

Bank of Uganda

FINANCIAL STABILITY REPORT

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GLOSSARY

ALSI	All Shares Index
ATM	Automated teller machine
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
CAR	Capital adequacy ratio
CBR	Central bank rate
CCB	Countercyclical capital buffer
CI	Credit institution
COMESA	Common Market for Eastern and Southern Africa
CRI	Commercial Rent Index
CSD	Central Securities Depository
DSIB	Domestic systemically important bank
EAC	East African Community
EAPS	East African Payment System
ECB	European Central Bank
ECS	Electronic Clearing System
EFT	Electronic Funds Transfer
EMEs	Emerging market economies
EU	European Union
FSB	Financial Stability Board
FSR	Financial stability report
GDP	Gross domestic product
GFSR	Global financial stability report
IMF	International Monetary Fund
IRA	Insurance Regulatory Authority
LCR	Liquidity coverage ratio
LPI	Land Price Index
MDI	Microfinance deposit-taking institution
NPLs	Non-performing loans
NSE	Nairobi stock exchange
NSSF	National Social Security Fund
POS	Point-of-sale
REPSS	Regional Payment and Settlement System
RHS	Right hand side
ROA	Return on assets
ROE	Return on equity
RPPI	Residential Property Price Index
RTGS	Real-time gross settlement system
RWA	Risk-weighted asset
UBOS	Uganda Bureau of Statistics
UNISS	Ugandan National Interbank Settlement System
USE	Uganda Securities Exchange
USD	US dollar
WEO	World Economic Outlook

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A NOTE ON FINANCIAL STABILITY

The Bank of Uganda has a mandate to foster macroeconomic and financial system stability. A stable financial system is one in which financial institutions carry out their normal function of intermediating funds between savers and investors, and facilitating payments. By extension, financial instability is a systemic disruption to the intermediation and payments processes, which has damaging consequences for the real economy.

Financial stability analysis involves a continuous assessment of potential risks to the financial system and the development of policies to mitigate these risks. The early detection of risks to the financial system is necessary to give policy makers sufficient lead-time to take pre-emptive action to avert a systemic crisis.

The *Financial Stability Report (FSR)* is intended to enhance the understanding of financial system vulnerabilities among policymakers, financial market participants and the general public. By making the *FSR* available to the public, the Bank aims to stimulate debate on policies necessary to manage and mitigate risks to the financial system. A better public awareness of financial system vulnerabilities may itself serve to encourage financial institutions to curb activities which might exacerbate systemic risks and will also help to promote policy reforms to strengthen the resilience of the financial sector.

FOREWORD AND ASSESSMENT OF FINANCIAL STABILITY

The Financial Stability Report (FSR) of the Bank of Uganda (BOU) analyses the performance and condition of Ugandan financial institutions and highlights the main systemic risks to the financial system. In addition to the banking system, the FSR also presents an assessment of developments in financial market infrastructure, capital markets and insurance institutions.

The banking system in Uganda remains in a financially sound condition, with a core capital adequacy ratio of 20.3 percent as at end-June 2014, more than double the statutory minimum. The performance of commercial banks improved in 2013/14 and there was acceleration in the growth of bank assets and deposits. Funding and liquidity buffers in the banking system are comfortably above the required minimum. The number of banks which are making losses has fallen.

Although the banking sector's non-performing loan ratio has started to decline, it is still high and credit risk remains a concern. In addition, the average loan-to-value (LTV) ratio has risen over the last year to June 2014, amidst a rise in residential property prices and rising levels of household debt. The BOU has taken several steps to address these concerns. First, BOU implemented microprudential measures to ensure that banks enhance their asset quality and clean up their balance sheets. Secondly, the BOU is strengthening the monitoring of banks' LTV ratios. All banks will be required to compile and send data to BOU on the LTV ratios for residential, commercial and land mortgages starting in September 2014. It is the intention of the BOU to establish the LTV ratio as a monitoring and macroprudential policy tool by June 2015.

The overall assessment of the FSR is that threats to the systemic stability of the financial system are low. This is mainly because banks hold substantial levels of core capital, over and above the statutory capital requirements, which provide a buffer against shocks to their balance sheets.



Emmanuel Tumusiime-Mutebile

GOVERNOR

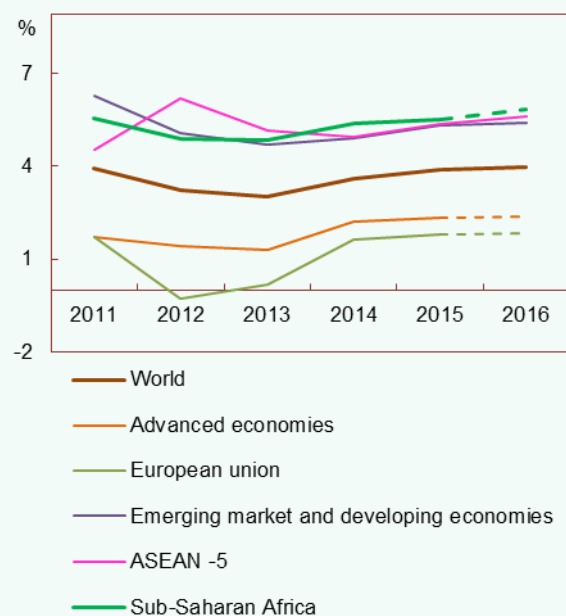
1. THE MACROECONOMIC ENVIRONMENT AND FINANCIAL DEVELOPMENTS

Global financial stability risks moderated over the year to June 2014; growth in advanced economies remains fragile. In the East African region, inflation pressures eased as economic growth picked up. However, there are several key risks stemming from the macroeconomic environment that could lead to financial stress for Uganda's banks, including international portfolio adjustments associated with tightening of US monetary policy.

1.1. Global economic conditions

Global economic recovery has remained fragile since the last Report and there are several setbacks in some advanced and emerging market economies. Across major advanced economies, the recovery is strongest in the US, prompting the gradual removal of monetary policy stimulus.

Chart 1: Projected annual GDP growth for major regions (percent)



Source: IMF World Economic Outlook Update, April 2014.
Notes: 2015 and 2016 figures are forecasts.

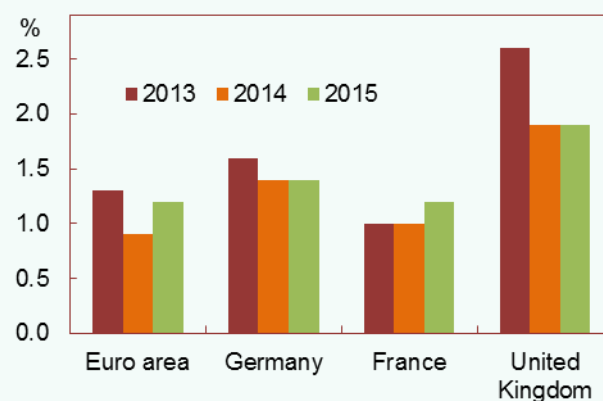
In contrast, recovery in Europe remains fragile. Economic activity in the euro area stalled in the second quarter of 2014 with weakness in core economies such as France and Germany and increased geopolitical tensions. Recovery of the Euro area is still being affected by a number of challenges. First, restructuring of the debt-burdened euro area corporate sector has been stalled by the unfinished repair of bank balance sheets. Second, credit conditions remain difficult in stressed euro area economies (IMF GFSR April 2014). Besides, low euro area-wide inflation also remains a concern,

complicating the task of dealing with high public debt burdens and high levels of private sector indebtedness in some periphery economies. Concerns about the very low level of inflation and the medium-term growth outlook have led the European Central Bank (ECB) to step up its unconventional monetary policy stimulus (GEP June 2014).

Global macrofinancial developments could have implications for Ugandan banks and in particular, the expected reduction in U.S. monetary accommodation could have important spill-overs to other advanced and emerging market economies. Capital flow pressures from the increased presence of foreign portfolio investors together with changes in underlying market structures could affect market liquidity.

Further, sustained low inflation does not favour a sustainable recovery of economic growth in the region, and could lead to a reduction in demand for Uganda's exports in 2014/15 for which the European Union (EU) is the second largest trading partner.

Chart 2: Consumer prices for selected European countries



Source: IMF World Economic Outlook Update, April 2014

1.2. Emerging and developing countries

Emerging market economies face their own challenges, but with substantial differences across

economies. Most emerging markets experienced strong capital inflows in recent years with increased participation of foreign investors in domestic bond markets in search for yield. This supported a rise in bond issuance and reduced the cost of funding in recent years. From the start of 2014, however, some emerging markets started to face significant outflows, especially those with high current account deficits like Turkey and South Africa. The rebalancing of China's economy amid a cooling property market could spark volatility in global financial markets, with contagion spreading to other developing economies with similar weaknesses. The primary channel through which these developments may affect Uganda is through trade linkages and reversal of capital flows.

In Sub-Saharan Africa, economic activity was robust in 2013/14, reflecting strong domestic demand and playing a critical role in the growth of an ailing global economy. Growth in the region is expected to accelerate to 5.4 percent in 2014, but this is highly dependent on continuous improvement in the global economic environment (GEP June 2014). Resilient growth throughout Sub-Saharan Africa promises some stability for Uganda, whilst improved performance amongst emerging markets should benefit Uganda's balance of payments through increased trade and capital inflows.

The most significant financial risks to Uganda originate from the continuation of ongoing conflicts in South Sudan and the Central African Republic which may harm domestic economic activity in Uganda and other regional economies.

1.3. Developments in the East Africa region

Growth in the East African region remained robust during 2013/14. Regional growth rates averaged 6.4 percent in 2013/14 and are forecast by the IMF to reach 6.5 percent in 2014/15, supported by foreign direct investment flows and investment in infrastructure.

Table 1: East African countries' GDP growth rates (percent)

	2011	2012	2013	2014
Burundi	4.2	4.8	4.5	4.7
Kenya	5.0	5.2	5.6	6.3
Rwanda	8.8	7.6	5.0	7.5
Tanzania	6.7	6.4	7.0	7.2
Uganda	6.4	3.6	4.7	6.4

Source: IMF WEO Database April 2014. Note that 2014 figures are IMF forecasts

Regional inflation rates reduced notably in the financial year 2013/14, to 6.0 percent from 6.6 percent registered the previous financial year as all countries maintained single-digit inflation rates from the second quarter of the year. This enhanced a fall in interest rates, a corresponding drop in non-performing loans (NPLs) and hence, region-wide financial stability.

Table 2: Annual inflation for East African countries (percent)

	2011	2012	2013	2014
Burundi	14.9	10.3	8.8	5.9
Kenya	14.0	10.6	5.7	6.6
Rwanda	5.7	7.9	4.2	4.1
Tanzania	7.0	17.4	7.9	5.2
Uganda	18.7	14.0	5.5	6.3

Source: IMF WEO Database April 2014. Note that 2014 figures are IMF forecasts

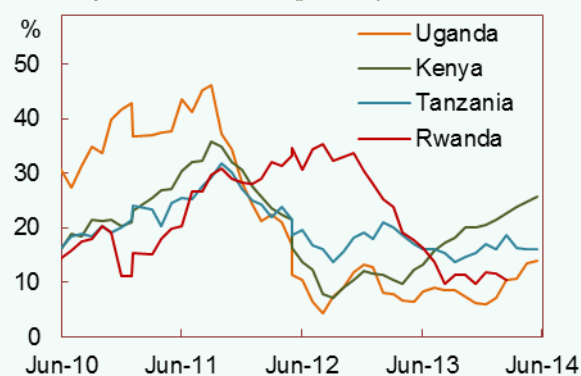
Downside risks to growth amongst the East African Community (EAC) partner states include the effects from the slowing down of growth in export markets such as China and Europe and the reversal of accommodative monetary policies in developed countries may affect the liquidity and cost of funding for Ugandan banks through reversal of capital flows.

1.1.1. Financial performance of banks in the region

EAC central banks reduced their policy rates during 2013/14 on account of the reduced inflationary pressures that were experienced throughout the region. As a result, bank lending in all the East African countries grew notably for the period 2013/14 as

compared to 2012/2013, with Kenya witnessing the highest annual growth in private sector credit of 26.0 percent for the period under review. The annual growth rate of credit to the private sector in the year to June 2014 improved substantially to a regional average of 16.0 percent as compared to 12.0 percent recorded in June 2013. This is expected to boost economic activity and thus enhance economic growth in the region.

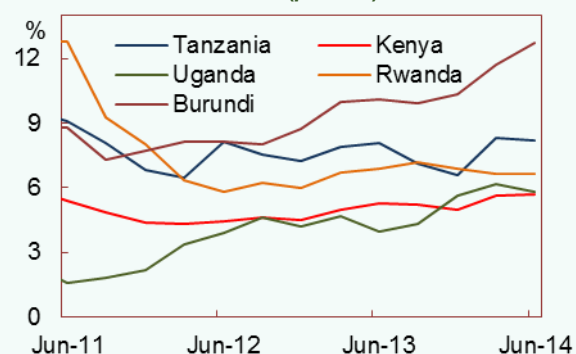
Chart 3: Annual growth of credit extended to the private sector by banks in the EAC (percent)



Source: EAC Central Banks

In the period between June 2013 and June 2014, the ratio of non-performing loans (NPLs) to total gross loans dropped for all the East African countries with the exception of Kenya and Burundi; Burundi registered the highest NPL ratio of 12.7 percent in June 2014. The regional parent banks of several banks in Uganda have continued to have satisfactory financial performance. At regional level, the EAC central banks undertake joint inspections of banks and have agreed to put in place a framework for cross-border bank resolution.

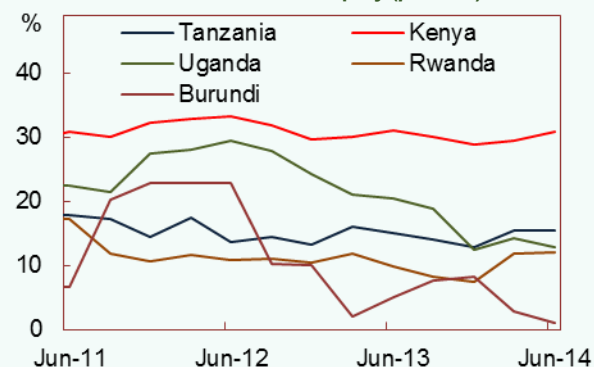
Chart 4: Ratio of non-performing loans to total gross loans for banks in the EAC (percent)



Source: EAC Central Banks

On the whole, banks in East Africa remained well capitalised with the regulatory tier one capital-to-risk weighted assets ratio averaging 18.5 percent at the end of June 2014. In contrast, banks' profitability in the region declined slightly with return on assets falling from 2.9 percent to 2.5 percent between June 2013 and June 2014. In addition, average return on equity dropped from 16.3 percent to 14.5 percent within the same period.

Chart 5: EAC banks' return on equity (percent)



Source: EAC Central Banks

1.1.2. Developments in regional securities markets

Stock market activity rose significantly across the region's exchanges during 2013/14 as compared to 2012/2013. This was on account of increased foreign investor activity coupled with the good macroeconomic conditions.

Stock market activity

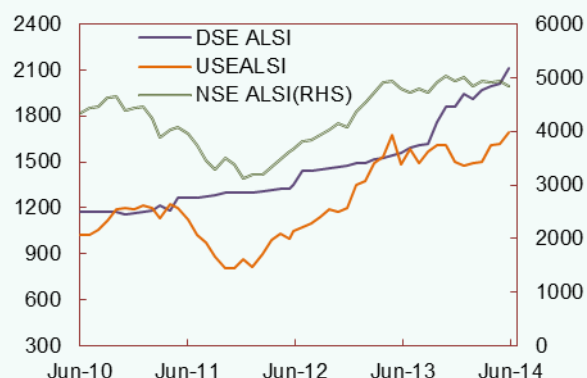
In Uganda, the stock market recorded a total turnover of US\$1.41 billion in the first half of 2014 compared to a turnover of US\$0.72 billion in the second half of 2013. This performance was due to corporate actions, among which was the listing of Umeme¹. The recovery of the Ugandan economy is expected directly and indirectly support gains on the stock market in the medium term.

