired. Therefore credit impaired assets will include defaulted assets, but will also include other non-defaulted given the definition of credit impaired is broader than the definition of default.

3.4.8 Significant increase in credit risk

The Bank monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL. The Bank's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Bank monitors all financial assets that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Bank considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Bank's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

For counter parties, the Bank considers forward-looking information includes the future prospects of the industries in which the Bank's counterparties operate, obtained from economic expert reports, financial

analysts, governmental bodies and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information.

The Bank allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- the remaining lifetime PD at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward-looking and the Bank uses the same methodologies and data used to measure the loss allowance for ECL (please refer to note 4).

- The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However the Bank still considers separately some qualitative factors to assess if credit risk has increased significantly. For loans and advances there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counter party has deteriorated.
- Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

As a back-stop when an asset becomes 30 days past due, the Bank considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL. In addition, loans that are individually assessed and are included on a watch list are in stage 2 of the impairment model. As noted if there is evidence of credit-impairment, the assets are at stage 3 of the impairment model.

More information about significant increase in credit risk is provided in Note 4.

3.4.9 Derecognition of financial assets

i. Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCL.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan;
- Introduction of an equity feature;
- Change in counter party;
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

ii. **Derecognition other than for substantial modification**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

3.4.10 Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has no reasonable expectation of recovering the financial asset either in its entirety or a portion thereof.

If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to the credit loss expense.

3.4.11 Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve through OCI (see Note 4).

3.4.12 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. For all financial liabilities the amount presented on the statement of financial position represent all amounts payable including interest accruals.

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy and information about the banking is provided internally on that basis; or
- it forms part of a hybrid (combined) contract, containing one or more embedded derivatives that significantly modifies the cash flows of the contract, or it is clear with little or no analysis that separation of the embedded derivative is not prohibited.

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'net income from other financial instruments at FVTPL' line item in the profit or loss account.

This category includes derivative financial instruments entered into by the Bank that are not designated as hedging instruments in hedge relationships.

3.4.13 Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Bank's liabilities subsequently measured at amortised cost include IMF obligations, Government & commercial bank deposits, repos and other liabilities.

3.4.14 Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

3.4.15 Derecognition of liabilities

i. Derecognition due to substantial modification of terms and conditions

For financial liabilities, the Bank considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

ii. Derecognition other than for substantial modification

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

The following tables provides a reconciliation between line items in the statement of financial position and categories of financial instruments

At 30 June 2023	Note	Mandatorily at FVTPL	Designated as at FVTPL	FVOCI-debt instruments	FVOCI-equity instruments	Amortised cost	Total carrying amount
		UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Cash and cash equivalents	22	-	-	-	-	3,544,110	3,544,110
Financial assets at FVTPL	23	2,925,486	1,310,595	-	-	-	4,236,081
Debt instruments at fair value through OCI	24	-	-	1,157,278	-	-	1,157,278
Equity instruments at fair value through OCI	25	-	-	-	431,568	-	431,568
Debt instruments at amortised cost	26	-	-	-	-	6,785,586	6,785,586
Derivative financial instruments	27	37,979	-	-	-	-	37,979
Assets held with IMF	28	-	-	-	-	1,704,214	1,704,214
Investments in government securities	30	-	-	-	-	1,059,773	1,059,773
Loans, advances and drawdowns to government	31	-	-	-	-	7,232,183	7,232,183
Loans and advances to staff	33	-	-	-	-	155,224	155,224
Other assets	39	-	-	-	-	11,117	11,117
Total financial assets		2,963,465	1,310,595	1,157,278	431,568	20,492,207	26,355,113
IMF obligations	28	-	-	-	-	2,539,212	2,539,212
IMF Rapid Credit Facility	29	-	-	-	-	1,219,644	1,219,644
Other foreign liabilities	40	-	-	-	-	416	416
Derivative financial instruments	26	26,720	-	-	-	-	26,720
Government deposits	42	-	-	-	-	5,689,715	5,689,715
Commercial & Central bank's deposits	43	-	-	-	-	3,778,279	3,778,279
Repurchase agreements with commercial Banks	44	-	-	-	-	2,162,444	2,162,444
Other liabilities	46	-	-	-	-	225,043	225,043
Total financial liabilities		26,720	-	-	-	15,614,753	15,641,473

At 30 June 2022	Note	Mandatorily at FVTPL	Designated as at FVTPL	FVOCI-debt instruments	FVOCI-equity instruments	Amortised cost	Total carrying amount
		UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Cash and cash equivalents	22	-	-	-	-	1,828,910	1,828,910
Financial assets at FVTPL	23	2,902,608	1,324,780	-	-	-	4,227,388
Debt instruments at fair value through OCI	24	-	-	1,200,291	-	-	1,200,291
Equity instruments at fair value through OCI	25	-	-	-	260,427	-	260,427
Debt instruments at amortised cost	26	-	-	-	-	8,873,376	8,873,376
Derivative financial instruments	27	70,188	-	-	-	-	70,188
Assets held with IMF	28	-	-	-	-	1,952,592	1,952,592
Investments in government securities	30	-	-	-	-	855,445	855,445
Loans, advances and drawdowns to government	31	-	-	-	-	3,640,661	3,640,661
Loans and advances to staff	33	-	-	-	-	144,227	144,227
Other assets	39	-	-	-	-	1,357	1,357
Total financial assets		2,972,796	1,324,780	1,200,291	260,427	17,296,568	23,054,862
IMF obligations	28	-	-	-	-	2,599,064	2,599,064
IMF Rapid Credit Facility	29	-	-	-	-	1,250,439	1,250,439
Other foreign liabilities	40	-	-	-	-	416	416
Derivative financial instruments	26	23,256	-	-	-	-	23,256
Government deposits	42	-	-	-	-	4,465,024	4,465,024
Commercial & Central bank's deposits	43	-	-	-	-	4,032,189	4,032,189
Repurchase agreements with commercial Banks	44	-	-	-	-	598,956	598,956
Other liabilities	46	-	-	-	-	148,477	148,477
Total financial liabilities		23,256	-	-	-	13,094,565	13,117,821

3.5 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. For an asset that does not generate independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss except for property, plant and equipment previously revalued with the revaluation surplus taken to OCI. For such property, plant and equipment, the impairment is recognised in OCI up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so as that carrying amount of the asset does not exceed its recoverable amount, or exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

3.6 Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.7 Securities lending

Securities lending transactions are usually collateralised by cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash received or advanced as collateral is recorded as an asset or liability.

3.8 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including: notes and coins on hand, demand deposits held with foreign banks and central banks and highly liquid assets, subject to insignificant risk of changes in their fair value and are used by the Bank in the management of short term commitments.

Cash and cash equivalents are measured at amortized cost using effective interest method in the statement of financial position.

3.9 Taxes

According to the Bank of Uganda Act and the Finance Act 2003, the Bank is exempt from payment of income tax in respect of its functions as defined by the Act.

3.10 Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Freehold and leasehold land, buildings, computer equipment, vehicles, furniture, equipment and plant & machinery are subsequently measured at fair value, based on valuations by external independent valuers,

less accumulated depreciation and impairment losses after the date of revaluation. The Bank revalues land (freehold and leasehold), buildings, computer equipment, vehicles, furniture, equipment and plant & machinery after every five years. Increases in the carrying amounts arising on revaluation are recognised in other comprehensive income and accumulated in the asset revaluation reserve. Decreases that offset previous increases of the same asset are charged against revaluation reserve while all other decreases are charged to profit or loss.

An annual transfer from the revenue reserve to the asset revaluation reserve is made for the difference between depreciation based on the revalued amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to the revenue reserve.

Freehold land is not depreciated. Depreciation on other assets is calculated on a straight-line basis to write off their cost or revalued amount of such assets to their residual values over the estimated useful lives.

Land and buildings on leasehold land are depreciated on a straight line basis over the lower of the useful life or the lease term. Other assets are depreciated over the term of their estimated useful lives at the following principal annual rates:

Major Category	Minor Category	Useful Life (Yrs.)	Depreciation Rate	Salvage Value
Computer Hardware	Fixed computer equipment and Laptops	5	20%	1.00%
	Mobile devices	3	33%	1.00%
	Processing peripherals	5	20%	1.00%
	Audio Visual equipment	5	20%	1.00%
	Servers	5	20%	1.00%
	Network devices	5	20%	1.00%
Equipment	Archives	8	13%	0.50%
	Catering	6	17%	0.50%
	Cleaning	5	20%	0.25%
	Currency & Banking	8	13%	0.00%
	Forklifts	8	13%	2.00%
	Medical	5	20%	1.00%
	Office e.g. Shredder	8	13%	2.00%
	Security	6	17%	1.00%
Furniture	Engineering	8	13%	2.00%
	Beds	5	20%	2.00%
	Chairs	4	25%	2.00%
	Desks	8	13%	2.00%
	Shelves	10	10%	2.00%
	Tables	10	10%	2.00%
	Fittings	8	13%	2.00%
Plant & Machinery	Currency	15	7%	0.00%
	Currency & Banking	15	7%	0.00%
	Engineering	15	7%	1.00%
	Forklifts	15	7%	1.00%
	Security	15	7%	1.00%
Vehicles	Executive & Pool	5	20%	10.00%
	Bullion vans	10	10%	5.00%
	Armoured Personnel Carrier	8	13%	5.00%
	Motorcycles	5	20%	5.00%
Land & Buildings	Buildings	50	2%	1.00%
	Leasehold land	over the lease term	N/A	N/A
	Freehold land	N/A.	N/A	N/A

The directors and management review the residual value, useful life and depreciation method of an asset at the year-end and any change in accounting estimate is adjusted prospectively through profit or loss, if appropriate.

Property that is being constructed or developed for future use to support operations is classified as Work-in-Progress (WIP) and stated at cost until construction or development is complete, at which time the asset

is reclassified as property, plant and equipment in use.

Subsequent expenditures are capitalized only when it is probable that the future economic benefits will flow to the Bank. Expenditure incurred to replace a component of item of property, plant and equipment is accounted for separately and capitalized while the replaced component is derecognised.

All other expenditure items which do not meet the recognition criteria are recognised in profit or loss as expenses as they are incurred.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other income or general and administration costs in profit or loss in the year the asset is derecognized.

3.11 Leases

As a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone price.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to the premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses Central Bank rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise mainly fixed quarterly payments.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets in 'property and equipment' and lease liabilities separately in the statement of financial position.

3.12 Non-current Assets Held for Sale and Discontinued Operations

The Bank classifies a non-current asset (or disposal group) as held for sale if it's carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active program to locate a buyer and complete the plan must have been initiated. In addition, actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable

to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

3.13 Intangible assets

The Bank's intangible assets include the value of computer software.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented as a separate line item in the statement of profit or loss and other comprehensive income.

Amortisation of computer software is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as shown below:

Major Category	Minor Category	Useful Life (Yrs.)	Depreciation Rate	Salvage Value
Computer Software	Applications	7	14%	0.00%
	Operating Systems	7	14%	0.00%
	Databases	5	20%	0.00%
	Specialized software	7	14%	0.00%

3.14 Consumable stores stocks

Consumable stores stocks are valued at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Net realisable value is the estimated disposal price in line with the Bank's procurement and disposal policies. Provisions are made for all obsolete stock.

3.15 Currency printing and minting costs

Currency note printing and coin minting costs incurred are deferred and only charged to profit or loss in the year the currency is issued. The deferred amount is recognised in the statement of financial position as deferred currency costs and represents un-issued currency stocks. Currency costs are recognised in the profit or loss using the FIFO (First in First out) method.

3.16 Currency in circulation

The exclusive rights of national currency issue are vested with the Bank of Uganda. Currency-in-circulation comprises value of Bank notes and coins issued by the Bank of Uganda.

3.17 Demonetisation of currency

Demonetisation is the process of revoking the legality of designated issues of notes or coins. The Bank may demonetise any of its bank notes and coins on payment of the face value under section 23 (3) of the Bank of Uganda Act provided that a notice of not less than fifteen days is given in the official gazette. The value of demonetised currency notes and coins that is not returned to the Central Bank is recognised as income in profit or loss and the liability to the public is extinguished.

3.18 Provisions

A provision is recognised when the Bank has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to that liability.

3.19 Repurchase and sale agreement

REPO is an arrangement involving the sale for cash, of security at a specified price with a commitment to repurchase the same or similar securities at a fixed price either at a specific future date or at maturity.

For monetary purposes (liquidity management), the Bank from time to time mops up money from the financial market (REPO) or injects money into the market (Reverse REPO). The Bank engages in the above with commercial banks only.

When the Bank mops money from commercial banks, it creates a liability in its financial statements and secures this borrowing (liability) by assigning part of the securitised debt owing from Government to the Bank to the commercial banks it has mopped from. The Bank freezes the money mopped and pays interest at market rates on the money. The money mopped stays until maturity (7 to 56 days).

Similarly, the Bank also lends money to commercial banks (reverse repo). In this process, the Bank creates an asset in its financial statements and takes a security from the borrowing bank usually in form of Treasury Bills or Bonds. The Bank earns interest on this lending. The injected money stays with the borrowing bank until maturity (7 to 56 days).

The Bank treats reverse REPOs as collateralized loans for accounting purposes. In this case, a reverse REPO is recognised as a secured advance and is shown separately as advance to banks while repurchase agreements are shown as a Government liability in the books of the Bank.

Both REPO and Reverse REPO as instruments of monetary policy are owned and issued by the Bank as opposed to prior years where the Bank issued them as an agent of Government and both interest expense on REPOs and interest income on reverse REPOs are recognised in profit or loss.

3.20 Dividends

The Bank of Uganda Act (Cap 51) allows the Bank to retain 25 percent of realised income after taking into account expenses. In addition to this, the Board of Directors, in line with the requirements of Bank of Uganda Act, set a policy that all dividends shall be paid after reclassifying all unrealised exchange gains and other revaluation gains to translation reserve.

Dividends are recognised as a liability in the period in which they are declared. Proposed dividends are disclosed as a separate component of equity until they are declared.

3.21 Deposits

Deposits are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They arise when the Bank receives money or services directly from counter party with no intention of trading the payable.

Cash Ratio Deposits are taken from commercial banks for liquidity management (monetary policy purposes) of the Bank in accordance with the Banking Act and are interest free. Cash Ratio Reserves is a monetary policy instrument used to manage liquidity. The deposits earn no interest to commercial banks and the Bank does not trade on these deposits in any way. The deposits are currently computed at 8 percent of each commercial bank's deposits it has taken from the public. Each commercial bank is required to deposit the applicable amount at the Bank and the computation is done on monthly basis.

3.22 Employee benefits

Wages, salaries, employer's National Social Security Fund (NSSF) contributions and gratuity are accrued in the year in which the associated services are rendered by employees and recognised in profit or loss. Short term compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. The Bank contributes 10 percent to NSSF in respect of all eligible employees, while staff contributes 5 percent of their total wages.

3.22.1 Bank of Uganda Defined Benefits Scheme

The Bank of Uganda Defined Benefits Scheme was established under an irrevocable trust in 1995 and is governed by the appointed Trustees. Employees on permanent and pensionable terms of service contribute 4 percent of their pensionable pay to the Scheme, while the employer (Sponsor) contributes 17.1 percent of each member's pensionable pay. The Scheme was closed to new entrants effective 01 January 2014.

The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated cash outflows using the discount rate that is based on the 15-year government bond yield in line with the general requirements of IAS 19: Employee Benefits.

The Bank's net asset in respect of the plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefits are discounted to determine the present value and the fair value of the plan assets is deducted. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what actually occurred), as well as the effects of changes in actuarial assumptions. Actuarial gains or losses are recognised in other comprehensive income as per the requirements of IAS 19: Employee Benefits. Re measurements are not reclassified to profit or loss in subsequent periods.

Past service cost is recognised as an expense at the earlier of: the date when a plan amendment or curtailment occurs and the date when an entity recognises any termination benefits, or related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Bank recognises the following changes in the net defined benefit obligation under 'general and administration costs' in profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income.

3.22.2 Bank of Uganda Defined Contribution Scheme

The Bank started operating a defined contributions (DC) pension scheme for contract staff and any other staff recruited in the Bank effective 01 January 2014. The scheme is administered by the Defined Contribution Scheme Board of Trustees. The Scheme is funded by contributions from both the Bank and employees (17.1 percent and 4 percent of gross salary respectively).

For defined contribution plans, the cost to be recognised in the period is the contribution payable in exchange for service rendered by employees during the period.

3.22.3 Gratuity

The Bank pays gratuity for a number of staff on contracts who are not on either the defined contribution or the defined benefit schemes. The rates range from 20 percent to 22 percent of the total annual emoluments depending on the seniority of the rank of the staff. Gratuity is treated as an expense in profit or loss and the amount outstanding at year end is recognised as a liability to the Bank.

3.22.4 Other Employee Benefits

The estimated monetary liability for employees' accrued leave entitlement at the reporting date is recognised as accrued expense.

4 Financial risk management

The Bank is involved in policy-orientated activities. Therefore, the Bank's risk management framework differs from the risk management frameworks for most other financial institutions. The main financial risks to which the Bank is exposed include operational risk, credit risk, liquidity risk, interest rate risk and currency risk. In the management of foreign reserves, minimizing liquidity risk is the prime consideration in order to maintain an effective foreign exchange intervention capability. Profiles for managing interest rate, credit, foreign currency and liquidity are noted. Like most other central banks, the nature of the Bank's operations creates exposures to a range of operational risks and reputational risks.

The Board seeks to ensure that strong and effective risk management and control systems are in place for assessing, monitoring and managing risk exposure. The Foreign Exchange Reserve Management Policy Committee (FERMPC), comprising the Governor and senior management, is responsible for advising on the monitoring and management of the business strategy, risks and performance of all statement of financial

position-related activities. This review includes the appropriateness of risk-return trade-offs underlying the business strategy and portfolio structure. Specialist staff conduct the Bank's foreign currency reserves management and foreign exchange dealing operations in accordance with a clearly defined Reserves Management Policy/Framework, including limits and delegated authorities set by the Governor. The policy is subject to regular review by FERMP.

The majority of the Bank's financial risks arise from the foreign reserves management and financial market operations of the Bank. Within this department, a Risk Unit is responsible for maintaining the Bank's financial risk management framework. A separate department of the Bank (Financial Services Group) operates independent risk reporting system that monitor and report compliance with various risk limits and policies.

The Internal Audit function reports to the Governor and the Audit and Governance Committee of the Board of Directors on internal audit and related issues. A risk-based framework, which evaluates key business risks and internal controls, is used to determine the extent and frequency of internal audits conducted. All Bank departments are subject to periodic internal audit review.

The Bank insures all property, plant and equipment. Auditing arrangements are overseen by an Audit and Governance Committee comprising three of the Bank's non-executive directors, which meets regularly to monitor the financial reporting and audit function within the Bank. The Committee reviews the internal audit function and has direct access to the external auditor. The Committee reports to the Board of Directors on its activities.

The overall risk management framework is designed to strongly encourage the sound and prudent management of the Banks' risks. The Bank seeks to ensure the risk management framework is consistent with financial market best practice.

Below is a summary of information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk and the Bank's management of capital.

4.1 Operational risk

Operational risk is the risk of loss in both financial and non-financial terms resulting from human error and the failure of internal processes and systems.

4.1.1 Management of operational risk

Managing operational risk in the Bank is seen as an integral part of the day-to-day operations and management, which include explicit consideration of both the opportunities and the risks of all business activities.

