



BANK OF UGANDA

Golden Jubilee  
1966 - 2016

Promoting Financial Stability

# Annual Report

30 June 2017





## **Mission**

**To foster price stability and a sound financial system**

## **Vision**

**To be a centre of excellence in upholding macroeconomic stability**

## **Values**

**Transparency & Accountability, Integrity, Teamwork, Excellence,**



# Table of Contents

	Page
Table of Contents .....	1
List of Figures.....	2
List of Tables .....	3
Abbreviations & Acronyms .....	4
Registered Addresses .....	7
1 Governor's Foreword.....	8
2 Board of Directors and Management Structure .....	9
3 Corporate Governance .....	11
4 Risk Management Operations .....	23
5 Strategy Management in Bank of Uganda.....	26
6 Internal Audit Directorate .....	27
7 Economic Developments and Prospects .....	28
8 Financial Markets Developments .....	45
9 Banks Supervision.....	53
10 Financial Inclusion.....	57
11 Banking, Currency and National Payment Systems.....	60
12 Petroleum Revenue Investment Fund.....	67
13 Agricultural Credit Facility (ACF).....	70
14 Information Technology.....	75
15 Financial Results for the Year Ended June 30, 2017 .....	76
16 Directors' Report .....	86
17 Statement of the Directors' Responsibilities.....	88
18 Report of the Auditor General to Parliament .....	89
19 Financial Statements.....	93
20 Notes to the Financial Statements for the Year Ended June 30, 2017 .....	97
21 List of Appendices .....	166



# List of Figures

	Page
Figure 1: Commodity Price Developments.....	30
Figure 2: The CBR and Interbank Money Market Rates.....	34
Figure 3: Yields on Treasury Bills.....	34
Figure 4: Interest Rates by Sector.....	36
Figure 5: Annual Private Sector Credit Growth by Sector.....	36
Figure 6: Net Extensions of Loans by Banks (UGX, billions).....	37
Figure 7: Annual Percentage Growth of Monetary Aggregates.....	37
Figure 8: GDP growth.....	39
Figure 9: Quarterly changes (CIEA).....	40
Figure 10: Balance of Payments.....	42
Figure 11: Exchange Rate developments.....	43
Figure 12: Treasury Securities Outstanding Stock by Holder Category as at June 30, 2017.....	48
Figure 13: Government Securities Benchmark Yield Curve Comparisons: June 2016 vs June 2017.....	49
Figure 14: Secondary Market Trades of Government Securities July-2016 to June-2017.....	50
Figure 15: Artistic impression of the proposed Masaka Currency Centre under construction.....	62
Figure 16: Mobile Money industry trends for the year ended June 2017.....	66
Figure 17: Piechart showing the ACF Portfolio grouped by activity funded as at June 30, 2017.....	73
Figure 19: Grain Storage Facility.....	73
Figure 20: on-farm (maize field).....	74
Figure 21: Milk Processing Unit.....	74
Figure 22: Distribution of interest income.....	77
Figure 23: Interest rate trends for the year ended June 30, 2017.....	78
Figure 24: Exchange rate trends for the year ended June 30, 2017.....	79
Figure 25: Distribution of actual expenditure.....	81



# List of Tables

	Page
Table 1: Composition and Membership as at June 30, 2017 .....	15
Table 2: Attendance of the Board and Board Committees: July 2016 - June 2017 .....	17
Table 3: Global Economic Performance and Outlook: 2015 - 2018 .....	29
Table 4: Global Trade Growth .....	32
Table 5: Commercial Banks' Interest Rates.....	35
Table 6: Developments in Domestic Inflation.....	38
Table 7: Fiscal performance in FY 2016/17 (UGX. Billions).....	41
Table 8: Indicators of Public Debt Stock .....	41
Table 9: Value of Currency in Circulation as at June 30, 2017 .....	61
Table 10: Issuance Trend to commercial banks .....	61
Table 11: Impact of Automation on the amount of currency re-issue .....	62
Table 12: UNISS volume and values transacted in foreign currencies .....	63
Table 13: Performance of EAPS.....	64
Table 14: ECS Foreign Currency Activity .....	65
Table 15: USD funds received by PF as of June 30, 2017.....	68
Table 16: UGX funds received by PF as at June 30, 2017 .....	68
Table 17: Receipts on Capital Gains Tax .....	68
Table 18: ACF Portfolio grouped by activity funded as at June 30, 2017 (Disbursed & Committed Funds) .....	73
Table 19: Actual expenditure according to core functions of the Bank .....	80
Table 20: Income and Expenditure trends over a period of 5 years .....	84
Table 21: Credit Risk Profile .....	148
Table 22: Credit risk exposure by credit ratings FY 2016/17 .....	149
Table 23: Credit risk exposure by credit ratings FY 2015/16 .....	150
Table 24: Credit risk exposure by sector FY2016/17.....	151
Table 25: Credit risk exposure by sector FY2015/16.....	151
Table 26: Credit risk exposure by geographical location FY 2016/17 .....	151
Table 27: Credit risk exposure by geographical location FY 2015/16 .....	152
Table 28: Liquidity profile 2016/17 .....	152
Table 29: Liquidity profile 2015/16 .....	153
Table 30: Interest risk analysis 2016/17.....	154
Table 31: Interest risk analysis 2015/16.....	154
Table 32: Interest risk sensitivity analysis FY 2016/17 .....	155
Table 33: Interest risk sensitivity analysis FY 2015/16 .....	155
Table 34: Currency risk profile 2016/17.....	156
Table 35: Currency risk profile 2015/16.....	156
Table 36: Currency Risk Sensitivity analysis FY 2016/17 .....	157
Table 37: Currency Risk Sensitivity analysis FY 2015/16 .....	157
Table 38: Fair value hierarchy as at June 30, 2017 .....	159
Table 39: Fair value hierarchy as at June 30, 2016 .....	159
Table 40: Current and non-current assets and liabilities as at June 30, 2017.....	160
Table 41: Current and non-current assets and liabilities as at June 30, 2016.....	161



# Abbreviations & Acronyms

AES	Advanced Economies
AfDB	African Development Bank
AFRACA	African Rural and Agricultural Credit Association
AGCB	Audit and Governance Committee of the Board
ALSI	All Share Index
AML	Anti-Money Laundering
APT	Attack & Penetration Testing
ATM	Automated Teller Machine
Bank	The Central Bank of Uganda
BCNET	Bank's Computing Network
BCP	Business Continuity Plan
BIS	Bank for International Settlement
BOP	Balance of Payments
BOU	Bank of Uganda
BRICS	Brazil, Russia, India, China & South Africa
BRS	Business Resumption Site
BSA	Bank Supervision Application
CBR	Central Bank Rate
CGT	Capital Gains Tax
CIC	Currency In Circulation
CNOOC	China National Offshore Oil Petroleum
COMESA	Common Market for Eastern and Southern Africa
CPCB	Capital Projects Committee of the Board
CPI	Consumer Price Index
CPTM	Commonwealth Partnerships for Technology Management
CRB	Credit Reference Bureau
CSD	Central Securities Depository
DBS	Defined Benefits Scheme
DFS	Development Finance Schemes
DPF	Deposit Protection Fund
DRS	Disaster Recovery Site
EAC	East African Community
EAMU	East African Monetary Union
EAPS	East African Payments System
ECCS	Electronic Cheque Clearing System
ECGS	Export Credit Guarantee Scheme
EFT	Electronic Funds Transfer
EFTPOS	Electronic Funds Transfer at Point of Sale
EIB	European Investment Bank
EIR	Effective Interest Rate
EMDEs	Emerging Markets and Developing Economies
EPA	Economic Partnership Agreement
ERS	Export Refinance Scheme
ERTRF	Energy for Rural Transformation Refinance Scheme
ESAF	Enhanced Structural Adjustment Fund
EU	European Union
ExCOM	Executive Committee of Management - Bank of Uganda
FDEI	Foreign Direct Equity Investment
FDI	Foreign Direct Investment





FERMS	Foreign Exchange Reserve Management System
FIS	Financial Institutions Statute
FMDP	Financial Markets Development Programme
FPC	Foreign Private Capital
FY	Financial Year
GDP	Gross Domestic Product
GDS	Gross Domestic Savings
HIPC	Highly Indebted Poor Countries
HRRCB	Human Resource and Remuneration Committee of the Board
IAS	International Accounting Standards
IDA	International Development Agency
IFAD	International Fund for Agricultural Development
IFEM	Inter-bank Foreign Exchange Market
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IT	Information Technology
ITL	Inflation Targeting Lite
MAC	Monetary Affairs Committee
MDI	Microfinance Deposit Taking Institutions
MDRI	Multi-lateral Debt Relief Initiative
MEMD	Ministry of Energy and Mineral Development
MFHP	Monetary and Fiscal policy Harmonization Program
MOFPED	Ministry of Finance Planning & Economic Development
MPC	Monetary Policy Committee
NBFI	Non-Bank Financial Institutions
NDA	Net Domestic Assets
NED	Non-Executive Director
NEER	Nominal Effective Exchange Rate
NFA	Net Foreign Assets
NIC	National Insurance Corporation
NISP	National Information Security Policy
NPV	Net Present Value
NSSF	National Social Security Fund
OMO	Open Market Operations
PD	Primary Dealers
PDSG	Primary Dealer Shared Gateway
PF	Petroleum Fund
PRGF	Poverty Reduction and Growth Facility
PRIR	Petroleum Revenue Investment Reserve
PSI	Policy Support Instrument
PSIS	Private Sector Investment Survey
PSPC	Payment System Policy Committee
REER	Real Effective Exchange Rate
Repo	Repurchase Order Agreement
RMC	Risk Management Committee
RTGS	Real Time Gross Settlement System
SDR	Special Drawing Rights
SFCB	Strategy & Finance Committee of the Board
SPF	Special Provident Fund
SSA	Sub-Saharan Africa
SWIFT	Society for Worldwide Inter-bank Financial Telecommunication
Total EP	Total Energy & Petroleum



TSA	Treasury Single Account
UBOS	Uganda Bureau of Statistics
UCF	Uganda Consolidated Fund
UCF	Uganda Consolidated Fund
UIA	Uganda Investment Authority
UNIS	Uganda National Inter-bank Settlement System
UPA	Uganda Petroleum Authority
USE	Uganda Securities Exchange
WEO	World Economic Outlook
WTO	World Trade Organization



# Registered Addresses

## PRINCIPAL PLACE OF BUSINESS & REGISTERED OFFICE

Plot 37-45  
Kampala Road  
P O Box 7120  
Kampala  
Uganda

## SOLICITORS

MMAKS  
P O Box 7166  
Kampala  
Uganda

## REGIONAL BRANCHES

Gulu Regional Branch  
Plot 7/9  
Airfield Road  
P O Box 46  
Gulu

Jinja Regional Branch  
Plot 3  
Busoga Square  
P O Box 35  
Jinja

Mbale Regional Branch  
Plot 34-38/40  
Cathedral Avenue  
P O Box 2402  
Mbale

Mbarara Regional Branch  
Plot 2  
High Street  
P O Box 1421  
Mbarara

## AUDITORS

The Auditor General  
Office of the Auditor General  
P O Box 7083  
Kampala  
Uganda

## DELEGATED AUDITORS

Ernst & Young  
EY House  
18, Clement Hill Road  
Shimoni Office Village  
P O Box 7215  
Kampala

## CURRENCY CENTRES

Arua Currency Centre  
Plot 27/29  
Avenue Road  
P O Box 152  
Arua

Fort Portal Currency Centre  
Plot 1  
Kaboyo Road  
P O Box 562  
Fort Portal

Kabale Currency Centre  
Plot 137  
Kisoro Road  
P O Box 966  
Kabale

Masaka Currency Centre  
Plot 41  
Kampala Road  
P O Box 1567  
Masaka



# 1 Governor's Foreword

The Annual Report for the 2016/17 presents details of the Bank of Uganda's corporate governance, achievements in line with core functions of the Bank and audited financial statements for the fiscal year. In the chapters on governance, the Report sets out the structure of the Bank's corporate governance framework, reports on the work of the Board of Directors and on the risk management, strategic management and internal audit of the Bank.

The Report assesses the performance of the Ugandan economy in FY 2016/17, focusing in particular on one of the Bank's primary policy responsibilities, the control of inflation through the formulation and implementation of monetary policy. Inflationary pressures subsided during the fiscal year, in part because of greater exchange rate stability, and this allowed the Bank to gradually ease monetary policy by lowering the policy interest rate (Central Bank Rate) from 15 percent in June 2016 to 10 percent in June 2017. Average annual core inflation during FY 2016/17 was 5.1 percent, which is very close to the Bank's policy target of 5 percent over the medium term.

The Report also covers the Bank's financial market development activities and its foreign exchange reserves management. As at 30 June 2017, the foreign exchange reserves stood at USD 3,384 million, a 14.7 percent increase from July 2016, which is equivalent to 5.3 months of import cover.