In Kenya, significant activity was realised owing to increased trading in equities, whereas the Dar-es-

¹ Umeme is an energy distribution network in Uganda.

Salaam bourse witnessed relatively high activity in the period under review.

Chart 6: East African stock market indices

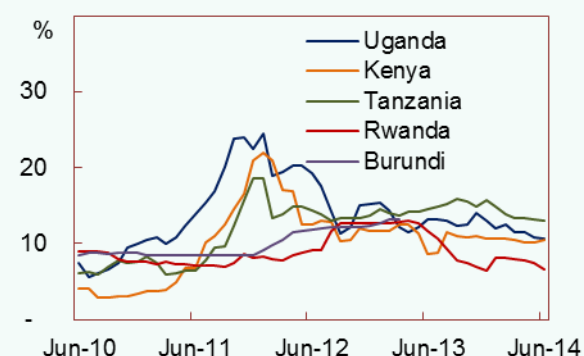


Source: EAC Central Banks

Regional Treasury securities markets

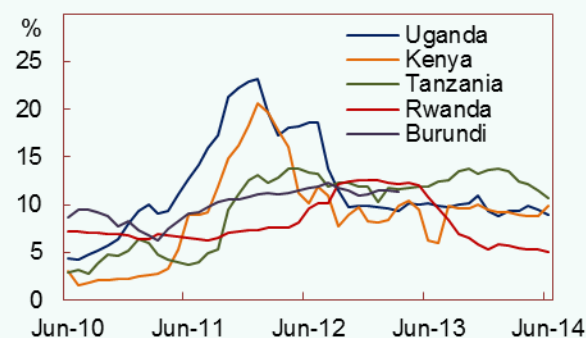
Treasury bill yields for all East African countries, with the exception of Kenya, dropped during 2013/14 as macroeconomic conditions continued to improve. The 91-day and 364-day Treasury bill rates for Kenya experienced a sizeable increase from 6.2 and 8.6 percent in June 2013 to 9.8 percent and 10.5 percent in June 2014 respectively. In Uganda, the 91-day and 364-day Treasury bill rates dropped from 10.1 and 13.2 percent in June 2013 to 8.9 and 10.6 percent in June 2014. In the same period, Tanzania registered the highest Treasury bill rates for 91 and 364 days.

Chart 7: Yields for one-year treasury bills in EAC countries (percent)



Source: EAC Central Banks

Chart 8: Yields for 91-day treasury bills in EAC countries (percent)



Source: EAC Central Banks

1.4. Uganda's macrofinancial environment

Preliminary data shows that Uganda's economy grew by 4.7 percent in 2013/14, which is below the 6.0 percent registered in 2012/13. This was due to a combination of domestic and external factors. The trade deficit widened due to the appreciation of the shilling relative to other regional currencies, making Uganda's exports more expensive in regional markets. However, growth of Uganda's economy is expected to improve in 2015 to 6.2 percent following increased foreign direct investments as well as macroeconomic stability, accommodative monetary policy stance (following a slow rise in inflation) which could induce increased lending to the private sector and support private demand. Also, export performance is expected to improve on account of a more competitive exchange rate vis-à-vis key regional trading partners and increased demand from the advanced economies. This is likely to improve economic activity and bank performance.

Chart 9: Annual real GDP growth rates at market prices (percent)

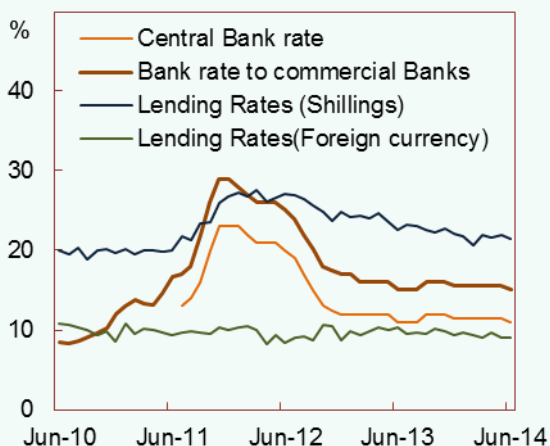


Source: Bank of Uganda

Inflation and interest rates

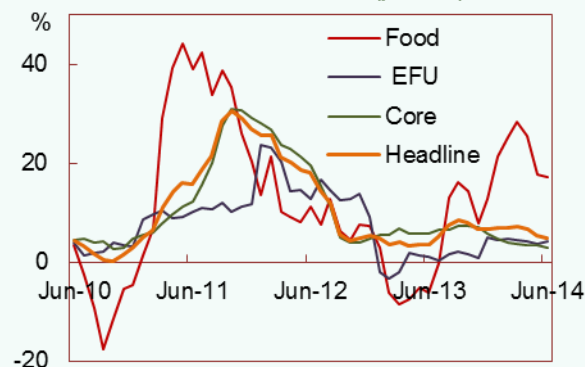
Annual headline inflation for the year ending June 2014 stood at 5.4 percent, higher than the 3.4 percent registered in the year ending June 2013 due to prolonged dry spells in parts of the country which constrained supply. It however remained within the East African Monetary Union convergence criteria benchmark of 8 percent. In response to easing inflation pressures, the central bank rate (CBR) was lowered to 11 percent in June 2014 to support private sector investment. Going forward, the inflation rate is forecast to rise albeit slowly due to favourable weather conditions.

Chart 10: Monthly interest rates (percent)



Source: Bank of Uganda

Chart 11: Domestic annual inflation (percent)

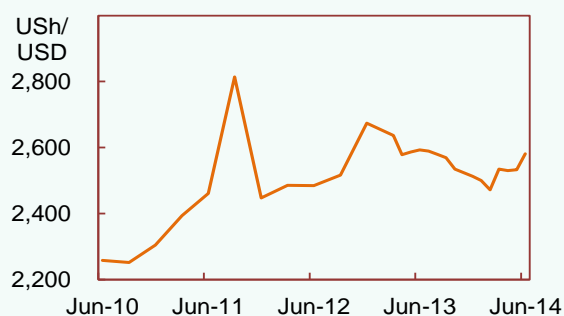


Source: Bank of Uganda

Foreign exchange market

During 2013/14, exchange rate risks to bank performance remained minimal, aided by a very stable foreign exchange market. The Ugandan Shilling averaged US\$2580.9 per US\$ in June 2014 as compared to US\$2593.1 per US\$ in June 2013, which presents an exchange rate appreciation of 0.5 percent on an annual basis. This made Uganda's exports more expensive in the regional markets. However, the shilling experienced some depreciation pressures in the last two quarters following a drop in remittances, a pickup in import demand and continued reports of donor aid cuts.

Chart 12: Monthly average exchange rate for the Ugandan shilling against the US dollar



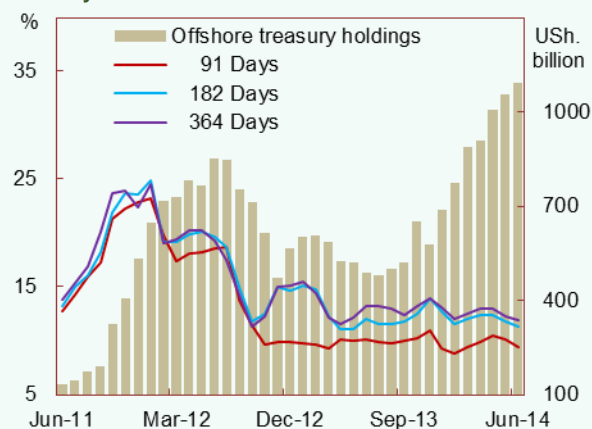
Source: Bank of Uganda

Yield on treasury securities

The yields on government securities followed changes in the CBR over the year to June 2014. This is evident in the drop in 91-day, 182-day and 364-day Treasury bill rates from 10.1 percent, 12.0 percent and 13.2 percent in June 2013 respectively to 9.5 percent, 11.3 percent and 11.9 percent in June 2014. On the contrary, the volume of offshore holdings of

government securities increased significantly by US\$604 billion to reach US\$1,093 billion in June 2014.

Chart 13: Treasury bill yields and offshore holdings of treasury securities



Source: Bank of Uganda

1.5. Uganda's real estate sector

The financial system faces risks from a correction in house and land prices. Over the past two years, rising land and residential house inflation has increased the financial risks to banks from a reduction in prices. The Land Price Index (LPI) for greater Kampala increased by 33.6 percent between June 2013 and June 2014, while the Residential Property Price Index (RPPI) rose by 31.0 percent rise in the same period.

Chart 14: Land Price Index



Source: Uganda Bureau of Statistics

Chart 15: Residential Property Price Index



Source: Uganda Bureau of Statistics

The rising level of household borrowing, with personal loans increasing by 44.3 percent in the year to June 2014, is likely to have increased the number of households that might experience financial distress in the event of a reversal in property prices.

The Commercial Rental Cost Index (CRCI) declined by 15.6 percent between June 2013 and June 2014 indicating a reduction in demand, reducing vacancy rates and falling prices for existing commercial space. Demand for commercial property remains weak.

1.6. Conclusion

In 2013/2014, risks to financial sector stability from the Uganda's macrofinancial environment declined in the second half of the year. This was on account of reduced inflation pressures and increased aggregate demand which translated in an improvement in loan performance.

However, Uganda still faces risks arising from the spill-over effects from the normalisation of US policy rates and domestic risks arising from the increasing fiscal deficits and movements in the exchange rate which declined sharply during the second half of 2013/14.

2. KEY DEVELOPMENTS IN THE BANKING SYSTEM

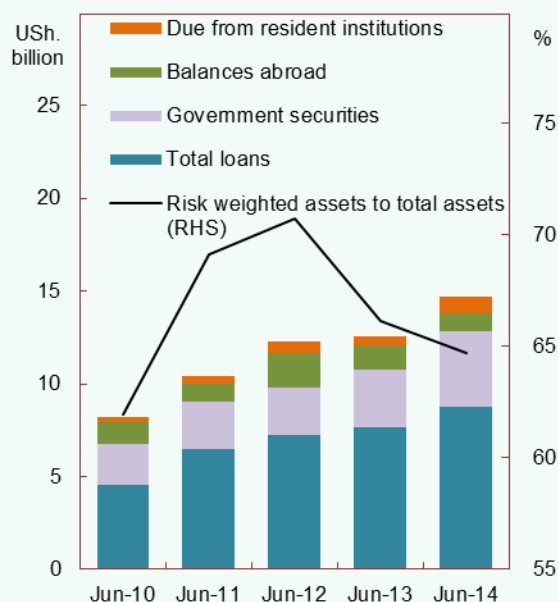
The performance of commercial banks improved over the year to June 2014. Asset growth, lending, liquidity and funding improved. However, credit risk remained a concern as provisions increased, resulting in a sharp decline in profitability.

2.1. Growth of the sector

The growth of the Ugandan banking sector, comprising 26 commercial banks, increased in the year to June 2014. Total bank assets grew from US\$15.7 trillion in June 2013 to US\$18.6 trillion at the end of June 2014, an annual asset growth rate of 18.8 percent, more than twice the rate of growth experienced in the previous year. The increase in bank assets was mainly driven by banks investing more in government securities, given that loan demand was subdued. Holdings of government securities grew by 29.6 percent from US\$3.1 trillion in June 2013 to US\$4 trillion at the end of June 2014.

Total loans and advances increased by 14.4 percent to reach US\$8.8 trillion at the end of June 2014. As a share of total assets, risk-weighted assets reduced from 66.1 percent to 64.7 percent between June 2013 and June 2014.

Chart 16: Banking sector assets



Source: Bank of Uganda

Table 3: Changes in banks' assets

	Jun-10	Jun-11	Jun-12	Jun-13	Jun-14
Assets					
Volumes (US\$ trillion)	10.2	12.5	14.4	15.7	18.6
Annual growth (%)	22.7	23.3	15.1	8.9	18.8
Loans					
Volumes (US\$ trillion)	4.5	6.5	7.2	7.7	8.8
Annual growth (%)	25.2	43.6	10.8	6.4	14.5
Government Securities					
Volumes (US\$ trillion)	2.2	2.5	2.6	3.1	4.0
Annual growth (%)	28.9	13.7	3.2	20.8	29.6

Source: Bank of Uganda

2.2. Capital adequacy

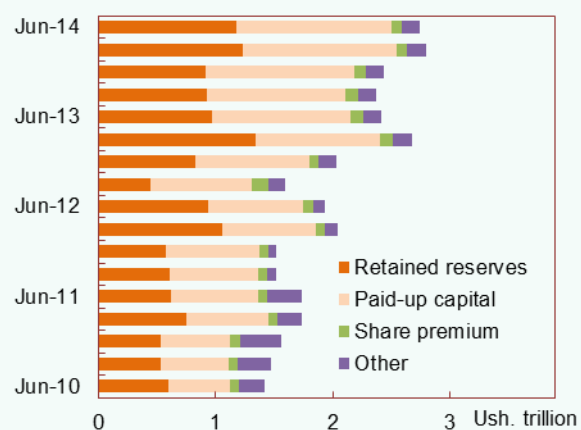
In the year to June 2014, commercial banks in Uganda remained well capitalised. With the exception of one bank, all banks met the minimum capital adequacy requirements of 8 percent for tier one capital adequacy ratio, 12 percent for total capital adequacy ratio and US\$25 billion for minimum paid-up capital.

The aggregate industry-wide regulatory tier one capital adequacy ratio and total capital adequacy ratio stood at 20.3 percent and 22.8 percent respectively, far above the regulatory minimum requirements. However, this is lower than 21.3 percent for tier 1 capital adequacy ratio and 24.3 percent for total capital adequacy ratio as at June 2013. The decline in capital adequacy ratios was mainly due to a faster growth in risk-weighted assets by 16.2 percent at the end of June 2014, compared to core capital and total regulatory capital which grew at 11.2 percent and 9.1 percent respectively during the same period.

The leverage ratio (ratio of regulatory tier 1 capital to total assets plus off-balance sheet items), which is another indicator of banks' capital adequacy, decreased from 12.2 percent in June 2013 to 11.2 percent at the end of June 2014.

Banks' total shareholders' capital increased in nominal terms from US\$2.7 trillion to US\$2.9 trillion between June 2013 and June 2014. This was aided by growth in retained earnings for the year by 20.3 percent or US\$197.6 billion.

Chart 17: Composition of banks' shareholders' funds



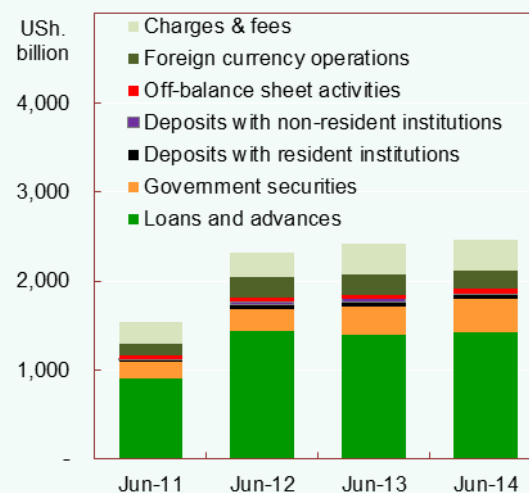
Source: Bank of Uganda

2.3. Earnings and profitability

Profitability of Uganda's banking sector reduced in 2013/14 compared to the previous year. Year-on-year net after-tax earnings stood at US\$358.8 billion, down from US\$498.1 billion in June 2013. The drop in earnings was mainly due to an increase in provisions for bad debts by 72.5 percent from US\$192.6 billion to US\$332.1 billion between June 2013 and June 2014. An increase in banks' operating costs by 15.2 percent or US\$167.2 billion during that period, largely in form of salaries, wages and staff costs, also contributed to the reduction in banks' profits.