Operational risk management includes Bank-wide corporate policies that describe the standard of conduct required of staff, a number of mandated generic requirements (e.g. A project management template) and specific internal control system designed around the particular characteristics of various activities of the Bank.

Compliance with corporate policies, generic requirements and departmental internal control systems are managed by:

- An induction programme for new employees that makes them aware of the requirements;
- A quarterly management affirmation by each Head of Department that corporate policies and departmental internal control systems have been complied with;
- Requirements for regular reconciliations and monitoring of transactions;
- Requirements for appropriate segregation of duties;
- Risk mitigation including insurance where this is effective;
- Training and professional development; and,
- An active internal audit function.

The above policies and procedures for managing operational risk are reinforced by the requirement to promptly report all important unexpected issues and to provide management with an opportunity to give immediate advice.

4.2 Credit risk

4.2.1 Definition

Credit risk is the risk that the Bank of Uganda will incur a loss due to counterparty's failure to discharge their contractual obligations.

4.2.2 Synopsis

Credit risk is the risk of loss of principal investment or loss of a financial reward stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. In the context of BoU, it is the risk that a counter party bank, borrower or issuer of a security held by BoU fails to meet their obligation. Bank of Uganda manages credit risk by using credit quality ratings which are assigned to financial instruments and their issuers by rating agencies such as Moody's Investor Services, or internal rating methodologies (mainly for domestic assets) as a basis for allocation of funds to various counterparties. Credit ratings are a measure of the likelihood of counter party default.

The Bank also controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and sectoral concentrations and by monitoring exposures in relation to such limits.

Credit risk is monitored by the Risk and Compliance Department of Bank of Uganda. It is their responsibility to review and manage credit risk, including environmental and social risk for all types of exposures.

The credit risk management and control are divided between the foreign reserves and domestic assets. Both these functions report quarterly to the Board. For foreign reserves, the credit risk is closely linked to the investment strategy under which securities are only purchased if they meet investment criteria. These criteria are regularly reviewed by the Investment Committee. Once purchased, securities are regularly monitored for any changes in ratings and other factors indicative of potential credit risk.

For domestic currency assets, government fiscal requirements and lender of last resort functionalities are key. The Bank's principal policy is to require high quality collateral and the requirements for this may be changed by the Bank. The Bank's Supervisory Division monitors the financial condition of the banks as part of its function. Although this is primarily for policy purposes, including depositor protection, the risk assessment is also available for use by the Bank itself but the data used for this is kept within the Supervisory function. This information together with other publicly available information is used in the Bank's Financial Markets division to monitor the level of potential credit risk.

4.2.3 Governance of credit risk

The Board of Directors has delegated responsibility of management of credit risk to the Senior Management of the Bank. The Bank's Senior Management provides oversight over credit risk by:

- Establishing authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to the respective members of senior management. Large facilities require approval by the Board, Governor, Deputy Governor and Executive Directors as appropriate.
- Limiting concentrations of exposure to counterparties, geographies and by issuer, credit rating band, market liquidity and country.
- Identifying, assessing and measuring credit risk across the Bank, from an individual instrument to a portfolio level.
- Developing and maintaining the Bank's risk grading to categorize exposures according to the degree of risk of default.
- Developing and maintaining the Bank's processes for measuring the Expected Credit Loss (ECL) including monitoring of credit risk, incorporation of forward looking information and the methods used to measure ECL.
- Ensuring that the Bank has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL.
- Providing advice, guidance and specialist skills to promote best practice throughout the Bank in the management of credit risk.

Specifically, the following operational units are responsible for carrying out the following functions:

- Risk and Compliance Department is responsible for assessment formulation, limit setting, risk measurement, monitoring, exception reporting and development and review of the Expected Credit Loss models.
- Accounts Department is responsible for preparation of financial statements in accordance with IFRSs.
- Financial Markets Department is responsible for classification of the Bank's financial instruments, management of default, response to rating actions and other credit events with the aim of minimizing the financial impact to the Bank.
- Financial Stability; Commercial Banking provide support in regard to financial institution soundness in relation to advances accorded to the latter.
- Economic Research is responsible for providing information in macroeconomic development that could result in significant increase in credit risk of local financial institutions.

4.2.4 Sources of credit risk

The sources of credit risk of the impairable assets on the Bank's financial statements include the following

i. Foreign assets

- Cash and cash equivalents
- Current account balances; and
- Repurchase agreements at the Federal Reserve Bank
- Debt instruments
- US treasury bills
- Money market deposits with various counter parties
- Fixed income securities including Treasury Bonds, corporate Bonds and Supra National Issuances.
- IMF assets
- SDR Holdings

ii. Domestic assets

- Government securities
- BoU recapitalization securities
- Loans and advances to government
- Repo securities
- Government capital accounts
- Special loans to Government
- Loans and advances to commercial banks
- Emergency lending arrangements
- Reverse repos
- Resolution assets
- Loans and advances to Staff
- Mortgages
- Short term advances

4.2.5 Credit risk measurement

A credit rating is an evaluation of the credit risk of a prospective debtor (an individual, a business, company or a government), predicting their ability to pay back the debt and an implicit forecast of the likelihood of the debtor defaulting. This corresponds to a probability of default, which is the input to the Expected Credit Loss (ECL) computation for a particular instrument. Due to the diversity of the asset classes and their issuers, more than one rating sources and methodologies have been used herein including; International rating agencies, ratings derived from the CAMEL and the transitional matrices for the staff loans.

i. Foreign assets ratings

The Bank of Uganda elected to use Moodys' rating for its foreign asset classes and in its absence, an equivalent as rated by the other rating agencies; i.e., Standards and Poors and Fitch.

The Bank has access to Moody's publications that have more in-depth overviews for each of sectors such as sovereign nations, sub-national governments, public utilities, banks, insurance companies, mutual funds and project financings.

Moody's uses a multidisciplinary or "universal" approach to risk analysis, which aims to bring an understanding of all relevant risk factors and viewpoints to every rating analysis. It relies on the judgment of a diverse group of credit risk professionals to weigh those factors in light of a variety of plausible scenarios for the issuer and thus come to a conclusion on what the rating should be using several analytical principles guide that reasoning process.

A rating of "AAA" by Moody's is the highest rating, while "D" is the lowest rating. NR depicts instruments, issuers or sovereigns that are not rated.

At origination, all foreign assets that are within the Bank's minimum credit ratings are considered to be Strong as shown below.

Moody's Minimum Rating						
Asset Class	A3	A2	A1	Aa3	Aa2	Aaa
Government Agencies						
Deposits (Counterparty rating)						
G7 Government Treasuries						
Corporates						
Asset backed securities						
Mortgage backed securities						

ii. Domestic assets – loans and advances to Government

The Bank uses Moody's to derive probabilities of default for government securities. Government of Uganda securities are assumed to take on the highest credit rating assigned by Moody's. The likelihood that the borrower (Government of Uganda) will be able to meet its debt obligations given the high credit rating by Moody's is 97.39 percent.

It is however worth noting that although rating agencies have been adopted to derive credit ratings, they may not necessarily reflect the investment environment of the domestic's assets. Formulation of an internal credit rating methodology is underway to reflect a more representative picture.

iii. Domestic assets – loans and advances to commercial banks

Most of the supervised financial institutions in Uganda are not rated by international rating agencies and moreover, few are listed on the stock exchanges within the region. As such, the CAMELS methodology is applied to derive the ratings of commercial banks.

CAMELS is an international rating system used by regulatory banking authorities to rate financial institutions, according to the six factors represented by its acronym. The CAMELS acronym stands for "Capital adequacy, Asset quality, Management, Earnings, Liquidity and Sensitivity". CAMEL ratings are accorded to the commercial banks by the supervision directorate on a quarterly basis. The overall ratings according to the CAMEL methodology of BASEL are as follows:

1. Strong
2. Satisfactory
3. Fair
4. Marginal
5. Unsatisfactory (Default)

The Bank periodically collects and analyses information on the above 6 parameters as part of its supervisory function and in its economic forecasting for policy purposes. These are continuously monitored and updated.

The CAMELS ratings are highly dependent on the examiner's ability to be objective and are therefore highly subjective in nature. Frequent reviews of rating criteria are necessary to verify their accuracy.

iv. Domestic assets – loans and advances to staff

Staff loans are categorized into Active, Watch and Non-Performing Loans (NPL)

Active category: Loans which are recovered at source for active/employed staff fall under this category and carry the lowest probability of default. The probability is derived using the average projected attrition

rate over the next five years.

Watch category: Loans are moved from the active to the watch category when a staff ceases to draw a periodic salary from the Bank. The probability of default for this category is derived as the proportion of staff loans that have, over time, been moved from the Watch to the NPL category.

NPL category: Loans for which are 90 days past due are moved from the watch category to the NPL category. Since there is evidence that recovery of the loan is unlikely due to delay in payment, the probability of default for this category is 100%. Loans in this category are provided for in full.

For both domestic and foreign assets depending on the portfolio assessed, the credit categorization shall be classified as shown in the table below.

Asset Classes	Credit Rating Categorization
Foreign assets (investment grade)	Strong
Advances to Government of Uganda (or GOU Agencies)	Strong
Advances to domestic commercial banks	Strong
Resolution assets (Crane Bank)	Default
Staff Loans	
Performing and deducted at source	Strong
Staff on leave	Watch
Performing but certainty of cash flows in doubt, 30-60 days past due	Watch
In default, beyond 90 days past due	Default

4.2.6 Significant increase in credit risk

The Bank monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

The Bank considers that the following credit events constitute a significant increase in credit risk:

i. Foreign assets

- Credit Rating downgrade by two notches.
- Consistent widening of credit default swap (CDS) spreads for three months.
- A Credit Rating downgrade from the Bank's minimum acceptable credit rating.
- When objective or subjective assessments indicate that the repayments will be in doubt even when the obligation is not due.

ii. Investments in Government securities and loans to Government

- Adverse Geo-political events]

iii. Loans and advances to commercial banks

- Change in supervisory rating of the supervised financial institution to "unsatisfactory".
- When a supervised financial institution is determined to be under extreme liquidity stress.
- When a supervised financial institution is placed under statutory management and / or liquidation.
- Any credit event or adverse regulatory action significantly affecting a parent or subsidiary of the entity.

iv. Loans and advances to staff

- Resignation of an employee
- Early or voluntary retirement
- Dismissal
- Leave without pay
- Death
- Staff exceeding their BA ratio limits under a number of circumstances

Irrespective of the outcome of the above assessment, the Bank presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Bank has reasonable and supportable information that demonstrates otherwise.

The Bank has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due. The Bank performs periodic back-testing of its ratings to consider whether the drivers of credit risk that led to default were accurately reflected in the rating in a timely manner.

4.2.7 Migration between stages

i. Foreign assets

If an instrument migrates to a notch below BoU's minimum credit rating, the instrument will migrate to stage 2, but will be sold off on best effort basis or allowed to mature. This implies that if an instrument that migrated to stage 2 has been sold off, then there is no need for further provisioning. However, if at any time an instrument irrespective of the stage, occasions a default, then the loss is recognized.

ii. Domestic assets

Asset	Stage 1:	Stage 2:	Stage 3:
Loans and advances to Government	At inception	Increase in credit risk (as defined above)	N/A
Loans and advances to commercial banks	At inception	30-60 days past due date	60-90 days past due date
		Increase in credit risk (as defined above)	Significant increase in credit risk (as defined above)
Loans and advances to staff	At inception	30-60 days past due date	60-90 days past due date
		Increase in credit risk (as defined above)	Significant increase in credit risk (as defined above)

4.2.8 Default

Default is deemed to have occurred if:

- An entity fails to honor its financial obligations in accordance with the terms of the specific contract.
- Objective assessments indicate that the repayments will be in doubt even when the obligation is not due.
- The entity is 90 days or more past due on their obligations.
- In the case of sovereign default, all counterparties within that country will be assumed to have defaulted given that it is in such circumstances that capital controls are imposed rendering settlement of obligations impossible.

4.2.9 Write off

Outstanding credits shall be written off when conditions are such that no further recoveries can be made. This is done after approval from the Board.

4.2.10 Curing

Outstanding credits shall be cured when an instrument in stage 3 starts making good of its obligations for recoveries. This shall also be done after approval from the Board.

4.2.11 Incorporation of forward looking information

The Bank uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Bank uses external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes global economic data and forecasts published by reputable authorities such as World Bank or the IMF.

The Bank applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Bank in the implementation of policies. The Bank has identified and documented key drivers of credit risk and credit losses for each class of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The tables below summarize the principal macroeconomic indicators included in the global and domestic

economic scenarios used at 30 June 2023 for the years 2019 to 2026, to reflect the investment environment that has a material impact in BoU's foreign asset ECLs.

Table 14: Global economic scenarios

	2019	2020	2021	2022	2023	2024	2025	2026
Global Real GDP growth								
Downside	2.47	2.5	2.55	2.61	2.67	2.73	2.8	2.87
Baseline	2.56	2.59	2.64	2.69	2.75	2.82	2.88	2.95
Upside	2.64	2.67	2.72	2.78	2.84	2.9	2.97	3.04
Global Inflation rate, average consumer prices								
Downside	3.17	(3.15)	5.49	4.05	3.42	3.63	3.62	3.34
Baseline	3.98	(2.33)	6.30	4.86	4.23	4.44	4.44	4.15
Upside	4.8	(1.52)	7.12	5.68	5.05	5.26	5.25	4.97

Computed using WEO data

Table 15: Domestic economic scenarios

	2019	2020	2021	2022	2023	2024	2025	2026
Domestic Real GDP growth								
Downside	1.6	2.52	3.89	4.23	3.42	3.66	3.73	3.7
Baseline	2.87	3.79	5.16	5.5	4.69	4.93	5.00	4.97
Upside	4.05	4.97	6.34	6.68	5.87	6.11	6.18	6.15
Domestic Inflation rate, average consumer prices								
Downside	6.86	(3.28)	5.17	3.81	4.32	5.32	5.83	5.19
Baseline	8.04	(2.10)	6.35	4.99	5.5	6.5	7.01	6.37
Upside	9.22	(0.92)	7.53	6.17	6.68	7.68	8.19	7.55

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 20 years.

4.2.12 Measurement of ECL

The expected credit loss of the debt instruments is calculated as the present value of the product of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD); adjusted to reflect probability-weighted forward-looking information.

i. Foreign assets

- The Probabilities of Default (PDs) for the Bank's foreign assets are determined from the Moody's PD Matrix ; which assigns a PD to a counter party or issuer based on their credit rating. Where a Moody's rating is not available; an equivalent credit rating from Standard & Poor's or Fitch is used. There are both twelve month and lifetime PDs issued by the rating agency.
- Life time PD's for the portfolio to assume 5-year probability of default as provided by the Moody's forecasts.
- LGD is assumed to be 45%- based on Basel II/ III specification.

ii. Loans and advances to Government

- PD for advances to Government of Uganda or Government securities is assumed to be that, attributed to the highest credit rating according to Moody's Investors Service (or equivalent) as default is highly unlikely,
- LGD is assumed to be 100%.

iii. Loans and advances to commercial banks

- The PD is derived from the overall CAMELS annual rating as adjusted by the quarterly offsite supervisory reports for each local financial institution.
- LGD is assumed to be 45% based on Basel II/ III specification.
- Industry associations and national regulators through the Basel Committee on Banking Supervision (the Committee) provided the quantification of loss-given-default (LGD) parameters used for Pillar 1 capital calculations. The Bank uses the average loss given default of 45%, as recommended by the Basel Committee.
- We note however that this may not necessarily reflect the credit quality of the Bank's interest in the financial institutions. Deriving a more representative internal loss given default methodology is being considered.

iv. Loans and advances to staff

- The PD for active staff loans is the projected 5 year average attrition rate, while the PD for ex- staff is

derived as the proportion of staff loans that have, over time, been moved from the Watch to the NPL category.

- LGD is derived using the formula $1 - (\text{Forced sale value} / \text{Market value})$ of the collateral

4.2.13 Discount rates

The Effective Interest Rate (EIR) is used to discount the estimated future cash flows to the gross carrying amount through the expected life of the financial instrument. The EIR is the interest rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or the amortized cost of a financial liability.

The average yield to maturity (YTM) is used in the case of government debt instruments issued by government and corporates, while the respective deposit rates are used for the commercial bank deposits.

An analysis of the Bank's credit risk exposure per class of financial asset, internal rating and "stage" is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

The movement in ECLs is directly related to the movement in the gross carrying amount of the respective instruments.

The table below shows the fair value/ gross carrying of the Bank's debt instruments measured at FVOCI or Amortised cost by internal rating grades and related ECLs

	Year ended 30 June 2023					Year ended 30 June 2022				
Debt instruments at fair value through other comprehensive income	Stage 1-12 month ECL	Stage 2 -Life time ECL	Stage 3 -Life time ECL	POCI	Total	Stage 1-12 month ECL	Stage 2 -Life time ECL	Stage 3 -Life time ECL	POCI	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Internal rating grade										
Grade 1: Strong	1,157,278	-	-	-	1,157,278	1,200,291	-	-	-	1,200,291
Grade 2: Watch	-	-	-	-	-	-	-	-	-	-
Grade 3: Default	-	-	-	-	-	-	-	-	-	-
Total gross carrying amount	1,157,278	-	-	-	1,157,278	1,200,291	-	-	-	1,200,291

An analysis of changes in the fair value and the corresponding ECLs is, as follows:

	Stage 1	Stage 2			
	Individual	Individual	Stage 3	POCI	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Fair value as at 01 July 2021	1,162,889	-	-	-	1,162,889
New assets originated or purchased	485,081	-	-	-	485,081
Assets derecognised or matured (excluding write offs)	(474,399)	-	-	-	(474,399)
Changes in fair value	(38,280)	-	-	-	(38,280)
Foreign exchange adjustments	65,000	-	-	-	65,000
At 30 June 2022	1,200,291	-	-	-	1,200,291
As at 01 July 2022	1,200,291	-	-	-	1,200,291
New assets originated or purchased	502,621	-	-	-	502,621
Assets derecognised or matured (excluding write offs)	(514,745)	-	-	-	(514,745)
Changes in fair value	(1,372)	-	-	-	(1,372)
Foreign exchange adjustments	(29,517)	-	-	-	(29,517)
At 30 June 2023	1,157,278	-	-	-	1,157,278

	Stage 1	Stage 2			
	Individual	Individual	Stage 3	POCI	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
ECLs as at 01 July 2021	108	-	-	-	108
New assets originated or purchased	35	-	-	-	35
Assets derecognised or matured (excluding write offs)	(36)	-	-	-	(36)
Net remeasurement of loss allowance	(3)	-	-	-	(3)
At 30 June 2022	104	-	-	-	104
ECLs as at 01 July 2022	104	-	-	-	104
New assets originated or purchased	46	-	-	-	46
Assets derecognised or matured (excluding write offs)	(41)	-	-	-	(41)
Net remeasurement of loss allowance	7	-	-	-	7
At 30 June 2023	116	-	-	-	116

The above loss allowance is not recognized in the statement of financial position because the carrying amount of debt instruments at FVOCI is their fair value.