The Report provides details of the Bank's regulation and supervision of the financial sector, efforts to promote financial inclusion and banking, currency and national payments systems operations. The Bank undertook a strategy review in 2016/17 and formulated a new Strategic Plan for the five year period 2017-22. In 2016, the Bank marked its fiftieth anniversary and commemorated this with a series of events open to the Public.

The Bank recorded a net deficit of UGX 72,556 million mainly due to intervention costs relating to the resolution of Crane Bank Ltd. This resulted in an impairment of the Bank's core capital, which fell from UGX 350,182 million at the end of FY 2015/16 to a deficit of UGX 17,313 million at end of FY 2016/17. The Bank will, therefore, require recapitalisation in line with Section 14(4) of the Bank of Uganda Act.



Professor Emmanuel Tumusiime -Mutebile

Governor



## 2 Board of Directors and Management Structure

### 2.1 Board of Directors



**Sitting (L-R):** Dr. Louis Kasekende (Deputy Governor, Alternate Chairman of the Board, member of CPCB, HRRCB and SFCB),

Prof. Emmanuel Tumusiime-Mutebile (Governor, Chairman of the Board of Directors),

Mr. Keith Muhakanizi (Director)

**Standing (L-R):** Mrs. Susan Kanyemibwa (Board Secretary),

Mr. James Kahoza (Chairman of the AGCB, Member of: SFCB, CPCB and HRRCB),

Mr. Ibrahim Kabanda (Member of: SFCB, AGCB, CPCB and HRRCB),

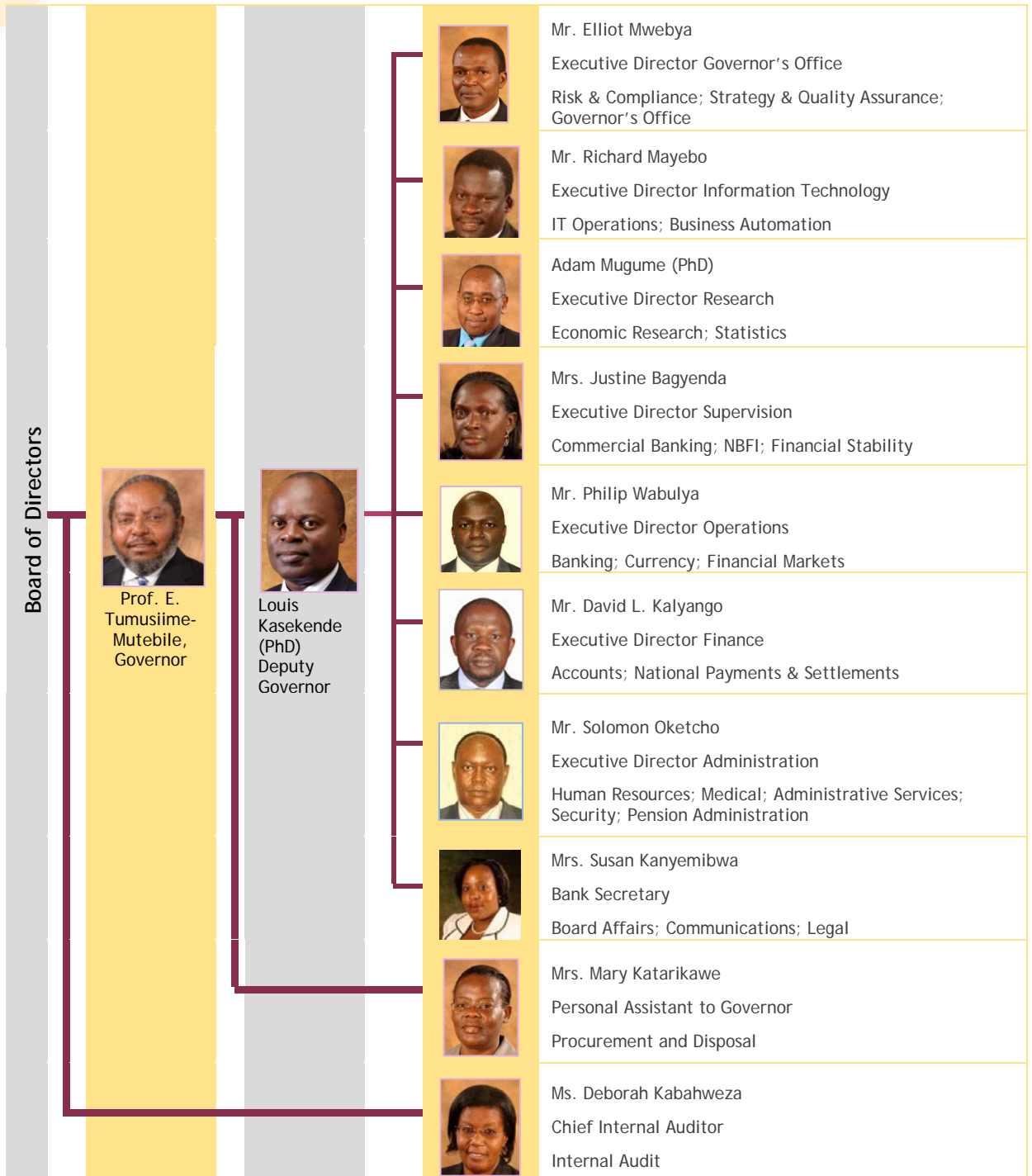
Ms. Judy Obitre-Gama (Chairperson of CPCB, HRRCB and Member of AGCB),

Dr. William Kalema (Chairman of SFCB, Member of AGCB and CPCB)



2.2 Management Structure

Board of Directors and Management Structure



## 3 Corporate Governance

### 3.1 Regulatory Framework

The Bank of Uganda derives its mandate as the Central Bank of Uganda from the Constitution of the Republic of Uganda, 1995. Article 161 of the Constitution vests the authority of the Bank in the Board of Directors. The functions of Bank of Uganda are spelt out in Article 162 of the Constitution and Section 4 of the Bank of Uganda Act, [Chap 51 Laws of Uganda].

### 3.2 Corporate Governance Statement

In pursuit of its Mission '*to foster price stability and a sound financial system*', and in compliance with the principles of good governance, the Bank of Uganda executes its work through a properly constituted governance structure comprised of the Board of Directors, Board Committees and Management Sub-Committees. The Bank's operations are implemented and monitored through the Annual Work Plans and regular reporting through the appropriate governance structures.

Bank of Uganda upholds, and is committed to the international best practice and highest standards of business integrity, ethical values and governance. The Board of Directors recognizes the responsibility of the Bank to conduct its affairs with prudence, and to be accountable by ensuring that the Bank complies with the law and business ethics, thereby safeguarding the interests of stakeholders. This is achieved through checks and balances and upholding the values of accountability, commitment, ethical behaviour, excellence, transparency and teamwork. In the forthcoming Bank of Uganda Strategy 2017-2022, the values will be shortened to TITE which stands for Transparency & accountability, Integrity, Teamwork and Excellence.

The Strategic Plan adopted by the Board of Directors in 2012 continued to be the driving force for the work executed by Bank during the Financial Year under review.

The Corporate Governance Statement complies with the best practice disclosure including: the profiles of Directors, information on composition of committees, Directorship/Chairmanship in other organisations and companies, information on attendance of the Board and Board Committee meetings, brief descriptions of the functions of the Board and each of the Board Committees, Remuneration of Directors and the Board performance assessment.

### 3.3 The Board of Directors

#### 3.3.1 Roles and Responsibilities

The Board of Directors [the 'Board'] is responsible for and committed to sound principles of Corporate Governance in the Bank of Uganda. The Board has a fiduciary obligation to act in the best interest of the Bank, and has a crucial responsibility to oversee how management serves the short and long term interests of the shareholder and other stakeholders. We keep our governance practices under continuous review and also benchmark with other Central Banking practices worldwide.



The Board is entrusted with the ultimate collective responsibilities of providing entrepreneurial leadership for the Bank within a framework of prudent and effective risk management, setting the Bank's strategic goals, exercising integrity and sound judgement in directing the Bank so as to achieve its Mission and strategic objectives while respecting the principles of transparency and accountability, providing direction for management and creating a high performance culture, overseeing the integrity of the Bank's accounting and financial reporting systems, and the effectiveness and adequacy of the Risk management and internal control systems. The Board provides oversight in ensuring that the Bank complies with all the relevant laws, regulations and codes of best business practice and ensures effective communication with the shareholder and other stakeholders.

### 3.3.2 Composition of the Board of Directors

The Board comprises Executive and Non- Executive Directors [NEDs]. As at the date of this report, the Board consisted of seven [7] Directors; two [2] Executives and five [5] NEDs. The Governor is the Chairman of the Board and the Deputy Governor is the Alternate Chairman.

The Governor, Deputy Governor and all the NEDs are appointed by the President with the approval of Parliament. Members of the Board hold office for a term of five [5] years but are eligible for re-appointment. All the Directors possess a wide range of professional knowledge, qualifications, skills and experiences and are persons of integrity. The profiles of each member of the Board along with the number of Committee Membership(s)/Chairmanship(s) and date of joining the Board are provided herein and summarized in Table 1.

#### 3.3.2.1 Emmanuel Tumusiime-Mutebile

He is the Governor and Chairman of the Board of Directors. He Chairs the Executive Committee; Monetary Policy Committee; Payment System Policy Committee; Financial Stability Committee and Foreign Exchange Reserve Management Policy Committee. He is a member of the Board of Trustees of the BoU Staff Retirement Benefits Scheme.

He holds a B.A. Joint Honours [Economics and Politics], Upper Second, Durham University (Dunelm) UK, an M.A. (Equivalent) from Oxford University UK. He is an Honorary Professor (Economics & Management), Makerere University Kampala, an Honorary Doctor of Philosophy of Nkumba University, a Companion of the Commonwealth Partnership for Technology Management (CPTM), and a Doctor of Laws (Honoris Causa) of Bishop Stuart University.

As a seasoned economist and reformer, he spearheaded the design and implementation of the Economic Reform Program that restored Uganda from the economic crises of the 1970s and 1980s to sound economic performance during his service as the Permanent Secretary/Secretary to the Treasury in the Ministry of Finance Planning and Economic Development.

He worked as a consultant for multilateral and regional organizations including the World Bank, International Monetary Fund, Organization for Economic Cooperation and Development [OECD], and the Macroeconomic and Financial Management Institute [MEFMI] of East and Central Africa. He was a member of the High Level Panel of the UNDP for the production of the Human Development Report of





the UNDP; and a member of the High Level Panel of Eminent Persons to advise the President of the African Development Bank [AfDB] on the strategic future of the Bank. Makerere University honoured him with the establishment of the Prof. Emmanuel Tumusiime-Mutebile Chair of Monetary Policy, Banking and Finance; and the Tumusiime-Mutebile Centre of Excellence for the Private Sector Development in October 2015.

### 3.3.2.2 Dr. Louis Kasekende (PhD)

He is the Deputy Governor and Alternate Chairman of the Board of Directors. He is a member of the Board of Trustees of the BoU Staff Retirement Benefits Scheme; a member of the Strategy and Finance Committee of the Board, the Capital Projects Committee of the Board and the Human Resources and Remuneration Committee of the Board. At management level, he chairs the Strategy & Finance Committee, the Human Resources Management Committee, the Financial Markets Operations Sub-committee, the Effective Information Management Committee and the Risk Management Committee.

He holds a Bachelor of Arts Degree from Makerere University, Diploma in Econometrics, Masters of Arts and PhD in Econometrics from the University of Manchester. He has authored several articles in academic journals and books. He has served as Chief Economist of the African Development Bank (AfDB), as an Alternate Executive Director, and later as Executive Director at the World Bank for Africa Group 1, overseeing 22 countries mostly from Anglophone Sub-Saharan Africa. He previously served as a member of the United Nations Group of Eminent Persons for the Least Developed Countries and the World Bank Knowledge Advisory Commission.

He is currently a Board Member of the African Export Import Bank (AFREXIMBANK), the International Economics Association (IEA) and the Africa Economic Research Consortium (AERC), and is a member of the National Steering Committee on Capital Markets Development in Uganda.

### 3.3.2.3 Mr. James Kahoza

He is a Non-Executive Director, and Chairman of the Audit & Governance Committee of the Board; member of the Strategy and Finance Committee of the Board, the Capital Projects Committee of the Board and the Human Resources and Remuneration Committee of the Board.

He holds a Bachelor of Economics from Makerere University, Kampala. He is currently the Chairman Board of Directors - Kakira Sugar. He was Chairman, Public Procurement and Disposal of Public Assets Authority (PPDA), served as a Commissioner on the Uganda Revenue Authority Commission of Inquiry, served as an Auditor General of the Government of Uganda and served as the Permanent Secretary, Ministry of Finance Planning and Economic Development.

### 3.3.2.4 Mr. Ibrahim K. Kabanda

He is a Non-Executive Director and member of the Strategy and Finance Committee of the Board, the Audit & Governance Committee of the Board, the Capital Projects Committee of the Board and the Human Resources and Remuneration Committee of the Board. He is Chairman of the Board of Trustees of the BoU Staff Retirement Benefits Scheme.