As a share of total income, income from total loans and advances accounted for 53.9 percent while earnings on government securities accounted for 14.3 percent of total income in the year to June 2014.

Chart 18: Banks' sources of income (year-on-year)



Source: Bank of Uganda

Thus, key ratios of bank profitability declined in the year to June 2014. The average return on banks' total assets and on total equity dropped from 3.3 percent and 20.3 percent respectively at the end of June 2013 to 2.1 percent and 12.8 percent respectively in the year to June 2014. The cost-to-income ratio rose from 72.4 percent in June 2013 to 75.8 percent in June 2014.

Table 4: Indicators of banking sector profitability

	Jun-10	Jun-11	Jun-12	Jun-13	Jun-14
Net profit after tax (US\$ billion)	224.0	354.7	587.0	498.1	358.8
ROA (%)	2.4	3.1	4.4	3.3	2.1
ROE (%)	16.1	22.4	29.5	20.3	12.8
Cost to income (%)	79.2	71.3	68.1	72.4	75.8

Source: Bank of Uganda

BOX 1: Performance of domestic systemically important banks (DSIBs)

Ugandan domestic systemically important banks (DSIBs) currently comprise four commercial banks. As highlighted in our last *Report*, DSIBs are identified annually using the indicator-based framework by the BCBS (2010) and supervisory judgment by Bank of Uganda. At the end of June 2014, the four DSIBs accounted for 43.5 percent of total bank assets and 47.1 percent of total lending.

Indicators show that in aggregate, the financial performance of DSIBs remained satisfactory during the year to June 2014. DSIBs' core capital adequacy remained strong at 23.5 percent and asset quality remained fairly stable with the average ratio of non-performing loans to total gross loans at 5 percent at the end of June 2014. At the end of June 2014, monthly liquidity coverage ratio (LCR) data indicates that on average, DSIBs held sufficient liquidity to sustain them through a 30-day stressful period. The four banks' average LCR stood at 260.4 percent compared to 438.9 percent in the previous year to June 2013. The decline in LCR was due to a drop in high quality liquid assets during June 2014.

Table 5: Selected financial soundness indicators for DSIBs (percent)

	Jun-11	Jun-12	Jun-13	Jun-14
Total capital adequacy ratio	22.86	22.84	24.91	23.5
Tier 1 capital adequacy ratio	21.05	20.62	22.74	22.0
NPLs-to-total gross loans ratio	1.19	4.03	5.16	5.0
Liquidity coverage ratio	186.93	449.64	438.85	260.4
Total DSIBS assets to total industry assets	48.07	49.71	44.67	43.45

Source: Bank of Uganda

2.4. Banks' lending activity

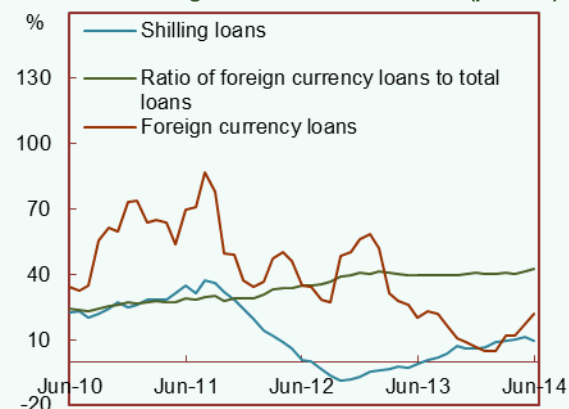
Bank lending showed strong recovery over the year to June 2014. Overall credit extended by banks grew by 14.4 percent from US\$7.7 trillion in June 2013 to US\$8.8 trillion in June 2014. Shilling loans grew at a rate of 9.4 percent in June 2014, up from a decline of 1.1 percent in the previous year. Foreign currency loans grew by 22.3 percent between June 2013 and June 2014, from US\$3.1 trillion to US\$3.7 trillion, an improvement from the 20.1 percent growth rate experienced in the previous year.

The strong growth in bank lending was due to several factors. First, there was continued reduction in the cost of borrowing as bank lending rates reduced during the year. The interest rates on foreign currency loans remained low and relatively stable at 10.1 percent in June 2013 and 9.7 percent in June 2014, and this boosted the growth in foreign currency loans.

Bank lending rates on shilling loans fell from 22.7 percent in June 2013 to 22 percent in June 2014.

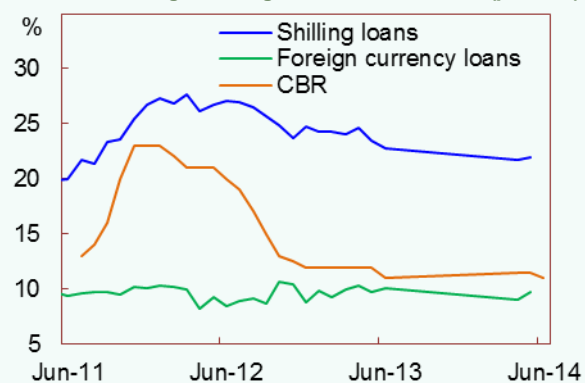
Secondly, the BOU Bank Lending Survey for June 2014 shows that banks eased lending conditions to all sectors.

Chart 19: Annual growth rates of bank credit (percent)



Source: Bank of Uganda

Chart 20: Average lending rates for bank loans (percent)



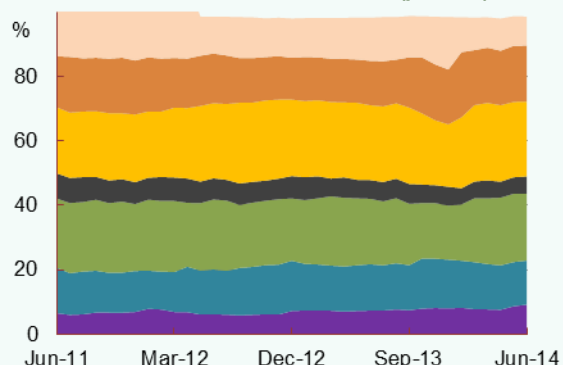
Source: Bank of Uganda

Risks from sectoral lending

In the year to June 2014, banks maintained a sectoral lending pattern similar to that witnessed in the same period in 2013. The building and construction sector and trade and commerce sector continued to account for the largest share of total loans as in the previous year with 23.2 percent and 20.8 percent respectively at the end of June 2014.

Notably however, the fastest increase in credit during the period under review was to the household sector. Loans to this sector grew at a rate of 44.3 percent in 2013/14 to reach US\$1.5 trillion, improving from a decline of 5.0 percent in the previous year; the sector’s share of total lending rose to 17.4 percent at the end of June 2014 compared to 13.8 percent in June 2013. A significant share of these loans is unsecured salary loans.

Chart 21: Sectoral distribution of loans (percent)



■ Agriculture ■ Manufacturing
■ Trade ■ Trans. & comms
■ Building & construction ■ Household loans
■ Others

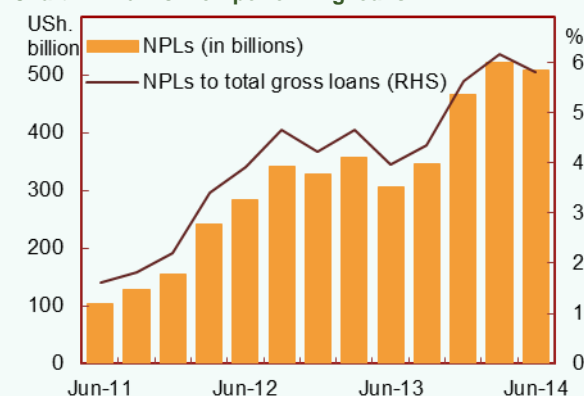
Source: Bank of Uganda

2.5. Bank asset quality

Banks’ aggregate NPL ratio (*non-performing loans to total gross loans*) increased from 4.0 percent to 5.8 percent between June 2013 and June 2014. In nominal terms, NPLs rose from US\$304.9 billion in June 2013 to US\$509.2 billion at the end June 2014.

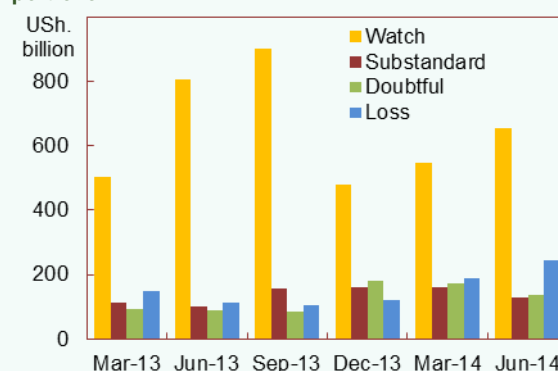
The NPL ratio reached a peak of 6.2 percent as at March 2014 but then declined to 5.8 percent in the quarter ending June 2014. In addition, ‘watch loans²’, an indicator of future loan losses, decreased by US\$150 billion to US\$656.6 billion at the end of June 2014. However, it should be noted that loss loans grew from US\$114.6 billion to US\$243.1 billion between June 2013 and June 2014.

Chart 22: Banks’ non-performing loans



Source: Bank of Uganda

Chart 23: Classification of the banking sector’s loan portfolio



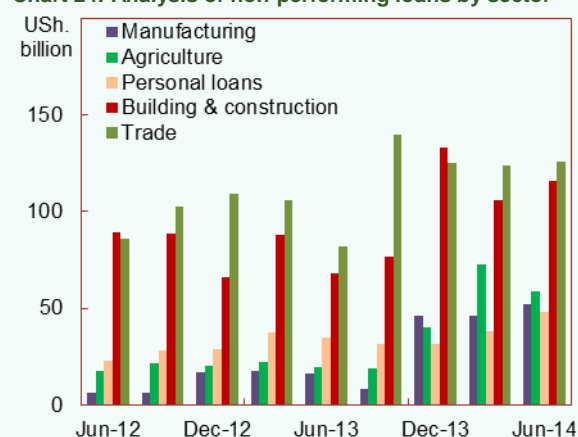
Source: Bank of Uganda

Analysis of sectors which registered a decline in asset quality indicates that the most notable increase in bad

² Watch loans are defined as performing loans on which interest has not been collected for over 60 days but less than 90 days.

loans was in the building and construction sector. The sector's NPLs grew by US\$48.2 billion to reach US\$116 billion at the end of June 2014, thereby accounting for 22.8 percent of the total NPLs in the industry. As a share of total NPLs, the trade and commerce sector continued to hold the largest share with 24.7 percent at the end of June 2014, but this was lower than the 27.0 percent it accounted for in the previous year.

Chart 24: Analysis of non-performing loans by sector



Source: Bank of Uganda

Non-performing loans by currency of loan

As mentioned in the FSR for June 2013, Bank of Uganda has taken steps to improve the analysis of credit risk for foreign currency and shilling denominated loans. All banks started reporting non-performing loans by currency denomination in September 2013.

As at end of June 2014, the industry NPL ratio for shilling loans was 6.2 percent, higher than the industry foreign currency NPL ratio of 5.2 percent, although the latter had risen from 4.2 percent in December 2013. The rise in foreign currency NPLs may reflect the effects of the exchange rate depreciation pressures between February and June 2014.

By sector, agriculture and trade and commerce sectors held the highest foreign currency NPL ratio with 9 percent and 7.3 percent respectively at the end of June 2014.

Table 6: NPL ratio for selected sectors (percent)

	Currency	Dec-13	Mar-14	Jun-14
Agriculture	Foreign currency	11.5	18.5	9.0
	Shillings	9.9	5.8	5.6
Manufacturing	Foreign currency	2.5	3.1	3.9
	Shillings	6.2	5.4	5.2
Trade & commerce	Foreign currency	11.8	7.6	7.3
	Shillings	7.2	6.9	6.6
Transport	Foreign currency	4.9	10.1	2.0
	Shillings	4.3	3.4	3.0
Building & construction	Foreign currency	3.7	3.6	3.9
	Shillings	12.6	6.7	7.3
Personal & household loans	Foreign currency	0.5	4.1	3.1
	Shillings	2.4	2.6	3.1
Industry ratio	Foreign currency	4.2	6.0	5.2
	Shillings	6.6	6.3	6.2

Source: Bank of Uganda

2.6. Bank funding and liquidity

Banks in Uganda continue to fund their operations primarily through retail deposits. The volume and cost of bank retail and wholesale funding improved during the year to June 2014. Liquidity indicators also show the banks have adequate liquid assets.

Retail funding

Deposits remain the main source of funding, comprising 79.0 percent of total liabilities in the year to June 2014. Deposits grew by 19.5 percent in the year to June 2014, up from 6.7 percent in the year to June 2013. Foreign currency deposits increased by 28.0 percent while shilling deposits grew by 15.2 percent in the year to June 2014.

The growth of deposits was spread across demand and time deposits. Demand deposits grew by 21.1 percent to reach US\$6.5 trillion while time deposits grew by 16.5 percent to US\$3.8 trillion.

The cost of deposits reduced in the year to June 2014. Time deposit rates (7-12 months) dropped from

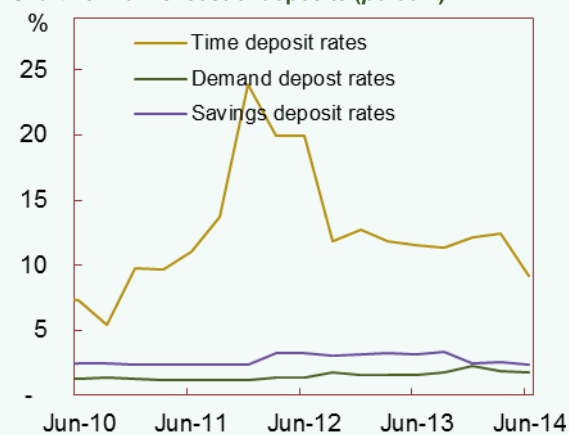
11.6 percent at June 2013 to 9.2 percent as at June 2014 while saving deposit rates reduced from 3.1 percent to 2.3 percent over the same period.

Table 7: Sources of bank funding as share of total liabilities (percent)

	Jun-10	Jun-11	Jun-12	Jun-13	Jun-14
Balance sheet					
Deposits	84	85	80	80	79
Resident banks	2	2	4	3	4
Non-resident financial institutions	3	1	2	2	2
Others	12	13	15	16	15
Off-balance sheet					
Foreign exchange swaps	N/A	3	4	2	4

Source: Bank of Uganda

Chart 25: Banks' cost of deposits (percent)



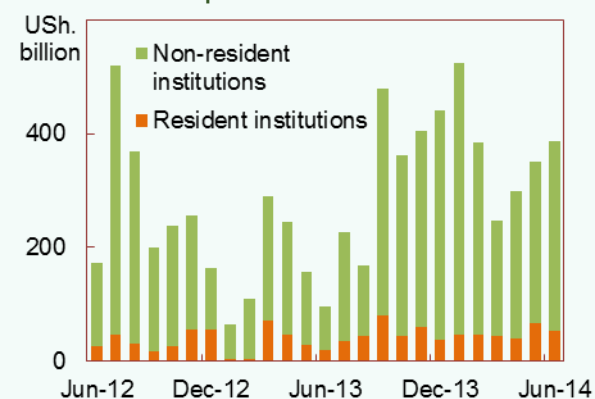
Source: Bank of Uganda

Wholesale funding

The main sources of wholesale funding are the interbank market, foreign currency swaps and loans from financial institutions abroad. Risks from wholesale funding remain modest because it is a small percentage of total bank funding at 4.7 percent as at June 2014, a small increase from 3.8 percent as at June 2013.