	Year ended 30 June 2023					Year ended 30 June 2022				
	Stage 1- 12 month ECL	Stage 2 -Life time ECL	Stage 3 -Life time ECL	POCI	Total	Stage 1- 12 month ECL	Stage 2 -Life time ECL	Stage 3 -Life time ECL	POCI	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Cash and cash equivalents										
Internal rating grade										
Grade 1: Strong	3,548,703	-	-	-	3,548,703	1,830,370	-	-	-	1,830,370
Grade 2: Watch	-	-	-	-	-	-	-	-	-	-
Grade 3: Default	-	-	-	-	-	-	-	-	-	-
Total gross carrying amount	3,548,703	-	-	-	3,548,703	1,830,370	-	-	-	1,830,370
ECL loss allowance	(4,593)	-	-	-	(4,593)	(1,460)	-	-	-	(1,460)
Carrying amount	3,544,110	-	-	-	3,544,110	1,828,910	-	-	-	1,828,910

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	Stage 1	Stage 2			
	Individual	Individual	Stage 3	POCI	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Gross carrying amount as at 01 July 2021	2,876,305	-	-	-	2,876,305
New assets originated or purchased	1,830,376	-	-	-	1,830,376
Assets derecognised or matured (excluding write offs)	(2,876,305)	-	-	-	(2,876,305)
At 30 June 2022	1,830,376	-	-	-	1,830,376
As at 01 July 2022	1,830,376	-	-	-	1,830,376
New assets originated or purchased	1,891,076	-	-	-	1,891,076
Assets derecognised or matured (excluding write offs)	(172,749)	-	-	-	(172,749)
Foreign exchange adjustments	-	-	-	-	-
At 30 June 2023	3,548,703	-	-	-	3,548,703

	Stage 1	Stage 2			
	Individual	Individual	Stage 3	POCI	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
ECLs as at 01 July 2021	918	-	-	-	918
New assets originated or purchased	1,460	-	-	-	1,460
Assets derecognised or matured (excluding write offs)	(918)	-	-	-	(918)
Net remeasurement of loss allowance	-	-	-	-	-
At 30 June 2022	1,460	-	-	-	1,460
ECLs as at 01 July 2022	1,460	-	-	-	1,460
New assets originated or purchased	3,679	-	-	-	3,679
Assets derecognised or matured (excluding write offs)	(546)	-	-	-	(546)
Net remeasurement of loss allowance	-	-	-	-	-
At 30 June 2023	4,593	-	-	-	4,593

	Year ended 30 June 2023					Year ended 30 June 2022				
	Stage 1- 12 month ECL UGX (m)	Stage 2 -Life time ECL UGX (m)	Stage 3 -Life time ECL UGX (m)	POCI UGX (m)	Total UGX (m)	Stage 1- 12 month ECL UGX (m)	Stage 2 -Life time ECL UGX (m)	Stage 3 -Life time ECL UGX (m)	POCI UGX (m)	Total UGX (m)
Debt instruments at amortised cost										
Internal rating grade										
Grade 1: Strong	6,788,149	-	-	-	6,788,149	8,876,677	-	-	-	8,876,677
Grade 2: Watch	-	-	-	-	-	-	-	-	-	-
Grade 3: Default	-	-	-	-	-	-	-	-	-	-
Total gross carrying amount	6,788,149	-	-	-	6,788,149	8,876,677	-	-	-	8,876,677
ECL loss allowance	(2,563)	-	-	-	(2,563)	(3,301)	-	-	-	(3,301)
Carrying amount	6,785,586	-	-	-	6,785,586	8,873,376	-	-	-	8,873,376

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	Stage 1	Stage 2			
	Individual	Individual	Stage 3	POCI	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Gross carrying amount as at 01 July 2021	9,014,574	-	-	-	9,014,574
New assets originated or purchased	8,876,677	-	-	-	8,876,677
Assets derecognised or matured (excluding write offs)	(9,014,575)	-	-	-	(9,014,575)
At 30 June 2022	8,876,676	-	-	-	8,876,676
As at 01 July 2022	8,876,676	-	-	-	8,876,676
New assets originated or purchased	6,788,149	-	-	-	6,788,149
Assets derecognised or matured (excluding write offs)	(8,876,676)	-	-	-	(8,876,676)
Foreign exchange adjustments	-	-	-	-	-
At 30 June 2023	6,788,149	-	-	-	6,788,149

	Stage 1	Stage 2			
	Individual	Individual	Stage 3	POCI	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
ECLs as at 01 July 2021	3,631	-	-	-	3,631
New assets originated or purchased	3,300	-	-	-	3,300
Assets derecognised or matured (excluding write offs)	(3,630)	-	-	-	(3,630)
Net remeasurement of loss allowance	-	-	-	-	-
At 30 June 2022	3,301	-	-	-	3,301
ECLs as at 01 July 2021	3,301	-	-	-	3,301
New assets originated or purchased	2,563	-	-	-	2,563
Assets derecognised or matured (excluding write offs)	(3,301)	-	-	-	(3,301)
Net remeasurement of loss allowance	-	-	-	-	-
At 30 June 2022	2,563	-	-	-	2,563

	Year ended 30 June 2022					Year ended 30 June 2021				
	Stage 1- 12 month ECL	Stage 2 -Life time ECL	Stage 3 -Life time ECL	POCI	Total	Stage 1- 12 month ECL	Stage 2 -Life time ECL	Stage 3 -Life time ECL	POCI	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Assets held with IMF										
Internal rating grade										
Grade 1: Strong	1,704,443	-	-	-	1,704,443	1,952,856	-	-	-	1,952,856
Grade 2: Watch	-	-	-	-	-	-	-	-	-	-
Grade 3: Default	-	-	-	-	-	-	-	-	-	-
Total gross carrying amount	1,704,443	-	-	-	1,704,443	1,952,856	-	-	-	1,952,856
ECL loss allowance	(229)	-	-	-	(229)	(264)	-	-	-	(264)
Carrying amount	1,704,214	-	-	-	1,704,214	1,952,592	-	-	-	1,952,592

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	Stage 1	Stage 2			
	Individual	Individual	Stage 3	POCI	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Gross carrying amount as at 01 July 2021	221,915	-	-	-	221,915
New assets originated or purchased	1,734,733	-	-	-	1,734,733
Assets derecognised or matured (excluding write offs)	(3,082)	-	-	-	(3,082)
Foreign exchange adjustments	(710)	-	-	-	(710)
At 30 June 2022	1,952,856	-	-	-	1,952,856
As at 01 July 2022	1,952,856	-	-	-	1,952,856
New assets originated or purchased	61,684	-	-	-	61,684
Assets derecognised or matured (excluding write offs)	(274,298)	-	-	-	(274,298)
Foreign exchange adjustments	(35,801)	-	-	-	(35,801)
At 30 June 2023	1,704,443	-	-	-	1,704,443

	Stage 1	Stage 2			
	Individual	Individual	Stage 3	POCI	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
ECLs as at 01 July 2021	30	-	-	-	30
New assets originated or purchased	234	-	-	-	234
Assets derecognised or matured (excluding write offs)	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-	-
At 30 June 2022	264	-	-	-	264
ECLs as at 01 July 2022	264	-	-	-	264
New assets originated or purchased	-	-	-	-	-
Assets derecognised or matured (excluding write offs)	(35)	-	-	-	(35)
Net remeasurement of loss allowance	-	-	-	-	-
At 30 June 2023	229	-	-	-	229

	Year ended 30 June 2023					Year ended 30 June 2022				
Investments in government securities	Stage 1-12 month ECL	Stage 2 -Life time ECL	Stage 3 -Life time ECL	POCI	Total	Stage 1-12 month ECL	Stage 2 -Life time ECL	Stage 3 -Life time ECL	POCI	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Internal rating grade										
Grade 1: Strong	1,059,958	-	-	-	1,059,958	855,604	-	-	-	855,604
Grade 2: Watch	-	-	-	-	-	-	-	-	-	-
Grade 3: Default	-	-	-	-	-	-	-	-	-	-
Total gross carrying amount	1,059,958	-	-	-	1,059,958	855,604	-	-	-	855,604
ECL loss allowance	(185)	-	-	-	(185)	(159)	-	-	-	(159)
Carrying amount	1,059,773	-	-	-	1,059,773	855,445	-	-	-	855,445

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	Stage 1	Stage 2			
	Individual	Individual	Stage 3	POCI	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Gross carrying amount as at 01 July 2021	494,677	-	-	-	494,677
New assets originated or purchased	360,768	-	-	-	360,768
Assets derecognised or matured (excluding write offs)	-	-	-	-	-
At 30 June 2022	855,445	-	-	-	855,445
As at 01 July 2022	855,445	-	-	-	855,445
New assets originated or purchased	204,513	-	-	-	204,513
Assets derecognised or matured (excluding write offs)	-	-	-	-	-
At 30 June 2023	1,059,958	-	-	-	1,059,958

	Stage 1	Stage 2			
	Individual	Individual	Stage 3	POCI	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
ECLs as at 01 July 2021	93	-	-	-	93
New assets originated or purchased	66	-	-	-	66
Assets derecognised or matured (excluding write offs)	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-	-
At 30 June 2022	159	-	-	-	159
ECLs as at 01 July 2022	159	-	-	-	159
New assets originated or purchased	66	-	-	-	66
Assets derecognised or matured (excluding write offs)	-	-	-	-	-
Net remeasurement of loss allowance	(40)	-	-	-	(40)
At 30 June 2023	185	-	-	-	185

	Year ended 30 June 2023					Year ended 30 June 2022				
	Stage 1- 12 month ECL	Stage 2 -Life time ECL	Stage 3 -Life time ECL	POCI	Total	Stage 1- 12 month ECL	Stage 2 -Life time ECL	Stage 3 -Life time ECL	POCI	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Loans, advances and draw-downs to Government										
Internal rating grade										
Grade 1: Strong	7,233,515	-	-	-	7,233,515	3,641,293	-	-	-	3,641,293
Grade 2: Watch	-	-	-	-	-	-	-	-	-	-
Grade 3: Default	-	-	140,487	-	140,487	-	-	140,487	-	140,487
Total gross carrying amount	7,233,515	-	140,487	-	7,374,002	3,641,293	-	140,487	-	3,781,780
ECL loss allowance	(1,332)	-	(140,487)	-	(141,819)	(632)	-	(140,487)	-	(141,119)
Carrying amount	7,232,183	-	-	-	7,232,183	3,640,661	-	-	-	3,640,661

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	Stage 1	Stage 2			
	Individual	Individual	Stage 3	POCI	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Gross carrying amount as at 01 July 2021	4,449,781	-	140,487	-	4,590,268
New assets originated or purchased	12,210,987	-	-	-	12,210,987
Assets derecognised or matured (excluding write offs)	(13,019,474)	-	-	-	(13,019,474)
At 30 June 2022	3,641,293	-	140,487	-	3,781,780
As at 01 July 2022	3,641,293	-	140,487	-	3,781,780
New assets originated or purchased	13,910,731	-	-	-	13,910,731
Assets derecognised or matured (excluding write offs)	(10,318,510)	-	-	-	(10,318,510)
At 30 June 2023	7,233,515	-	140,487	-	7,374,002

	Stage 1	Stage 2			
	Individual	Individual	Stage 3	POCI	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
ECLs as at 01 July 2021	569	-	140,487	-	141,056
New assets originated or purchased	632	-	-	-	632
Assets derecognised or matured (excluding write offs)	(569)	-	-	-	(569)
Net remeasurement of loss allowance	-	-	-	-	-
At 30 June 2022	632	-	140,487	-	141,119
ECLs as at 01 July 2022	632	-	140,487	-	141,119
New assets originated or purchased	1,061	-	-	-	1,061
Assets derecognised or matured (excluding write offs)	(361)	-	-	-	(361)
Net remeasurement of loss allowance	-	-	-	-	-
At 30 June 2023	1,332	-	140,487	-	141,819

	Year ended 30 June 2023					Year ended 30 June 2022				
	Stage 1- 12 month ECL	Stage 2 -Life time ECL	Stage 3 -Life time ECL	POCI	Total	Stage 1- 12 month ECL	Stage 2 -Life time ECL	Stage 3 -Life time ECL	POCI	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Loans and advances to commercial banks										
Internal rating grade										
Grade 1: Strong	-	-	-	-	-	-	-	-	-	-
Grade 2: Watch	-	-	-	-	-	-	-	-	-	-
Grade 3: Default	-	-	224,897	-	224,897	-	-	208,021	-	208,021
Total gross carrying amount	-	-	224,897	-	224,897	-	-	208,021	-	208,021
ECL allowance	-	-	(224,897)	-	(224,897)	-	-	(208,021)	-	(208,021)
Carrying amount	-	-	-	-	-	-	-	-	-	-

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	Stage 1	Stage 2			
	Individual	Individual	Stage 3	POCI	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Gross carrying amount as at 01 July 2021	-	-	219,912	-	219,912
New assets originated or purchased	-	-	3,906	-	3,906
Receipts/reversal of provisions	-	-	(29,223)	-	(29,223)
Unwind of discount (recognised in interest income)	-	-	-	-	-
Foreign exchange adjustments	-	-	13,426	-	13,426
At 30 June 2022	-	-	208,021	-	208,021
As at 01 July 2021	-	-	208,021	-	208,021
New assets originated or purchased	-	-	27,643	-	27,643
Assets derecognised or matured (excluding write offs)	-	-	-	-	-
Receipts/reversal of provisions	-	-	(4,682)	-	(4,682)
Foreign exchange adjustments	-	-	(6,085)	-	(6,085)
At 30 June 2022	-	-	224,896	-	224,896

	Stage 1	Stage 2			
	Individual	Individual	Stage 3	POCI	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
ECLs as at 01 July 2021	-	-	219,912	-	219,912
New assets originated or purchased	-	-	3,906	-	3,906
Payments and assets derecognised or matured (excluding write offs)	-	-	(29,223)	-	(29,223)
Foreign exchange adjustments	-	-	13,426	-	13,426
At 30 June 2022	-	-	208,021	-	208,021
ECLs as at 01 July 2022	-	-	208,021	-	208,021
New assets originated or purchased	-	-	27,643	-	27,643
Receipts/reversal of provisions	-	-	(4,682)	-	(4,682)
Foreign exchange adjustments	-	-	(6,085)	-	(6,085)
At 30 June 2023	-	-	224,896	-	224,896

	Year ended 30 June 2023					Year ended 30 June 2022				
	Stage 1- 12 month ECL	Stage 2 -Life time ECL	Stage 3 -Life time ECL	POCI	Total	Stage 1- 12 month ECL	Stage 2 -Life time ECL	Stage 3 -Life time ECL	POCI	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Loans and advances to staff										
Internal rating grade										
Grade 1: Strong	152,518	-	-	-	152,518	140,281	-	-	-	140,281
Grade 2: Watch	-	660	-	-	660	-	3,326	-	-	3,326
Grade 3: Default	-	-	3,457	-	3,457	-	-	1,255	-	1,255
Total gross carrying amount	152,518	660	3,457	-	156,635	140,281	3,326	1,255	-	144,862
ECL allowance	(93)	(1)	(1,317)	-	(1,411)	(98)	(54)	(483)	-	(635)
Carrying amount	152,425	659	2,140	-	155,224	140,183	3,272	772	-	144,227

An analysis of changes in the gross carrying amount and the corresponding ECLs is, as follows:

	Stage 1	Stage 2			
	Individual	Individual	Stage 3	POCI	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Gross carrying amount as at 1 July 2021	131,920	2,271	1,323	-	135,514
New assets originated or purchased	49,139	92	473	-	49,704
Payments and assets derecognised (excluding write offs)	(39,543)	(124)	-	-	(39,667)
Transfer to stage 1	475	(245)	(230)	-	-
Transfer to Stage 2	(1,346)	2,012	(666)	-	-
Transfer to Stage 3	(358)	(265)	623	-	-
Recoveries	(5)	(416)	(268)	-	(689)
At 30 June 2022	140,282	3,325	1,255	-	144,862
As at 01 July 2022	140,282	3,325	1,255	-	144,862
New assets originated or purchased	34,607	-	78	-	34,685
Payments and assets derecognised (excluding write offs)	(22,363)	(152)	(397)	-	(22,912)
Transfers to Stage 1	372	(372)	-	-	-
Transfers to Stage 3	(380)	(2,141)	2,521	-	-
At 30 June 2023	152,518	660	3,457	-	156,635

	Stage 1	Stage 2			
	Individual	Individual	Stage 3	POCI	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
ECLs as at 1 July 2021	105	28	834	-	967
New assets originated or purchased	20	8	2	-	30
Payments and assets derecognised (excluding write offs)	(13)	(5)	-	-	(18)
Net remeasurement of loss allowance	-	104	(395)	-	(291)
Transfers to stage 1	52	(32)	(20)	-	-
Transfers to Stage 2	(25)	32	(7)	-	-
Transfers to Stage 3	(28)	(25)	53	-	-
Recoveries	(3)	(32)	(18)	-	(53)
At 30 June 2022	108	78	449	-	635
					-
ECLs as at 1 July 2022	108	78	449	-	635
New assets originated or purchased	18	-	-	-	18
Payments and assets derecognised (excluding write offs)	(22)	-	(31)	-	(53)
Net remeasurement of loss allowance	28	12	771	-	811
Transfers to Stage 1	85	(85)	-	-	-
Transfers to Stage 3	(124)	(4)	128	-	-
At 30 June 2023	93	1	1,317	-	1,411

4.2.14 Credit risk exposure

i. Credit risk exposure by credit rating

Total assets of the Bank exposed to credit risk as of 30 June 2023 and 30 June 2022 are presented in Table 13 below according to the classification of assets (classification according to external credit rating is done based on credit ratings published by Moody's).