He holds a Masters Degree in Development Economics and Economic Planning. He is the current Chairman of the Lease Committee for the Buganda Land Board. He served as the Chairman, Board of Directors, Uganda Revenue Authority and he was the Chairman/Managing Director of Uganda Commercial Bank. He was Permanent Secretary, Ministry of Planning and Economic Development and served as a Director, Stanbic Bank Uganda.

#### 3.3.2.5 Dr. William S. Kalema (PhD)

He is a Non-Executive Director, and the Chairman of the Strategy and Finance Committee of the Board; member of the Audit & Governance Committee of the Board and the Capital Projects Committee of the Board.

He holds a Masters and Bachelor's degree in chemical engineering from Cambridge UK, and a Ph.D. degree in chemical engineering from California Institute of Technology, USA. He is the Country Managing Director of BDO East Africa, a professional firm that offers audit, accounting, tax and business advisory services. He has worked as a consultant to businesses, government, and development agencies since 1992. He was a member of the UK Commission for Africa that developed a 10 year long-term strategy for international support for Africa's sustainable development.

He has served as a Chairman and Director on several Boards including the Uganda Manufacturers Association (UMA), the Uganda Investment Authority, DFCU Bank, the African Agricultural Capital Fund, and was a member of Uganda's high-level Presidential Investors Round Table. He is currently a Member of the Investment Committee of the Africa Enterprise Challenge Fund, that has provided around USD 100 million to fund agricultural enterprises in Sub-Saharan Africa, and is a Director of several companies including UAP Insurance Uganda and Interswitch East Africa.

#### 3.3.2.6 Ms. Judy Obitre-Gama

She is a Non-Executive Director, and Chairperson of the Capital Projects Committee of the Board and the Human Resources and Remuneration Committee of the Board. She is also a member of the Audit & Governance Committee of the Board, a member of the Board of Trustees of the BoU Staff Retirement Benefits Scheme and Chairperson of the Investment Sub-Committee of the Staff Retirement Benefits Scheme.

She is currently the Executive Director of the National Identification and Registration Authority [NIRA]. She earlier served as the Board Secretary of the Uganda Registration Services Bureau (URSB).

She holds an LL.M from the University of London (London School of Economics & Political Science), an LL.B (Hons) from Makerere University, Kampala, (Upper Second Class), and a Diploma in Legal Practice from the Law Development Centre, Kampala. She is an Advocate of the Courts of Judicature of Uganda since 1994 and she is a member of the Uganda Law Society, the East African Law Society, FIDA-Uganda and other professional bodies. She has worked on a number of consultancies and has authored several articles in various magazines.



### 3.3.2.7 Mr. Keith Muhakanizi

He is a Non-Executive Director, and a member of the Strategy and Finance Committee of the Board. He holds a Masters of Science in Development Economics, University of Manchester, UK, a Diploma in National Economic Planning and Statistics and a Bachelor of Science [Economics], Makerere University.

He is the Chairman Board of Directors, Housing Finance Bank Ltd and Board Member of Uganda Retirement Benefits Regulatory Authority [URBRA]. He has served in various positions at the Ministry of Finance, Planning and Economic Development and he is currently the Permanent Secretary/Secretary to the Treasury.

He has served as a Chairman and Director on several Boards including the Uganda Coffee Development Authority Board [UCDA], the PTA Bank, the Uganda Industrial Research Institute, the National Housing and Construction Company Ltd, and Post Bank Uganda Ltd,

He has written more than ten [10] cabinet memos, authored several papers, strategies and Plans on Poverty Eradication, the Medium-Term Competitive Strategy for the Private Sector, the Uganda Commercial Legal Sector Action Plan, the Plan for Agriculture Modernization, produced several high quality papers on background to the Budget, on Macroeconomic reforms and their impact in Uganda, and on Structural Adjustment and Donor Lending: The Uganda Experience.

Table 1: Composition and Membership as at June 30, 2017

Name	Date of Appointment	Board Committees			
		AGCB	CPCB	HRRCB	SFCB
Prof. E Tumusiime- Mutebile [ C/M]	12-Jan-2016				
Dr. L Kasekende [PhD] [Alternate C/M]	15-Jan-2015		Member	Member	Member
Mr. James Kahoza	12-Nov-2012	Chairman	Member	Member	Member
Mr. Ibrahim Kabanda	12-Nov-2012	Member	Member	Member	Member
Dr. William Kalema	12-Nov-2012	Member	Member		Chairman
Ms. Judy Obitre- Gama	12-Nov-2012	Member	Chairman	Chairman	
Mr. Keith Muhakanizi	21-Jul-2016				Member

### 3.4 Secretary to the Board

The Bank/Board Secretary provides secretarial services and logistical support to the Board in order to facilitate and interface policy making with policy implementation. In liaison with Legal Counsel, the Bank Secretary advises the Board on legal and corporate governance matters. In consultation with the Chairman, the Secretary ensures good and timely information flow to the Board, the Board Committees and Management. All members of the Board and Management have access to the Bank Secretariat services.



### 3.5 The Functions and Duties of the Board

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

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

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

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

#### 3.5.1 The Board of Directors' Charter and Code of Conduct

The Board is committed to highest standards of integrity and ethical conduct in carrying out its duties and dealing with all stakeholders. This commitment is confirmed by the endorsement of the Board of Directors' Charter and Code of Conduct, an instrument which is referred to in the course of duty. The following are the obligations inferred from common law and articulated in the code of conduct:

- i. fiduciary obligation to act in the best interest of the Bank;
- ii. duty to act within powers;
- iii. to promote the success of the Bank;
- iv. exercise independent judgment;
- v. exercise reasonable care, skill and diligence;
- vi. avoid conflicts of interest; and,
- vii. Not to accept benefits from third parties.

#### 3.5.2 Meetings of The Board

According to the Bank of Uganda Act, at least 10 meetings of the Board [including Board Committee Meetings] must be held in one financial year. The Board and Board Committees meet quarterly as scheduled. Ad hoc or special meetings are convened as and when required. In total, the Board and Board Committee meetings held during the period under review were thirty one (31), and the attendance was as indicated in the table below:



Table 2: Attendance of the Board and Board Committees: July 2016 - June 2017

BOARD MEMBER	BOARD [7]	SFCB [5]	AGCB [8]	HRRCB [4]	CPCB [7]
Prof. Emmanuel Tumusiime-Mutebile	6/7	N/A	N/A	N/A	N/A
Dr. Louis Kasekende	5/7	4/5	N/A	4/4	5/7
Mr. James Kahoza	7/7	5/5	8/8	4/4	7/7
Mr. William Kalema	6/7	5/5	6/8	N/A	7/7
Mr. I. K. Kabanda	7/7	5/5	8/8	4/4	6/7
Ms. Judy Obitre Gama	7/7	N/A	7/8	4/4	7/7
Mr. Keith Muhakanizi	5/7	2/5	N/A	N/A	N/A

Source: Bank of Uganda

#### Notes:

The Audit and Governance Committee of the Board meetings included 4 scheduled meetings; two with the Chief Internal Audit and the other two with the External Auditors.

### 3.6 Board Committees

In discharging its functions, the Board delegates some of its responsibilities to the Board Committees. The Committees are: the Human Resource and Remuneration Committee of the Board, the Strategy and Finance Committee of the Board, the Capital Projects Committee of the Board and the Audit and Governance Committee of the Board. The Committees operate within defined terms of reference as laid down in the Board Charter.

#### 3.6.1 Human Resource and Remuneration Committee of The Board (HRRCB)

The HRRCB is composed of the Deputy Governor and four Non-Executive Directors. The Committee is chaired by a Non-Executive Director. The Bank Secretary is secretary to the Committee. The Executive Director Administration attends the meetings, as an ex-officio, while other senior staff members may attend by invitation. The Committee considers human resource policies, human resource allocation, skills inventory and succession management, proposals for recruitment and selection, promotion, training and development, disciplinary cases and all other staff related matters affecting the operations of the Bank before they are presented to the Board for ratification. HRRCB meetings are held quarterly and ad hoc or special meetings may be convened as and when required. The Committee reports to, and makes recommendations to, the Board.

#### 3.6.2 Strategy and Finance Committee of the Board (SFCB)

Formerly known as the Finance Committee of the Board but was renamed as the Strategy and Finance Committee of the Board during the current financial year to allow it play the pivotal role in the Long-Term Strategy development and implementation. The SFCB is composed of the Deputy Governor and four Non-Executive Directors. The Committee is chaired by a Non-Executive Director. The Bank Secretary is secretary to the Committee. The Executive Director Finance attends the Committee meetings as an ex-officio. The meetings are held on a quarterly basis. Special meetings may be convened as and when necessary. The Committee reviews proposed budgets and supplementary budgets requests and makes recommendations to the Board; reviews quarterly budget performance



reports against approved budgets and generally supervises the Bank's financial discipline by examining financial plans, commitments and budgets presented by management.

### 3.6.3 Capital Projects Committee of the Board (CPCB)

The CPCB is composed of the Deputy Governor and four Non-Executive Directors. The Committee is chaired by a Non-Executive Director. The Bank Secretary is secretary to the Committee. The Executive Directors for Administration, Technology, and Finance attend the meetings as Ex-Officios. Any other senior and technical staff or consultants may attend the meetings on invitation. The meetings are held on a quarterly basis. Special meetings may be convened depending on the Committee's work programme. The terms of reference of the Committee are to oversee and monitor capital projects, including IT, plants, machinery, constructions; major maintenance works, property acquisition and disposal, and makes recommendations to the Board.

### 3.6.4 Audit and Governance Committee (AGCB)

The AGCB is composed of only Non-Executive Directors. The Bank Secretary is secretary to the Committee. The Chief Internal Auditor, the Executive Director Finance, the Executive Director Governor's Office and a representative of the External Auditors attend the Committee meetings. Meetings are held on a quarterly basis. Special meetings may be convened whenever necessary. The terms of reference of the Committee are to assist the Board to fulfil its fiduciary responsibilities by providing assurance to the efficiency and effectiveness in utilizing Bank resources; setting an appropriate control culture, ensuring adequacy of internal control systems; monitoring compliance with laws and regulations and follow-up on non-compliance and overall effectiveness of internal controls and the risk management framework. The Committee reviews significant accounting and reporting issues and their impact on the financial reports and ensures that financial risk areas are managed properly. AGCB also reviews External Auditors' proposed audit scope, plan and approach; the audit conduct and audit deliverables; obtains satisfactory assurance that the audit is conducted in accordance with International Standards on Auditing, and ensures that findings and recommendations made by the External Auditors are appropriately acted upon. The Committee reviews the activities of the Internal Audit Function and its effectiveness, and ensures that the Internal Audit Function has an appropriate standing and independence within the Bank. It also ensures that the internal audit plan addresses key areas of risks, and that recommendations made by Internal Auditors are appropriately acted upon.

### 3.6.5 Remuneration of Non- Executive Directors

During the period July 2016 to June 2017, the Non-Executive Directors were each paid UGX.5,000,000/= (Five million shillings only), net of tax per month as retainer fees and UGX.2,500,000/= (Two million five hundred thousand shillings only) net of tax per meeting as sitting allowance.



### 3.6.6 Assessment of Board Performance

The immediate objective of Board performance assessment was to ensure continuous governance improvement, identifying board performance improvement opportunities and governance framework gaps. The assessment aimed at identifying developmental areas for the individual Directors and for the Board as a team. Board Evaluation is also a risk management exercise and it is conducted annually.

The Board performance evaluation for the calendar year 2016 was undertaken and facilitated by external independent consultants and each individual member of the Board fully participated in the exercise. The consultants applied the revised Board Evaluation instrument [2016] to carry out the assessment exercise. The evaluation exercise also involved the assessment of the effectiveness of the Board Chairman and the Audit and Governance Committee of the Board [AGCB]. The evaluation of the Audit and Governance Committee involved the assessment of the Committee's Structure and Operations, Oversight on Financial Reporting, relationships with Internal and External Auditors and Compliance with Laws, Regulations and Internal Policies.

The Board performance assessment report will be reviewed and approved in the FY2017/2018 and the AGCB will be responsible to oversee the implementation of the agreed action plan.

### 3.6.7 The Board's Achievements and Developments

The following were some of the key activities and achievements of the Board during the period under review:

- i. The Board approved the next five-year Strategic Plan scheduled for implementation from July 1, 2017 to June 30, 2022. The new plan has seven [7] Strategic Objectives [SO] namely:
  - a. Enhance Price Stability.
  - b. Enhance Financial Systems Stability.
  - c. Enhance Financial Performance.
  - d. Improve Efficiency of the Bank Processes.
  - e. Increase Stakeholder Confidence.
  - f. Strengthen Strategic Partnerships.
  - g. Enhance Organizational Performance.
- ii. Each Strategic Objective has a set of strategic initiatives to be implemented in the next five years to support the Strategic Plan, 2017-22.
- iii. In fulfilling the BoU's perspective of organizational capacity, the Board members attended capacity building programmes to enhance their knowledge and skills in areas of strategic thinking and effective decision making. A training and sensitisation retreat was held for the Board Members and the topics covered included; the Country's Balance of Payment [BoP] position supported by disaggregated statistics on exports by type and destination, the revised Internal Audit Charter, and feedback from the public on the BoU's 50<sup>th</sup> Anniversary celebrations and outreach activities.
- iv. A number of policies were passed, revised and issued in accordance with the laws and best practices for purposes of improving Bank of Uganda operations.