Borrowing of shillings through swaps from financial institutions abroad rose strongly with amounts payable of US\$387.7 billion as at June 2014 compared to US\$96.7 billion at end of June 2013. In addition, loans from banks abroad increased by 66.5 percent to US\$357.5 billion in the same period.

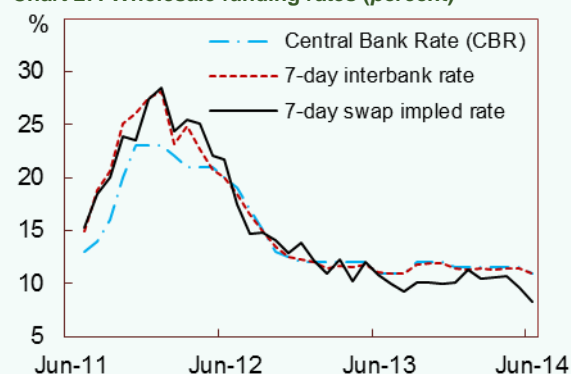
Chart 26: Outstanding amounts due to financial institutions on swaps



Source: Bank of Uganda

The rise in swaps funding can be attributed to the continued drop in the cost of funding. The swap overnight implied rate dropped from 9.4 percent in June 2013 to 6.1 percent in June 2014 while the swap 7-day implied rate dropped from 10.9 percent to 8.3 percent over the same period.

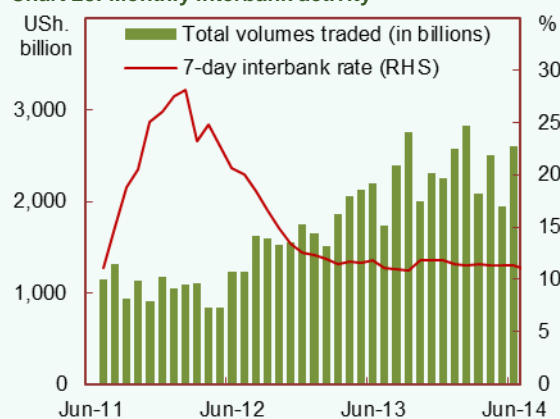
Chart 27: Wholesale funding rates (percent)



Source: Bank of Uganda

The interbank market

In the year to June 2014, interbank market rates continued to drop with the overnight and seven-day weighted average rates at 7.1 percent and 11.0 percent in June 2014 down from 7.8 percent and 11.1 percent respectively in June 2013, reflecting the easing of funding costs. The total volume traded in the market rose by 46.2 percent to US\$2.5 trillion in June 2014, up from US\$1.7 trillion in June 2014.

Chart 28: Monthly interbank activity

Source: Bank of Uganda

Indicators of bank liquidity

Our analysis shows that liquidity risk in the Ugandan banking system is modest. The ratio of liquid assets to total deposits increased from 41.1 percent in June 2013 to 46.5 percent in June 2014, well above the regulatory minimum of 20 percent.

The improvement in liquidity indicators was driven by an increase in banks' holdings of government securities of 30.0 percent between June 2013 and June 2014, compared to an increase of 20.8 percent in the previous year.

Table 8: Key indicators of bank liquidity (percentage ratios)

	Jun-10	Jun-11	Jun-12	Jun-13	Jun-14
Total loans to total deposits	61.8	71.5	74.2	73.9	70.8
Liquid assets to total deposits	41.5	35.6	39.0	41.1	46.5
Liquid assets to total assets	30.1	25.9	26.3	27.2	30.9

Total loans as a share of total deposits declined from 73.9 percent in June 2013 to 70.8 percent in June 2014, boosted by strong deposit growth compared to the annual loan growth.

2.7. Exposure to exchange rate risk

Overall market risk remained low in the year to June 2014. The share of foreign currency denominated components of loans and deposits on the balance sheet registered strong growth. Nevertheless, the aggregate foreign currency open position relative to core capital remained within the regulatory limit of +/-

25 percent as at the end of June 2014, and the ratio of foreign currency loans to foreign currency deposits remain well below the 80 percent limit as stipulated in the Foreign Currency Business Guidelines (2010).

Table 9: Indicators of banks' exposure to foreign currency (percentage ratios)

Indicator	Jun-10	Jun-11	Jun-12	Jun-13	Jun-14
Forex exposure to regulatory tier 1 capital	-3.5	-0.9	-5.2	-6.7	-6.7
Foreign currency deposits to total deposits	29.0	30.1	34.9	33.2	35.6
Foreign currency loans to total loans	24.5	28.9	35.2	39.7	42.4
Foreign currency assets to total assets	25.3	26.6	33.2	30.8	30.4
Foreign currency loans to Foreign currency deposits	49.5	64.2	63.2	70.6	65.0

Source: Bank of Uganda

2.8. Other providers of intermediated credit

Overall, credit institutions (CIs) remained fairly sound, well capitalised and liquid in the year to June 2014. The overall core capital of credit institutions grew from US\$44.2 billion at June 2011 to US\$49.0 billion at June 2014 while total capital rose from US\$53.1 billion to US\$59.9 billion. Profitability of CIs increased significantly from a loss of US\$0.1 billion to an overall net profit-after-tax of US\$2.9 billion. Quarterly return on assets and return on equity ratios also improved from -0.2 percent and -1 percent respectively in June 2013 to 0.5 percent to 2.5 percent in the year to June 2014. However, credit risk remains an issue as shown by the sector's high NPL ratio of 4.1 percent at the end of June 2014.

The performance of microfinance deposit-taking institutions (MDIs) improved during the year to June 2014. Profitability increased as shown by the rise in return on assets from 3.4 percent in June 2013 to 6.5 percent in the year to June 2014 and a rise in return on equity from 11.2 percent to 21.6 percent over the

same period. The liquid assets-to-total assets ratio rose from 20.3 percent to 26.8 percent. Overall portfolio-at-risk (*ratio of non-performing loans to total gross loans*) declined from 2.7 percent as at June 2013 to 2.3 percent as at June 2014, showing a slight improvement in asset quality.

2.9. Conclusion

Indicators show that banking sector performance has improved over the last financial year. Significant growth in assets has been recorded, while the cost of funding has reduced and liquidity risk remains low. Asset quality has started to improve but it remains a concern. Nevertheless, banks remain well capitalised to absorb shocks arising from poor loan quality.

3. FINANCIAL INFRASTRUCTURE AND OTHER FINANCIAL CORPORATIONS

The payments system is a central component of the financial system, and any disruption to it would have serious negative consequences for the economy. Accordingly, oversight of the payments system has been incorporated into financial stability analysis. This chapter examines the payments system in Uganda, along with capital markets and the insurance industry.

3.1. Payment systems oversight

3.1.1. Introduction

Bank of Uganda's efforts to reform the national payments system in Uganda have been ongoing for over a decade. Modern interbank clearing and settlement systems – a large value funds transfer system, an electronic clearing system for cheques and direct debit and credit transfers, and an electronic securities depository for government securities – have been put in place. The private sector has also introduced various initiatives such as mobile payments, automated teller machine / point of sale (ATM/POS) networks and electronic funds transfers (EFTs).

A payments system can involve significant exposures and risks for members, and can be a channel for the transmission of disturbances from a member, a part of the economy or the financial system to another, potentially affecting the entire system. This “systemic risk” posed by the payments system to the stability of the financial system and the economy is an important reason for the close interest with which central banks take not only in the design, development and operation of payments systems, but also through oversight of payments systems.

3.1.2. What is payments system oversight?

Oversight of payments and settlement systems is a central bank function whereby the objectives of safety and efficiency are promoted by monitoring existing and planned systems, assessing them against these objectives and, where necessary, inducing change (BIS 2005).

Oversight has developed partly in response to the expansion of the role of the private sector in providing payment and settlement systems. Where there has been a risk that the private sector would take

insufficient account of negative externalities that could cause systemic risk, central banks have sought to pursue public policy safety and efficiency objectives by guiding and influencing system operators.

In 2012, BOU established a payments oversight function, which conducted various oversight activities in 2013/14 including; monitoring the usage and operational performance of Uganda's real time gross settlement system (RTGS), more commonly known as the Ugandan National Interbank Settlement System (UNISS), and the Electronic Clearing System (ECS) as well as payment instruments' such as mobile money and automated teller machines (ATMs).

3.1.3. Performance of payments systems

a) Overall availability

Throughout the year to June 2014, payment and settlement systems operated sufficiently with key systems processing payments effectively, and exhibiting a high degree of availability. In addition, none of the payment systems operational in Uganda experienced any major disruption or downtime during this period.

b) Ugandan National Interbank Settlement System

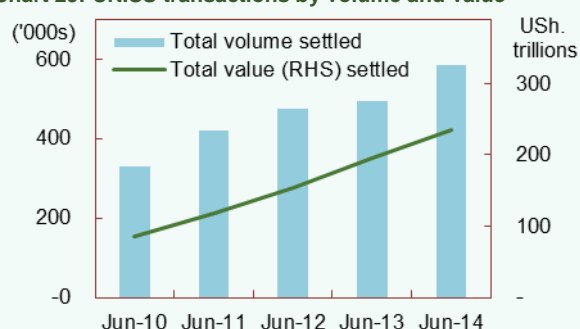
Uganda's real-time gross settlement system, UNISS, is an advanced, interbank electronic payments system that facilitates the efficient, safe, secure and real-time transmission of high value funds between accounts in different financial institutions.

There were no significant disruptions to the operation of UNISS throughout this financial year, with volumes and values in terms of both domestic currency and foreign-denominated currency having grown.

Transactions in Ugandan Shillings

The overall UNISS transactions volume throughout the year ending June 2014 totalled 584,842 with a value of Ush.235.0 trillion. This represents an 18.1 percent increase in the volume of transactions and a 20.1 percent increase in the value of these transactions respectively, when compared to the previous year ending June 2013, where the overall UNISS transaction volume was 495,388 with a value of Ush.195.7 trillion.

Chart 29: UNISS transactions by volume and value



Source: Bank of Uganda

Table 10: UNISS volume and values transacted in foreign currencies

	Jun-13	Jun-14
Total value settled (USD millions)	4,124	6,707
Proportion by currency (value)		
USD (%)	97.6	97.4
EUR (%)	2.2	2.3
GBP (%)	0.2	0.3
Total volume settled	58,797	84,757
Proportion by currency (volume)		
USD (%)	96.7	97.4
EUR (%)	2.6	1.9
GBP (%)	0.8	0.7

Source: Bank of Uganda

Transactions in foreign-denominated currencies

UNISS also clears transactions in key foreign currencies, namely, United States dollars (USD), European Union euros (EUR) and the Great British pound (GBP). Transactions in dollars registered the highest activity in terms of both value and volumes settled in the year ending June 2014 with USD 6.5 billion settled in 82,533 transactions while the Great British Pound recorded the lowest activity with the

equivalent of USD 20.6 million settled in 595 transactions.

c) East African Payment System

The East African Payment System (EAPS) went live in Uganda on 25th November 2013. EAPS is a multicurrency system which connects the real time gross settlement systems of the EAC member countries. It has so far been rolled out in three of the EAC countries; Kenya, Tanzania and Uganda. Since commencement of its operation in Uganda, EAPS has experienced no significant disruption or downtime. In terms of value, the majority of transactions were made in Kenyan Shillings, whereas in terms of volume the majority of transactions received (inward) by Uganda are made in Ugandan shillings, while the majority of sent transactions (outward) by Uganda were in Kenyan shillings.

Table 11: Value and volume of transactions by EAPS (December 2013 to end of June 2014)

	Inward	Outward
Total value settled (US\$ billions)	22.12	25.36
Proportion by currency (value)		
UGX (%)	26.4	37.6
KES (%)	73.1	62.3
TZS (%)	0.5	0.1
Total volume settled	360	869
Proportion by currency (volume)		
UGX (%)	58.6	27.6
KES (%)	37.8	71.0
TZS (%)	3.6	1.4

Source: Bank of Uganda

d) COMESA Regional Payment and Settlement System

Uganda joined the COMESA Regional Payment and Settlement System (REPSS) on 28th February 2014.³ REPSS is a cross-border clearing system for transfer of funds within the Common Market of Eastern and Southern Africa (COMESA) in both United States dollars and Euros.

³ Note that only five of COMESA's member states are active members of REPSS; Uganda, Malawi, Rwanda, Swaziland and Mauritius.

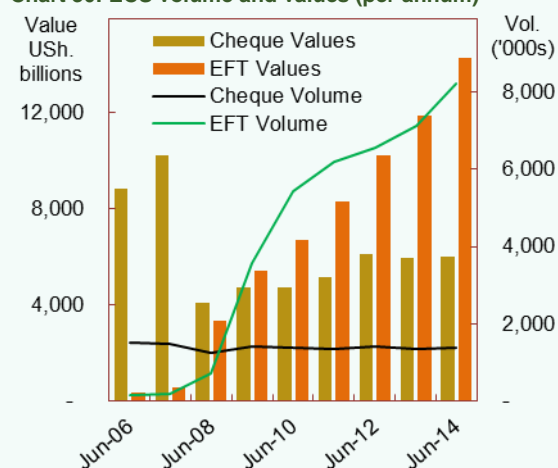
e) Electronic Clearing System

ECS is a clearing system which automates the processing of cheque clearing and execution of EFT transactions.

Transactions in Ugandan Shillings

During the year ending June 2014, 1.4 million cheque transactions valued at USh.6.0 trillion were cleared in the ECS. This is a small increase from 1.36 million cheque transactions valued at Ush.5.97 trillion cleared in the year ending June 2013. The overall EFT transaction volume, both credits and debits, stood at 8.2 million with a value of USh.14.2 trillion in the year ending June 2014. This is an increase of 15.4 percent in volume and 20.5 percent in value respectively when compared to the previous year ending June 2013.

Chart 30: ECS volume and values (per annum)



Source: Bank of Uganda

The value of cheques remained stagnant after dropping significantly following the restriction imposed by the BOU in 2007 on commercial banks accepting cheques of value greater than Ush.20 million. EFT transaction volume and values continue to grow year on year.

Transactions in foreign-denominated currencies

The ECS also clears cheques and EFTs in widely used foreign currencies: United States dollar (USD), European Union euros (EUR), Great British pounds (GBP), and Kenyan shillings (KES). Throughout the year ending June 2014, transactions made in US dollars registered the highest activity with the USD

cheque transaction volume at 76,100 with a value of USD 276.8 million, whereas EFT transactions were 38,040 with a value of USD 632.1 million.

f) Mobile money

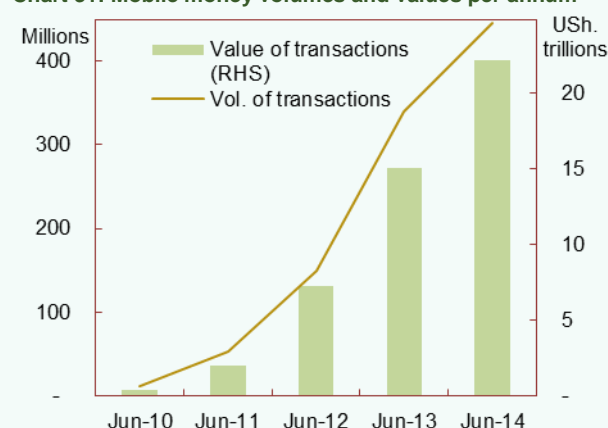
Mobile money continues to go from strength to strength, growing significantly with regards to the volume and value of transactions, as well as the number of registered users.