Table 16: Credit risk exposure by credit rating

		30 Jun 2023	30 Jun 2022
		UGX (m)	UGX (m)
Cash and cash equivalents	Central Banks	1,665,513	130,543
	A1	-	86,993
	A2	107,589	-
	A3	106,957	-
	Aaa	1,604,986	1,377,883
	Aa3	-	118,924
	Ba2	41,969	98,428
Financial assets at fair value through profit or loss	A1	551,001	1,040,690
	A2	43,145	107,468
	A3	94,613	84,229
	Aa1	248,844	170,258
	Aa2	270,914	423,709
	Aa3	950,317	297,580
	Aaa	1,983,801	2,093,497
Debt instruments at fair value through OCI	Baa1	93,446	9,957
	A1	31,614	56,616
	A2	5	-
	Aaa	1,061,643	1,000,713
	Multinational Institution	64,016	142,962
	A1	514,090	2,970,489
	A2	888,964	-
Debt instruments at amortised cost	Aa2	1,439,648	3,513,595
	Aa3	1,162,679	412,988
	Aaa	1,735,431	1,211,437
	Baa1	1,044,774	764,867
	Derivative financial instruments	37,979	70,188
	Assets held with IMF	1,704,214	1,952,592
	Investments in government securities	1,059,773	855,445
Loans, advances and drawdowns to government		7,232,183	3,640,661
Loans and advances to staff		155,224	144,227
Other assets		11,117	1,357
Total		25,906,450	22,778,296

ii. Credit risk exposure by sector

The sectorial classification of the Bank's credit exposure as of 30 June 2023 is as follows:

Table 17: Credit risk exposure by sector FY 2022/23

Details	Foreign Country Treasury	Supra- national Institutions	Foreign Companies	Foreign Financial Institutions	Govern- ment Guar- anteed Agencies	Uganda Govern- ment Treasury	Others	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Cash and cash equivalents	1,506,969	1,463	-	-	304,344	-	1,714,236	3,527,012
Financial assets at FVTPL	2,273,062	-	757,208	-	20,849	1,176,266	8,696	4,236,081
Debt instruments at FVOCI	1,000,713	188,302	-	-	-	11,276	(43,013)	1,157,278
Debt instruments at amortised cost	1,101,910	874,395	-	-	6,897,071	-	(2,087,790)	6,785,586
Derivative financial instruments	-	-	-	-	70,188	-	(32,209)	37,979
Assets held with IMF	-	1,952,592	-	-	-	-	(248,378)	1,704,214
Investments in Government Securities	-	-	-	-	-	-	1,059,773	1,059,773
Loans, advances and drawdowns to Government	-	-	-	-	-	-	7,232,183	7,232,183
Loans and advances to staff	-	-	-	-	-	-	155,224	155,224
Other assets	-	-	-	-	-	-	11,117	11,117
Total Assets	5,882,654	3,016,752	757,208	-	7,292,452	1,187,542	7,769,839	25,906,447

The sectorial classification of the Bank's credit exposure as of 30 June 2022 is as follows:

Table 18: Credit risk exposure by sector FY 2021/22

Details	Foreign Country Treasury	Supra- national Institutions	Foreign Companies	Foreign Financial Institutions	Govern- ment Guar- anteed Agencies	Uganda Govern- ment Treasury	Others	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Cash and cash equivalents	2,401,650	1,408	-	463,104	-	-	(1,053,392)	1,812,770
Financial assets at FVTPL	2,089,987	-	695,491	134,422	1,231,912	-	75,576	4,227,388
Debt instruments at FVOCI	852,410	196,986	-	-	113,493	-	37,402	1,200,291
Debt instruments at amortised cost	1,690,470	1,489,609	-	5,830,864	-	-	(137,567)	8,873,376
Derivative financial instruments	-	-	-	49,363	-	-	20,825	70,188
Assets held with IMF	-	221,885	-	-	-	-	1,730,707	1,952,592
Investments in Government securities	-	-	-	-	-	494,677	360,768	855,445
Loans, advances and drawdowns to Government	-	-	-	-	-	4,449,212	(808,551)	3,640,661
Loans and advances to staff	-	-	-	-	-	-	144,227	144,227
Other assets	-	-	-	-	-	-	1,357	1,357
Total Assets	7,034,517	1,909,888	695,491	6,477,753	1,345,405	4,943,889	371,352	22,778,295

iii. Credit risk exposure by geographical location

Geographical analysis of concentrations of assets and liability of the Bank as of 30 June 2023 is as follows:

Table 19: Credit risk exposure by geographical location FY 2022/23

Details	Uganda	USA	UK	Eurozone	Other European Countries	Other Countries	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Cash and cash equivalents	-	1,666,438	398,041	1,350,554	1,481	110,498	3,527,012
Financial assets at FVTPL	-	1,361,125	140,705	982,833	148,466	1,602,952	4,236,081
Debt instruments at FVOCI	-	1,087,477	13,381	21,409	-	35,011	1,157,278
Debt instruments at amortized cost	-	1,698,077	1,756,020	809,714	37,353	2,484,421	6,785,586
Derivative financial instruments	-	-	37,979	-	-	-	37,979
Assets held with IMF	-	1,704,214	-	-	-	-	1,704,214
Investments in Government securities	1,059,773	-	-	-	-	-	1,059,773
Loans, advances and drawdowns to Government	7,232,183	-	-	-	-	-	7,232,183
Loans and advances to staff	155,224	-	-	-	-	-	155,224
Other assets	11,117	-	-	-	-	-	11,117
Total Assets	8,458,297	7,517,332	2,346,125	3,164,511	187,301	4,232,881	25,906,447

Table 20: Credit risk exposure by geographical location FY 2021/22

Details	Uganda	USA	UK	Eurozone	Other European Countries	Other Countries	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Cash and cash equivalents	-	1,451,914	249,673	9,374	1,463	116,486	1,828,910
Financial assets at FVTPL	-	1,604,795	82,350	822,119	129,775	1,588,349	4,227,388
Debt instruments at FVOCI	-	1,053,080	21,361	13,698	11,276	100,876	1,200,291
Debt instruments at amortized cost	-	1,101,910	4,005,137	760,602	109,527	2,896,200	8,873,376
Derivative financial instruments	-	-	70,188	-	-	-	70,188
Assets held with IMF	-	1,952,592	-	-	-	-	1,952,592
Investments in Government securities	855,445	-	-	-	-	-	855,445
Loans, advances and drawdowns to Government	3,640,661	-	-	-	-	-	3,640,661
Loans and advances to staff	144,227	-	-	-	-	-	144,227
Other assets	1,357	-	-	-	-	-	1,357
Total Assets	4,641,690	7,164,291	4,428,709	1,605,793	252,041	4,701,911	22,794,435

4.3 Liquidity risk

Liquidity risk is defined as not having sufficient cash to meet the commitments that are due or being compelled to convert assets into cash at a price lower than their fair value. The choice of the types of instruments to invest the reserves in is part of liquidity risk management. The available instruments are governed by Bank of Uganda Act and Investment guidelines, which specifies the eligible instruments in which the Bank can invest its reserves including; gold, demand or time deposits and convertible and marketable securities of, or guaranteed by, foreign governments or international financial institutions.

The Bank does face liquidity risk in respect of assets and liabilities as shown in Table 18 and Table 19 below. The analysis is based on undiscounted amounts:

Table 21: Liquidity profile 2022/23

		<3		4-12		1-5	> 5
		30-Jun-2023	On demand	Months	Months	Years	Years
		UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Assets	Foreign assets						
	Cash and cash equivalents	3,544,110	3,544,110	-	-	-	-
	Financial assets at fair value through profit or loss	4,236,081	-	315,771	382,756	2,807,860	729,694
	Debt instruments at fair value through OCI	1,157,278	-	83,870	321,526	751,882	-
	Debt instruments at amortised cost	6,785,586	-	3,190,964	3,594,622	-	-
	Derivative financial instruments	37,979	-	37,979	-	-	-
	Assets held with International Monetary Fund	1,704,214	1,704,214	-	-	-	-
	Total foreign assets	17,465,248	5,248,324	3,628,584	4,298,904	3,559,742	729,694
	Domestic assets						
	Investments in government securities	1,059,773	-	-	-	-	1,059,773
	Loans, advances and drawdowns to government	7,232,183	-	7,232,183	-	-	-
	Loans and advances to staff	155,224	-	-	3,338	47,354	104,532
	Other assets	11,117	10,989	128	-	-	-
	Total domestic assets	8,458,297	10,989	7,232,311	3,338	47,354	1,164,305
Total assets		25,923,545	5,259,313	10,860,895	4,302,242	3,607,096	1,893,999
Liabilities	Foreign liabilities						
	IMF obligations	2,539,212	-	-	-	2,539,212	-
	IMF Rapid Credit Facility	1,219,644	-	-	-	801,767	417,877
	Other foreign liabilities	416	-	416	-	-	-
	Derivative financial instruments	26,720	-	26,720	-	-	-
	Total foreign liabilities	3,785,992	-	27,136	-	3,340,979	417,877
	Domestic liabilities						
	Government deposits	5,689,715	-	5,689,715	-	-	-
	Commercial and Central Banks' deposits	3,778,279	-	3,778,279	-	-	-
	Repurchase agreements with commercial banks	2,162,444	-	2,162,444	-	-	-
	Other liabilities	225,043	(33,455)	258,498	-	-	-
	Total domestic liabilities	11,855,481	(33,455)	11,888,936	-	-	-
Total liabilities		15,641,473	(33,455)	11,916,072	-	3,340,979	417,877
Net liquidity gap		10,282,072	5,292,768	(1,055,177)	4,302,242	266,117	1,476,122

Table 22: Liquidity profile 2021/22

		<3		4-12		1-5	> 5
		30-Jun-2022	On demand	Months	Months	Years	Years
		UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Assets	Foreign assets						
	Cash and cash equivalents	1,828,910	1,828,910	-	-	-	-
	Financial assets at fair value through profit or loss	4,227,388	-	-	669,691	2,906,374	651,323
	Debt instruments at fair value through OCI	1,200,291	-	-	463,799	736,492	-
	Debt instruments at amortised cost	8,873,376	-	-	8,873,376	-	-
	Derivative financial instruments	70,188	-	70,188	-	-	-
	Assets held with International Monetary Fund	1,952,592	1,952,592	-	-	-	-
	Total foreign assets	18,152,745	3,781,502	70,188	10,006,866	3,642,866	911,750
	Domestic assets						
	Investments in government securities	855,445	-	-	-	855,445	-
	Loans, advances and drawdowns to government	3,640,661	-	3,640,661	-	-	-
	Loans and advances to staff	144,227	-	-	7,285	37,360	99,582
	Other assets	1,357	-	1,357	-	-	-
	Total domestic assets	4,641,690	-	3,642,018	7,285	892,805	99,580
Total assets		22,794,435	3,781,502	3,712,206	10,014,151	4,535,671	1,011,330
Liabilities	Foreign liabilities						
	IMF obligations	2,799,613	-	-	-	2,799,613	-
	IMF Rapid Credit Facility	1,250,439	-	-	-	-	1,250,439
	Other foreign liabilities	416	-	416	-	-	-
	Derivative financial instruments	23,256	-	23,256	-	-	-
	Total foreign liabilities	4,073,724	-	23,672	-	2,799,613	1,250,439
	Domestic liabilities						
	Government deposits	4,465,024	-	4,465,024	-	-	-
	Commercial and Central Banks' deposits	4,032,189	-	4,032,189	-	-	-
	Repurchase agreements with commercial banks	598,956	-	598,956	-	-	-
	Other liabilities	148,477	-	148,477	-	-	-
	Total domestic liabilities	9,244,646	-	9,244,646	-	-	-
Total liabilities		13,318,370	-	9,268,318	-	2,799,613	1,250,439
Net liquidity gap		9,476,065	3,781,502	(5,556,112)	10,014,151	1,736,058	(239,109)

4.3.1 Management of liquidity risk

The Bank's approach of managing liquidity is to ensure that as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Bank's reputation.

In order to manage liquidity risk, the Bank invests its surplus reserves in time deposits with maturities concentrated in short-term maturity span of one to three months. The portfolio is structured in such a manner that a mix of deposits matures on timely manner to ensure availability of funds to meet scheduled government and the Bank's obligations.

4.4 Interest rate risk

Interest rate risk is a risk that changes in interest rates and credit spreads will affect the Bank's income or the fair value of its holding of financial instruments.

Changes in market interest rates have a direct effect on the contractually determined cash flows associated with specific financial assets and financial liabilities, whose interest rates are periodically reset to market, as well as the fair value of other instruments on which the interest rates are fixed throughout the period of the contract.

4.4.1 Management of interest rate risk

The objective of interest rate risk management is to manage and control interest rate risk exposures within acceptable parameters while optimizing the return on risk.

The Bank separates its exposure to interest rate risk between the internally managed portfolio and the externally managed portfolio. The Bank's external fund managers include PGIM (formerly Pramerica), Goldman Sachs, JP Morgan Chase and the World Bank Treasury.

The table below summarizes the Bank's exposure to interest rates risk. Included in the table are the Bank's assets and liabilities at carrying amounts categorized by the earlier of contractual repricing or maturity

Table 23: Interest risk analysis 2022/23

		0-3	4-12	> 12	Non-Interest	
		30 Jun 2023 UGX (m)	Months UGX (m)	Months UGX (m)	Months UGX (m)	Bearing UGX (m)
Assets	Foreign assets					
	Cash and cash equivalents	3,544,110	3,527,015	-	-	17,095
	Financial assets at fair value through profit or loss	4,236,081	315,771	382,756	3,537,554	-
	Debt instruments at fair value through OCI	1,157,278	83,871	321,526	751,882	-
	Debt instruments at amortised cost	6,785,586	3,190,964	3,594,622	-	-
	Derivative financial instruments	37,979	37,979	-	-	-
	Assets held with International Monetary Fund	1,704,214	-	-	1,704,214	-
	Total foreign assets	17,465,248	7,155,600	4,298,904	5,993,649	17,095
	Domestic assets					
	Investments in government securities	1,059,773	-	-	1,059,773	-
	Loans, advances and drawdowns to government	7,232,183	-	7,232,183	-	-
	Loans and advances to staff	155,224	-	-	108,978	46,246
	Other assets	11,117	-	-	-	11,117
	Total domestic assets	8,458,297	-	7,232,183	1,168,751	57,363
Total assets		25,923,545	7,155,600	11,531,087	7,162,400	74,458
Liabilities	Foreign liabilities					
	IMF obligations	2,539,212	-	-	2,539,212	-
	IMF Rapid Credit Facility	1,219,644	-	-	-	1,219,644
	Other foreign liabilities	416	-	-	-	416
	Derivative financial instruments	26,720	-	-	-	26,720
	Total foreign liabilities	3,785,992	-	-	2,539,212	1,246,780
	Domestic liabilities					
	Government deposits	5,689,715	-	-	-	5,689,715
	Commercial and Central Banks' deposits	3,778,279	-	-	-	3,778,279
	Repurchase agreements with commercial banks	2,162,444	2,162,444	-	-	-
	Other liabilities	225,043	-	-	-	225,043
Total domestic liabilities	11,855,481	2,162,444	-	-	9,693,037	
Total liabilities		15,641,473	2,162,444	-	2,539,212	10,939,817
On balance Sheet interest Sensitivity Gap		10,282,072	4,993,156	11,531,087	4,623,188	(10,865,359)

Table 24: Interest risk analysis 2021/22

		0-3	4-12	> 12	Non-Interest
		30 Jun 2022	Months	Months	Bearing
		UGX (m)	UGX (m)	UGX (m)	UGX (m)
Assets	Foreign assets				
	Cash and cash equivalents	1,828,910	1,812,770	-	16,140
	Financial assets at fair value through profit or loss	4,227,388	-	669,691	-
	Debt instruments at fair value through OCI	1,200,291	-	463,799	-
	Debt instruments at amortised cost	8,873,376	-	8,873,376	-
	Derivative financial instruments	70,188	70,188	-	-
	Assets held with International Monetary Fund	1,952,592	-	-	-
	Total foreign assets	18,152,745	1,882,958	10,006,866	16,140
	Domestic assets				
	Investments in government securities	855,445	-	-	-
	Loans, advances and drawdowns to government	3,640,661	1,223,812	2,416,849	-
	Loans and advances to staff	144,227	-	7,285	99,582
	Other assets	1,357	-	-	1,357
	Total domestic assets	4,641,690	1,223,812	2,424,134	100,937
Total assets		22,794,435	3,106,770	12,431,000	7,139,586
Liabilities	Foreign liabilities				
	IMF obligations	2,599,064	-	-	-
	IMF Rapid Credit Facility	1,250,439	-	-	1,250,439
	Other foreign liabilities	416	-	-	416
	Derivative financial instruments	23,256	-	-	23,256
	Total foreign liabilities	3,873,175	-	-	1,274,111
	Domestic liabilities				
	Government deposits	4,465,024	-	-	4,465,024
	Commercial and Central Banks' deposits	4,032,189	-	-	4,032,189
	Repurchase agreements with commercial banks	598,956	598,956	-	-
	Other liabilities	148,477	-	-	148,477
	Total domestic liabilities	9,244,646	598,956	-	8,645,690
Total liabilities		13,117,821	598,956	-	9,919,801
On balance Sheet interest Sensitivity Gap		9,676,614	2,507,814	12,431,000	4,540,522
					(9,542,297)

4.4.2 Interest rate risk sensitivity

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase or decrease as a result of such changes which may cause either an increase or decrease in profit or loss.

The impact on financial assets and liabilities of an increase or decrease in interest rates by 0.5 percent would be as follows:

Table 25: Interest risk sensitivity analysis FY 2022/23

	30 Jun 2023	30-Jun-2023
	0.5% Increase UGX (m)	0.5% decrease UGX (m)
Impact on profit	105,548	(105,548)
Impact on equity	97,248	(97,248)

Table 26: Interest risk sensitivity analysis FY 2021/22

	30 Jun 2022	30-Jun-2022
	0.5% Increase UGX (m)	0.5% decrease UGX (m)
Impact on profit	97,046	(97,046)
Impact on equity	62,313	(62,313)

4.5 Currency risk

Currency risk is a risk that changes in foreign exchange rates will affect the Bank's income or value of its holdings of financial instruments.

The Bank has monetary assets and liabilities denominated in foreign currencies which consists mainly of pound sterling, US Dollar, SDRs and Euro. The table below shows the distribution of the currencies.

Table 27: Currency risk profile 2022/23

	TOTAL	USD	GBP	EURO	OTHER
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Assets					
Foreign assets					
Cash and cash equivalents	3,544,110	1,852,457	235,324	1,385,080	71,248
Financial assets at fair value through profit or loss	4,236,081	1,882,927	185,565	1,180,935	986,653
Debt instruments at fair value through OCI	1,157,278	1,157,273			5
Debt instruments at amortised cost	6,785,586	6,252,710		532,875	-
Derivative financial instruments	37,979	37,979			-
Assets held with International Monetary Fund	1,704,214				1,704,214
Total foreign assets	17,465,248	11,183,346	420,889	3,098,890	2,762,120
Total assets	17,465,248	11,183,346	420,889	3,098,890	2,762,120
Liabilities					
Foreign liabilities					
IMF obligations	2,539,212	-	-	-	2,539,212
IMF Rapid Credit Facility	1,219,644	-	-	-	1,219,644
Derivative financial instruments	26,720	26,720	-	-	-
Total foreign liabilities	3,785,576	26,720	-	-	3,758,856
Domestic liabilities					
Government deposits	1,588,411	1,384,360	178	203,873	
Commercial and Central Banks' deposits	844,332	677,977	22,947	129,341	14,067
Total domestic liabilities	2,432,743	2,062,337	23,125	333,214	14,067
Total liabilities	6,218,319	2,089,057	23,125	333,214	3,772,923
Net currency position	11,246,929	9,094,289	397,765	2,765,676	(1,010,803)

Table 28: Currency risk profile 2021/22

	TOTAL	USD	GBP	EURO	OTHER
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Assets					
Foreign assets					
Cash and cash equivalents	1,828,910	1,651,277	24,982	60,133	92,518
Financial assets at fair value through profit or loss	4,227,388	4,227,388	-	-	-
Debt instruments at fair value through OCI	1,200,291	1,200,291	-	-	-
Debt instruments at amortised cost	8,873,376	8,241,918	229,849	401,610	(1)
Derivative financial instruments	70,188	70,188	-	-	-
Assets held with International Monetary Fund	1,952,592	-	-	-	1,952,592
Total foreign assets	18,152,745	15,391,062	254,831	461,743	2,045,109
Total assets	18,152,745	15,391,062	254,831	461,743	2,045,109
Liabilities					
Foreign liabilities					
IMF obligations	2,599,064	-	-	-	2,599,064
IMF Rapid Credit Facility	1,250,439	-	-	-	1,250,439
Derivative financial instruments	23,256	23,256	-	-	-
Total foreign liabilities	3,872,759	23,256	-	-	3,849,503
Domestic liabilities					
Government deposits	1,917,665	1,623,988	1,677	292,000	-
Commercial and Central Banks' deposits	982,620	819,590	29,525	112,137	21,368
Total domestic liabilities	2,900,285	2,443,578	31,202	404,137	21,368
Total liabilities	6,773,044	2,466,834	31,202	404,137	3,870,871
Net currency position	11,379,701	12,924,228	223,629	57,606	(1,825,762)

4.6 Management of currency risk

The Bank has an investment committee that offers oversight over this risk that regularly meets to review and monitor developments in the respective currency markets.