- v. The revised Board Performance evaluation tool was approved by the Board in March 2017 and was applied in the Board performance assessment for the year 2016.
- vi. The Board exercised close oversight on the external fund managers in respect of the reserves under their control and this involved periodic reporting, site visits and invitation of the respective fund managers to BoU to make presentations to the Board.
- vii. The Bank marked its Golden Jubilee during the course of financial year 2016/2017. The theme of the commemorations was "Promoting Financial Stability". As part of the yearlong commemorations, a number of activities were carried. The activities primarily focussed on outreach and stakeholder engagements, a theme carried by the Bank of Uganda calendar 2017. The activities included:
  - a. Town hall meetings which were held in the areas where BoU currency branches are located. The meetings were an opportunity for the public to give and receive feedback about the Bank's products and services as well as the role of the MoFPED. The meetings enabled the Bank appreciate how the financial consumer protection guidelines were being operationalized in the field.
  - b. The National Primary Schools Essay Competition was held and targeted pupils in over 18,000 primary schools of the country's 112 districts and 39 municipalities. The essay focused on "Why savings is good?" The national winners were recognised by the Bank and were awarded certificates and prizes. The project was executed through collaboration with German Cooperation for International Cooperation (GIZ), and Ministry of Education and Sports.
  - c. The Bank published a commemorative book titled "*The Golden Odyssey: Bank of Uganda 1966 - 2016*" which covered the fifty year history of the Bank. The purpose of publishing the commemorative book was to create a layman version of the Bank's history based on accounts of people who were at the centre of decision making as well as documented history. Its publication was intended to demystify central banking to the public and provide a rich source of economic history of Uganda.
  - d. Cognisant of the reading culture of Ugandans and low financial literacy levels of the population, a documentary about the Bank of Uganda after 50 years was prepared. The documentary will be aired on public television during FY 2017/2018.
  - e. The 24th Joseph Mubiru Memorial Lecture and Golden Jubilee Panel Debate were conducted to facilitate a reflection by both Bank of Uganda and her stakeholders on matters pertinent to central banking and how it shapes economic growth and transformation.
  - f. As part of the Corporate Social Responsibility (CSR) under the commemorations, the Bank was involved in tree planting in the upcountry currency centres and branches. In addition, a Charity Walk focussed on maternal and infant mortality issues was also conducted. The charity walk was undertaken in consultation with the Ministry of Health (MoH) and respective Local Government District officials. It covered the following health centres, namely Omel Health Centre II-Gulu District, Ayivuni Health Centre III-Arua District, Nakaloke Health Centre III-Mbale District, as well as Bwizibwera Health





Centre IV-Mbarara. The scope of the CSR included civil works in some of these centres and purchase of medical equipment.

- g. Purchase and/or development of souvenir items. Some of the items were intended for giving away as corporate gifts to various dignitaries /VIPs; others were to be handed over to staff; and others were for sale.

### 3.6.8 Bank Management Committees

It is a strategic objective of Bank of Uganda to have an organization structure which is conducive to outstanding performance. The Bank has in place Management Committees that form an integral part of the Bank's organization structure. The Committees are composed of Senior Management of the Bank. The Management Committees ensure coordinated policy developments and implementation of Board decisions. The Committees engender teamwork and tap expertise throughout the Bank. The Management Committees are:-

- i. Executive Committee (EXCOM).
- ii. Strategy and Finance Committee (SFC).
- iii. Human Resources Management Committee (HRMC).
- iv. Contracts Committee (CC).
- v. Monetary Policy Committee (MPC).
- vi. Financial Markets Operations Sub-Committee (FMOS).
- vii. Foreign Exchange Reserve Management Policy Committee (FERMPC).
- viii. Payment Systems Policy Committee (PSPC).
- ix. Effective Information Management Committee (EIMC).
- x. Risk Management Committee (RMC).
- xi. Financial Stability Committee (FSC).
- xii. Management Committee (MC).

### 3.6.9 The Medical Board

The Medical Board comprises seven external consultant doctors, one of them being the Chairman and the Director Medical Department is the Secretary. The Committee advises Management and the Board on medical policy issues and the treatment of staff abroad.

### 3.6.10 Corporate Social Responsibility

During the financial year 2016/2017, the Bank of Uganda continued with its efforts of nurturing the three streams of her Corporate Social Responsibility (CSR) initiative, namely transforming the financial institutions ecosystem; enhancing and re-engineering the financial intermediation & regulatory value chain; as well as philanthropic giving or compassionate CSR. The initiatives included various categories of beneficiaries such as financial sector institutions, professional bodies, academic institutions, and corporate entities as well as numerous charitable causes.

- i. Under the segment *transforming the financial institutions ecosystem*, the Bank sought to contribute to the improvement of the dynamic forces / drivers to the positive changes in the sector. The essence of the corporate social investment in this domain was to ensure the



advancement of developments in the financial industry that will contribute to the meeting of our mission in the medium to long term. In this regard, some of the activities undertaken included: Financial sector deepening through budgetary support to the Capital Markets Authority (CMA) and the Uganda Securities Exchange (USE); Expansion of Financial Literacy Training of Trainers (ToT) courses to other regions in the country with a view of ensuring that the Bank of Uganda / Government of Uganda programme of having financially literate citizens reaches all corners of Uganda; and Leveraging strategic collaborations to deliver on our mandate e.g. partnership between BoU and agencies like PROFIRA (Project for Financial Inclusion in Rural Areas), and AgriProFocus Uganda among others.

- ii. The focus under the segment: *Enhancing and re-engineering the financial intermediation & financial institutions regulatory value chain* was to increase the efficacy of executing her mandate in the short to medium term. Our corporate social investment in this area sought to enhance capacity of key contributors to our mandate as well as creating social and economic benefits to all stakeholders of the industry. In this regard, the activities supported entailed:- Support to knowledge generation (research) and curriculum development. The institutions that BoU collaborated with included Makerere University Department of Journalism & Communication, Makerere University College of Business and Management Sciences, Makerere University College of Education and External Studies, as well as Entebbe International University; amongst others. Support to advancement of professional associations such as Uganda Law Society (ULS), Institute of Certified Public Accountants of Uganda (ICPAU), Institute of Corporate Governance of Uganda (ICGU), Uganda Institute of Banking and Financial Services (UIBFS), the Association of Certified Fraud Examiners, the Institute of Procurement Professionals of Uganda (IPPU), and the Public Relations Association of Uganda (PRAU) were undertaken. Other entities supported included; Makerere University Actuarial Society, Reading Association of Uganda, Uganda Scouts Association, Uganda Investment Authority, and Enjuba Spelling Bee.
- iii. Cognisant of the infrastructural and social support gaps amongst certain segments of the country's population, the Bank continued to extend funding to non-profit and community service organisations, and employee community service projects. The Bank supported charity by the Rotary Movement and other entities offering holistic contribution to human livelihoods.



## 4 Risk Management Operations

### 4.1 Introduction

The Board of Directors is responsible for risk management at Bank of Uganda. This role is delegated to Management through the Risk Management Committee (RMC) which ensures smooth implementation of the risk management process. Risk is managed in line with the Bank's risk appetite and tolerance levels as defined by the Board. Risk management at BOU covers financial risk, operational risk, strategic risk and compliance risk. To strengthen risk management, the Bank undertook the following during the year ended June 30, 2017.

### 4.2 Financial Risk

The Bank completed a review and engagement of new counterparties in order to take advantage of new investment opportunities as well as spread out its credit risk exposure. In addition, the counterparty investment strategy was revised in line with market developments. The Bank also completed the implementation of a credit risk measurement model as part of the process to align with the new accounting standard, *IFRS 9, Financial Instruments* by the due date.

#### 4.2.1 Credit Risk

In the context of BOU, credit risk refers to the risk that a counterparty fails to meet its contractual obligations. During the year, credit risk exposure was regularly monitored and evaluated to ensure compliance with policy limits. Credit risk is categorized as Country and Sovereign Risk; and Counterparty Default Risk.

##### 4.2.1.1 Country and Sovereign Risk

BOU foreign investments are mainly in G10 countries owing to their long term economic stability. However, developments including but not limited to elections in the US, UK, Netherlands and France had major impacts on overall sovereign risk and while the markets adjusted to these developments, the long term impact of Brexit remains uncertain as negotiations are still ongoing between the UK and the EU. In addition, the Bank's external fund managers are allowed a limited level of investment in emerging markets which were exposed to geo-political risks. This risk however, did not have any direct impact on the Bank's investments as a whole.

##### 4.2.1.2 Counterparty Default Risk

There was an improvement in the credit profiles of counterparties in most of the major markets where the Bank invests. This was attributed to a more stringent regulatory regime that requires Banks to have additional capital and hold more liquid assets in their balance sheets in order to mitigate their risk exposures.

#### 4.2.2 Market Risk

This is the risk of fluctuation in the value of financial instruments due to changes in their market prices from time to time. Market risk is categorised into foreign exchange risk and interest rate risk.



#### 4.2.2.1 Foreign Exchange Risk

BOU held limited money market deposits in the Australian (AUD) and Canadian (CAD) dollar, which are non-liability currencies but are held for purposes of return enhancement. This presents a risk of realising losses if CAD and AUD holdings were to be converted when exchange rates are unfavourable.

The Bank carried out a review of its CAD and AUD denominated investments following a persistent depreciation of the currencies particularly the AUD against the US dollar. This followed a progressive reduction in the policy rate of the Reserve Bank of Australia, which was likely to affect the Bank's income going forward. Management took a decision to maintain the AUD investments given that the AUD interest rates were beginning to normalize and the economic fundamentals pointed to a stronger Australian economy by 2018, which would be beneficial for the Bank's portfolio.

#### 4.2.2.2 Interest Rate Risk

The Bank managed interest rate risk by adhering to the interest risk tolerance limits and deviation margins that were set by Management.

Interest rate risk exposure increased following the rising and an indication of further rising of interest rates by the US Federal Reserve Bank. However, market expectations are that interest rate rises were likely to be gradual. As a result, the Bank's reserve portfolio was invested in line with the prevailing interest rate environment to take advantage of interest rate rises should they occur.

#### 4.2.3 Liquidity Risk

In the context of BOU, liquidity refers to the availability of cash and near cash instruments for meeting the Bank's and government's cash obligations such as external debt servicing, payments for imports of goods and services and intervention in the foreign exchange market. Liquidity risk in this case refers to the unavailability of these instruments to meet the Bank's day-to-day requirements.

The reserves level in the liquidity tranche at the close of the period was within the recommended range as defined in the strategic asset allocation. The Bank also uses additional measures to assess the sufficiency of liquidity under stressed conditions. These were also within the recommended ranges during the year.

Overall, the level of financial risk is expected to decline following gradual recovery in the markets where the Bank invests and strengthening of the credit position of the Bank's counterparties.

### 4.3 Operational Risk

The Bank put in place strong internal control systems and robust Business Continuity (BCP) measures to ensure resilience of the time Critical Business Processes. Management successfully tested the Government receipts and payments together with Domestic Clearing and Settlement processes at the Business Resumption Site (BRS). The tests involved relocation of all the clearing and settlement activities to the BRS.

In light of the growing global cybersecurity threats, the Bank conducted an external and internal black box Attack and Penetration Testing (APT) on the Bank's Computing Network (BCNET) and IT



infrastructure. The APT exercise was aimed at assessing the vulnerabilities and risk exposures on the Bank's IT infrastructure and systems so that the recommendations by testers can be implemented to address the issues identified. The exercise was conducted using the "Black Box" testing approach where no prior information on BOU IT assets was provided to the testers but rather the latter used acceptable/ethical hacking techniques to gain access to the network and information assets. The recommendations of the APT exercise have been implemented.

Sensitization of staff on risk management continued at departmental and management levels, with the aim of inculcating into them a healthy corporate risk culture and value system.

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

#### 4.4 Compliance Risk

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation the Bank may suffer as a result of failure to comply with laws, regulations, rules, best practices, related self-regulatory standards and codes of conduct applicable to its activities. The Bank has internal policies, rules and procedures to ensure that the bank complies with relevant laws and regulations that relate to its stakeholders.

Compliance monitoring was carried out in the various business areas to ensure adequate compliance with relevant laws, rules and procedures and the departments were advised accordingly.

The Bank continued monitoring the level of compliance with the current legal and regulatory environment. Compliance plans were also updated with new and/or emerging compliance requirements to ensure completeness of the regulatory universe. To promote and consolidate a compliance culture in the Bank, staff were periodically sensitised on the role and benefits of compliance in the Bank's quest to accomplish its mission and vision.

Finally, the Bank participated in the review of the National Information Security Policy (NISP) and Supporting Standards and has put in place mechanisms to ensure compliance with NISP as soon as it is formally approved and implemented.