Table 12: Mobile money performance per annum

Period	Jun-13	Jun-14	% change
Transactions (millions)	339.6	445.7	31.3
Value of transactions (UGX trillions)	15.0	22.2	48.0
Registered customers (millions)	12.1	17.6	45.6
Number of agents (000s)	47.4	63.9	34.8

Source: Bank of Uganda

Chart 31: Mobile money volumes and values per annum



Source: Bank of Uganda

There were a number of new mobile money initiatives introduced during the financial year. In October 2013, MTN Uganda⁴ partnered with Crane Bank to enable customers with mobile money accounts to withdraw money from Crane Bank ATMs. In November 2013, MTN partnered with InterSwitch⁵ to extend mobile

⁴ MTN Group, formerly M-Cell, is a South Africa-based multinational mobile telecommunications company, operating in many African, European and Middle Eastern countries.

⁵ InterSwitch Limited is an integrated payment and transaction processing company that provides technology integration, advisory services, transaction processing and

money services to include all ATMs on the InterSwitch network.

Mobile money is likely to continue to make strides in the market with innovative services being offered. It is likely that Uganda will continue to follow Kenya in its development in this sector. For instance, Orange Telecom Kenya⁶ and Airtel Kenya⁷ both introduced prepaid Visa debit cards that allow their mobile money customers to withdraw money from Visa ATMs and Visa POS's across the world.

g) Bank branches, ATMs and Interswitch

As at the end of June 2014, the total number of banks was 26 compared to 24 as at 30th June 2013; the total number of bank branches stood at 558 compared to 504 branches in June 2013. The number of automatic teller machines stood at 813 as at 30th June 2014, compared to 719 as at 30th June 2013.

Table 13: Number of commercial banks, bank branches and ATMs

	Banks	Bank branches	ATMs
June 2013	24	504	719
June 2014	26	558	813

Source: Bank of Uganda

The InterSwitch network links participating institutions and enables their customers to access shared ATMs and point-of-sale services. As at the end of June 2014, there were 11 commercial banks, two credit institutions and one MDI connected to the Interswitch network.⁸

payment infrastructure to government, banks and corporate organisations.

⁶ Orange is the key brand of France Telecom, one of the world's leading telecommunications operators.

⁷ Bharti Airtel Limited, commonly known as Airtel, is an Indian multinational telecommunications services company headquartered in New Delhi, India. It operates in 20 countries across South Asia, Africa, and the Channel Islands.

⁸ GTBank Uganda, Opportunity Bank Uganda, Postbank Uganda, United Bank for Africa, Cairo International Bank, Centenary Rural Development Bank, DFCU, Finance Trust Bank, Global Trust, Imperial Bank Uganda, Orient Bank, Commercial Bank of Africa, FINCA Uganda and NC Bank Uganda.

h) Central Securities Depository

The first phase of the new BOU Central Securities Depository (CSD) went live in September 2013 to replace one that had been in operation since 1995. The new CSD system performs all the functionalities consistent with international best practise and standards. In particular, it maintains electronic records of transactions, facilitates creation and issuance of government securities, enables automatic payment of interest and maturity proceeds on due dates and provides for securities settlement on a delivery-versus-payment basis.

Phase One of the upgrade has improved access and efficiency of the CSD by enabling all commercial banks to submit their transactions online and take advantage of the other abovementioned improvements to the system. Phase Two of the upgrade is expected to be deployed in the second half of 2014 and will extend these services to non-commercial banks such as the National Social Security Fund (NSSF).

3.1.4. Looking forward to the next year

During the next financial year, the main focus for payment and settlement system oversight by the BOU will be focused on strengthening the oversight of payments systems by starting to carry out risk analysis on Ugandan payments systems operated by the Bank of Uganda and adopting all relevant internationally recognised guidelines. These guidelines include the Principles for Financial Market Infrastructures which were issued by the Bank for International Settlements (BIS) in 2012, aimed at helping central banks in ensuring and promoting safe and efficient payment systems and other financial market infrastructures. In addition, the BOU will focus on risk mitigation and management processes to ensure it is best placed to act if a disruption or failure were to occur within the payment system. Continuous oversight will ensure that the payment systems in Uganda support the smooth functioning of the financial system, while improving efficiency gains for the Ugandan economy.

3.2. Developments in capital markets

3.2.1. Introduction

In the financial year 2013/2014, activity in the capital markets increased compared to the previous financial year. Several actions were recorded in the secondary market for equities while one primary listing was recorded in the corporate bond market segment. Progress was also recorded on the regional front with several initiatives being finalised.

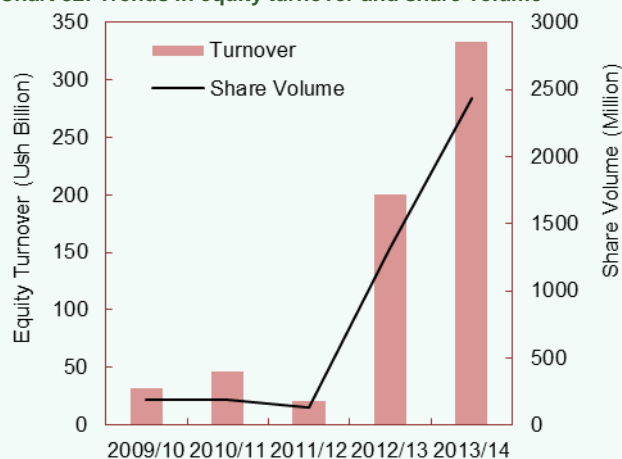
3.2.2. Market activity at the Uganda Securities Exchange (USE)

All major securities market indicators were in positive territory during the financial year. Share volume transacted rose by 84.8 percent to 2,436 million shares from 1,318 million shares transacted in a similar period during the previous financial year. Turnover was also up by 66.4 percent to close at US\$333.1 billion compared to US\$200.2 billion previously. Total market capitalisation rose by 19.8 percent to US\$23.2 trillion from US\$19.3 trillion reported in the previous financial year. On the other hand, domestic market capitalisation was up by 20.1 percent to close the period under review at US\$3.2 trillion from US\$2.6 trillion previously. The USE All-Share index that tracks share price movements closed 14.5 percent higher at 1696.8 points from the previous close of 1,481.4 points.

The improved performance at the USE was as a result of a stable domestic currency, the sale of Umeme shares by Actis⁹, and a drop in yields on treasury securities.

⁹ During the financial year 2013/14, private equity firm Actis sold a 45.8 percent stake in Umeme Holdings in a transaction that generated a total turnover of US\$ 233.40 billion, while in 2012/13 it sold a 45 percent stake in DFCU Limited for US\$111.9 billion.

Chart 32: Trends in equity turnover and share volume



Source: Uganda Securities Exchange

Table 14: Summary of market activity at the USE¹⁰

	2013/14	2012/13	Percentage change (%)
Share volume (Million)	2,436.5	1318.2	84.8
Turnover (US\$ Billion)	333.1	200.2	66.4
Market Capitalisation (US\$ Trillion)	23.2	19.3	19.8
Domestic Market Capitalisation (US\$ Trillion)	3.2	2.6	20.2
USE All Share Index	1696.8	1481.4	14.5

Source: Uganda Securities Exchange

3.3. The insurance sector

Structural changes

The insurance sector in Uganda has undergone significant structural changes which are likely to impact on competitiveness, efficiency and the growth of the industry. The most important of these changes is the separation of life and non-life business.

¹⁰ Figures as at the 30th June in each fiscal year.

3.3.1. Performance of the industry

Growth of the sector

The total assets of the industry were US\$774 billion at December 2013, up 18 percent from the previous year (US\$657 billion)¹¹. Non-life (general) insurance¹² accounted for 82.4 percent of total industry assets during the period under review. Industry assets were offset by liabilities of US\$500 billion, up 16 percent from the previous year (US\$430 billion). Industry net assets were US\$274 billion, up 21 percent from the previous year (US\$227 billion).

Although a greater percentage of total industry premiums are generated from the non-life insurance sector, the percentage growth in premiums from the life insurance¹³ sector was faster than that of the non-life sector. For instance, whereas the non-life sector grew by 12.3 percent in 2013, the life business recorded a remarkable growth of 41.1 percent. Despite the enhanced growth in premiums from both sectors of the industry, insurance penetration continues to be low. The contribution of total insurance premiums to GDP, which measures insurance penetration, in real terms, was only 0.8 percent.

Table 15: Gross premium income and insurance penetration

Year	Premium income (USh.)	Growth rate (%)	Insurance penetration (%)
2009	202,054,031	20.81	0.59
2010	239,983,035	18.77	0.65
2011	296,830,675	23.69	0.65
2012	352,231,429	18.66	0.66
2013*	461,262,909	32	0.85

Source: Insurance Regulatory Authority of Uganda Annual Reports for 2009 -2013

¹¹ The latest Insurance data is for December 2013. The Insurance Regulatory Authority (IRA) is putting in place measures to compile data on a quarterly basis starting September 2014.

¹² General insurance or non-life insurance policies, including automobile and homeowners policies, provide payments depending on the loss from a particular financial event.

¹³ Life insurance is defined as protection against the loss of income that would result if the insured passed away. The named beneficiary receives the proceeds and is thereby safeguarded from the financial impact of the death of the insured.

Financial performance

Financial performance has differed in the two insurance sub-sectors. Overall, the industry reported record aggregate premium levels amounting to US\$407 billion. Non-life business accounted for US\$351 billion while life business accounted for US\$55.4 billion in 2013. Reinsurance premium ceded¹⁴ for non-life business amounted to US\$152 billion, while reinsurance premium ceded for life business amounted to US\$12.2 billion in 2013.

Net earned premium for the industry in the year ended December 2013 was US\$183 billion for non-life business and US\$43 billion for life business, up 11.5 percent and 4.1 percent from the previous year respectively. Net incurred claims for the industry in the year ended December 2013 were US\$73 billion for non-life business and US\$12.4 billion for life business, up 10.2 percent and 6.2 percent respectively from the previous year.

Notably, the loss ratio¹⁵ for the industry in the year ended December 2013 was 39.8 percent for non-life business, down from 40.3 percent in the previous year while the loss ratio for life business was 28.8 percent down from 34.8 percent in the previous year.

Sector profitability

The insurance sector has generally benefited from the high interest rate period over the past two years, which has boosted profitability. Net profit-after-tax for the industry was US\$36 billion, up 38.5 percent from the previous year (US\$26 billion). In particular, investment income for the industry was US\$26

¹⁴ Reinsurance ceded is the portion of risk that a primary insurer passes to a reinsurer. Reinsurance ceded allows the primary insurer (the ceding company) to reduce its risk exposure to an insurance policy by passing that risk onto another company (the accepting company), with the accepting company receiving a premium for taking on the risk. The accepting company pays a commission to the ceding company on the reinsurance ceded, and the ceding company can recover part of any claim from the accepting company.

¹⁵ The loss ratio is the difference between the ratios of premiums paid to an insurance company and the claims settled by the company. Loss ratio is the total losses paid by an insurance company in the form of claims. The losses are added to adjustment expenses and then divided by total earned premiums.

billion, up 29 percent from the previous year (US\$20.1 billion).

Nevertheless, high interest rates may also pose a risk to stability. A sudden increase in general interest rate levels would increase unrealised losses in insurer fixed income portfolios and, at the same time, could prompt life insurance policyholders to surrender contracts for higher yield elsewhere. In such a circumstance, insurers could be forced to liquidate fixed income investments at a loss in order to fund contract surrender payments.

Structural liquidity mismatches

Another primary concern for the insurance sector has been whether it has sufficient liquidity buffers to survive a specified stress period over a defined time horizon. Current regulations prepare for liquidity events rather than prevent them by focusing on

liquidity buffers. There is a risk of overlooking some of the structural mismatches between assets and liabilities. To tackle liquidity mismatches, the Insurance Regulatory Authority has resolved to draw up a supervisory standard that requires insurers to hold an amount of stable funding based on the liquidity profile of assets.

3.3.2. Conclusion

Overall, the insurance industry registered positive growth. The IRA have requested all institutions to properly re-capitalise in order for them to take on large businesses, especially in the emerging oil and gas sector, without compromising their solvency state and adopted a risk-based approach in its supervision which will be significant in improving accounting and records keeping standards of the industry as well as the governance and risk management in the industry.

Box 2: Financial stability and insurance

This box explains the linkage between insurers and financial stability.

Insurance sector regulation and financial stability

The Insurance Act Cap 2000 as amended by the Insurance Amendment Act No. 13 of 2011 mandates the Insurance Regulatory Authority (IRA) to ensure the effective administration, supervision, regulation and control of the business of insurance in Uganda. While this defines the objectives of prudential supervision, it does not define desired outcome. The Reserve Bank of New Zealand Financial Stability Report for May 2014 highlights some of the key reasons for insurance sector regulation for financial stability;

- a) The insurance sector is an important contributor to the economy, providing risk management for individuals and businesses, and thereby facilitating economic growth;
- b) Insurers are major institutions within the financial system. Like banks they have important functions of enabling economic agents to spread consumption and investment over time, but without being exposed to unexpected risks; prudential supervision requires that insurers manage their businesses soundly and maintain minimum prudential standards.
- c) Insurance often involves policy holders entering into long-term contractual commitments for life, health, or savings policies. Policy holders therefore need to have a very high degree of confidence that the chosen insurer will meet their obligations over many years and even decades into the future.

Are Ugandan insurers “systemically important”?

The BOU Financial Stability Committee defines systemic risk as existing where there is risk of an impairment of all or parts of the financial system, with serious negative consequences for the real economy. The criteria for considering systemic importance of banks that was published in the *Financial Stability Report* for June 2013 is similar to that for insurance institutions prescribed by the International Association of Insurance Supervisors. This framework considers size, interconnectedness with other institutions and substitutability of the services of an institution were it to fail. This assessment has not been done among the insurance institutions. However, a comparison with banks shows that Uganda’s insurance institutions are less likely to create a systemic risk. As at June 2014, insurance sector assets as a percentage of total banking sector assets were about 4.2 percent.

Nevertheless, the failure of individual insurers can create externalities of systemic importance. For example, during the recent global financial crisis, very few insurers globally became distressed, however, the failure of global insurance giant American International Group (AIG) was judged systemically important and it received financial support from the US Government. At present, Ugandan insurance institutions have far less exposure to the complex business activities that led to the failure of AIG and the nature of their investments is regulated by the prudential requirements prescribed by the IRA.

4. THE OUTLOOK FOR FINANCIAL STABILITY

The outlook for Uganda's financial stability is shaped by two factors: the risks faced by the banking system and, the system's resilience in the face of those risks. Uganda's financial system remains sound, and risks to financial stability, from both international and domestic sources, have eased since the last FSR. This section presents a summary of the risks to the banking system and the outlook for financial stability.

4.1. Assessment of key risks

Overall, across a range of measures, the banking system is stronger now compared to the period between 2011 and 2013 which witnessed a strong rise in non-performing loans and a decline in deposits and loan growth.

The banking system is currently well capitalised and most banks would comfortably meet the Basel III capital requirements. Banks are exceeding regulatory liquidity requirements, including the liquidity coverage ratio (LCR). In addition, the cost of funding, both from offshore sources and domestic sources, has reduced. Private sector credit has picked up, and the banking sector is well placed to support an increase in economic growth.

The overall assessment of systemic risk in the financial sector shows that banks' resilience continued to improve in the year to June 2014. Going forward, the banking system is likely to face some challenges which are likely to affect interest income and profitability including; the continued losses of among small and new banks¹⁶, high loan-to-value ratios in the face of high house price inflation, and the potential for rapid capital outflows due to monetary policy tightening in developed countries.

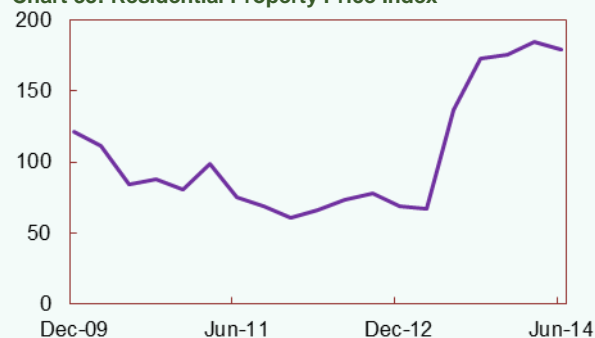
Non-performing loans, housing imbalances and rising LTV lending

On the asset side of banks' balance sheets, credit risk remains a concern due to high non-performing loans. This is especially a concern among the small and new

banks, whose average NPL ratio is still high at 10 percent, compared to the industry average of 5.2 percent.