4.7 Currency risk sensitivity analysis

The impact on financial assets and liabilities of 15 percent appreciation or depreciation of the Uganda Shilling would be as follows:

Table 29: Currency Risk Sensitivity analysis FY 2022/23

	Increase/ (decrease) in %	15% Depreciation	15% Appreciation
Currency of assets/liabilities	30/Jun/23	UGX (m)	UGX (m)
USD	+15/(15)	1,364,143	(1,364,143)
GBP	+15/(15)	59,665	(59,665)
Euro	+15/(15)	414,851	(414,851)
Others	+15/(15)	(151,621)	151,621
Impact on profit	-	1,687,038	(1,687,038)
Impact on equity	-	1,686,008	(1,686,008)

Table 30: Currency Risk Sensitivity analysis FY 2021/22

	Increase/ (decrease) in %	15% Depreciation	15% Appreciation
Currency of assets/liabilities	30/Jun/22	UGX (m)	UGX (m)
USD	+15/(15)	1,938,634	(1,938,634)
GBP	+15/(15)	33,544	(33,544)
Euro	+15/(15)	8,641	(8,641)
Others	+15/(15)	(273,864)	273,864
Impact on profit	-	1,706,955	(1,706,955)
Impact on equity	-	1,708,878	(1,708,878)

4.8 Going concern

Bank of Uganda is a creation of the Constitution of the Republic of Uganda (Article 161). The Bank of Uganda Act provides the basis upon which the Bank executes its core mandate. Therefore the going concern of the Bank is assessed and determined to be appropriate. The Directors are confident that the Bank has all the resources and mandate to continue in existence into the foreseeable future.

5 Critical accounting estimates and judgments

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

5.1 Judgments

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

i. Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Bank monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a

prospective change to the classification of those assets.

ii. Significant increase of credit risk

As explained in Note 4, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition.

IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information. Refer to Note 4 for more details.

iii. Establishing banks of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are banked on the basis of shared risk characteristics.

Refer to Note 4 for details of the characteristics considered in this judgment. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that bank of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

iv. Models and assumptions used

The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See Note 4 for more details on ECL and Note 6 for more details on fair value measurement.

v. Legal provisions, contingent assets and liabilities

Significant judgment and estimation is made by the Directors in determining the Bank's litigation provisions and contingent disclosures. Key assumptions are made with respect to the likelihood and magnitude of any potential outflow of resources. The provisions and contingencies are further disclosed in Notes 47 and 51.

5.2 Assumptions and estimation uncertainties

The information relating to assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment in the financial statements are set out below.

5.2.1 Impairment losses on loans and advances

The following are key estimations that the directors have used in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in financial statements: Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario: When measuring ECL the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 4 for more details, including analysis of the sensitivity of the reported ECL to changes in estimated forward-looking information.

Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. See Note 4 for more details, including analysis of the sensitivity of the reported ECL.

Exposure at Default (EAD): This is generally the sum of the principal and interest of the assets with the counterparties. These assets are usually short and medium term in nature.

Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. See note 3 for more details, including analysis of the sensitivity of the reported ECL to changes in LGD resulting from changes in economic drivers.

Fair value measurement and valuation process: In estimating the fair value of a financial asset or a liability, the Bank uses market-observable data to the extent it is available. Where such Level 1 inputs are not available the Bank uses valuation models to determine the fair value of its financial instruments. Refer to Note 6 for more details on fair value measurement.

5.2.2 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in orderly transaction between market participants at the measurement date.

All financial instruments are initially recognized at fair value, which is normally the transaction price. Subsequent to initial recognition, some of the Bank's financial instruments are carried at fair value. The fair values of quoted financial instruments in active markets are based on current prices with no subjective judgments. If the market for a financial instrument does not exist or is not active including for unlisted securities, the Bank establishes fair value by using valuation techniques.

These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Where representative prices are unreliable because of illiquid markets, the determination of fair value may require estimation of certain parameters, which are calibrated against industry standards and observable market data, or the use of valuation models that are based on observable market data.

The fair value for the majority of the Bank's financial instruments is based on observable market prices or derived from observable market parameters.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

5.2.3 Retirement benefits

The cost of the defined benefit pension plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty and a change in any of the assumptions will alter the carrying amount of pension obligations.

The assumptions used in determining the net cost (income) for pensions include the discount rate. The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations.

In determining the appropriate discount rate, the Bank considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on current market conditions. (Refer to Note 34).

5.2.4 Property, plant and equipment

Property and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors.

In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programs are taken into account which involves extensive subjective judgment. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. The rates used are set out on accounting policy Note 3.10.

The Bank also carries its land, buildings, computers, furniture, vehicles and plant and machinery at revalued amounts, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The subsequent amortization is not applicable to for finance leases. Changes in fair value are recognized in other comprehensive income.

Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. (Refer to Notes 34).

5.2.5 Litigation costs

The Bank is involved in several court cases. In cases where the judgements have not been delivered or have not been made in the Bank's favor, the Bank in consultation with the external lawyers estimates the likely costs that the Bank might incur subject to any appeal process. The estimation of costs is performed in line with Advocates Remuneration and Taxation of Costs Rules for cases in the High Court of Uganda, Court of Appeal Rules for cases in the Court of Appeal and Supreme Court Rules for cases in the Supreme Court.

The rules specify a minimum fee although increases in the costs can be justified based on complexity, importance and nature of the subject matter. The final costs are however determined by the Courts of Law on a case by case basis. Details are provided under Note 47.

6 Fair value

6.1 Fair value measurements

The Bank measures its financial instruments such as derivatives and non-financial assets such as property and equipment, at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value are summarised in the following notes:

Details	Notes
• Disclosures for valuation methods, significant estimates and assumptions	5
• Quantitative disclosures of fair value measurement hierarchy	6
• Derivative financial instruments	27
• Investments	23, 24, 25 and 26
• Property, plant and equipment under revaluation model	35

6.1.1 Financial assets and financial liabilities

i. Financial assets

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Financial instruments at FVTPL:		
Financial assets at fair value through profit or loss	4,236,081	4,227,388
Derivative financial instruments	37,979	70,188
Financial instruments at fair value through OCI:		
Debt instruments at fair value through other comprehensive income	1,157,278	1,200,291
Equity instruments at fair value through other comprehensive income	431,568	260,427
Financial instruments at amortised cost:		
Debt instruments at amortised cost	6,785,586	8,873,376
Cash and cash equivalents	3,544,110	1,828,910
Assets held with International Monetary Fund	1,704,214	1,952,592
Investments in government securities	1,059,773	855,445
Loans, advances and drawdowns to government	7,232,183	3,640,661
Loans and advances to staff	155,224	144,227
Other assets	11,117	1,357

ii. Financial liabilities

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Financial instruments at FVTPL:		
Derivative financial instruments	26,720	23,256
Other liabilities at amortised cost:		
IMF obligations	2,539,212	2,599,064
IMF Rapid Credit Facility	1,219,644	1,250,439
Government deposits	5,689,715	4,465,024
Commercial bank deposits	3,778,279	4,032,189
Other liabilities	225,043	148,477
Repurchase agreements with commercial banks	2,162,444	598,956

6.2 Fair value of assets and liabilities

The following is a description of how fair values are determined for financial instruments and non-financial assets that are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The fair values of other financial assets and financial liabilities are determined using valuation techniques. The fair values are based on net present value, discounted cash flow models and comparison with prices from observable current market transactions and dealer quotes for similar instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price of that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Bank uses widely recognised valuation models for determining the fair value of financial instruments such as interest rates yields that use only observable market data and require little management judgment and estimation.

Foreign currency forward contracts and Interest rate swaps are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of contracts.

The assumptions applied for revalued property, plant and equipment are included in Note 35.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The carrying amounts of the Bank's financial instruments approximate their fair values.

Fair value is 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.

The following methods and assumptions were used to estimate the fair values:

- i. Long-term fixed-rate and variable-rate receivables are evaluated by the Bank based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of

- these receivables.
- ii. The fair values of the quoted notes and bonds are based on price quotations at the reporting date. The fair value of unquoted instruments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
 - iii. The fair values of the unquoted ordinary shares have been estimated using the latest transaction price.
 - iv. The Bank enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity. All derivative contracts are fully cash collateralised, thereby eliminating both counter party and the Bank's own non-performance risk.

Fair value hierarchy as at 30 June 2023 and Fair value hierarchy as at 30 June 2022 show an analysis of assets and liabilities recorded at fair value by level of their fair value hierarchy:

Table 31: Fair value hierarchy as at 30 June 2023

	Level 1	Level 2	Level 3
	UGX (m)	UGX (m)	UGX (m)
Assets measured at fair value			
Financial assets at fair value through profit or loss	-	4,236,081	-
Debt instruments at fair value through other comprehensive income	-	1,157,278	-
Equity instruments at fair value through other comprehensive income	-	431,568	-
Derivative financial instruments	-	37,979	-
Furniture	-	-	4,767
Equipment	-	-	19,187
Vehicles	-	-	10,982
Computers	-	-	11,799
Plant and Machinery	-	-	74,802
Land	-	-	119,408
Buildings	-	-	146,184
Liabilities measured at fair value			
Derivative financial instruments	-	26,720	-

Table 32: Fair value hierarchy as at 30 June 2022

	Level 1	Level 2	Level 3
	UGX (m)	UGX (m)	UGX (m)
Assets measured at fair value			
Financial assets at fair value through profit or loss	-	4,227,388	-
Debt instruments at fair value through other comprehensive income	-	1,200,291	-
Equity instruments at fair value through other comprehensive income	-	260,427	-
Derivative financial instruments	-	70,188	-
Furniture	-	-	5,033
Equipment	-	-	21,971
Vehicles	-	-	12,485
Computers	-	-	13,033
Plant and Machinery	-	-	81,855
Land	-	-	88,202
Buildings	-	-	144,353
Liabilities measured at fair value			
Derivative financial instruments	-	23,256	-

The significant unobservable inputs used in the fair value measurement of land and buildings categorized within Level 3 of the fair value hierarchy are shown below:

	Range	
Significant unobservable valuation input	USD	USD
	From	To
Price per acre (land)	87,255	8,180,204
Price per square metre (buildings)	235	974

Significant increases/(decreases) in estimated price per square meter in isolation would result in a significantly higher/(lower) fair value. The last valuation was done in FY 2022/23.

The significant unobservable inputs used in the fair value measurement of plant & machinery, furniture, equipment, computer equipment and motor vehicles categorized within Level 3 of the fair value hierarchy are shown below:

Description	Valuation technique	Significant unobservable inputs
Plant & machinery, furniture, equipment, computer equipment and motor vehicles	Market Value	Gross current replacement cost less depreciation

Significant increases (decreases) in estimated gross current replacement cost in isolation would result in a significantly higher (lower) fair value. The last valuation was done in FY 2021/22.

There were no transfers between levels during the year.

7 Capital management

The primary objective of the Bank's capital management is to ensure that the Bank complies with capital requirements of the Bank of Uganda Act (Cap 51), Laws of Uganda, 2000.

In implementing capital requirements, the Bank maintains a general reserve fund which is determined by the Board from time to time. The Bank may in consultation with the Minister of Finance, transfer funds from the general reserve fund to the capital of the Bank. However, the Bank has not considered it necessary to transfer funds from the general reserve fund to the capital of the Bank.

As per the Bank of Uganda Act, Section 14 (3), the issued and paid-up capital of the Bank is required to be a minimum of UGX 20,000 million. The Bank also monitors core capital and has a set a limit of UGX 20,000 million below which the Bank's capital is deemed to be impaired. The core capital is defined to comprise revenue reserves, general reserves, paid up share capital and BoU recapitalization funds as follows:

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Revenue reserves	(1,797,069)	(2,258,325)
General reserves	399,277	399,277
Share capital	20,000	20,000
BoU recapitalization	1,641,718	1,641,718
Core capital	263,926	(197,330)
Revaluation reserve	216,607	187,708
Fair value- FVOCI	109,657	119,757
Actuarial losses	(63,427)	(66,596)
Translation reserve	3,531,058	3,736,528
Total equity	4,057,821	3,780,067

The core capital of the Bank was above the target expected of UGX 20,000 million as indicated below:

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Actual core capital	263,926	(197,330)
Less: Target core capital	(20,000)	(20,000)
Core capital gap	243,926	(217,330)

8 Interest and similar income

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Interest income calculated using the effective interest method		
Cash and cash equivalents	29,493	1,547
Debt instruments at fair value through other comprehensive income	18,170	9,473
Debt instruments at amortised cost	262,002	40,999
Assets held with IMF	49,812	3,890
Investments in government securities	134,442	89,911
Loans, advances and drawdowns to government*	429,036	153,810
Loans and advances to commercial banks	40,222	1,074
Loans and advances to staff**	13,108	12,064
	976,285	312,768

Other interest and similar income		
Financial assets measured at fair value through profit or loss	79,134	57,864
	79,134	57,864
Total interest and similar income	1,055,419	370,632

* This relates to income earned on short term advances to the Government and Government overdrawn accounts (see Notes 30 and 31).

** Included in interest income on staff loans is UGX 9,978 million (30 June 2022: UGX 9,220 million) relating to notional interest arising out of staff loans' fair valuation in accordance with IFRS 13.

9 Interest and similar expense

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Interest expense calculated using the effective interest method		
IMF SDR allocations***	(70,997)	(5,255)
Deposit auctions	(14,551)	(48,862)
Vertical repos	(8,868)	(55,963)
Total interest expense	(94,416)	(110,080)

*** Interest expense represents interest expense/charges on SDR allocation to the Bank as regularly advised by IMF and monetary policy costs.

10 Profit on domestic foreign exchange trade

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Foreign currency dealings	59,850	70,094
	59,850	70,094

The above represents income earned on sale or purchase of foreign exchange to or from GoU, counterparties and commercial banks.

11 Fees and commissions

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Commissions- letters of credit	3,593	5,510
Commissions- foreign currency operations	478	520
Currency processing fees	7,713	6,695
RTGS processing fees	6,021	4,633
Clearing house fees	375	360
CSD maintenance & support fees	4	584
Ledger fees	16,193	15,407
	34,377	33,709

Commissions- letters of credit, commissions- foreign currency operations, ledger fees and commissions- DFD are charged to Government whereas, currency processing fees, RTGS processing fees, clearing house fees and CSD maintenance & support fees are charged to banks.

12 Net losses on financial assets at fair value through profit or loss

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Net income from financial instruments designated at FVTPL	(432)	(184,497)
Net income from financial instruments mandatorily measured at FVTPL	(8,898)	(14,110)
	(9,330)	(198,607)

13 Gains arising from derecognition of financial assets measured at FVOCI

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
(Losses)/gains on derecognition of fair value through OCI investments	(3,796)	312
	(3,796)	312

14 Other income

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Dividends on equity securities measured at FVOCI	6,600	4,864
Gain on disposal of property, plant and equipment	-	66
Licence and cheque fees	5,507	4,983
Sale of currency	34	5
Rental income	54	108
Fines and penalties	441	607
Write back of amounts previously written off	2,683	529
Other income*	3,189	4,191
	18,508	15,353

* Other income includes offsite inspection costs offset, advertising refunds, writebacks and procurements among others.

15 Expected credit loss (expense) / release on financial assets

The table below shows the ECL charges on financial instrument recorded in the income statement:

Expected credit loss release on financial assets for the year ended 30 June 2023	Stage 1& 2 allowance	Stage 3 allowance	Releases	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Cash and cash equivalents	(3,133)	-	-	(3,133)
Debt instruments at FVOCI	(12)	-	-	(12)
Debt instruments at amortised cost	-	-	737	737
Assets held with IMF	-	-	35	35
Investments in government securities	(26)	-	-	(26)
Loans, advances and drawdowns to government	(699)	-	-	(699)
Loans and advances to commercial banks	-	(16,876)	-	(16,876)
Loans and advances to staff	(834)	59	-	(775)
	(4,704)	(16,817)	772	(20,749)

Expected credit loss expense on financial assets for the year ended 30 June 2022	Stage 1& 2 allowance	Stage 3 allowance	Releases	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Cash and cash equivalents	(541)	-	-	(541)
Debt instruments at FVOCI	(4)	-	-	(4)
Debt instruments at amortised cost	-	-	331	331
Assets held with IMF	(234)	-	-	(234)
Investments in government securities	(66)	-	-	(66)
Loans, advances and drawdowns to government	(64)	-	-	(64)
Loans and advances to commercial banks	-	-	11,889	11,889
Loans and advances to staff	(21)	353	-	332
	(930)	353	12,220	11,643

16 Net foreign exchange (losses) / gains

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Foreign exchange (losses)/gains	(205,470)	735,967
	(205,470)	735,967

The foreign exchange losses or gains arise from translation of foreign currency transactions at the foreign currency exchange rates prevailing at the date of the transactions and revaluation of monetary assets and liabilities denominated in foreign currencies to Uganda Shillings at the foreign currency exchange rates applicable on the reporting date.

The following exchange rates for major currencies have been used to convert foreign currency financial assets and liabilities to Uganda Shillings for reporting purposes as at year end;

	30 Jun 2023	30 Jun 2022
US Dollars	3,667	3,757
Euro	3,986	3,951
GBP	4,632	4,584
SDR	4,892	5,007

17 Employee benefits

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Salaries,wages and allowances	178,979	162,229
NSSF- contribution and provision	12,975	11,545
Defined contribution scheme pension contributions	7,645	7,745
Defined benefit plan costs/(gains) (Note 34) *	30,590	(87,995)
Gratuity	146	125
Death in service insurance	807	925
Staff welfare including medical	13,290	13,642
Projects and training	3,431	2,398
	247,863	110,614

* The defined benefit plan costs/(gains) relate to current service and interest cost on the plan in accordance with IAS 19.

The average number of employees during the year was 968 (2022: 1,000) as shown below:

	30 Jun 2023	30 Jun 2022
	No of Staff	No of Staff
Governor	-	-
Deputy Governor	1	1
Executive Directors	12	12
Directors	31	31
Other	924	956
	968	1,000

18 General and administration costs

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Loss on disposal of property, plant and equipment	856	-
Loss on assets held for sale	845	-
Business process enhancement	14,030	11,696
Communication expenses	10,305	8,885
Water and electricity	2,567	2,595
Ground rates and buildings insurance	946	1,114
Repairs and maintainance - premises and equipment	6,141	5,982
Motor vehicle expenses	5,139	4,799
Travel costs	8,239	8,249
Corporate contributions	4,001	2,926
Publicity and public awareness costs	6,476	6,352
Printing and stationery	1,630	2,052
Inspection costs	1,437	1,441
General and administration costs	794	835
Furniture and equipment repairs	3,051	2,019
Office expenses-uniforms	182	166
J Mubiru memorial lecture	177	-
Directors' fees and emoluments	1,699	1,517
Software license and maintenance	12,531	14,115
	81,046	74,743

19 Currency costs

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Notes printing	189,954	162,870
Coins minting	9,392	9,432
Stock movement	1,493	775
Currency accessories	803	963
Currency machine maintenance	7,168	4,046
Bullion van maintenance	494	568
Other currency costs	4,760	1,177
	214,064	179,831

20 Financial and professional charges

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Consultancy costs	3,108	3,065
Litigation fees and legal damages	3,503	1,223
Staff loans fair valuation*	9,978	9,220
Reserve management fees and other charges	9,004	9,059
Valuers' fees	6	25
Retainer fees	91	138
Audit fees	420	391
	26,110	23,121

*This relates to notional interest arising out of staff loans fair valuation in accordance with IFRS 13.