# 5 Strategy Management in Bank of Uganda

## 5.1 Introduction

The Board of Directors is responsible for providing leadership in the development and execution of a strategic plan. In March 2017, the Board approved the new Strategic Plan 2017-2022 (SP 2017-2022) which spells out the activities that must be undertaken in the next five years for the Bank to accomplish its mission.

The strategy formulation process was based on the Balanced Scorecard, a strategic planning and performance management system that is widely used by many organisations across sectors, including the financial sector.

In line with national and global developments, the core activities in the new plan include strengthening cyber security and promoting financial inclusion through financial literacy campaigns, agency banking and harnessing the tools and convenience of financial technology.

The preparation and delivery of the SP 2017-2022 was carried out entirely by BoU staff, a significant milestone that is in line with the Bank's vision of being a centre of excellence.

## 5.2 Strategic Objectives

The new Strategic Plan has seven Strategic Objectives, which are the areas of continuous improvement that the Bank must achieve in the next five years through the implementation of strategic initiatives that relate to each objective. The strategic objectives for 2017-2022 are as follows:

- i. Increase External Stakeholder Confidence in the Bank of Uganda
- ii. Enhance Price Stability
- iii. Enhance Financial System Stability
- iv. Enhance Financial Performance
- v. Improve Efficiency of Bank Processes
- vi. Strengthen Strategic Partnerships
- vii. Enhance Organisational Performance

## 5.3 Monitoring and Evaluation

The Board and Management periodically monitors the implementation of the Strategic plan using the measures that have been assigned to each strategic result.



## 6 Internal Audit Directorate

The Bank of Uganda Internal Audit Directorate maintained its role of providing independent assurance on risk management, internal control and governance processes to the Board and Management. This was achieved through execution of work-plan assignments, providing consultancy services and advice.

In the year 2016/17, the approved work-plan was drawn to cover the Customer, Financial, Internal business processes and Organizational Capacity perspectives of the Bank's Strategic Plan SP2012-17.

The audit scope included review of operations and systems in Banking, Currency, Commercial Banking, Accounts, Human Resources, Statistics, Information Technology, National Payments Systems, Financial Markets, Procurement and Disposal, Statistics and Economic Research Departments. System audits covered evaluation of databases and application controls of the Bank's IT systems. Quarterly reviews of the Central Bank Balance Sheet, currency in circulation and external assets were conducted.

Capacity building and knowledge sharing activities were undertaken to enhance skills and knowledge; there was continued collaboration with External Auditors especially during their interim and final audits of the Bank. As part of harmonization, benchmarking and peer reviews were conducted through meetings and interaction with other Central Banks in the East Africa region.

Overall, our findings indicated that the system of internal controls maintained in the Bank was satisfactory for the achievement of its objectives.



# 7 Economic Developments and Prospects

## 7.1 External Economic Environment

### 7.1.1 Global Economic Activity

Although growth in global economic activity decelerated slightly to 3.2 percent in 2016 from 3.4 percent in 2015, it is expected to rise to 3.5 percent in 2017. Growth in 2017 will be supported by stronger-than-expected growth in domestic demand in some Euro economies, particularly in the first quarter of 2017. Global growth is projected to strengthen even further, to 3.6 percent in 2018.

Mid-year growth projections for Advanced Economies (AEs) remain at 2.0 percent for 2017, which is a pickup from 1.6 percent in 2016, mainly supported by strengthening economic activity in the United States (US), France, Italy, Japan and Canada. However, growth in the US has been revised downwards by 0.2 percentage points (PPs) in 2017 and by 0.4 PPs in 2018 to 2.1 percent, on account of weak growth in Q1-2017 and likely less expansionary fiscal policy than had been earlier anticipated. Projected growth for the UK for 2017 was also revised downwards to 1.7 percent from 2.0 percent following soft economic data in Q1-2017. These downward revisions were however offset by upward revisions of growth projections mainly for Canada, Italy and Spain, all of which recorded strong Q1 growth, with indications of a continuance of the same performance in subsequent quarters.

In Emerging Market and Developing Economies (EMDEs), growth is projected to firm further to 4.6 percent in 2017 and 4.8 percent in 2018, from 4.3 percent in 2016, as large commodity exporting countries continue to recover, following the pickup in commodity prices. Among key EMDEs, growth in China is forecast at 6.7 percent in 2017, the same level as in 2016 and at 6.4 percent in 2018, supported by government policy stimulus. In India, growth is projected to be buoyant at 7.2 and 7.7 percent in 2017 and 2018, respectively, on account of government support to growth through sizeable spending while in Russia, the economic recession is projected to come to an end with growth forecast at 1.4 percent both in 2017 and 2018.

Growth in Sub-Saharan Africa (SSA) is projected to strengthen to 2.7 percent and 3.5 percent in 2017 and 2018, respectively, from 1.3 percent in 2016, reflecting the partial recovery in commodity prices. Growth in South Africa has been revised higher by 0.2 PPs in 2017, on account of recovery in the agriculture sector courtesy of favorable weather and recovery in commodity prices which continues to boost the mining sector. However, growth projection for 2018 has been slashed by 0.4 PPs to 1.2 percent to reflect elevated political uncertainty and weak market confidence. Global growth projections are presented in Table 3.





Table 3: Global Economic Performance and Outlook: 2015 - 2018

	Outturns		Jul' 17 Projections		Apr-17 Projections	
	2015	2016	2017	2018	2017	2018
<b>World</b>	3.4	3.2	3.5	3.6	3.5	3.6
<b>Advanced Economies</b>	2.1	1.7	2.0	1.9	2.0	2.0
<b>United States</b>	2.6	1.6	2.1	2.1	2.3	2.5
<b>Euro Area</b>	2.0	1.8	1.9	1.7	1.7	1.6
<b>Japan</b>	1.1	1.0	1.3	0.6	1.2	0.6
<b>United Kingdom</b>	2.2	1.8	1.7	1.5	2.0	1.5
<b>Emerging Market &amp; Developing Economies</b>	4.3	4.3	4.6	4.8	4.5	4.8
<b>Russia</b>	-2.8	-0.2	1.4	1.4	1.4	1.4
<b>Brazil</b>	-3.8	-3.6	0.3	1.3	0.0	0.2
<b>China</b>	6.9	6.7	6.7	6.4	6.6	6.2
<b>India</b>	8.0	7.1	7.2	7.7	7.2	7.7
<b>Sub-Saharan Africa</b>	3.4	1.3	2.7	3.5	2.6	3.5
<b>Nigeria</b>	2.7	-1.6	0.8	1.9	0.8	1.9
<b>South Africa</b>	1.3	0.3	1.0	1.2	0.8	1.6

Source: IMF WEO Update July 2017

While global economic activity is projected to strengthen in 2017 and 2018, risks to the outlook remain and are tilted to the downside, especially over the medium term. The risks stem mainly from likely reduction in global trade owing to a shift to protectionism in a number of leading economies, possible tightening of global financial conditions with a faster-than-expected increase of interest rates in the US, lower commodity prices and potential disruption to consumer and business confidence arising from non-economic factors such as geo-political tensions, domestic political strife and terrorism concerns.

## 7.1.2 Global Inflation and Commodity Prices

### 7.1.2.1 Global Inflation

In 2016, while inflation picked up in AEs, it declined in EMDEs thus keeping global inflation subdued. Following the partial recovery of commodity prices observed particularly in H2-2016, average annual inflation in key AEs rose from 0.2 percent in 2015, to 0.5 percent in 2016 and further to about 2.0 percent in H1-2017. Among AEs, inflation in the US slowed further to 1.7 percent in July 2017, remaining below the 2.0 percent central bank target and weakening the case for a third US rate hike in 2017. On the other hand, average annual inflation in key EMDEs declined from 7.3 percent in 2015, to 5.9 percent in 2016 and further to 3.6 percent in H1-2017.

The IMF's WEO Update for July 2017 projects inflation for AEs to rise close to the central bank medium term targets of around 2.0 percent, with average annual inflation increasing to 1.9 percent in 2017 before moderating slightly to 1.8 percent in 2018. In EMDEs, annual inflation is also forecast to trend around the central bank medium term targets of around 5.0 percent, with annual inflation averaging about 4.5 percent in 2017 and 4.6 percent in 2018.

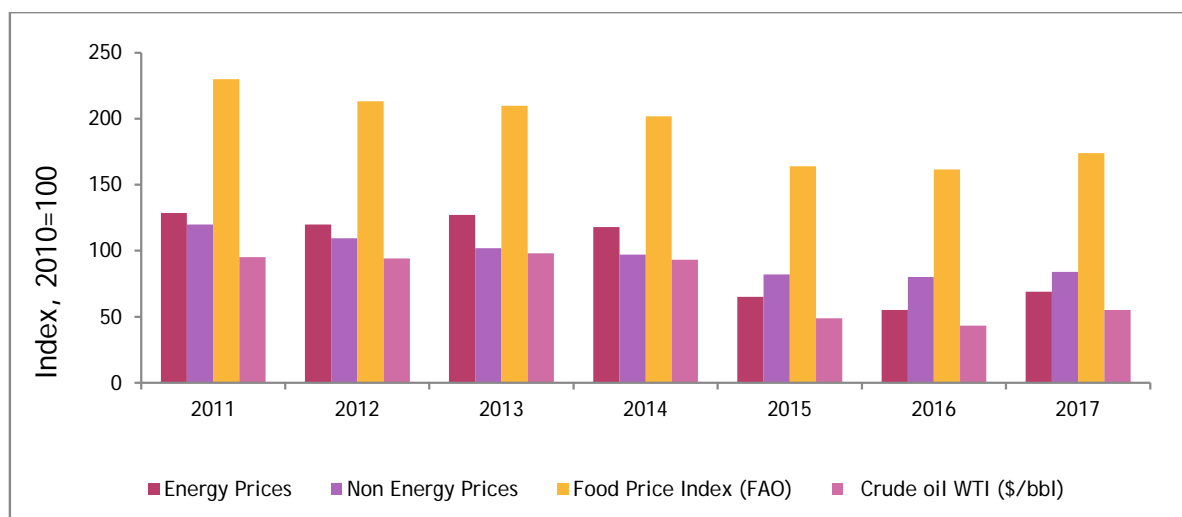


The anticipated increase in inflation, supported by the strengthening of global demand, is notably muted, owing to the slowdown in the recovery of commodity prices. Average crude oil prices particularly, which rose to USD 53.5 per barrel in February 2017 have since fallen back to USD 45 per barrel as at June 2017, due to large inventory stocks in the US, as well as increase in global oil supply. Overall, global inflation is expected to remain relatively subdued both in the near and medium term.

#### 7.1.2.2 Global Commodity Prices

Global commodity prices declined in 2016, although at a slower pace than in 2015, and are projected to rise in 2017, in line with the anticipated strengthening of global economic activity. Average crude oil prices which declined by 15.7 percent to USD 42.8 per barrel in 2016, compared to the decline of 47.2 percent in 2015, are forecast to increase by 21.2 percent in 2017. The moderation in the oil price decline in 2016 and eventual price pick up in 2017 are mainly a result of the agreement by the Organization of Petroleum Exporting (OPEC) countries and other non-OPEC producers to cut back oil production in order to rebalance the oil market.

Figure 1: Commodity Price Developments



Source: World Bank and FAO

Global non-fuel commodities declined slightly in 2016 and are projected to increase in 2017 before declining again in 2018. The IMF's WEO Update for July 2017 projects global non-fuel prices to have declined by 1.8 percent in 2016 continuing the decline of 17.5 percent in 2015. Prices have, however, increased by 2.4 percent in H1-2017 and are anticipated to increase by 5.4 percent overall in 2017, before declining by 1.4 percent in 2018. Developments in international commodity prices are shown in Figure 1.

#### 7.1.2.3 Financial Markets

Global financial markets were relatively stable through 2016 and sentiment remains positive, enabled by the projected firming of global economic growth recovery in 2017 and 2018.

Positive financial market sentiment was reflected by rising yields on long term securities especially in key AEs. The 10-year government bond yields increased by 81 basis points (bps) in the US, 63 bps in



the Euro Zone and by 46 bps in the UK, supported by relatively higher inflation expectations, given the expected stronger growth and anticipated tighter financial conditions occasioned by likely faster normalization of monetary policy in the US.

During 2016, the US Federal Reserve (Fed) fulfilled the markets long-awaited interest rate increase, raising the target range for the Federal Funds rate by 25 bps from 0.25 to 0.5 percent in December 2016, to support further growth in economic activity and strengthen labor market conditions. The Fed increased the range for the benchmark Federal Funds rate, by another 25 bps separately in March 2017 and June 2017. Currently, the Fed rate stands at 1.25 percent, and markets expect one additional increase in December 2017. Nonetheless, minutes of the July 2017 FOMC meeting appeared to be dovish rather than hawkish and were silent on the timing of the next rate hike - uncertainties that might taper expectations of Fed rate hike.