In the *Report* for June 2013, it was also pointed out that land and residential house prices had started rising, especially in some peri-urban areas and this trend has continued. For example residential house prices increased by 35.2 percent between June 2009 and June 2014.

Chart 33: Residential Property Price Index



Source: UBOS

Normally, the risk from real estate lending is accentuated by high loan-to-value (LTV) ratios. In a bid to assess the LTV practices of banks, BOU carried out a survey of selected banks in May and June 2014, which indicated that the LTV ratio for mortgages had risen from 58 percent in March 2013 to 64 percent in March 2014. The impact of a potential correction in house price is likely to be amplified by high levels of household debt, with bank lending to households having risen by 44.3 percent in the year to June 2014.

Risks on the liability side

On the liability side, while liquidity has improved with a strong pick-up in deposit growth, banks have responded to the strong deposit growth by putting more resources in government securities given that

¹⁶ Small commercial banks in Uganda are defined as those banks whose total assets fall below Ushs.450 billion. Medium banks hold assets between Ushs.450 billion and Ushs. 1.0 trillion, while large banks hold assets above Ushs.1.0 trillion.

New commercial banks are banks that have been licensed within the last five years.

loan demand is still relatively modest compared to the historical average.

Chart 34: Non-resident holdings in treasury securities and shilling deposits



Source: Bank of Uganda

4.2. Stress test results for the banking sector

To assess the resilience of the banking sector to systemic risks, the Bank of Uganda carries out quarterly stress tests. These tests use a framework based on work by Cihak¹⁷ to identify the breaking point for each risk; shocks are applied to selected variables until banks fail to meet a predefined threshold. The stress tests for June 2014 focused on the two main potential sources of vulnerabilities for the Ugandan banking sector; **credit** and **liquidity** risks. BOU's stress tests employ sensitivity analysis as opposed to a scenario-based analysis. The different breaking points¹⁸ which were defined for each type of shock are summarised in Table 16.

¹⁷ Cihak, M. "Introduction to applied stress testing" (2007) IMF Working Paper No. WP/07/59, International Monetary Fund, Washington DC

¹⁸ IMF Working paper Ong et al. This approach analyses the maximum magnitude of a specific type of shock before which banks breach a regulatory requirement or 'fail'. This reverse analysis, called the **breaking point method**, involves "stressing until the system breaks". For each risk factor, this method applies shocks to different variables until a bank(s) fails to meet a regulatory requirement.

Table 16: Summary of stress test shocks and breaking points

RISK-TYPE	SHOCK	BREAKING POINT
Credit	Assesses the effect of a decline in banks' existing total and sectoral performing loans.	The first DSIB fails following a gradual increase in NPLs.
Liquidity	A simulated bank run test which models the number of days banks would be able to survive a systemic liquidity drain without resorting to liquidity from external sources.	The first bank's liquid assets are depleted following sudden withdrawal of deposits.

Credit risk

Credit shocks were conducted to assess the effect a further deterioration in asset quality would have on bank capital. The ratio of non-performing loans to total loans is taken as the main measure of credit risk, since credit risk is associated with the quality of the sector's loan portfolio.

The first test applied a uniform shock to the baseline level of performing loans¹⁹ so that a proportion of them became non-performing loans. The results showed that the NPL ratio of each bank in the industry would have to increase by 12.8 percentage points over a one-year period before the first domestic systemically important bank's (DSIB) capital adequacy falls below the regulatory minimum requirement. When this happens, a further ten (non-DSIB) banks will also be undercapitalised²⁰.

In the stress test, resilience is derived from the size of the credit shock, such that a larger shock implies improved resilience against credit risk. For instance, in Table 17 it can be noted that in December 2013, it

¹⁹ Neither the baseline scenario nor the adverse shocks take into account future business strategies and management actions, and do not forecast banks' results.

²⁰ A bank becomes undercapitalised when its capital adequacy ratio (*defined as the ratio of core capital to risk-weighted assets*) falls below the minimum regulatory requirement of 8 percent. Such a bank would then be required to acquire additional capital to return to the minimum required level of capital adequacy.

took a much smaller change in the NPL ratio to fail the first DSIB compared to June 2013 and June 2014. Specifically, in December 2013, the NPL ratio would have had to increase by only 5.4 percentage points for the first DSIB to become undercapitalised, and for six other banks to fail the test as well. Relative to the results for June 2014, it can therefore be concluded that despite increasing credit risk, there was an improvement in resilience during the period under review as it took a much larger shock to fail the first DSIB.

Table 17: Summary of stress test results for credit risk

		Tier 1 capital (in Ushs. billion)	NPL ratio (%)	No. of under-capitalised banks	
Baseline Scenario		20.3	2,451.7	5.8	1
Shock	Key indicators	Jun 2014	Dec 2013	Jun 2013	
Reduction in performing loans that fails the first D-SIB	Change in NPL ratio that breaks first D-SIB (%)	12.8	5.4	15.5	
	CAR (%)	15.1	16.8	15.6	
	NPL ratio	18.6	11.0	19.4	
	Tier 1 capital (Ushs. bn)	1,710.2	1,827.1	1,505.1	
	No. of under-capitalised banks	11	7	13	
Increase in NPL ratio equivalent to 6-month trend	CAR (%)	19.1	18.0	20.5	
	NPL ratio	6.0	7.3	3.7	
	Tier 1 capital (Ushs. bn)	2,263.4	1,982.6	2,108.1	
	No. of under-capitalised banks	5	4	7	

The capital adequacy and NPL ratios for the banking system following the shock are 15.1 percent and 18.6 percent respectively. Furthermore, if the changes in

asset quality that were registered between December 2013 and June 2014 carried on to the end of 2014, five banks would become undercapitalised.

In addition, the same shock was applied to the foreign currency loan book. The results showed that the first D-SIB, along with five other banks, would fall below the minimum capital adequacy ratio when 49.9 percent of its existing performing foreign currency loans become non-performing. This would cause NPLs to increase by 900.4 percent. Furthermore, if the changes in asset quality that were registered between December 2013 and June 2014 carried on to the end of 2014, five banks would require capital injections.

Table 18: Results for credit shock to performing foreign currency loans

Key indicators	Jun -14
Reduction in performing FX loans (%)	49.9
No. of undercapitalised banks	11
No. of banks failing at CAR	6
CAR (%)	14.1
Increase in NPLs (%)	900.4

Although the tests do not assist in determining the likelihood of the stated shocks or give an indication of the probability of default on loans, they do reveal that, as at the end of June 2014, the aggregate impact of a further deterioration in the banking system's credit portfolio would be mild given the significant increase in non-performing loans required to bring banks to the point of recapitalisation. The resilience of the banking sector to these shocks is attributed to the high levels of capital held by banks.

Liquidity risk

Although indicators show that overall liquidity risk for banks reduced in the year to June 2014, concerns remain about the potential risks from a reversal of callable funds and whether some banks have adequate liquid assets to fund their short to medium-term funding activities in a period of stressed liquidity.

BOU conducted a stress test for liquidity risk, in which a simple bank run was simulated to determine the

impact of adverse uniform shocks to banks' liquidity, brought on by a sudden withdrawal of customer deposits. The resilience of banks to liquidity risk is judged by the number of days banking institutions would be able to withstand a liquidity drain without resorting to external liquidity support. This test does not consider assumptions about rollovers, increases in borrowings and maturity extensions. The results from the test revealed that liquid assets of eight banks would be depleted over a 7-day period of distress, assuming a daily withdrawal rate of 6.3 percent of total deposits. Compared to June 2013, the results suggest that as at the end of June 2014, banks were less sensitive to liquidity risk since the bank run test resulted in less bank failures and a higher ratio of liquid assets to total deposits.

Table 19: Summary of stress test results for liquidity risk

Key indicators	Jun - 14	Dec- 13	Jun- 13
Liquid assets to total deposits (%)	24.7	21.9	18.2
Reduction in total deposits (%)	40.8	34.0	40.8
No. of days to depleted liquid assets	7	5	7
No. of banks breaching the regulatory liquidity ratio	8	8	9

Most banks continue to hold enough funds to meet their short-term obligations, with the ratio of liquid assets to total deposits rising to 46.1 percent as at end-June 2014, well above the regulatory minimum²¹.

4.3. Conclusion and way forward

In the year to June 2014, overall systemic risks to financial stability reduced. Indicators show that there has been a rebound in asset and deposit growth. The banking sector remains well capitalised and with adequate liquidity buffers. However, the banking sector continues to face several challenges, relating to deterioration loan quality and rising LTV ratios.

Going forward, it is important that the banking system's resilience does not deteriorate in response to cyclical economic changes, growth in asset prices and global financial conditions. Bank of Uganda has taken several steps to address these concerns. First, regarding rising LTV ratios, BOU has started an exercise to collect data on and monitor loan-to-value ratios for property loans. Starting September 2014, all banks will be required to compile and send data to BOU on LTV ratios for residential, commercial and land mortgages. The BOU will also visit and benchmark practices at other central banks that are collecting LTV data. It is the intention of the BOU to have the LTV ratio developed as a monitoring and macroprudential policy tool by June 2015.

Secondly, BOU implemented microprudential measures to address weaknesses in several banks. BOU engaged small and new banks, as well as a number of systemically important banks, to enhance their loan quality and liquidity. In addition, Global Trust Bank, which had incurred significant losses was closed and wound up.

Thirdly, as mentioned in the *Report for June 2013*, BOU had brought forward the implementation of Basel III capital measures to January 2014 in order to strengthen bank resilience. The amendments to the revised Financial Institutions Act (2004) which include the Basel III capital measures have been submitted to Parliament.

²¹ The BOU liquidity regulation requires banks to hold liquid assets (defined as cash, net due to and from other banks, balances with BOU, and government securities) of at least 20 percent of total deposits.

5. SPECIAL TOPIC: ANALYSIS OF THE REAL ESTATE SECTOR IN UGANDA

This chapter presents real estate price indices that have been compiled by Bank of Uganda and the Uganda Bureau of Statistics. While the primary motivation of collecting this data is to enhance macroprudential and monetary policy, it is hoped that financial institutions and other practitioners will use the data for risk management and other practical applications.

5.1. Introduction

The recent global financial crisis showed that real estate markets have consequences for financial stability and macroeconomic activity. The boom-bust nature of property price fluctuations has played a key role in business cycles in the past, fuelling the upswing and magnifying the downswing of the cycle. At the same time, falling property prices tend to increase fragility in the banking sector, not only because of increases in bad debt expenses for real estate loans, but also because of a deterioration in the balance sheets of corporate borrowers that rely on real estate as collateral. Because of the link between real estate prices and the financial sector and macroeconomy, property prices should be closely monitored.

In Uganda, it has not been possible to conduct a proper assessment of property prices for a long time because of a paucity of data. In 2011, Bank of Uganda and the Uganda Bureau of Statistics collaborated to compile a property price index. The Governor of BOU, in the FSR of June 2013, pointed out that these data will be published. Against this background, this chapter has three major objectives. The first is to explore the determinants and rationale for collecting real estate price data including policy considerations and factors that contribute to property price fluctuations. Secondly, it presents the methodology used, and finally, the trend of the indices that have so far been compiled with data updated to June 2014.

5.2. What are property price indices?

Real estate price indices measure the percentage price change in the values of real estate in a certain period, relative to prices in a base period given (IMF 2003). The most common indices compiled for property markets include the land price index,

residential property price index and the commercial rent index.

However, following IMF recommendations, many countries have broadened the scope of property markets that they monitor, and compile additional data. A survey conducted by the Bank for International Settlements (IMF 2012) indicated that notable additional data includes; loan-to-value ratio, number of new residential houses constructed in a period, farm land prices and commercial property occupancy rates. For now, Bank of Uganda is focusing on compiling price indices, while putting in place a framework to collect additional data.

5.3. Rationale for compiling real estate price indices for Uganda

Real estate prices and financial stability

There are close connections between real estate prices and the financial performance of banks which have implications for financial stability. In particular, falling property prices may lead the banking sector into distress via various channels; the credit risk channel through increases in bad loan provisions, or through a deterioration in the financial conditions of borrowers and banks themselves, or indirectly through a contraction in economic activity.

A decline in real estate prices makes it likely that property loans will default, which may lead to deterioration in asset quality. Large swings in property prices feature in a number of banking crises in industrial and emerging market countries and housing-linked recessions are, on average, more severe than recessions which are not accompanied by housing busts (IMF 2012). Typical examples in recent decades are USA in the 2007 global financial crisis, Nordic countries in the late 1980s and Thailand in 1994-97 (IMF 2012). The complexity of the credit

risk channel increases given the prevalent use of real estate for collateralising business and other non-mortgage loans.

Additionally, the link between property prices and the credit risk of property loans to developers and constructors for commercial purposes is intensified because the repayment of these loans is backed by the sale prices or rents generated from the property upon its completion. Non-performing commercial property loans have been a major contributor to a number of banking crises, notably the 1987 East Asian Crisis (IMF 2003).

Banks' lending behaviour is procyclical, which contributes to risk associated with real estate credit exposure. Banks tend to underestimate the default probability of property-related loans in a real estate boom for various reasons, including poor risk management practices, poor data and perverse incentives. Thus, property prices are likely to be strongly driven by credit conditions, bank lending standards and leverage because real estate purchases are usually financed by borrowing, especially for residential properties (Geanakoplos 2010). This can be a major contributor to the build-up of asset price inflation and increases in banks' credit risk exposure.

Finally, declines in property prices may generate a negative feedback on the overall economic conditions (Geanakoplos 2010). A drop in property prices, because of its nature, is more difficult to deal with and may reduce overall bank lending.

Real estate price indices play an important role in monitoring the risks associated with credit default. An important observation is that macroprudential regulation can ameliorate the negative effects of property price movements on the financial system. As the experiences of several countries, notably Spain and Switzerland, have shown, well timed policies can help dampen the build-up of financial imbalances.

IMF and EAC recommendations

Compiling real estate indices will enable Uganda to comply with IMF, BIS and EAC requirements. The IMF FSAP of 2011 recommended that BOU start monitoring real estate prices. Moreover, the IMF financial soundness indicators (FSIs) project, of which Uganda is a participant, requires compilation of several real estate FSIs. As early as 2003, the IMF and BIS jointly organised a conference in Washington DC to strengthen the collection of a range of property indicators. More recently, the EAC Monetary Affairs Committee (MAC) decided to harmonise financial stability analysis and surveillance in the region and requested Partner States to compile real estate price data. Internationally, compiling real estate prices will enable Uganda to have data that is comparable with other countries.

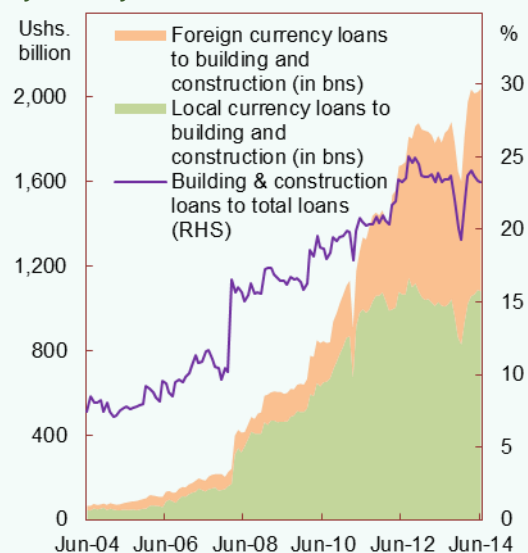
The size of the real estate market and links with banking sector in Uganda

An additional motive for monitoring real estate inflation relates to the growing importance of the real estate sector in the Ugandan economy. Over the period June 2009 to June 2014, the share of the real estate activities to GDP averaged 5.8 percent. In this period, real estate activities grew at an annual average rate of 6.0 percent, which is higher than Uganda's average GDP growth over the same period. Real estate has also become increasingly important for the lending of Ugandan banks. As at June 2014, the real estate sector had the largest share of bank lending at 23.2 percent of total bank loans. This exposure is composed of residential mortgages, commercial mortgages, land purchase, road construction, loans to general and specialised construction contractors, and property developers and estate agents.