21 Net surplus for the year

The net surplus for the year has been stated after charging/(crediting):

	Note	30 Jun 2023	30 Jun 2022
		UGX (m)	UGX (m)
Audit fees	20	420	391
Directors' emoluments	18	875	997
Directors' fees	18	824	520
Depreciation	35	30,095	34,083
Amortisation	37	4,013	4,649
Staff costs	17	247,863	110,614
Litigation fees & legal damages	20	3,503	1,223
Other income	14	(3,189)	(4,191)

22 Cash and cash equivalents

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Foreign currency held in banking	17,098	16,140
Cash with foreign financial institutions	1,967,905	458,773
Repurchase agreements	1,563,700	1,355,457
	3,548,703	1,830,370
Less: Allowance for ECL	(4,593)	(1,460)
	3,544,110	1,828,910

Foreign cash held in banking relates to foreign cash balances that were held in the banking hall as at year-end. Cash with foreign financial institutions relates to cash balances held with external financial institutions and the Global Custodian. Repurchase agreements relate to overnight lending to the New York Federal Reserve Bank.

23 Financial assets at fair value through profit or loss

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Financial assets mandatorily measured at FVTPL	2,925,486	2,902,608
Financial assets designated at FVTPL	1,310,595	1,324,780
	4,236,081	4,227,388

23.1 Financial assets – mandatorily measured at FVTPL

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Government debt securities		
Maturing within 1 year	167,217	224,089
Maturing between 1-5 years	1,859,105	1,896,180
Maturing after 5 years	449,284	318,702
	2,475,606	2,438,971
Debt securities issued by banks		
Maturing within 1 year	44,058	56,575
Maturing between 1-5 years	243,606	221,134
Maturing after 5 years	19,322	23,512
	306,985	301,221
Asset backed securities		
Maturing between 1-5 years	2,422	5,908
Maturing after 5 years	140,473	156,508
	142,895	162,416
Total	2,925,486	2,902,608

23.2 Financial assets designated at FVTPL

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Government debt securities		
Maturing within 1 year	222,725	340,842
Maturing between 1-5 years	439,799	576,303
Maturing after 5 years	2,964	93,212
	665,488	1,010,357
Debt securities issued by banks		
Maturing within 1 year	228,634	48,185
Maturing between 1-5 years	268,754	204,510
Maturing after 5 years	55,301	6,648
	552,689	259,343
Asset backed securities		
Maturing between 1-5 years	2,316	2,339
Maturing after 5 years	90,102	52,742
	92,418	55,080
Total	1,310,595	1,324,780

Financial assets at FVTPL represent foreign denominated assets managed by appointed fund managers; PGIM (formerly Pramerica), Goldman Sachs, JP Morgan Chase and the World Bank Treasury. Financial assets managed by Goldman Sachs and World Bank Treasury have been designated as at FVTPL on initial recognition since the Bank holds related derivatives at FVTPL and designation therefore eliminates or significantly reduces an accounting mismatch that would otherwise arise.

24 Debt instruments at fair value through other comprehensive income

The Bank invests in Treasury bonds issued by the US Government Treasury, Inter-American Development Bank (IADB), European Bank for Reconstruction & Development (EBRD), Kommuninvest, African Development Bank (AfDB), European Investment Bank (EIB), Japan Bank for International Cooperation (JBIC), International Bank for Reconstruction and Development (IBRD) and Asia Development Bank (ADB).

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Government debt securities		
Maturing within 1 year	360,857	361,818
Maturing between 1-5 years	700,786	638,895
	1,061,643	1,000,713
Other debt securities		
Maturing within 1 year	24,801	101,981
Maturing between 1-5 years	70,835	97,597
	95,635	199,578
Total	1,157,278	1,200,291

The table below shows the movement in debt instruments through other comprehensive income.

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
At 01 July	1,200,291	1,162,889
Additions	502,621	485,081
Sells/ maturities	(514,745)	(474,399)
Foreign exchange gains/(losses)	(29,517)	65,000
Net change in fair value	(9,222)	(38,592)
Reclassified to profit or loss	7,850	312
At 30 June	1,157,278	1,200,291

25 Equity instruments at fair value through other comprehensive income

The Bank has designated its equity investments as investments at FVOCI on the basis that these are not held for trading. Investments include shares in Afrexim Bank and SWIFT.

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Afrexim shares	429,496	258,501
SWIFT shares	2,072	1,926
	431,568	260,427

In FY 2022/23, the Bank received dividends of UGX 6,600 million (2022: USD 1,367,413.94) from its FVOCI equities which was recorded in the income statement as other income. Included in equity instruments at fair value through other comprehensive income are fair value losses amounting to UGX 545 million (2022: gains of UGX 15,503 million) and foreign exchange losses of UGX 6,870 million (2022: losses of UGX 9,587 million) that are recognised in other comprehensive income.

25.1 Afrexim Bank shares

The investment in African Export Import (Afrexim) Bank is in respect of Class A equity shares. As at 30 June

2023, the Bank held 5,268 Class A shares (2022: 2,628 Class A shares) at a total cost USD 117,098,421 (2022: USD 68,775,702). During the year, the Bank purchased an additional 2,545 shares as part of the Afrexim Bank General Capital Increase initiative. In accordance with IFRS 13, the shares were valued at a price of USD 25,882 (2022: USD 26,170) per share resulting in a fair value gain which has been recognised in other comprehensive income.

25.2 Swift shares

As at 30 June 2023, the Bank held 67 shares in the Society for Worldwide Interbank Financial Telecommunication (SWIFT) at a value of Euro 519,920 (2022: Euro 487,425). The SWIFT is a cooperative society owned by its member financial institutions.

26 Debt instruments at amortised cost

The Bank debt instruments at amortized cost include term deposits with external financial institutions and US Treasury bills.

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Term deposits with external financial institutions		
Maturing within 1 year	5,089,919	7,774,668
	5,089,919	7,774,668
Less: Allowance for ECL	(2,411)	(3,202)
	5,087,508	7,771,466
US Treasury bills		
Maturing within 1 year	1,698,230	1,102,009
	1,698,230	1,102,009
Less: Allowance for ECL	(152)	(99)
	1,698,078	1,101,910
Total	6,785,586	8,873,376

27 Derivative financial instruments

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the value of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk.

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Assets		
Forward foreign exchange contracts	27,503	66,430
Interest rate swaps	10,476	3,758
	37,979	70,188
Liabilities		
Forward foreign exchange contracts	17,162	12,817
Interest rate swaps	9,558	10,439
	26,720	23,256
Notional amounts		
Forward foreign exchange contracts	2,213,520	3,554,597
Interest rate swaps	687,784	277,583
Futures	1,479,091	1,407,321

At their inception, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Bank. Over-the-counter derivatives may expose

the Bank to the risks associated with the absence of an exchange market on which to close out an open position.

27.1 Forwards and futures

Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements. The main differences in the risks associated with forward and futures contracts are credit risk and liquidity risk. The Bank has credit exposure to the counterparties of forward contracts. The credit risk related to future contracts is considered minimal because the cash margin requirements of the exchange help ensure that these contracts are always honoured. Forward contracts are settled gross and are, therefore, considered to bear a higher liquidity risk than the futures contracts that are settled on a net basis. Both types of contracts result in market risk exposure.

27.2 Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest, respectively, in return for paying or receiving a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

28 Assets held and obligations with International Monetary Fund (IMF)

		30 Jun 2023	30 Jun 2023	30 Jun 2022	30 Jun 2022
		UGX (m)	SDR (m)	UGX (m)	SDR (m)
Assets	IMF SDR holdings	1,704,443	346	1,952,856	389
	Less: Allowance for ECLs	(229)	-	(264)	-
		1,704,214	346	1,952,592	389
Liabilities	IMF account no. 2	32	1	32	1
	IMF SDR allocation	2,539,180	519	2,599,035	519
		2,539,212	520	2,599,067	520

The assets represent IMF SDR Holdings held on behalf of Government of Uganda of SDR 44 million. The liabilities relate to SDR Allocations of SDR 173 million that funded the SDR holdings from IMF. The IMF Holdings and Allocations attract interest rates determined by the Fund as advised from time to time. Interest charged on the IMF holdings is the responsibility of Bank of Uganda. The liabilities and assets are not secured by collateral and the repayment terms are not fixed. The IMF assets and liabilities above are reported in Uganda Shillings at the year-end exchange rates. Translation gains/losses are recognised in profit or loss.

28.1 Other IMF accounts not recognised

		30 Jun 2023	30 Jun 2023	30 Jun 2022	30 Jun 2022
		UGX (m)	SDR (m)	UGX (m)	SDR (m)
Assets	IMF Quota	1,761,611	361	1,799,565	361
		1,761,611	361	1,799,565	361
Liabilities	IMF account no. 1	1,660,536	339	1,696,312	339
	IMF Securities	101,075	22	103,253	22
		1,761,611	361	1,799,565	361

The other International Monetary Fund accounts not recognised consist of the Uganda Government total membership capital subscription Quota of SDR 361 million and the corresponding IMF account no. 1 and securities account which are the responsibility of Government of Uganda (fiscal agent) and as such are not accounted for in the financial statements of the Bank.

28.2 Uganda's position in the IMF

Below is a Summary of IMF members' quota, reserve tranche position, SDR holdings, outstanding credit, recent lending arrangements, projected payments due to the IMF and historical transactions with the IMF as at 30 June 2023.

- i. Membership status: Joined 27 September 1963
- ii. General resources account

	SDR Million	% Quota
Quota	361.00	100.00
IMF's Holdings of Currency (holdings rate)	361.01	100.00

- iii. SDR department

	SDR Million	% Allocation
Net cumulative allocation	519.06	100.00
Holdings	346.20	66.70

- iv. Outstanding purchases and loans

	SDR Million	%Quota
RCF Loans	361.00	100.00
ECF Arrangements	541.50	75.00

- v. Latest financial commitments
Arrangements

	Date of	Expiration	Amount Ap- proved	Amount Drawn
Type	Arrangement	Date	(SDR Million)	(SDR Million)
ECF	28 June 2021	27 June 2024	722.00	541.50
ECF 1/	13 September 2002	31 January 2006	13.50	13.50
ECF 1/	10 November 1997	31 March 2001	100.43	100.43

- ^{1/} Formerly PRGF
Outright Loans

	Date of	Date	Amount Ap- proved	Amount Drawn
Type	Commitment	Drawn	(SDR Million)	(SDR Million)
RCF	06 May 2020	25 June 2020	361.00	361.00

^{1/} Undrawn outright disbursements (RFI and RCF) expire automatically 60 days following the date of commitment, i.e. Board approval date

- vi. Overdue obligations and projected payments to fund^{2/}

(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2023	2024	2025	2026	2027
Principal	0	0	36.1	90.25	90.25
Charges/Interest	1.16	1.16	1.16	1.16	1.16
Total	1.16	1.16	37.26	91.41	91.41

^{2/} When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

vii. Implementation of the HIPC initiative

	Original	Enhanced	
	Framework	Framework	Total
I. Commitment of HIPC assistance			
Decision point date	Apr 1997	Feb 2000	
Assistance committed			
by all creditors (US\$ Million) ^{1/}	347.00	656.00	
Of which: IMF assistance (US\$ million)	68.90	91.00	
(SDR equivalent in millions)	51.51	68.10	
Completion point date	Apr 1998	May 2000	
II. Disbursement of IMF assistance (SDR Million)			
Assistance disbursed to the member	51.51	68.10	119.61
Interim assistance	-	8.20	8.20
Completion point balance	51.51	59.90	111.41
Additional disbursement of interest income ^{2/}	-	2.06	2.06
Total disbursements	51.51	70.16	121.67

^{1/} Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts can not be added.

^{2/} Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

viii. Implementation of Multilateral Debt Relief Initiative (MDRI)

I. MDRI-eligible debt (SDR Million)*			87.73
Financed by: MDRI Trust			75.85
Remaining HIPC resources			11.88
II. Debt Relief by Facility (SDR Million)			
	Delivery Date	Eligible Debt	
	38718	GRA	PRGT
		N/A	87.73

* The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

ix. Implementation of Catastrophe Containment and Relief (CCR): Not Applicable

As of 04 February 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust.

29 IMF Rapid Credit Facility

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Maturing after one year but within five years	731,786	801,767
Maturing after five years	487,858	448,672
	1,219,644	1,250,439

Reconciliation of the movement in the IMF Rapid Credit Facility

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
As at 01 July	1,250,439	1,267,299
Translation differences	(30,795)	(16,860)
As at 30 June	1,219,644	1,250,439

On 6 May 2020, the International Monetary Fund (IMF) approved a request from the Ministry of Finance, Planning and Economic Development for emergency funding under the Rapid Credit Facility (RCF).

The Rapid Credit Facility is equivalent to SDR 361 million which is Uganda's 100 percent of the IMF quota. The loan was disbursed from the PRG Trust and terms and conditions are those set forth in the Instrument to establish the PRG Trust (Decision No. 8759 (87/176), adopted 18 December 1987 as amended).

The loan disbursed on June 25, 2020 (IMF) through the Bank of Uganda amounted to USD 498,723,488.91 (SDR 361 million). The loan is interest free and has a grace period of five years. The loan will be repaid half yearly in 10 equal installments of SDR 36.1 million commencing 25 December 2025 and the last installment will be paid on June 25, 2030.

According to the Memorandum of Understanding between Bank of Uganda and the Ministry of Finance, Planning and Economic Development, BoU was allocated SDR 249.73 million (USD 345 million) to cater for Balance of Payments. The funds are held as part of international reserves while Government of Uganda was allocated SDR 111.27 million (USD 153.72 million) for budget support.

Each party will be responsible for the repayment of the respective funds as received. However, the Bank is responsible for informing the Ministry of Finance, Planning and Economic Development about any repayment due to the IMF, including the currency position and making payments to the IMF in accordance with the repayment schedule and procedures of the IMF.

30 Investments in government securities

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
BoU recapitalization securities	1,059,958	855,604
Less: Allowance for ECL	(185)	(159)
At 30 June	1,059,773	855,445

BoU recapitalisation securities represented the unredeemed treasury bonds arising out of the recapitalisation measures undertaken by the Government of Uganda. The terms and conditions on the recapitalisation securities are those that apply to similar treasury bonds issued by Government.

31 Loans, advances and drawdowns to Government

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Letters of comfort*	140,487	140,487
Temporary advances to Government	916,848	-
Receivables from Government	1,521	37
Government capital account**	4,826,146	3,371,257
Treasury bills for repos (zero coupon)***	1,489,000	270,000
	7,374,002	3,781,781
Less: Allowance for ECL	(141,819)	(141,120)
	7,232,183	3,640,661

The Bank grants loans and advances to the government in respect of temporary deficiencies in revenue as

provided for in the Bank of Uganda Act and the Public Finance Management Act 2015.

- * The letters of comfort of UGX 140,487 million related to requests made by Bank of Uganda to various commercial banks to extend loans to Haba Group of Companies. The resulting loan was due from Government of Uganda. As at 30 June 2022, this amount was fully impaired.
- ** Government capital account related to principal and interest on matured securities issued on behalf of GoU that had not been reimbursed as at 30 June 2022.
- *** Zero Coupon Treasury bills represent securities offered to the Bank by Government of Uganda so as to provide a pool of instruments to the Bank for managing liquidity in the market through the issue of vertical repurchase (repos) agreements with primary dealer commercial banks. These are zero coupons and have short maturity periods of less than fourteen days, thus the amortized cost is not materially different from the cost.
Treasury bills for Repos represent collateral amount related to the actual drawn down or utilisation of the vertical repurchase agreements that is outstanding at the end of the year (Note 44).

32 Loans and advances to commercial banks

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
As at 01 July	208,021	219,912
Additions	27,643	3,906
Receipts/reversal of provisions	(4,717)	(29,222)
Foreign exchange movements	(6,050)	13,425
As at 30 June	224,897	208,021
Less: Allowance for ECL	(224,897)	(208,021)
	-	-

Bank of Uganda intervened in the affairs of former Crane Bank Ltd under the Financial Institutions Act 2004 in FY 2016/17. The Central Bank intervened with capital injections of local and foreign currency resulting into forex revaluation of the amounts due to BoU. As at 30 June 2023, Bank of Uganda had incurred net costs of UGX 224,897 million after offsetting funds received from dfcu Bank Ltd of UGX 200 billion (30 June 2022: UGX 208,021 million).

33 Loans and advances to staff

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Staff loans, advances and imprest to staff	39,305	34,767
Staff building loans	49,672	46,369
Staff loans, advances at amortised cost	88,977	81,136
Deferred staff cost	67,658	63,726
Staff loans, advances at cost	156,635	144,862
Less: Allowance for ECL	(1,411)	(635)
	155,224	144,227

The Bank provides loans and advances to staff at interest rates below the market rates. The rates range from 0 percent to 3 percent, depending on the loan type. The loans and advances have maturity terms ranging between 3 months and 20 years, depending on whether or not staff are on permanent and pensionable terms. The loans and advances have been marked to market and the fair value adjustment is deferred over the loan repayment periods. Apart from the house loans and five year general purpose advances which are secured by mortgages, annual general purpose advances and salary advances are not secured. All mortgages are covered by an insurance policy of an amount that is twice the outstanding loan balances.

34 Retirement benefits plan

Some of the Bank's permanent and pensionable employees are eligible for retirement benefits under a defined benefit plan provided through a legally separate entity - The Bank of Uganda Defined Benefits Scheme (DBS).

The Scheme is licensed by the Uganda Retirements Benefits Authority and governed by a Trust Deed

and Rules with a duly appointed Board of Trustees. The Trustees comprise six (6) Sponsor nominated representatives and three (3) member nominated representatives; two (2) of whom are nominated by active service members and one (1) nominated by pensioners. The Board of the Trustees is required by the law to act in the best interests of the plan participants and is responsible for setting certain policies – e.g. investment, contribution and indexation policies of the fund.

The benefits to members on retirement are determined as $1/60 \times$ average salary for service prior to 30 June 2013 $\times$ Service Period less the value of NSSF Employer Contribution balances. For service after 30 June 2013, the benefit is determined as $1/65 \times$ average salary for service after 30 June 2013 $\times$ Service Period. This Amendment took effect from July 1, 2013.

Employees not participating in the Defined Benefit Scheme are eligible to join a Defined Contribution Scheme.

The net defined benefit asset in respect of the defined benefit pension plan is the fair value of the plan assets at the reporting date minus the present value of the defined benefit obligation. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The current actuarial certification was carried out by Actuarial Services (E.A) Limited as at 30 June 2023.

The actuarial certification only includes the funded pension arrangements; the Bank of Uganda Defined Benefits Scheme (DBS).

The key risks associated with the Scheme are as follows:

1. Salary risk: The benefits are linked to salary and consequently have an associated risk to increases in salary.
2. Investment risk: The Scheme is funded with separate assets. Investment risk would therefore arise in the Scheme.
3. Interest rate risk: Decreases/ increases in the discount rate used (high quality corporate bonds) will increase/ decrease the defined benefit obligation.
4. Benefits in the Scheme are payable on retirement, resignation, death or ill-health retirement. The actual cost to the Bank of the benefits is therefore subject to the demographic compositions of employees.
5. The pension fund is fully funded by Bank of Uganda. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan. The funding is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions below.

The Bank expects to pay UGX 15,106 million in contribution to its defined benefits plan in the FY 2022/23.