In the currencies markets, the US Dollar strengthened during 2016 - the US Dollar index increased by 1.6 percent in the year to December 2016. However, the currency came under pressure in H1-2017, with the same index declining by 5.3 percent in July 2017 compared to January 2017. The weakening of the Dollar during 2017 has partly been on account of political headwinds in the US, triggered by various negative news and events surrounding the Trump administration and by renewed uncertainty around the timing of the next rate hike. In the UK, the commencement in June 2017 of negotiations for its orderly exit from the European Union in March 2019 has resulted in a sharp weakening of the British Pound against key international currencies as markets price in the impact of the exit. In July 2017, the Pound Sterling depreciated against the Euro by 1.1 percent on monthly basis, 5.3 percent on annual basis and by 3.0 percent compared to its value at the beginning of 2017. EMDE currencies remained largely stable in H1-2017.

The outlook remains for volatile global financial markets in the remainder of 2017 and H1-2018, mainly on account of the unclear timing of the next US interest rate increase, likely impasses in the BREXIT negotiation process, and likely policy surprises from US, particularly as the Trump administration struggles to come up with a coherent fiscal policy.

#### 7.1.2.4 Global Trade

In line with projections, growth in the volume of world trade decelerated in 2016, but is expected to pick up in 2017 and to remain firm in 2018. In 2017, world trade is projected to grow by 4.0 percent, relative to 2.3 percent in 2016 mainly supported by increase in EMDEs' import and export trade with the projected firming of growth in economic activity. The volume of EMDE trade in 2017 is projected to increase by 4.1 percent compared to 2.2 percent in 2016 mainly on account of a rebound in investment in commodity exporting countries. In AEs, trade growth is projected to rebound by 3.9 percent in 2017 from 2.3 percent in 2016. Table 4 shows growth in volume of world merchandise trade over last 5-year period.



Table 4: Global Trade Growth

Merchandise Trade Volumes, % Changes	2013	2014	2015	2016	2017*
World trade	2.2	2.7	1.9	1.3	3.5
Advanced economies	0.7	2.7	2.7	1.5	2.2
United States	1.7	4.1	2.5	0.2	3.4
Japan	0.2	2.0	1.4	0.8	3.4
Euro Area	0.1	2.3	2.9	2.2	1.8
Other Advanced Economies	1.8	2.3	2.5	1.3	1.6
Emerging economies	4.3	2.6	0.9	1.1	5.2
Emerging Asia	5.2	3.7	0.8	1.6	6.9
Central and Eastern Europe	-0.7	-6.2	-11.8	3.0	5.8
Latin America	4.0	3.9	3.8	0.7	3.7
Africa and Middle East	3.1	0.7	4.9	-2.1	-2.6

\* January - May 2017 data

Source: CPB Netherlands Bureau for Economic Policy Analysis

The risks to the global trade outlook are tilted to the downside, the greatest of which is increasing consideration of a shift to protectionism in a number of leading economies such as the US and the UK. Other risks stem from sporadic volatility in commodity and financial markets, further tightening of global financial conditions and domestic political strife which would disrupt production.

#### 7.1.2.5 Implications for the Ugandan Economy

The external economic environment will continue to influence Uganda's economic performance given her integration into the global economy. As such, risks to the global economic outlook have the potential to affect consumer and investor confidence and curtail growth in the Ugandan economy. The main risks to global economic outlook include slow growth in China, tight global financial market conditions, and increased protectionist policy considerations particularly in AEs.

The external economic environment remains uncertain. Monetary policy normalization in the US could trigger contractions in financial conditions and reversals in capital flows to emerging economies, as well as US dollar appreciation which would strain emerging economy currencies, including Uganda's. This normalization, amidst expected dividend payments to foreign investors and other domestic forex demand pressures could accelerate the depreciation pressures on the Ugandan shilling.

Furthermore, uncertainty about the US policy agenda - clouded by a shift from globalization towards nationalism, a rising belief in the need for greater state intervention in the economy and reversal of accommodative policies, are causing nervousness in the global economic outlook and it is difficult now to gauge the impact this will have on the Ugandan economy, but could in general reduce trade and cross - border investment flows affecting both commodity importers and exporters especially the EMDE's of which Uganda is part. This, however, could be moderated by the recovery in SSA, which is a destination of over 60 percent of Uganda's exports.



In addition, the geopolitical tensions mainly in parts of the Middle East and Africa remain elevated with negative implications on consumer and business confidence, such that investors and consumers hold back on spending. In particular, the developments in the neighboring countries of South Sudan and Democratic Republic of Congo, which are a major destination for Uganda's exports, could adversely affect Uganda. This could lead to reductions in aggregate demand and eventually constrain economic growth going forward. On a positive side, the pick-up in global economic activity, buoyant financial market conditions and recovery in commodity prices could lead to higher export receipts and increased investments, both of which are favorable for growth.

## 7.2 Domestic Economic Developments and Prospects

### 7.2.1 Monetary policy and Operations

The overall objective of Bank of Uganda's (BoU's) monetary policy is to achieve low and stable inflation, defined by the medium term target of 5 percent of core inflation. BoU continued to use the Inflation Targeting *Lite* (ITL) monetary policy framework in guiding its monetary policy operations, adjusting its policy rate - the Central Bank Rate (CBR) - in line with the outlook for inflation.

During FY 2016/17, headline and core inflation averaged 5.7 and 5.1 percent, respectively, which is consistent with the BoU medium term target for core inflation of 5.0 percent. Although inflation outlook deteriorated in the last two quarters of 2016/17, the medium-term outlook throughout the period under review remained broadly well anchored around the BoU's medium term target of 5.0 percent. The deterioration in the near-term outlook in the first two quarters of 2017 was due to heightened temporary supply side shocks, but their impact was constrained by weak aggregate demand, relatively stable exchange rate and the fact that they were expected to wane by Q1-2017/18.

On account of an inflation outlook lower than the 5 percent target and weak domestic demand, BoU considered it appropriate to ease monetary policy to support the recovery in credit growth and economic activity. Therefore, BoU cautiously eased monetary policy throughout 2016/17, slashing the Central Bank Rate (CBR) by a cumulative 5.0 percentage points (PPs) from 15.0 percent in July 2016 to 10.0 percent in June 2017 to support recovery of economic activity.

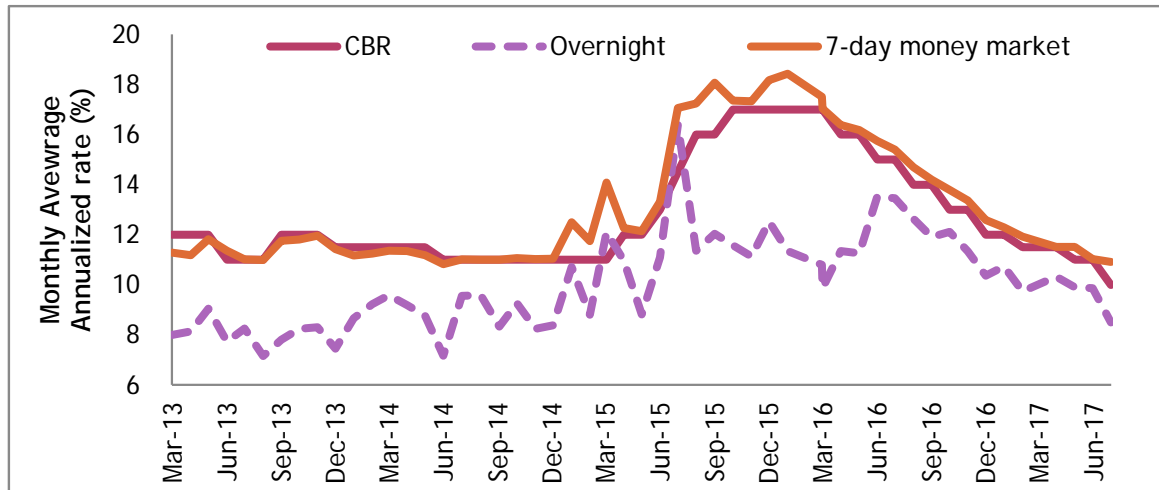
BoU continued to use Repurchase Agreements (REPOs), deposit auctions and sales of recapitalization securities in the secondary market to align the 7-day interbank money market rate with the CBR. During the FY 2016/17, the net effect of the deposit auctions was a withdrawal of UGX 1,179.4 billion, with the outstanding amount of UGX 1,209.3 billion as at end of June 2017. Over the same time, the net effect of the REPO instrument was a withdrawal of UGX. 379.2 billion, with UGX. 914.6 billion outstanding at the end of June 2017. As at June 30th, 2017, the available stock of recapitalization securities was UGX 19.8 billion.

The 7-day Weighted Average Interbank (WAI) money market rate remained relatively stable and evolved in line with the desired monetary policy stance in FY 2016/17. During the year, the 7-day WAI rates declined to 10.9 percent in June 2017 from 15.4 percent at the beginning of the FY, mainly



on account of the accommodative monetary policy. Developments in the 7-day interbank money market rate and the CBR are shown in Figure 2.

Figure 2: The CBR and Interbank Money Market Rates



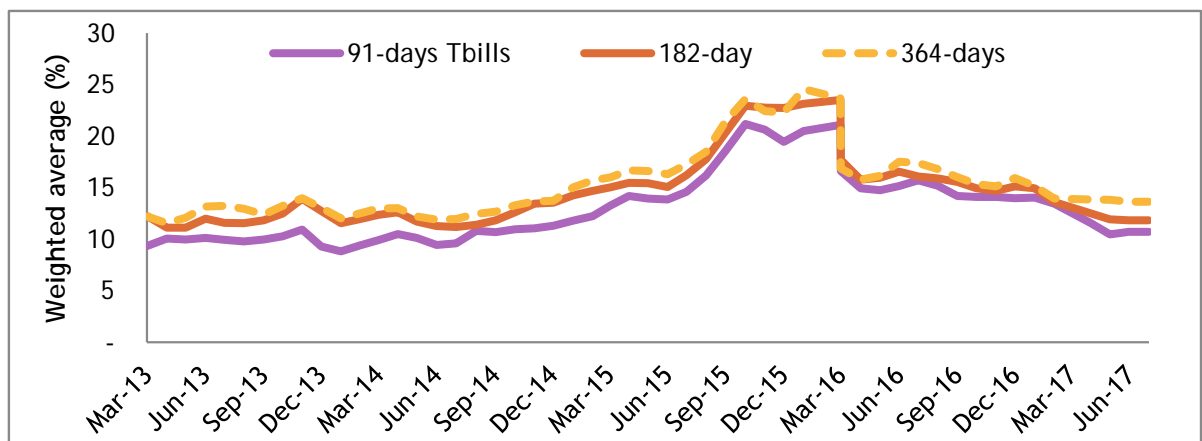
Source: Bank of Uganda

### 7.3 Interest Rates

#### 7.3.1 Yields on Treasury Bills and Bonds

In FY 2016/17, BoU issued Treasury bills (T-bills) and Treasury bonds (T-bonds) in line with the government financing requirements and the redemption profile. Yields on government securities also continued to decline since February 2016, in line with continued easing in monetary policy stance. Yields declined, on average by 4.4 PPs to 10.7, 11.8 and 13.6 percent for 91-day, 182-day and 364-day T-bills in June 2017, relative to the beginning of the FY as shown in Figure 3. Average yield on Treasury Bonds (T-Bonds) also declined, on average by 1.5 PPs to 14.6, 15.3, 15.9 and 16.2 percent for the benchmark 2-year, 5-year, 10-year and 15-year T-bonds, respectively, relative to the average yields in FY 2015/16.

Figure 3: Yields on Treasury Bills



Source: Bank of Uganda



### 7.3.2 Lending and Deposit Rates

The easing of monetary policy by BoU continued to feed through to commercial bank interest rates, albeit with a lag, and much slower relative to the pass-through to the interbank money market rates. Commercial bank lending rates fell by a cumulative 2.4 PPs in FY 2016/17 to 21.1 percent in June 2017, from 23.5 percent in June 2016, which is lower than the 5.0 PPs reduction in the CBR over the same period. Overall, lending rates declined to an average of 22.7 percent in FY 2016/17 from 24.0 percent in the previous year.

The average time deposit rates declined from 12.2 percent in June 2016 to 8.9 percent by the end of the year. Consequently, the spread between lending and deposit rates ranged between 10.9 and 12.3 percent over the same period. Overall, the spread increased to 11.2 percent in FY 2016/17, up from 9.7 percent in FY 2015/16. The weighted average lending rate on foreign currency denominated loans averaged 8.9 percent and the spread averaged 5.4 percent over the financial year.

Lending rates remain elevated reflecting, in part, heightened risk aversion in banks caused by high levels of Non-Performing Loans (NPLs), large provisioning for bad loans, and structural rigidities, which has raised the costs of doing business in the financial sector. Nonetheless, asset quality has improved. Relative to FY 2015/16, industry wide ratio of NPLs to total loans has improved to 6.2 percent, from 8.3 percent. Developments in lending and deposit rates are shown in Table 5.