Bank credit to the building and construction sector as a share of total loans has risen rapidly from 15.1 percent in June 2008 to 23.2 percent in June 2014. Moreover, as was highlighted in the FSR for June 2013, banks have increased their foreign currency loan exposure to the real estate sector. The share of foreign currency credit to the total credit extended to the building and construction sector rose from 16.0 to

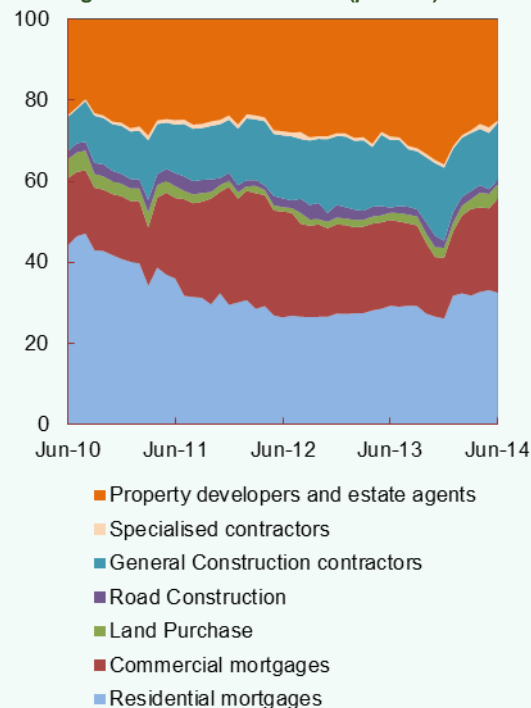
47.0 percent in June 2014. This rapid growth in foreign currency lending has brought concerns about the quality of such lending especially in regard to whether the borrowers are earning in foreign currency.

Chart 35: Loans to the building and construction sector by currency



Source: Bank of Uganda

Chart 36: Breakdown of share of credit to activities in building and construction sector (percent)



Source: Bank of Uganda

A closer look at the activities to which the credit is extended reveals that over 50 percent of credit is

extended as both residential and commercial mortgages. Credit extended by commercial banks to property developers and estate agents as a share of credit extended to the building and construction sector has increased from 23.7 percent in June 2010 to 25.0 percent in June 2014.

5.4. Methodology and coverage of the real estate price indices

5.4.1. Institutional arrangements

The Uganda Bureau of Statistics (UBOS) conducted real estate surveys with funding from Bank of Uganda. Seminars were held at which stakeholders such as NEMA, Buganda Land Board, Anglican and Catholic Land Boards, National Planning Authority, Association of Land Surveyors and mortgage lenders provide views on the real estate survey activities.

UBOS collects data for three real estate price indices; Land Price Index (LPI), Residential Property Price Index (RPPI) and Commercial Rent Index (CRI). The indices cover the period from September 2009 to June 2014.

5.4.2. Price indices

a) Land Price Index

The Land Price Index (LPI) is a measure of the percentage change of the average price of buying a unit of land for commercial or residential purposes over time. It is a weighted quarterly value index which uses the Laspeyres-type formula with a fixed basket of land properties. The value used to compile the weights is a product of volume and unit price. A square meter of land is used as the standard unit of measure for the unit (representative) price. The unit price is a proxy of a final transaction price per square metre.

b) Commercial Rent Index

The Commercial Rent Index (CRI) is a measure of the percentage change of the average charge of renting a unit of space in a commercial building for office or business activities over time. It is a weighted quarterly value index following the Laspeyres-type formula with a fixed basket of commercial rental properties. The

value is a product of volume and unit price. The standard unit price is a proxy of a final transaction price per square metre.

c) Residential Property Price Index

The Residential Property Price Index (RPPI) is a measure of the percentage change of the average price of buying a unit of residential housing over time. Unlike the above two indices which observe the price changes of a fixed basket of properties over time, the RPPI only includes properties for sale and actually sold over time.

5.5. Data sources and data collection

Coverage

The indices and survey cover the greater Kampala area of Kampala city, Wakiso, Entebbe and Mukono. This area was selected as the survey area because of the high transaction volumes and values of real estate traded.

Periodicity

The data is collected on a monthly basis and aggregated into a quarterly index.

Prior to this, a pilot survey was launched in November 2011 and ran until December 2012. The pilot survey was targeted as a full census of the identified real estate registered businesses for purposes of establishing a frame needed for sampling later. During the pilot survey, various activities were carried out including training staff, designing a questionnaire, and developing a sample frame and base year weights.

Data sources

The data is collected from real estate companies and individuals and supplemented with newspaper advertisements wherever applicable. The major sources of data used include;

- Real estate developers
- Real estate managers
- Real estate brokers and agents
- Real estate owners and users (in the case of commercial rentals)

- Government departments and agencies
- Newspapers - Advertisements

The data collection process targeted about 844 agents, as listed in the Census of Business establishments (COBE) 2009/10. Inadequate data and limited support of some real estate sector players continue to affect progress in compiling the indices.

Estimation and weights

In line with the recommendation of the IMF Compilation Guide on Financial Soundness Indicators (2005), the land price and commercial rental indices are calculated directly using the Laspeyres-type formula, while the residential property price index employs a hedonic regression first to standardize the various characteristics of residential properties. Weights were developed for the LPI and RPPI with a base period 2009/10. In addition, a frame of 990 commercial buildings, in the greater Kampala region, was developed and used to generate the weights for the CRI with base period July-September 2012.

Table 20: Weights used for the compilation of the real estate price indices

Region	LPI	RPPI	CRI
Entebbe	3.5	1.6	0.4
Kampala Central	22.7	0.3	86.2
Kawempe	1.4	2.0	3.8
Makindye	4.9	46.2	1.1
Mukono	9.9	0.4	1.1
Nakawa	15.3	39.8	4.5
Rubaga	3.6	1.2	1.7
Wakiso	38.7	8.5	1.0
Total	100.0	100.0	100.0

Note: The base period for the RPPI weights is 2009/10.

Source: UBOS

Challenges

The process to gather data on real estate prices and compile real estate indices for greater Kampala has faced a number of challenges. These challenges include:

- The sample frame for the real estate surveys was developed using the Census of Business Establishments conducted by UBOS (2010). However, many of these real estate businesses could not be located at the time of the surveys mostly because of the short lifespan of businesses in Uganda and the high mobility of

business establishments largely caused by the informal business environment.

- b) The initial response rate was relatively low at just below 50 percent. However, following the sensitisation drive between August and October 2012, the response rate has improved steadily.
- c) To validate the data, the initial linear regression models developed using the R.15 software were compared to results obtained using STATA software. This was done at regional level to control for micro location which is normally a short coming of hedonic methods. While the results were promising, more technical analysis is required. The Bank of Uganda has requested for technical assistance from the IMF in order to get advice on how to improve as well as validate the methodology.

5.6. Real estate index data and trends

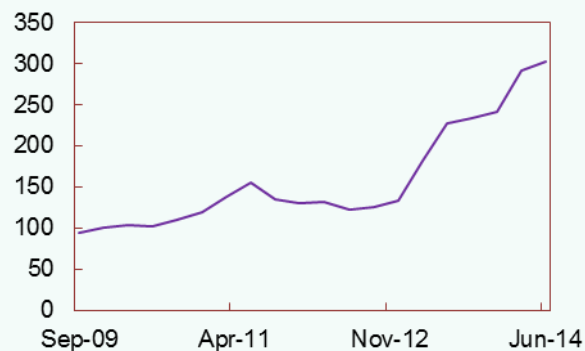
A summary of the LPI, CRI and RPPI from the base period to June 2014 is presented below.

5.6.1. Land Price Index

The LPI is a measure of the percentage change of the average price of buying a square metre of land. This index covers the period of the quarter ending September 2009 to June 2014.

The data indicates that the LPI increased by 223.5 percent between the base period September 2009 and June 2014. The increase in the LPI over this period was driven mostly by prices of land in Kawempe and Nakawa Divisions and Entebbe Municipality.

Chart 37: Land Price Index



Source: UBOS

The aggregate LPI showed that the unit cost of land in the greater Kampala area increased by 33.6 percent between June 2013 and June 2014, a reduction compared to the increase of 84.6 percent between June 2012 and June 2013.

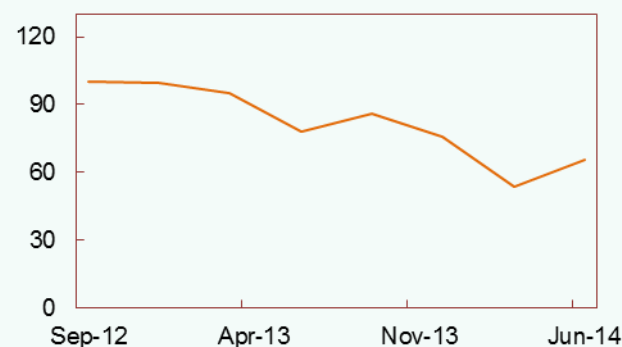
5.6.2. Commercial Rent Index

The index indicates the percentage change in rental prices of commercial space per square metre in the greater Kampala region during the period. It covers the period from September 2012 to June 2014.

The CRI declined by 34.2 percent over the period from its base period in July-September 2012 to June 2014. Notably, there was a 15.6 percent decrease in the cost of commercial building rental space between June 2013 and June 2014. However, it is imperative to note the 22.2 percent rise in commercial rent prices between March and June 2014. This change in rental cost may have been partly caused by changes in exchange rate (for rent charged in foreign currency) as the Uganda shilling lost ground against the dollar in this period.

The exposure of commercial banks to commercial mortgages as a percentage of loans to the building and construction sector remained steady at 21.2 in June 2014. Given that about a quarter of loans to the real estate sector are to commercial developers, the reduction on the CRI may pose a risk for future loan repayment.

Chart 38: Commercial Rent Index



Source: UBOS

Further analysis shows that a large portion of the decline in the CRI is attributed to the Kampala central

sub-index, which has a large weight apportioned to it. At a disaggregated level, the CRI for Kampala Central has declined by 5.4 percent on average quarterly over the period from September, 2012 to June, 2014, while the CRI for peri-urban areas has increased slightly by a quarterly average of 1.5 percent over the same period. This can be attributed to some factors including the increasing relocation of businesses away from Kampala Central and increase in demand for space in the peri-urban areas.

Table 21: Commercial Rent Index

Region	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14
Kampala Central	59.4	67.2	56.8	37.9	49.2
Peri-Urban	18.5	18.6	19.1	16.0	16.6
CRI(UGX)	77.9	85.8	75.9	53.9	65.8
Quarterly CRI Change	-18.0	10.1	-11.5	-29.1	22.2
Annual CRI change		-14.2	-23.7	-43.3	-15.6

Source: UBOS

5.6.3. Residential Property Price Index

This index covers the period from September 2009 to June 2014. The RPPI has increased by 115.3 percent between the base year of June 2009 and June 2014. This growth was attributed to large increases in residential properties in the Central Division, Makindye and Nakawa by 271.0, 122.8 and 134.3 percent respectively. Chart 39 also highlights a significant quarterly increase of 103.6 percent in residential house prices between March and June 2013.

Chart 39: Residential Property Price Index



Source: UBOS

There was a 31.0 percent rise in the RPPI between June 2013 and June 2014. This rise in house prices was still much lower than the high increases observed in the first three quarters of 2013/14.

5.7. Conclusion

The critical nature of real estate price dynamics and their relationship with financial stability and monetary policy poses an important challenge for risk management, financial regulation and policy design.

In spite of this, there has been limited quantitative monitoring of risks from the property market. To a large extent this was a consequence of inadequate data and weak analysis. The lack of reliable and comparable data on property markets restricted the scope of meaningful analysis both at policy level and by financial institutions. The property price indices compiled by BOU are a start towards filling this gap.

Looking forward, Bank of Uganda and the Uganda Bureau of Statistics will take further action aimed at improving the quality of property data through;

- Broadening the scope of real estate market data to include loan-to-value ratio (LTV), commercial property vacancy rates and other international indicators.
- Expanding the coverage of the data to other regions of the country.
- BOU has requested for Technical Assistance from the IMF to validate the methodologies and data of the current indices.
- BOU continues to work with the Association of Real Estate Agents to enhance data quality and to run publicity campaigns.
- Enhancing the comparability of property price statistics across the EAC countries by harmonising compilation methodologies.

5.8. References

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6. STATISTICAL APPENDICES

TABLE 1: Selected quarterly financial soundness indicators for East African countries (*percentage ratios*)

		Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14
Regulatory capital to risk-weighted assets	Uganda	20.7	20.9	21.9	24.5	24.3	23.1	22.1	23.56	22.8
	Kenya	20.3	20.5	21.9	23.2	23.3	22.9	23.2	18.2	17.6
	Tanzania	18.1	17.7	17.9	19.5	18.1	18.4	18.2	19.3	17.8
	Rwanda	25.4	24.1	23.9	-	23.1	23.0	23.1	22.6	23.6
	Burundi	-	19.8	20.2	23.9	21.8	19.9	22.3	21.9	21.3
NPLS to total gross loans	Uganda	3.9	4.7	4.2	4.7	4.0	4.4	5.6	6.2	5.8
	Kenya	4.5	4.6	4.5	5.0	5.3	5.2	5.0	5.6	5.7
	Tanzania	8.1	7.6	7.3	7.9	8.1	7.1	6.6	8.3	8.2
	Rwanda	5.8	6.3	6.0	-	6.9	7.2	6.9	6.7	6.6
	Burundi	-	8.0	8.7	10.0	10.1	9.9	10.3	11.7	12.7
Return on assets (ROA)	Uganda	5.8	5.8	5.3	4.9	4.7	4.3	3.6	3.2	2.8
	Kenya	4.0	3.7	3.7	4.4	3.9	3.7	3.6	3.7	3.7
	Tanzania	2.5	2.7	2.5	2.9	2.7	2.6	2.5	3.0	2.9
	Rwanda	2.3	2.3	2.2	-	2.1	1.7	1.5	3.2	2.8
	Burundi	-	2.1	2.4	0.6	1.1	1.2	1.3	0.4	0.1
Return on equity (ROE)	Uganda	29.5	27.9	24.2	21.0	20.4	18.9	12.4	14.2	12.8
	Kenya	33.3	32.0	29.7	30.1	31.2	30.4	28.9	29.5	30.9
	Tanzania	13.6	14.5	13.2	16.0	15.1	14.1	12.8	15.5	15.5
	Rwanda	10.9	11.1	10.4	-	9.9	8.3	7.4	11.9	12.1
	Burundi	-	10.2	10.1	2.0	5.0	7.6	8.2	2.8	1.1
Foreign currency denominated assets to total assets	Uganda	33.2	30.7	31.7	31.5	30.8	31.8	31.1	32.5	30.4
	Kenya	12.9	12.8	13.2	12.9	12.1	13.2	13.7	14.0	14.9
	Tanzania	30.2	30.4	31.2	30.9	30.4	30.9	30.2	29.6	29.3
	Rwanda	8.4	12.8	13.3	-	12.5	14.2	16.3	16.4	19.7
	Burundi	-	14.3	19.1	20.1	17.4	15.7	17.2	18.6	18.6