The amounts recognised in the statement of financial position are as follows:

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Fair value of plan assets	655,656	584,755
Present value of defined benefit obligations	(567,793)	(487,624)
Net asset at the end of the year	87,863	97,131

During the year, the Bank's asset in respect of the DBS was calculated by a qualified actuary using the projected unit credit method. Actuarial gains and losses are recognised in other comprehensive income.

The amounts recognised in profit or loss are as follows:

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Current service cost net of employees' contributions	11,099	12,392
Interest cost on net benefit obligation	(16,334)	(20,853)
Past service costs recognised in the year	34,768	-
Adjustment for prior year values	1,057	(79,534)
Total included in staff costs	30,590	(87,995)

The amounts recognised under other comprehensive income are as follows:

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Net actuarial gains and experience adjustments arising from demographic assumptions	10,881	28,378
Net actuarial (gains)/losses and experience adjustments arising from financial assumptions	(758)	2,881
Actual return less interest cost on plan assets	(6,954)	(92,553)
Total included in other comprehensive income	3,169	(61,294)

A reconciliation of the net benefit asset is shown below:

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Net asset at start of the year	97,131	54,387
Net expense recognised in profit or loss	(30,590)	87,995
Actuarial gain/(loss) recognised in OCI	3,169	(61,294)
Employer contributions	18,153	16,043
Net asset at end of the year	87,863	97,131

A reconciliation of the present value of the defined benefit obligations is shown below:

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Opening benefit obligation	487,624	513,025
Current service cost net of employees' contributions	11,099	12,392
Interest cost	77,319	68,561
Employee contributions	3,971	3,790
Past service costs	34,768	-
Actuarial gain	(10,123)	(31,259)
Benefits and expenses paid	(36,865)	(16,695)
Adjustments to previous year values	-	(62,190)
Closing benefit obligation	567,793	487,624

The major categories of the fair value of the Scheme's plan assets are as follows:

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Assets		
Cash and bank	2,722	1,308
Investment securities at amortised cost	72,467	53,062
Debt instruments at fair value through OCI	513,017	426,178
Equity instruments at fair value through OCI	54,601	77,615
Investment Property	28,995	27,989
Accounts receivable	2,270	2,508
Rental tax credit	-	150
Total assets	674,072	588,810
Net current liabilities	(18,416)	(4,508)
Fair value of plan assets	655,656	584,302

The principal actuarial assumptions in real terms are as follows:

	30 Jun 2023	30 Jun 2022
Discount rate	16.00%	16.25%
Expected return on plan assets	16.00%	16.25%
Future salary increase	15.00%	15.25%
Future pension increase	14.00%	14.25%

The discount rate used is 16.25 percent per annum. The discount rate is based on the 10 and 15-year government bond yield in line with the general requirements of the IFRS. However, the gap between the discount rate and the future salary and pension increases has been kept constant at 1 percent and 2 percent per annum respectively when compared with the FY 2021/22 assumptions.

As at 30 June 2023, the weighted average duration of the defined benefit obligation is 13.5 years. (30 June 2022: 14.4 years)

The sensitivity analysis for reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would affected the defined benefit plan by amounts shown below:

	Scenario - 1 Base	Scenario - 2 Discount Rate Increased by 1%	Scenario - 3 Salary Rate Increased by 1%	Scenario - 4 Pension In- crease Rate Increased by 1%	Scenario - 5 Discount Rate Decreased by 1%	Scenario - 6 Salary Rate Decreased by 1%	Scenario - 7 Pension In- crease Rate Decreased by 1%
Discount Rate	16.00%	17.00%	16.00%	16.00%	15.00%	16.00%	16.00%
Salary Rate*	15.00%	15.00%	16.00%	15.00%	15.00%	14.00%	15.00%
Pension Increase Rate	14.00%	14.00%	14.00%	15.00%	14.00%	14.00%	13.00%
Net asset at start of period	97,131	97,131	97,131	97,131	97,131	97,131	97,131
Net expense recognised in the income statement	(30,590)	(30,590)	(30,590)	(30,590)	(30,590)	(30,590)	(30,590)
Net expense recognised in the other comprehensive income	3,169	72,238	(20,152)	(51,604)	(81,608)	23,982	51,172
Employer contributions	18,153	18,153	18,153	18,153	18,153	18,153	18,153
Net (liability)/ asset at end of year	87,863	156,932	64,542	33,090	3,086	108,676	135,866

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

The maturity profile of the Defined Benefit Plan is disclosed below:

	Liability
Time to Maturity of membership	UGX (m)
<1 year	29,125
1-5 years	67,050
>5 years	217,598
Pensioners and Deferreds	254,019

35 Property, plant & equipment

	Land	Buildings	Plant & Machinery	Furniture	Equipment	Computer Equipment	Motor Vehicles	Capital Work- In-Progress	Totals
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Cost or Valuation									
As at 01 July 2021	91,959	159,575	84,550	5,546	22,354	15,500	29,152	1,578	410,214
Addition	-	-	39	376	1,722	3,127	-	268	5,531
Reclassification	-	-	494	55	618	567	-	(1,734)	-
Revaluation	-	-	8,705	1,024	1,876	1,490	(11,889)	-	1,206
Disposals/ write offs/adjustments	-	(645)	(501)	(113)	(81)	(12)	(503)	(61)	(1,916)
As at 30 June 2022	91,959	158,930	93,287	6,888	26,489	20,672	16,760	51	415,035
As at 01 July 2022	91,959	158,930	93,287	6,888	26,489	20,672	16,760	51	415,035
Addition	-	156	1,121	1,678	3,171	4,018	3,254	4,102	17,500
Reclassification	-	47	-	-	4	-	-	(51)	-
Revaluation	42,135	(11,819)	-	-	-	-	-	-	30,316
Disposals/ write offs/Adjustments	(14,522)	(1,129)	(720)	(329)	(480)	(1,625)	-	-	(18,805)
As at 30 June 2023	119,572	146,185	93,688	8,237	29,184	23,065	20,014	4,102	444,047
Depreciation									
As at 01 July 2021	2,518	11,408	18,375	2,736	7,766	9,238	17,362	-	69,403
Charge for the year	1,239	3,815	5,806	2,407	3,837	10,321	6,658	-	34,083
Reclassification	-	-	25	-	(25)	-	-	-	-
Elimination on revaluation	-	-	(12,736)	(3,215)	(7,006)	(11,909)	(19,295)	-	(54,161)
Disposals/ write offs/adjustments	-	(646)	(37)	(73)	(55)	(11)	(450)	-	(1,272)
As at 30 June 2022	3,757	14,577	11,433	1,855	4,517	7,639	4,275	-	48,053
As at 01 July 2022	3,757	14,577	11,433	1,855	4,517	7,639	4,275	-	48,053
Charge for the year	1,300	3,698	7,668	1,875	5,601	5,196	4,757	-	30,095
Elimination on revaluation	(4,893)	(18,275)	-	-	-	-	-	-	(23,168)
Disposals/ write offs/Adjustments	-	-	(215)	(259)	(121)	(1,569)	-	-	(2,164)
As at 30 June 2023	164	1	18,886	3,471	9,997	11,266	9,032	-	52,816
Net Carrying Amount									
As at 30 June 2023	119,408	146,184	74,802	4,767	19,187	11,799	10,982	4,102	391,231
As at 30 June 2022	88,202	144,353	81,855	5,033	21,971	13,033	12,485	51	366,982

36 Valuation of property, plant & equipment

During the financial year, the Bank's Land and Buildings were revalued by independent and professional valuers, S-M Cathan Property Consultants Limited. The revaluation was based on market values, which was defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties have each acted knowledgeably, prudently and without compulsion.

The valuer applied the Cost approach of valuation by calculating the values for buildings and other improvements as determined by the present-day replacement (reinstatement) cost of putting up a similar and functional structure ready to provide the same facilities at the same place but depreciating them accordingly. The valuer also applied Market approach to determine the Market rent and land value based on recent transactions in the neighborhood. The Income approach was also used where annual rent was capitalized to determine the property value based on rent.

The Bank's Motor vehicles, plant and machinery, furniture, equipment and computers were revalued in FY 2021/22. The valuation of motor vehicles was carried out by M/s WROK Valuation Consultants Limited while the valuation of plant and machinery, furniture, equipment and computers was carried out by Stanfield Property Partners Ltd.

Capital work in progress relates to PPE that are still in construction or yet to be put in use.

Fair value measurement disclosures for revalued land, buildings, plant and machinery, furniture, equipment, computers and motor vehicles are provided in in Note 6.

The Bank revalues its land and buildings, equipment, furniture, computers, vehicles, plant and machinery every after 5 years.

Items disposed comprised of plant and machinery, furniture, equipment, vehicles and computer equipment. All gains/ (losses) on disposal of assets are recognized in profit or loss.

37 Intangible assets

		Software	Work- In-Progress	Totals
		UGX (m)	UGX (m)	UGX (m)
Cost or Valuation	As at 01 July 2021	64,101	2,033	66,134
	Additions	1,261	3,924	5,185
	Reclassification	1,055	(1,055)	-
	Write off	(7)	(191)	(198)
	As at 30 June 2022	66,410	4,711	71,121
	As at 01 July 2022	66,410	4,711	71,121
	Additions	133	225	358
	Reclassification	631	(631)	-
	Disposals/Write offs/Adjustments	-	(101)	(101)
	As at 30 June 2023	67,174	4,204	71,378
Amortisation	As at 01 July 2021	47,807	-	47,807
	Charge for the year	4,649	-	4,649
	As at 30 June 2022	52,456	-	52,456
	As at 01 July 2022	52,456	-	52,456
	Charge for the year	4,013	-	4,013
	As at 30 June 2023	56,469	-	56,469
Net Carrying Amount	As at 30 June 2023	10,705	4,204	14,909
	As at 30 June 2022	13,954	4,711	18,665

Work in progress relates to IT systems that are under development and yet to be put in use.

38 Assets held for sale

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Transfer from property, plant and equipment	15,651	-
Fair Value Adjustment	(845)	-
As at 30 June	14,806	-

The disposal of 2 bank properties was approved during the financial year and a program to locate buyers initiated through the publication of a newspaper paper advert seeking bids from interested bidders. The 2 properties are situated at Plot 7-9 Elizabeth Avenue, Kololo, Kampala City and Plot 41 Kampala Road, Masaka City. The sale had not been concluded at the close of the financial year and the 2 properties are therefore classified as "Assets held for sale" as at 30 June 2023.

As at 30 June 2023, a revaluation of all Land and Buildings held by the Bank was carried out by an independent valuer; S-M Cathan property consult. Based on this revaluation, a write-down of UGX 844,708,308 was recognized through the statement of profit and loss given that the carrying amount of the "assets held for sale" had fallen below the fair value less costs to sell.

39 Other assets

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Consumable store stock	2,282	2,397
Prepayments & accrued income	13,108	-
Deferred currency costs *	169,105	222,986
Sundry debtors	11,117	1,357
	195,612	226,740

- Deferred currency costs relate to currency printing and minting costs for notes and coins not yet issued into circulation in accordance with the Bank's accounting policy. The policy of the Bank is to expense currency costs upon issue of the notes and coins into circulation.

40 Other foreign liabilities

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Multi-lateral Investment Guarantee Agency (MIGA)	38	38
IDA 13 Subscriptions	56	56
IDAG MDRI Subscriptions	94	94
International Bank for Reconstruction & Dev't (IBRD)	228	228
	416	416

The balances on MIGA and IDA represent the Government of Uganda obligations in terms of subscriptions to those international agencies.

The IBRD balance related to notes substituted as Government of Uganda's national currency subscription to IBRD capital stock and held in IBRD's securities custody account with the Bank of Uganda as a depository.

41 Currency in circulation

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Notes	7,115,050	6,638,256
Coins	216,304	206,422
Cash held in banking	(17,634)	(16,803)
Office imprest	(123)	(123)
	7,313,597	6,827,752

Currency-in-circulation represents notes and coins issued by Bank of Uganda as at 30 June 2023 while cash held in Banking relates to cash held in banking hall as at year-end.

The currency is issued in the following denominations:

	Notes	Coins
	1,000	1
	2,000	2
	5,000	5
	10,000	10
	20,000	20
	50,000	50
		100
		200
		500

42 Government deposits

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Petroleum Fund	227,054	110,224
Government deposit letters of credit accounts	434,616	527,007
Government ministries accounts	211,746	75,373
Government projects accounts	2,309,343	2,795,488
Government of Uganda managed funds through ACF*	141,872	105,583
Government of Uganda managed funds through SBRF**	97,056	99,143
Government capital accounts	1,489,000	270,000
Uganda consolidated fund	500,766	61,137
Items in transit	278,262	421,069
	5,689,715	4,465,024

As a banker to Government, BoU maintains government accounts. The accounts maintained relate to government ministries and the government projects. The above deposit balances represent the amounts outstanding on government accounts as at 30 June 2023. The Bank does not pay interest on the accounts. The deposits are payable on demand and therefore the carrying amount approximates their fair value. Included in the Government Capital Accounts are Treasury bills and Treasury Bonds held at the Bank for monetary policy, recapitalisation and repo purposes. The securities for monetary policy and recapitalisation are re-discountable at the Bank rediscount rate.

- * The Government of Uganda managed funds through the Agricultural Credit Facility (ACF) includes a net balance of UGX 141,872 million (30 June 2022: UGX 105,583 million) outstanding on the Agricultural Credit Facility (ACF) capital account after offsetting ACF loans disbursed through the respective accredited financial institutions as shown in the table below. The securities held on those loans are in terms of promissory notes from participating financial institutions.

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Agricultural Credit Facility (ACF) Capital	269,377	226,877
ACF marketing	1,318	580
Less:		
ACF Loans to commercial banks	(128,823)	(121,874)
Net balance on ACF capital	141,872	105,583

- ** The Government of Uganda managed funds through the Small Business Recovery Fund (SBRF) includes a net balance of UGX 97,056 million (30 June 2022: UGX 99,143 million) outstanding on the Small Business Recovery Fund (SBRF) capital account after offsetting SBRF loans disbursed through the respective accredited financial institutions as shown in the table below. The securities held on those loans are in terms of promissory notes

from participating financial institutions.

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Small Business Recovery Fund (SBRF) Capital	100,000	100,000
Less:		
SBRF Loans to commercial banks	(2,944)	(857)
Net balance on SBRF	97,056	99,143

As at 30 June 2023 the Bank was recapitalized by Government of Uganda in accordance with the Bank of Uganda Act section 14(4), through issuance of treasury instruments worth UGX 1,641,718 million. The securities were also issued as part of the stock of Government domestic debt. The issuance of recapitalization securities by Government of Uganda resulted in a receivable from GoU which has been matched with the securities issued.

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
BoU recapitalisation securities	1,641,718	1,641,718
BoU recapitalisation receivable account	(1,641,718)	(1,641,718)
Net position	-	-

The net Uganda Consolidated Fund position at Bank of Uganda is a summary of government deposits and government loans, drawdowns and advances.

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Government deposits	5,689,715	4,465,024
Government loans, drawdowns and advances (see note 31)	(7,232,183)	(3,640,661)
Net Uganda Consolidated Fund position	(1,542,468)	824,363

43 Commercial and Central Banks' deposits

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Current accounts by commercial and central banks	3,756,679	4,009,985
Cash recovered from closed commercial banks	164	333
Collection from closed banks' loans	21,436	21,871
	3,778,279	4,032,189

Current accounts relate to cash balances held by commercial banks with Bank of Uganda in line with statutory obligations. Cash reserve ratio is a statutory ratio for monetary policy and commercial banks are required to hold at the Central Bank of Uganda a prescribed percentage of their total deposits. The ratio is dependent on a monetary policy stance, revised from time to time and is currently 10 percent. There are currently 25 licensed commercial banks in Uganda. The Bank does not pay interest on these account balances.

44 Repurchase agreements with commercial banks

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
BOU bills	672,798	328,901
Repos collection account	1,489,646	270,055
	2,162,444	598,956

REPO (Repurchase Agreements) is a flexible Open Market Operation instrument that provides for a simultaneous sale of securities and buy-back at a specified future date and price and hence facilitates flexible conduct of monetary policy.

A Repo involves the following transactions:

- Change of legal ownership of securities between transacting parties.
- Transfer of funds between transacting parties.

Vertical REPO

Where a Repo is used as a monetary policy instrument, one of the parties to the agreement is the Central Bank, while a Primary Dealer (PD) constitutes the other party. The Vertical Repo transaction allows the Central Bank to mop up short-term liquidity by selling securities to PDs with an agreement to repurchase them at a specified future date – where the PD receives back full amount of principal and interest.

45 Leases

45.1 Leases as a leasee

The Bank leases land and residential premises. The leases typically run from one to ninety nine years, with an option to renew the lease after that date. For some leases, payments are periodically re-negotiated to reflect market rates .

Information about leases for which the Bank is a leasee is presented below:

i. Right-of-use assets

Right of use assets relate to leased land and residential premises that are presented within property, plant and equipment (note 35)

	Land	Residential premises
	UGX (m)	UGX (m)
Balance as at 1 July 2021	43,902	122
Depreciation charge for the year	(1,239)	(122)
Balance as at 30 June 2022	42,663	-
Reclassification	1,084	-
Revaluation	86,409	-
Depreciation charge for the Period	(1,300)	-
Accumulated Depreciation eliminated on revaluation	4,893	-
Balance as at 30 June 2023	69,803	-

ii. Amounts recognised in profit or loss

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Interest on lease liabilities	-	-
Depreciation charge on right-of-use assets	1,300	1,361

iii. Lease liabilities

	Lease liabilities
	UGX (m)
At 1 July 2021	122
Payment of leases	(122)
At 1 July 2022	-
At 30 June 2023	-

iv. Amounts recognised in statement of cashflows

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Lease interest expense paid	-	-
Lease payments -Principal	-	122
Total cash out flow for leases	-	122

46 Other liabilities

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Uninvested pension fund cash	2,518	922
Deposit Protection Fund	14,294	4,793
Accounts payable	16,381	20,664
Other creditors	190,615	121,402
Money remittance institutions	1,235	696
	225,043	148,477

47 Provisions

The movement in the provisions is shown below:

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
At 1 July	37,383	63,367
Additions	2,144	4,510
Write backs	(3,374)	(28,202)
Payments	(627)	(2,292)
At 30 June	35,526	37,383

During the year, the Bank was a litigant and claimant in several cases which arise from normal day to day operations. The Directors and management believe that the Bank has strong ground for success in a majority of the cases and are confident they should get a swing in their favor and none of the cases individually or in aggregate would have a significant impact on the Bank's operations.

The Directors have assessed all the cases outstanding as at 30 June 2023 and where considered necessary based on the merits of each case, appropriate provisions have been booked in these financial statements. In arriving at the appropriate provisions, the Directors make judgments over the likely outcome of each case and an estimate of the related costs based on legal advice. The additions relate to incremental provisions on existing cases, new cases and legal costs. The payments relate to cases discharged during the year and legal fees paid.

48 Authorised and Issued share capital

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Authorised		
30,000,000,000 of UGX 1.00 each	30,000	30,000
Issued and fully paid		
20,000,000,000 of UGX 1.00 each	20,000	20,000

The Bank of Uganda Act (Cap. 51), Laws of Uganda 2000 is the law that establishes the Bank with the authorised capital of UGX 30 billion. As at 30 June 2023, UGX 20 billion was issued and fully paid. There were no movements during the year.