Table 5: Commercial Banks' Interest Rates

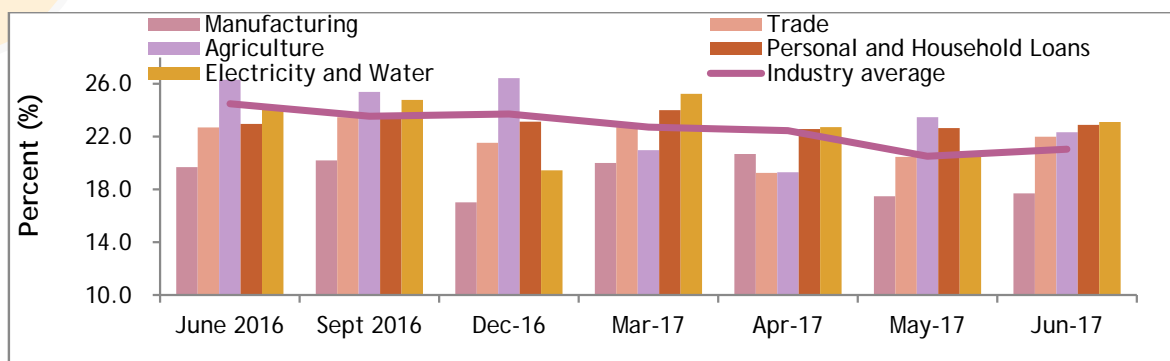
Local Currency (Shillings)						
	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17
Lending (UGX)	27.02	22.72	21.55	22.34	23.54	21.11
Deposit (WARD)	3.50	2.60	2.42	2.69	4.11	2.48
Demand	1.32	1.51	1.79	1.50	1.90	1.60
Saving	3.27	3.12	2.31	3.26	3.71	2.34
Time	19.90	12.26	9.82	10.39	12.24	8.86
Spread	7.12	10.46	11.73	11.96	11.30	12.26
Foreign Currency						
Lending (USD)	8.44	10.11	9.03	9.87	9.47	8.15
Deposit (WARD)	1.25	1.37	1.49	1.32	1.26	1.63
Demand	0.95	1.01	0.96	0.96	0.96	0.99
Saving	1.66	1.66	1.52	1.51	1.49	1.68
Time	5.22	4.52	4.31	3.97	3.28	3.54
Spread	3.22	5.59	4.72	5.91	6.20	4.60

Source: Bank of Uganda

In terms of sectoral interest rates, electricity and water, personal and household loans and agriculture continued to attract larger average market lending rates. Sectoral developments in interest rates are shown in Figure 4.



Figure 4: Interest Rates by Sector



Source: Bank of Uganda

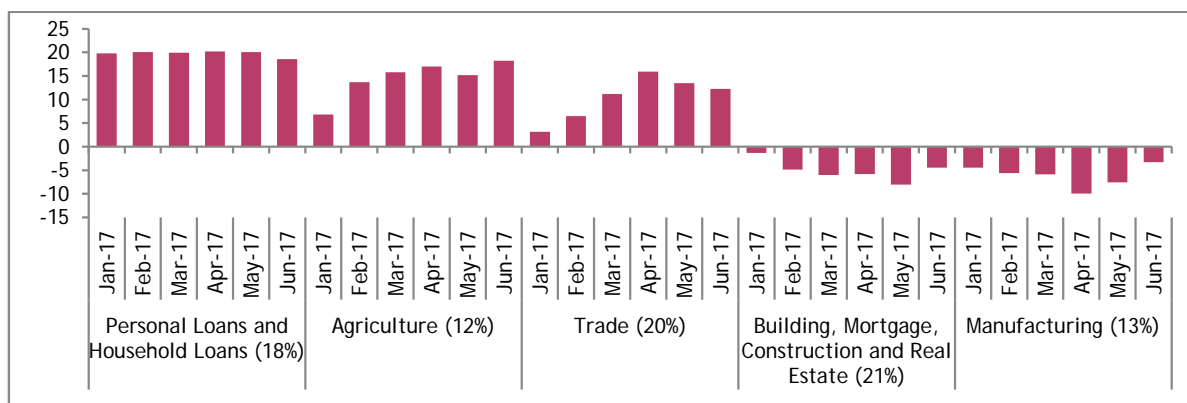
## 7.4 Banks Credit and Monetary Aggregates

### 7.4.1 Credit to the Private Sector

Growth in Private Sector Credit (PSC) remained subdued in FY 2016/17 relative to FY 2015/16, despite the pursuit of an accommodative monetary policy over the period under review. PSC grew by a dismal 4.3 percent, which is much lower than 15.2 percent in the previous year. The annual PSC growth, net of valuation changes on account of exchange rate movements, was much lower, at 3.4 percent in FY2016/17, compared to 5.9 percent in FY 2015/16. The slowdown in PSC growth was due to provisioning for bad loans, which heightened risk aversion in banks, relatively weak economic activity and supply-side constraints to credit growth.

Sector-wise, growth in PSC was mainly driven by growth of credit to the agriculture, Trade and Personal loans, which together constituted 49.6 percent of the total PSC. Credit growth to the manufacturing, building and services other than business services sectors, which together account for 27.6 percent of the total credit, has been negative since the start of the year (Figure 5), a trend that poses downside risks to private investment growth and recovery of domestic economic activity.

Figure 5: Annual Private Sector Credit Growth by Sector



Source: Bank of Uganda

### 7.4.2 Credit Extension

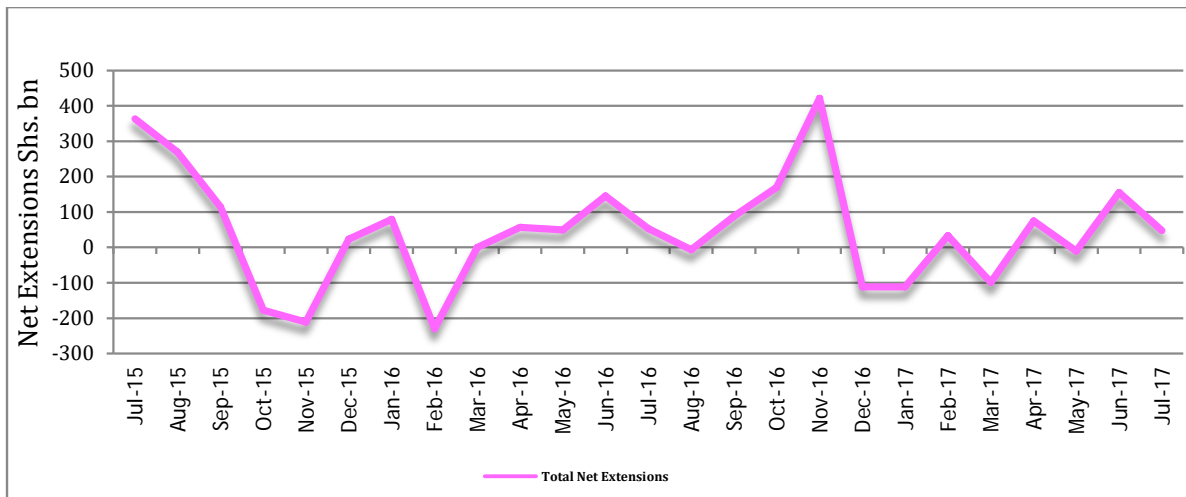
Net extensions of loans (*disbursement of new loans minus recoveries*) by commercial banks over the last two years are shown in Figure 6. Net extensions improved in FY 2016/17 to UGX. 717.3 billion, reversing the trend realized in the FY 2015/16, where net extensions were *minus* UGX. 200.4 billion.





The recovery in credit extension during the period under review was on account of marginal reductions in lending rates, in part due to monetary policy easing.

Figure 6: Net Extensions of Loans by Banks (UGX, billions)

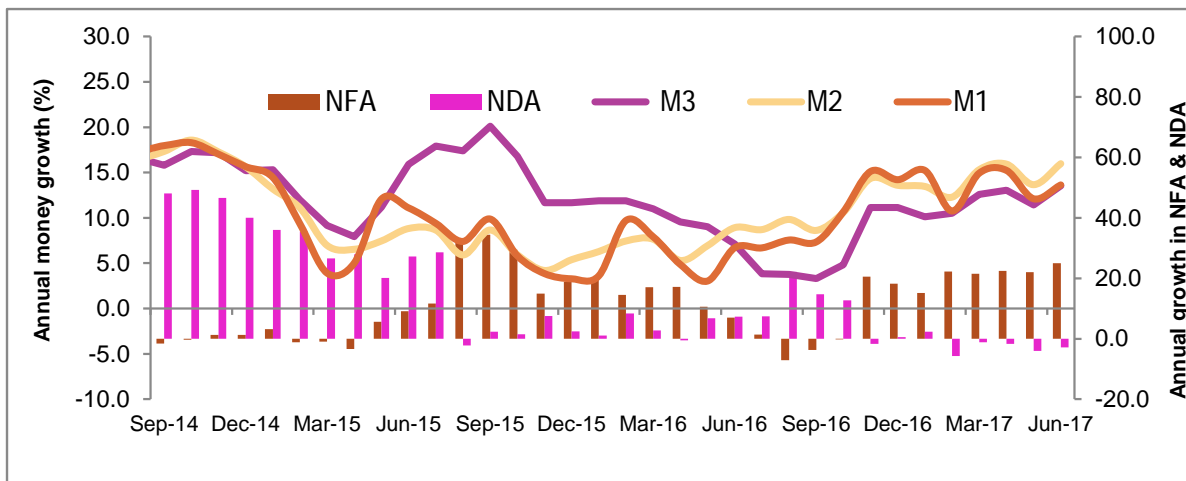


Source: Bank of Uganda

### 7.4.3 Monetary Aggregates

Reflecting in part monetary policy easing, annual growth in monetary aggregates (excluding those with foreign currency deposits) substantially recovered during 2016/17. Annual growth in narrow money (M1), (which includes currency in circulation (CIC) and demand deposits (DD)) and broad money (M2), (which in addition to M1 includes time and savings deposits), grew by 12.0 and 12.7 percent, respectively in FY 2016/17, which is almost twice the respective growth rates of 6.3 and 6.8 percent in FY 2015/16. Both demand as well as time and savings deposits grew by 15.9 and 13.8 percent, respectively, up from 1.4 and 7.5 percent, respectively in FY 2015/16.

Figure 7: Annual Percentage Growth of Monetary Aggregates



Source: Bank of Uganda

Annual growth in M3 (which includes M2 and foreign currency deposits), on the other hand, decelerated somewhat to 9.1 percent, from 13.0 percent in FY 2015/16 due to a decline in foreign currency deposits. Annual growth in foreign currency deposits, dropped sharply from 29.2 percent in FY 2015/16 to 1.8 percent in FY 2016/17. From the asset side, net foreign assets (NFA) have



continued to drive the growth in M3, contributing 7.2 percent, compared to 1.2 percent from net domestic assets (NDA). On the liability side, growth in M3 was mainly driven by shilling deposits, which contributed 7.4 percent (Figure 7).

## 7.5 Domestic Inflation

### 7.5.1 Inflation Developments

Headline and core inflation averaged 5.7 percent and 5.1 percent, respectively in 2016/17. The adverse supply side factors favoring higher inflation notwithstanding, 2016/17 registered lower inflation compared to 2015/16 - headline and core inflation averaged 6.6 percent and 6.7 percent, respectively in 2015/16. Despite the occasional surges in food prices and exchange rate depreciation in the last four financial years, inflation has largely been stable around the 5.0 percent target, with headline and core inflation averaging 5.1 percent and 4.9 percent, respectively. The rise in inflation observed in the six months to May 2017 was temporary and was largely caused by the sharp increase in food crops prices due to prolonged drought which engulfed the country during the first three quarters of FY 2016/17. Developments in domestic inflation are shown in Table 6.

Table 6: Developments in Domestic Inflation

	2012/13	2013/14	2014/15	2015/16	2016/17
<b>Headline Inflation</b>	4.9	5.3	2.9	6.6	5.7
<b>Core</b>	5.4	4.7	3.2	6.7	5.1
<b>Food crops and related items</b>	0.8	13.2	1.4	5.9	12.4
<b>Food</b>	0.3	6.5	2.7	8.2	9
<b>Non-Food</b>	6.8	4.9	3	6	4.4
<b>Energy Fuel and Utilities</b>	6.1	2	1.8	6.7	2.2
<b>Other Goods</b>	4.4	3.4	3	7.3	5
<b>Services</b>	9.2	6.6	3.5	5.8	5.3

Source: Uganda Bureau of Statistics

Reflecting the prolonged drought, annual food crops and related items inflation rose sharply in 2016/17, from 5.9 percent in 2015/16 to 12.4 percent in 2016/17. During the year under review, food crops and related items inflation rose from an average of 6.6 percent in Q2-2016/17 to 18.1 percent in Q3-2016/17, and further to 21 percent in the last quarter of the year. Annual Energy, Food and Utilities (EFU) inflation also gained momentum, towards the end of the year, rising from an average of 2.1 percent in Q3-2016/17 to 6.0 percent in Q4-2016/17.