Source: Central banks of Burundi, Kenya, Rwanda, Tanzania and Uganda

TABLE 2: Commercial banks' quarterly financial soundness indicators (percentage ratios)

	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14
Capital Adequacy									
Regulatory capital to risk-weighted assets	20.7	20.9	21.9	24.5	24.3	23.1	22.9	23.6	22.8
Regulatory tier 1 capital to risk-weighted assets	18.3	18.5	18.8	21.4	21.3	20.3	19.9	20.9	20.3
Leverage ratio	10.6	10.7	10.6	12.1	12.2	11.9	11.1	11.5	11.2
Asset quality									
NPLs to total gross loans	3.9	4.7	4.2	4.7	4.0	4.36	5.6	6.2	5.8
NPLs to total deposits	2.9	3.4	3.2	3.5	2.9	3.20	4.1	4.2	4.1
Sectoral distribution of loans									
Agriculture	6.4	6.0	7.2	7.3	7.3	7.4	8.0	7.7	9.1
Mining and quarrying	0.4	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.3
Manufacturing	13.9	14.9	15.6	14.0	14.4	14.0	15.1	14.1	13.7
Trade	21.7	19.9	19.3	21.5	20.3	19.1	16.8	20.4	20.8
Transport and comm..	6.6	6.5	6.9	5.5	5.8	6.1	5.8	5.5	5.4
Building and construction	23.3	24.6	23.7	23.8	23.3	23.7	19.4	24.0	23.2
Personal loans	15.4	13.8	13.0	13.4	13.8	15.6	17.0	17.1	17.4
Others	12.3	12.6	12.2	12.6	13.4	7.4	8.0	7.7	9.2
Large exposures to total capital	111.5	104.2	104.8	95.4	103.4	102.2	105.2	97.7	96.4
Earnings & profitability									
Return on assets	4.4	4.3	3.9	3.6	3.3	3.1	2.5	2.4	2.1
Return on equity	29.5	27.9	24.2	21.0	20.4	18.8	15.2	14.9	12.8
Net interest margin	12.8	12.9	12.8	12.5	12.2	11.8	11.5	11.4	11.5
Cost of deposits	3.6	4.0	4.2	4.3	4.1	3.9	3.7	3.6	3.7
Cost to income	68.1	68.8	70.9	72.0	72.4	73.2	77.2	76.6	75.8
Overhead to income	39.6	38.5	40.1	41.9	43.2	45.3	46.7	45.4	41.9
Liquidity									
Liquid assets to total deposits	38.9	42.5	42.0	42.7	41.1	40.6	42.5	45.4	46.5
Total loans to total deposits	74.2	73.3	74.5	74.3	73.9	73.5	71.9	68.7	70.8
Market Sensitivity									
Foreign currency exposure to regulatory tier 1 capital	-5.2	-5.2	-0.6	-5.1	-6.7	-8.2	-3.0	-2.6	-6.7
Foreign currency loans to foreign currency deposits	67.1	67.2	79.3	72.3	70.6	61.8	62.2	59.2	65.0
Foreign currency assets to foreign currency liabilities	103.4	100.7	105.0	104.8	104.9	100.6	96.8	100.8	95.4

Source: Bank of Uganda

TABLE 3: Commercial banks' quarterly balance sheet

	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14
ASSETS (Ushs. Billion)									
Cash & cash assets	384.9	460.3	667.4	523.1	519.4	535.5	692.0	609.4	589.1
Balances with BOU	874.7	1087.9	1341.6	1601.5	1689.5	1519.4	1730.1	2007.5	2263.5
Due from financial institutions	2384.9	2116.4	1649.6	1904.3	1753.5	1842.1	2043.7	2046.0	1853.4
Government securities	2579.3	2932.6	3053.2	2969.9	3116.2	3371.0	3648.7	3911.6	4037.3
Total gross loans & advances	7217.0	7334.4	7789.7	7665.6	7677.4	7953.6	8274.6	8475.5	8783.9
LESS: Provisions	-156.8	-192.2	-187.9	-239.7	-198.2	-195.0	-261.7	-332.9	-371.9
Net loans & advances	7060.2	7142.1	7601.8	7425.9	7479.2	7758.6	8012.9	8142.5	8412.0
Net fixed assets	462.1	485.6	519.3	520.6	522.3	532.4	583.2	756.0	761.7
Other assets	665.6	550.6	633	866.2	612.9	699.7	610.3	698.8	722.5
TOTAL ASSETS	14411.7	14775.5	15465.9	15811.5	15693.0	16258.7	17320.9	18171.8	18639.5
LIABILITIES (Ushs. Billion)									
Deposits	9732.5	10003.4	10457.7	10316.6	10385.3	10820.1	11504.3	12344.7	12406.4
Due to financial institutions	661.8	566.6	513.7	515.0	540.9	597.6	768.4	761.6	946.9
Administered funds	364.7	372.4	359.1	455.8	484.5	953.1	1033.2	1042.6	1080.7
Other liabilities	1412.3	1399.9	1558.3	1726.1	1611.8	1133.2	1157.9	1109.5	1262.6
TOTAL LIABILITIES	12171.3	12342.3	12888.8	13013.5	13022.5	13504.0	14463.8	15258.4	15696.6
CAPITAL (Ushs. Billion)									
Paid-up capital	812.3	917.7	973.6	1057.5	1172.4	1177.4	1272.3	1317.8	1329.7
Share premium	81.5	61.1	75.7	108.4	114.8	115.8	91.8	88.0	90.7
Retained reserves	939.0	867.4	830.6	1346.4	975.4	927.3	914.3	1229.8	1173.0
Other reserves/subordinated debt	103.8	139.8	152.7	160.3	150.6	150.5	159.7	160.1	153.4
Profit – Loss (current year)	303.7	447.2	544.5	125.5	253.6	383.6	419.1	117.7	196.2
TOTAL SHAREHOLDERS' FUNDS	2240.4	2433.2	2577.0	2798.0	2667.2	2754.7	2857.1	2913.4	2942.9
OFF BALANCE SHEET ITEMS (Ushs. Billion)									
Letters of Credit	307.4	335.8	352.0	329.3	347.6	370.4	354.2	424.0	376.4
Guarantees & performance bonds	1022.8	1060.5	1046.3	1071.0	983.0	1035.1	1157.3	1264.2	1386.1
Unused loans/overdrafts commitment	925.5	925.8	1023.3	838.3	938.4	759.8	1092.8	1088.4	1137.0
Other off balance sheet items	1050.3	444.7	765.1	660.6	409.5	281.1	268.7	398.9	340.0
TOTAL OFF BALANCE SHEET ITEMS	3306.0	2766.9	3186.7	2320.8	2389.5	2446.4	2873.0	3175.6	3239.8

Source: Bank of Uganda

TABLE 4: Commercial banks' quarterly income statement, year-on-year figures

	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14
INCOME (Ushs. Billion)									
Interest income									
Advances	1443.8	1495.0	1465.3	1425.9	1391.1	1375.9	1389.5	1391.7	1427.0
Government securities	245.1	268.6	296.5	310.2	326.4	335.6	349.8	362.2	379.5
Deposits abroad	39.6	46.4	49.3	48.6	42.5	36.2	29.5	22.4	16.8
Other	97.2	106.0	105.4	98.4	95.0	86.7	91.0	102.6	111.9
Charges, fees & commissions	273.3	294.8	326.9	340.1	347.0	346.5	335.3	343.5	340.4
Foreign exchange income	236.7	255.0	250.6	235.7	234.2	214.1	216.4	211.0	210.6
Other income	95.1	97.1	101.4	105.1	113.1	119.6	127.2	132.7	161.4
TOTAL INCOME	2430.9	2562.8	2595.5	2563.9	2549.3	2514.1	2538.7	2566.0	2647.7
EXPENSES (Ushs. Billion)									
Interest expense on deposits	343.7	380.5	401.5	419.5	415.8	405.2	406.8	412.9	425.8
Other interest expenses	220.0	224.8	193.3	150.6	137.6	125.6	119.8	124.7	139.3
Provisions for bad debts	128.2	169.9	205.9	202.1	192.6	172.1	247.9	262.8	332.1
Salaries, wages, staff costs	417.2	428.6	437.8	450.4	462.4	479.6	504.4	527.0	551.5
Premises, depreciation, transport	185.4	191.2	198.1	203.7	208.0	209.4	221.7	229.0	244.8
Other expenses	359.0	365.7	405.2	420.1	430.6	449.3	458.3	459.2	471.9
TOTAL EXPENSES	1653.5	1760.8	1841.7	1846.3	1847.0	1669.2	1711.1	1753.0	1833.2
ADD: Extraordinary credits/charges	0.9	1.2	0.9	0.5	0.5	0.5	0.0	0.0	0.0
Net profit before tax	776.4	800.8	754.7	718.1	702.8	673.4	579.9	550.3	482.4
LESS: Corporation tax	189.5	201.5	199.9	194.9	205.8	187.0	165.9	145.1	123.6
NET PROFIT AFTER TAX	587.0	599.3	554.8	523.3	497.0	486.3	414.0	405.2	358.8

Source: Bank of Uganda

TABLE 5: Land Price Index Figures (Base period is 2009/2010)

	LPI	Annual change (%)	REGIONS							
			ENTEBBE	CENTRAL	KAWEMPE	MAKINDYE	MUKONO	NAKAWA	RUBAGA	WAKISO
Weights	100.0		3.5	22.7	1.4	4.9	9.9	15.3	3.6	38.7
Sep-09	93.7		3.4	22.6	1.1	4.3	8.1	14.8	4.0	35.6
Dec-09	101.2		3.3	22.6	1.5	5.5	9.5	15.9	4.8	38.1
Mar-10	103.5		3.4	22.6	1.8	5.1	10.6	17.2	3.1	39.8
Jun-10	101.6		3.9	23.1	1.5	4.7	11.3	13.4	2.5	41.4
Sep-10	109.6	17.0	4.0	32.6	0.8	6.7	9.0	16.7	2.5	37.4
Dec-10	119.0	17.5	4.1	38.6	1.1	3.9	8.9	26.5	2.6	33.4
Mar-11	138.2	33.6	5.0	42.1	1.7	6.2	10.8	27.1	2.1	43.2
Jun-11	155.8	53.3	4.7	43.9	2.2	9.2	11.9	35.3	3.3	45.3
Sep-11	135.4	23.5	5.4	44.9	1.3	10.1	10.8	22.8	2.4	37.7
Dec-11	130.7	9.9	5.8	45.4	1.9	11.2	10.2	14.7	3.4	38.1
Mar-12	132.3	-4.3	5.7	45.6	1.5	3.2	9.9	21.7	2.0	42.8
Jun-12	122.9	-21.1	6.0	45.8	1.3	2.3	13.0	7.0	4.4	43.1
Sep-12	134.2	-0.9	7.1	54.2	1.9	2.0	7.8	11.4	5.6	44.2
Dec-12	145.8	11.5	7.7	58.9	1.1	1.5	3.7	18.4	9.4	45.3
Mar-13	197.9	49.6	5.8	61.4	3.9	2.7	8.4	58.3	9.7	48.0
Jun-13	226.9	84.6	7.0	45.8	2.6	5.2	10.1	96.0	9.6	50.7
Sep-13	233.2	73.8	18.9	38.1	7.9	7.7	10.6	66.6	10.8	72.6
Dec-13	241.5	65.7	18.3	34.0	9.1	13.3	10.1	76.1	7.3	73.3
Mar-14	291.0	47.0	20.4	45.6	11.3	12.4	11.0	92.8	7.6	89.8
Jun-14	303.1	33.6	19.4	40.6	11.4	13.0	12.2	95.8	8.2	102.6
Sep-14	318.9	36.8	19.4	48.7	12.5	15.0	11.3	103.3	9.0	99.8

Source: Bank of Uganda

TABLE 6: Commercial Rent Index Figures (Base period is 2012/2013)

	CRI	Annual change (%)	REGIONS							
			ENTEBBE	CENTRAL	KAWEMPE	MAKINDYE	MUKONO	NAKAWA	RUBAGA	WAKISO
Weights	100.0		0.4	84.4	4.1	0.9	1.1	6.1	2.1	0.9
Dec-12	99.5		0.7	82.6	4.1	0.9	1.2	7.2	2.1	0.9
Mar-13	95.0		1.3	74.4	4.2	1.3	1.0	9.0	3.0	1.0
Jun-13	77.9		1.0	59.4	4.5	1.3	0.8	5.6	3.7	1.6
Sep-13	85.8		0.9	67.2	4.5	1.3	0.9	5.7	3.8	1.6
Dec-13	75.9	-23.7	1.0	56.8	4.6	1.3	0.9	5.8	4.2	1.4
Mar-14	53.9	-43.3	0.8	37.9	2.8	1.4	0.9	4.9	3.8	1.5
Jun-14	66.5	-14.7	0.8	49.2	3.5	1.4	0.9	6.3	2.8	1.7
Sep-14	69.1	-19.5	0.8	51.9	3.4	1.5	0.9	6.2	3.1	1.4

Source: Bank of Uganda

TABLE 7: Commercial Rent Index Figures (Base period is 2009/2010)

	RPPI	Annual change (%)	REGIONS							
			ENTEBBE	CENTRAL	KAWEMPE	MAKINDYE	MUKONO	NAKAWA	RUBAGA	WAKISO
Weights	100.0		1.6	0.3	2.0	46.2	0.4	39.8	1.2	8.5
Sep-09	83.3		3.4	0.2	2.0	14.5	0.2	51.9	0.2	10.9
Dec-09	121.5		1.7	0.2	1.9	66.9	0.6	40.8	1.8	7.6
Mar-10	111.2		0.5	0.3	1.8	67.9	0.5	32.2	1.3	6.7
Jun-10	84.1		0.8	0.6	2.3	35.3	0.4	34.4	1.7	8.6
Sep-10	88.0	5.7	1.6	0.6	2.9	32.8	0.5	39.6	1.9	8.2
Dec-10	80.8	-33.5	-	0.5	1.6	31.3	0.7	36.4	2.0	8.4
Mar-11	98.9	-11.0	0.4	0.5	1.8	36.5	0.8	50.2	1.5	7.3
Jun-11	75.1	-10.7	0.8	0.5	1.9	32.0	0.3	29.9	1.3	8.3
Sep-11	69.0	-21.5	0.4	0.5	3.4	31.1	0.4	22.3	2.1	8.9
Dec-11	61.1	-24.4	0.7	0.5	1.9	30.1	0.3	16.6	1.0	10.0
Mar-12	65.7	-33.6	1.0	0.5	2.3	28.1	-	23.9	1.4	8.6
Jun-12	72.9	-2.9	1.0	-	1.7	21.8	0.3	36.3	3.0	8.9
Sep-12	77.5	12.3	1.5	0.4	1.8	36.1	0.3	27.9	1.6	8.0
Dec-12	68.9	12.8	1.4	0.5	1.3	31.1	0.4	25.1	1.6	7.5
Mar-13	67.2	2.3	1.0	0.5	1.3	34.0	0.2	22.0	0.8	7.4
Jun-13	136.8	87.6	0.7	0.4	1.4	63.4	0.1	58.1	1.0	11.6
Sep-13	173.0	123.2	0.5	2.0	2.6	86.0	0.4	65.9	2.2	13.5
Dec-13	175.6	155.0	0.5	2.2	3.3	82.8	0.4	71.7	2.0	12.7
Mar-14	184.9	175.2	0.6	2.5	3.0	79.7	0.5	79.6	2.2	16.7
Jun-14	179.2	31.0	0.5	2.3	2.5	78.7	0.3	80.5	2.0	12.5
Sep-14	181.2	4.7	0.4	2.1	2.4	88.5	0.2	73.0	2.1	12.5