49 BoU recapitalisation securities

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
At 1 July	1,641,718	1,641,718
At 30 June	1,641,718	1,641,718

50 Reserves

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Asset revaluation reserve	216,607	187,708
Revenue reserve	(1,797,069)	(2,258,325)
General reserve	399,277	399,277
Actuarial reserves	(63,427)	(66,596)
Fair value gains on FVOCI financial instruments	109,657	119,757
Unrealised translation reserve	3,531,058	3,736,528
	2,396,103	2,118,349

The movements in the reserves above are shown in the statement of changes in equity.

50.1 Asset revaluation reserve

The Bank maintains assets revaluation reserve to account for fixed assets revaluation surpluses or deficits. To ensure compliance with requirement of International Accounting Standard (IAS 16), Property, Plant and Equipment if an asset-carrying amount increases as a result of revaluation, the increase is credited directly to other comprehensive income. However, this amount is not available for distribution. Accordingly, it is retained in the asset revaluation reserve. If an asset's carrying amount decreases on account of revaluation, the decrease is recognised in profit or loss to the extent that it exceeds credit balance existing in the asset revaluation reserve in respect of that asset. As at 30 June 2023, the reserve had a balance of UGX 216,607 million (2022: UGX 187,708 million).

50.2 Revenue reserve

The Bank maintains the revenue reserve to account for the deficit or surplus that is realized during the financial year. The Bank can make transfers of realized foreign exchange gains from the revenue reserve to the general reserve. As at 30 June 2023, the reserve had a deficit of UGX 1,797,069 million (2022: UGX 2,258,325 million).

50.3 General reserve

In accordance with Section 15 (1) of the Bank of Uganda Act, 2000, the Bank is required to maintain a General Reserve Fund. The amount maintained in this account relates to appropriation of distributable profits determined by virtue of Section 16 (3) of the aforesaid Act. The Bank can make transfers of realized foreign exchange gains from the revenue reserve to the general reserve. As at 30 June 2023, the reserve had a balance of UGX 399,277 million (2022: UGX 399,277 million).

50.4 Actuarial reserve

This reserve was established in June 2018 in order to accommodate re-measurements arising from change in actuarial assumptions to ensure compliance with International Accounting Standard (IAS 19 as revised in 2011)- Employee Benefits. During the year ended 30 June 2023, actuarial gains of UGX 3,169 million (2022: loss of UGX 61,294 million) was recorded following a change of actuarial assumptions. As at 30 June 2023, the reserve had a loss balance of UGX 63,427 million (2022: UGX 66,596 million).

50.5 Fair value gains on FVOCI financial instruments reserve

The Bank maintains the fair value gains on FVOCI financial instruments reserve to account for unrealised gains and losses arising from changes in fair value of financial instruments measured at fair value. As at 30 June 2023, the reserve had a balance of UGX 109,657 million (2022: UGX 119,757 million).

50.6 Unrealised translation reserve

As per Section 16 (2) of the Bank of Uganda Act, 2000, in determining the profits and loss at the end of each financial year, the accounts shall clearly distinguish profits or loss arising from the normal operations of the bank and those resulting from profits or loss from exchange fluctuation. Therefore, in accordance with Section 16 (2) of the Bank of Uganda Act, 2000, unrealised gains or losses on foreign exchange are transferred to this reserve account. In accounting for unrealised gains or losses the Bank complies with the requirements of both IFRS and the Bank of Uganda Act (2000). Pursuant to the requirements of the International Accounting Standard (IAS – 21) the Effects of Changes in Foreign Exchange Rates, all realised and unrealised foreign exchange valuations are taken to the profit or loss. However, on realization the realized foreign exchange gains are transferred to the General Reserve. As at 30 June 2023, the reserve had a total balance of UGX 3,531,059 million (2022: UGX 3,736,528 million).

The distributable surplus is arrived at as follows:

The distributable surplus refers to the net surplus for the Bank excluding foreign exchange fluctuations as

	30 Jun 2023	30 Jun 2022
Total comprehensive income for the year	277,754	486,102

per Section 16(2) of the Bank of Uganda Act. The Directors do not recommend payment of a dividend to the Government for the year ended 30 June 2023 (30 June 2022: Nil).

51 Contingent liabilities and commitments

Contingent liabilities and commitments, some of which are offset by corresponding obligations of third parties, arise in the normal course of business, including contingent liabilities in respect of letters of comfort and indemnities in connection with liquidity support operations.

51.1 Legal proceedings

51.1.1 Crane Bank Limited suit

Crane Bank Limited (CBL) was placed under statutory management on 20 October 2016 and later progressed into receivership with BoU, as Statutory Receiver. After execution of the Purchase of Assets and Assumption of Liabilities agreement with DFCU in which some assets and liabilities were excluded and left under management by the Receiver, a Confidential Settlement and Release Agreement was signed with Mr. Ruparelia who according to the findings of the Forensic review conducted by PWC, was found responsible for irregular extraction of funds from that institution. Mr. Ruparelia signed a Settlement Agreement, paid some of the money as agreed but later reneged on further payments as a result of which, the Receiver filed H.C.C.S No. 493 of 2017 on behalf of CBL against Mr. Ruparelia seeking to recover monies taken out of CBL and against Meera Investments Limited (MIL) to recover 48 freehold titles which were irregularly transferred into the names of MIL and then leased back to CBL under unfavourable terms.

The High Court dismissed the suit on the ground that the Receiver had no right to sue. That decision was upheld in the Court of Appeal despite CBL's arguments that it was a body corporate and had inherent powers to sue.

CBL (in Receivership) appealed to the Supreme Court vide Civil Appeal No. 7 of 2020 on the question of whether a financial institution in receivership has capacity to sue.

During pendency of the Supreme Court Appeal, for purposes of dealing with residual matters of CBL, BoU issued a Liquidation notice in November 2020 and subsequently filed Civil Application No. 02 of 2021 for leave to amend the Memorandum and Record of Appeal by substitution of Crane Bank Limited (in Receivership) with Crane Bank Ltd (in Liquidation). The rationale for applying for substitution of CBL (in Receivership) with CBL (in Liquidation) was to state the correct capacity in which BoU was then managing and controlling the residual affairs of CBL and its assets and liabilities.

Court declined to grant the request for substitution stating that Memorandum and Record of Appeal should not be amended on the ground that it would fundamentally affect the matters in issue in the appeal before it is heard. Accordingly, the Court dismissed the application with costs to the Respondents.

On 15 September 2021, Crane Bank Limited [In Receivership] lodged a notice of withdrawal of Supreme Court Civil Appeal No. 7 of 2020, Crane Bank Limited [In Receivership] v Sudhir Ruparelia & Meera Investments Limited.

On the 14 October 2021, the Supreme Court delivered two rulings in Misc. Applications 32 of 2020 and 39 of 2020 granting both interim and permanent stay of liquidation.

In its ruling in Misc. Appl. 32 of 2020 delivered on 14 October 2021 after withdrawal of the appeal by CBL, the court cited and relied on sub-sections 94(1) and (3) –of the FIA in making the following orders:

- i. CBL was closed as a financial institution and placed under receivership. Upon closure, it ceased being a financial institution.
- ii. Closure of the Bank meant it lost its licence to operate as a financial institution; and
- iii. The Appellant's receivership ended on 20 January 2018 "and consequently its management reverted to the shareholders".

On 8 October 2021, CBL filed an Application for review (Civil Application No. 44 of 2021) on the ground that Section 94 of the Financial Institutions Act, 2004 that was relied on by the Supreme Court had at the time of the ruling been amended by Section 33 of the Financial Institutions (Amendment) Act, 2016 to remove the requirement of closure of the institution. The Application was never fixed for hearing.

In its ruling of 11 February 2022 on which party was to pay costs, the Supreme Court acknowledged that the application for review was yet to be heard and determined. However, subsequently, the Registrar of the Supreme Court on 4 April 2022 notified the parties that the Application had abated following the ruling of 11 February 2022.

On 1st July 2022, the Supreme Court presided over by a single Justice made the following orders regarding the content of the decree following the court's ruling on the withdrawal of the appeal by CBL (In Receivership);

- i. The Appeal is hereby dismissed with costs in the terms found by the Court of Appeal. The costs shall be borne by Bank of Uganda.
- ii. The dismissal of the Appeal shall take effect from the date of this judgment, being 11 February 2022.
- iii. The Appellant's receivership ended on 20 January 2018 and consequently its management reverted to its shareholders.

The basis of court's pronouncement on the form of the decree arose from a contest over the wording of the 3rd order regarding reversion of management of insolvent CBL to its shareholders. The grounds of the contest were that court could not handover management of CBL (In Receivership) because under Part IX of the Financial Institutions Act (as amended), the power to manage a distressed financial institution is vested in Bank of Uganda. It was further argued that CBL remained a distressed financial institution under resolution which under the law could only be managed by Bank of Uganda and that part IX of the Act still applied to CBL as the Appellant Bank. The foregoing argument was brought to the attention of the court on several occasions.

Court rejected the argument citing the provisions of section 94(1) and 94(3) of the FIA, 2004. Those provisions were amended in 2016 to remove the word 'close' in sub section (1) and 'closed' in sub section (3).

Following the ruling of the single Judge, CBL applied for review of the ruling on the ground that the provisions of the law relied on by Court had been amended. On 18 August 2022, the Bank resolved to withdraw the application for review to engage in consultative meetings with the executive arm of government and the shareholders on how best to implement the decision of court and the recovery of public funds.

51.1.2 Crane Bank and Others Vs DFCU Bank and Others Claim No. CL-2020-000859 (the London case)

The defunct Crane Bank Limited (CBL) and some of its shareholders commenced a claim against dfcu Bank, some of its present and past directors and some of its shareholders. The claim alleged that the takeover and resolution of CBL by the Bank of Uganda (BoU) was pre-conceived to the benefit of dfcu Bank. The claim further alleged that there were breaches of fiduciary nature and/ or trust by BoU, its officers and/ or agents, and is liable to account to CBL in respect of any profits made by them pursuant to the transaction and/ or to compensate the Claimants for the loss and damage suffered as a result of the transaction.

Dfcu Bank challenged the jurisdiction of the English High Court given that BoU in effecting the CBL P&A was performing acts of a sovereign nature and that the English court did not have authority to inquire into such a claim. The High Court agreed with dfcu Bank.

CBL and its shareholders filed an appeal in the Court of Appeal which ruled, on 26th July 2023, that although it may be said that the English court does not have authority to consider the claim, some of BoU's acts may be of a commercial nature and there may be public policy reasons which may warrant the English Court to hear and decide the claim. The Court of Appeal further ruled that the matters in issue were not capable of being resolved in a preliminary hearing.

The case is back to the High Court for hearing for CBL and its shareholders to present evidence in support of their claims against dfcu Bank. Given the ruling in the Court of Appeal, we do not anticipate any inquest regarding the decision taken by BoU as a Central Bank to place CBL under Statutory Management and Receivership in accordance with the Financial Institutions Act (as amended).

This matter is mentioned in this report because of the potential reputational damage to the Central Bank.

51.2 Litigations

The Bank is also a litigant in various cases for breach of contract arising in the normal course of business amounting to UGX 5,533 million (2022: UGX 5,715 million). The Directors are of the view that the Bank has a high chance of success against the plaintiffs and none of the cases individually or in aggregate would have a significant impact on the Bank's operations.

51.3 Capital commitments

As at 30 June 2023, the Bank's capital commitments in respect of plant and equipment, office machine and equipment and building works amounted to UGX 18,153 million compared to UGX 12,071 million as at 30 June 2022.

51.4 Commitments on behalf of Treasury

The Bank issues treasury bills and bonds on behalf of Treasury. The commitments (interest) unless claimable from Treasury are not included in these financial statements as the Bank is involved in such transactions only as an agent.

51.5 Letters of credit

Letters of credit commit the Bank to make payments on behalf of Government to third parties. The letters of credit are fully funded and they do not present any credit risk to the Bank. Therefore, no expected credit losses have been recognised. As at 30 June 2023, the total outstanding letters of credit on behalf of Government amounted to UGX 434,616 million (2022: UGX 527,007 million).

52 Effective interest rates on financial assets and liabilities

The effective interest rates of the principal financial assets and liabilities as at 30 June 2023 and 30 June 2022 were in the following ranges.

		30 Jun 2023	30 Jun 2022
		%	%
Assets	Cash and cash equivalents	0.01	0.00
	Financial assets at fair value through profit or loss	0.02	-0.05
	Debt instruments at fair value through other comprehensive income	0.02	0.01
	Debt instruments at amortised cost	0.04	0.00
	Assets held with IMF	0.03	0.00
	Investments in government securities	0.14	0.14
	Loans, advances and drawdowns to government	0.08	0.09
	Loans and advances to commercial banks	0.11	0.20
	Loans and advances to staff	0.08	0.08
Liabilities	IMF Obligations	0.03	0.02
	Repos	0.10	0.08

53 Current and non-current assets and liabilities

Table 33 and Table 34 below show the current and non-current assets and liabilities as at 30 June 2023 and 30 June 2022 respectively.

Table 33: Current and non-current assets and liabilities as at 30 June 2023

			(Current)	(Non-Current)
		Statement of financial position amount	No more than 12 months after the reporting period	More than 12 months after the reporting period
		UGX (m)	UGX (m)	UGX (m)
Assets	Foreign assets			
	Cash and cash equivalents	3,544,110	3,544,110	-
	Financial assets at fair value through profit or loss	4,236,081	662,634	3,573,447
	Debt instruments at fair value through OCI	1,157,278	385,658	771,620
	Equity instruments at fair value through OCI	431,568	-	431,568
	Debt instruments at amortised cost	6,785,586	6,785,586	-
	Derivative financial instruments	37,979	37,979	-
	Assets held with International Monetary Fund	1,704,214	-	1,704,214
	Total foreign assets	17,896,816	11,415,967	6,480,849
	Domestic assets			
	Investments in government securities	1,059,773	-	1,059,773
	Loans, advances and drawdowns to government	7,232,183	7,232,183	-
	Loans and advances to staff	155,224	9,190	146,034
	Retirement benefits plan	87,863	-	87,863
	Property, plant and equipment	391,231	-	391,231
	Intangible assets	14,909	-	14,909
	Assets held for sale	14,806	-	14,806
	Other assets	195,612	195,612	-
	Total domestic assets	9,151,601	7,436,985	1,714,616
Total assets		27,048,417	18,852,952	8,195,465
Liabilities	Foreign liabilities			
	IMF obligations	2,539,212	1,674,983	864,229
	IMF Rapid Credit Facility	1,219,644	-	1,219,644
	Other foreign liabilities	416	416	-
	Derivative financial instruments	26,720	26,720	-
	Total foreign liabilities	3,785,992	1,702,119	2,083,873
	Domestic liabilities			
	Currency in circulation	7,313,597	-	7,313,597
	Government deposits	5,689,715	5,689,715	-
	Commercial and Central Banks' deposits	3,778,279	3,778,279	-
	Repurchase agreements with commercial banks	2,162,444	2,162,444	-
	Other liabilities	225,043	225,043	-
	Provisions	35,526	35,526	-
	Total domestic liabilities	19,204,604	11,891,007	7,313,597
Total Liabilities		22,990,596	13,593,126	9,397,470

Table 34: Current and non-current assets and liabilities as at 30 June 2022

				(Current)	(Non-Current)
		Statement of financial position amount	Note	No more than 12 months after the reporting period	More than 12 months after the reporting period
		UGX (m)		UGX (m)	UGX (m)
Assets	Foreign assets				
	Cash and cash equivalents	1,828,910	22	1,828,910	-
	Financial assets at fair value through profit or loss	4,227,388	23	669,690	3,557,698
	Debt instruments at fair value through OCI	1,200,291	24	463,799	736,492
	Equity instruments at fair value through OCI	260,427	25	-	260,427
	Debt instruments at amortised cost	8,873,376	26	8,873,376	-
	Derivative financial instruments	70,188	27	70,188	-
	Assets held with International Monetary Fund	1,952,592	28	-	1,952,592
	Total foreign assets	18,413,172		11,905,964	6,507,208
	Domestic assets				
	Investments in government securities	855,445	30	-	855,445
	Loans, advances and drawdowns to government	3,640,661	31	3,640,661	-
	Loans and advances to staff	144,227	33	136,654	7,573
	Retirement benefits plan	97,131	34	-	97,131
	Property, plant and equipment	366,982	35	-	366,982
	Intangible assets	18,665	37	-	18,665
	Other assets	226,740	39	-	226,740
	Total domestic assets	5,349,851		3,777,315	1,572,536
Total assets		23,763,023		15,683,279	8,079,744
Liabilities	Foreign liabilities				
	IMF obligations	2,599,064	28	1,734,835	864,229
	IMF Rapid Credit Facility	1,250,439	29	-	1,250,439
	Other foreign liabilities	416	40	416	-
	Derivative financial instruments	23,256	27	23,256	-
	Total foreign liabilities	3,873,175		1,758,507	2,114,668
	Domestic liabilities				
	Currency in circulation	6,827,752	41	-	6,827,752
	Government deposits	4,465,024	42	4,465,024	-
	Commercial and Central Banks' deposits	4,032,189	43	4,032,189	-
	Repurchase agreements with commercial banks	598,956	44	598,956	-
	Other liabilities	148,477	46	148,477	-
	Provisions	37,383	47	37,383	-
	Total domestic liabilities	16,109,781		9,282,029	6,827,752
Total Liabilities		19,982,956		11,040,536	8,942,420

54 Events after the reporting period

At the date of finalisation of these financial statements, there were no material events that occurred subsequent to the statement of financial position date that required adjustments to the financial statements.

55 Related party transactions

The Bank's related parties include Government of Uganda as the ultimate shareholder of the Bank and directors.

55.1 Loans to executive directors

The Executive Directors on the Board are entitled to loans and advances as per the policies of the Bank. However, there were no loans advanced to the Executive Directors on the Board during the year ended 30 June 2023.

55.2 Loans to executive management

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
At 1 July	3,832	4,396
Advanced during the year	1,178	636
Repayments	(1,259)	(1,200)
At 30 June	3,751	3,832

The Bank also extends loan facilities to Executive Management in accordance with the Bank policy. The advances are given at preferential rates ranging from 0 percent to 3 percent as determined by the Board of Directors. The loans are payable for periods between one and twenty years. The Bank earned interest

of UGX 65 million (2022: UGX 79 million) on loans advanced to Executive Management. The loans and advances to Executive Management were not impaired as at 30 June 2023.

55.3 Directors' emoluments

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Directors' fees and emoluments	1,699	1,517
Governor and Deputy Governor (short term employee benefits)	1,052	1,687
Governor and Deputy Governor (post employment pension benefits)	381	553
	3,132	3,757

55.4 Compensation of executive management

	30 Jun 2023	30 Jun 2022
	UGX (m)	UGX (m)
Short-term employee benefits	6,578	6,067
Post-employment benefits	948	962
	7,526	7,029

55.5 Government of Uganda

Transactions entered into with the Government include;

- Banking Services (clearing and settlement, confirmations and verification of guarantees and letters of credit etc) for Government and related agencies.
- Management of issue and redemption of securities.
- The Bank redeems Treasury securities on behalf of government. Included in advances to government is UGX 4,826,145 million relating to redeemed securities. Included in the interest income is UGX 429,036 million relating to this advance.
- The Bank leases land from government related bodies (see note 45).

The Bank earns commissions and service fees on various transactions with Government. Details of fees and commissions on GoU transactions and balances with Government of Uganda are included in Notes 10 and 40 respectively.





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