### 7.5.2 Inflation Outlook

The temporary factors that caused inflation to edge up are expected to start diminishing in the first quarter of 2017/18. Going forward, inflation outlook is projected to be low and stable, converging around the BoU's medium term target of 5.0 percent in the second half of 2017 due to large output gap and stronger shilling exchange rate. The outlook for inflation is nonetheless subject to several risks emanating from both the external environment and the domestic economy. These are related to: the possibility of higher food prices due to poor harvest because of erratic rains and the effect of the army worm; a rise in global inflation especially in Europe and US and in EMDEs due to increased aggregate demand and higher commodity prices; the possibility of political unrest given the elections

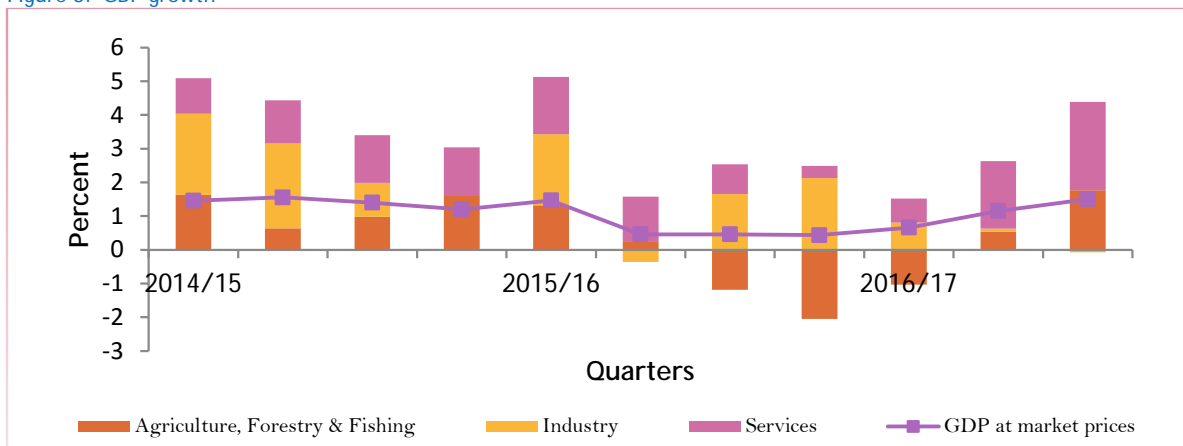


in offing in Kenya; and weakening of the exchange rate following a pick-up in aggregate demand and the uncertainty surrounding global financial markets.

## 7.6 Real Economic Growth

The revised estimates of economic activity by the Uganda Bureau of Statistics (UBOS) suggest a sharp GDP growth in 2016/17 than had earlier been estimated. Quarter on Quarter, (q-o-q) GDP growth averaged 1.1 percent in the three quarters of 2016/17, which is equivalent to annualized growth of 4.4 percent, 0.5 PPs higher than the earlier growth estimates of 3.9 percent, but 0.3 PPs lower than the outturn for FY 2015/16 of 4.7 percent. Growth in Q2 and Q3 -2016/17 was particularly robust at 1.4 and 1.8 percent, respectively (Figure 8), which suggests a sharp GDP growth.

Figure 8: GDP growth



Source: Uganda Bureau of Statistics, UBOS

Consistent with the UBOS estimates, BoU's early warning indicator of economic activity, the composite index of economic activity (CIEA) and the Stanbic Bank Purchasing Managers' index (PMI) point to an improvement in economic activity going forward. The CIEA estimated a faster growth in economic activity at 1.5 percent in the Q2-2017, 0.5 PPs higher than the expansion in Q1-2017, and annual growth of 4.4 percent in the year to June 2017 (Figure 9). Similarly, PMI indicates that private sector output has been rising for the past six months, and very lately, from 52.8 in June to 54.3 in July 2017, which is a pointer to an expansion of the private sector and steady economy-wide recovery. Activity in the quarter to June 2016 was boosted by recovery in agricultural production. Over the same time, growth in the service and industry sectors slowed, respectively due to low activity in transport and communications and the financial sub-sectors, and lower activity in the energy sub-sector.



Figure 9: Quarterly changes (CIEA)



Source: Bank of Uganda

Overall, the impact of negative external shocks that affected the economy in 2016/17 should be dissipating and a return to reasonable growth is expected in FY 2017/18. Real GDP growth for FY 2017/18 is now projected to pick up to 5.0 - 5.5 percent, supported by the current accommodative monetary policy, recovery in external demand and Foreign Direct Investment (FDI), increased activity in the agricultural sector due to improved weather conditions, and the fiscal stimulus outlined in the national budget for FY 2017/18.

## 7.7 Fiscal Developments

### 7.7.1 Government Expenditure and Revenue

The fiscal stance for FY 2016/17 focused on addressing infrastructural constraints in the economy. However, the implementation of the budget was affected by lower domestic revenue and slow execution of infrastructural projects.

Preliminary fiscal data for 2016/17 indicates that total Government revenue (including grants) amounted to UGX. 13,896.5 billion, which was lower than the approved budget by UGX. 783.5 billion. The underperformance in government revenue was on account of lower project support grants and tax revenue, which respectively underperformed by UGX. 816.3 billion and UGX. 16.7 billion. Relative to the Uganda Revenue Authority's (URA) target, domestic revenue underperformed by UGX. 463.3 billion. The underperformance in domestic revenue was due to lower international trade tax collections, and specifically, shortfalls in Value Added Tax (VAT) on imports due to lower import volumes. Total government expenditure and net lending in 2016/17 was UGX. 3,356.0 billion lower than the approved budget. This was a result of underperformance in the development expenditure by UGX. 2,507.8 billion. Current expenditure on the other hand over performed by UGX. 393.7 billion, as shown in Table 7.



Table 7: Fiscal performance in FY 2016/17 (UGX. Billions)

	2015/16	2016/17	Approved Budget	Variation
<b>Revenue &amp; Grants</b>	12,647.2	13,896.5	14,680.0	-783.5
<i>Revenue</i>	11,500.0	12,946.8	12,914.0	32.8
<i>Tax</i>	11,059.1	12,463.3	12,480.0	-16.7
<i>Non-Tax</i>	284.2	334.1	302.0	32.1
<b>Grants</b>	1,147.2	949.7	1,766.0	-816.3
<b>Expenditure &amp; Lending</b>	16,726.9	17,437.5	20,793.5	-3,356.0
<i>Current Expenditure</i>	9,168.6	9,994.3	9,600.6	393.7
<i>Development Expenditure</i>	7,439.3	6,718.1	9,225.9	-2,507.8
<b>Overall Fiscal Bal. (including grants)</b>	-4,079.7	-3,540.9	-6,113.5	2,572.6

Source: Ministry of Finance, Planning and Economic Development

The fiscal deficit amounted to UGX. 3,540.9 billion, which was lower than the budgeted amount by UGX. 2,572.6 billion. Total financing amounted to UGX. 3,211.7 billion, of which 81 percent was external while 19 percent was domestic.

### 7.7.2 Domestic and External Debt

The provisional total public debt stock (at nominal value), stood at UGX. 33,824.7 billion, as at the end of June 2017, which is an increase of 14.2 percent relative to June 2016. External and domestic debt increased by 19.5 percent and 6.0 percent, respectively in FY 2016/17. External debt made up the bulk of the total public debt, accounting for 63.8 percent as shown in Table 8.

Table 8: Indicators of Public Debt Stock

	Jun-15	Jun-16	Prov. Jun-17
<b>Total Gross Public Debt (UGX. Bn)</b>	24,334.5	29,611.6	33,824.7
<b>External Debt (USD, Mn)</b>	4,380.1	5,309.2	6,014.1
<b>External Debt (UGX. Bn)</b>	14,462.2	18,077.3	21,596.0
<b>Domestic Debt (Nominal, UGX. Bn)</b>	9,872.3	11,534.3	12,228.7
<b>UGX./USD eop exchange rate</b>	3,301.8	3,404.9	3,590.9

Source: Bank of Uganda

## 7.8 Balance of Payments and Exchange Rates

### 7.8.1 Balance of Payments

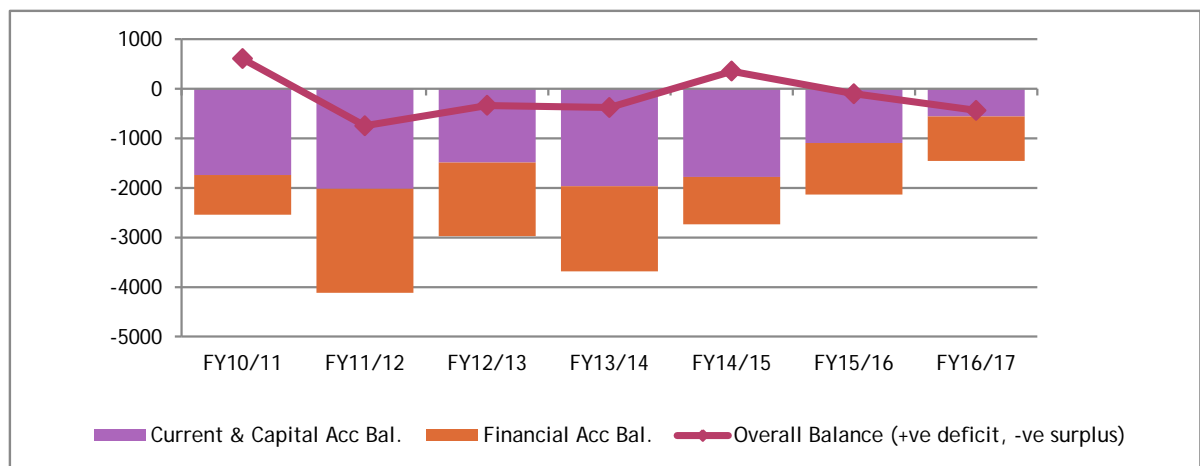
The balance of payments improved substantially to a surplus of USD 437.6 million in FY 2016/17, which was over 100 percent improvement from a surplus of USD 101.5 million recorded in FY 2015/16 (Figure 9).

During FY 2016/17, the current and capital account deficit narrowed by USD 534 million. The current account deficit (CAD) has been steadily narrowing, on average by 29.0 percent since FY 2013/14, leading to a record low deficit of 3.0 percent of GDP in FY 2016/17. All sub accounts of the current account, with the exception of the primary income account, registered improvements during FY 2016/17, compared to FY 2015/16. Relative to 2015/16, the CAD improved by USD 503.2 million, to a deficit of USD 707.9 million. The improvement in the CAD during FY 2016/17 was largely on account of narrowing of the trade deficit, supported by increased export receipts and a lower import bill.



Exports receipts increased by USD 481million (18 percent). The increase in export receipts was supported by USD 142 million increase in non-coffee export receipts (majorly sugar, cotton and fish) and USD 138 million (39 percent) increase in coffee receipts arising from increased volumes and improved prices. The volume of coffee exported increased by 682,902 (60kg) bags while the price ticked up by USD 0.3 per kg. Non-monetary gold export receipts also increased by 24.2 percent to USD 339 million - in line with the trend observed since December 2015 (with the opening of a gold refinery in Entebbe). The import bill decreased by 13.9 percent, due to lower government imports, which declined by USD 215 million to USD 279 million.

Figure 10: Balance of Payments



Source: Bank of Uganda

The financial account continued to be the main source of financing of the current account deficit. Net inflows in the financial account fell by USD 142.1 million, which is not surprising as all sub accounts of the financial account save for other investments declined. Foreign direct investment (FDI) declined by 21 percent to USD 500 million on account of the decline in oil sector related imports. Portfolio net outflows (assets) increased, supported by increased exit by non-residents from the Uganda securities market (decline in liabilities). Other investment inflows picked by 9.0 percent to USD 608.6 million largely on account of higher external debt (loans) contracted by the private sector during the year.

The stock of reserves as at June 30, 2017 amounted to USD 3.389 billion, equivalent to 5.1 months of future import of goods and services cover. The increase was mainly from; absolute accrued interest and return from the investments (both from the internally managed as well as externally managed portfolios), reserve build up and appreciation of other reserve currencies against the USD.

In terms of outlook, the CAD is likely to deteriorate in the short- to medium-term on account of a pickup in imports by government as well as the private sector. Inflows through the financial account are expected to increase, as FDI and other investments (loan disbursements) inflows increase in line with government project implementation.

### 7.8.2 International Investment Position

The international investment position indicates that Uganda's external financial liabilities continued to outstrip the external financial assets. Uganda's position as a net debtor with the rest of the world



increased from USD 13,979.6 million as at end of June 2016 to USD 14,568.1 million as at end of June 2017. The net increase in liabilities of USD 588.49 million was mainly due to an increase in FDI liabilities of USD 590.59 million.

On a gross basis, Uganda's stock of foreign liabilities amounted to USD 20,398.4 million in June 2017 from USD 19,177.1 million in June 2016. The stock of FDI amounted to USD 11,219.8 million accounting for 55.0 percent of the country's total foreign liabilities. The bulk of the FDI stock, about 78.5 percent, continued to be comprised of equity capital and reinvested earnings. Portfolio investment claims by non-residents on the economy amounted to USD 902.9 million while "Other investment" liabilities amounted to USD 8,275.6 million as at end of June 2017 with the bulk being loans owed by government and the private sector to non-residents.

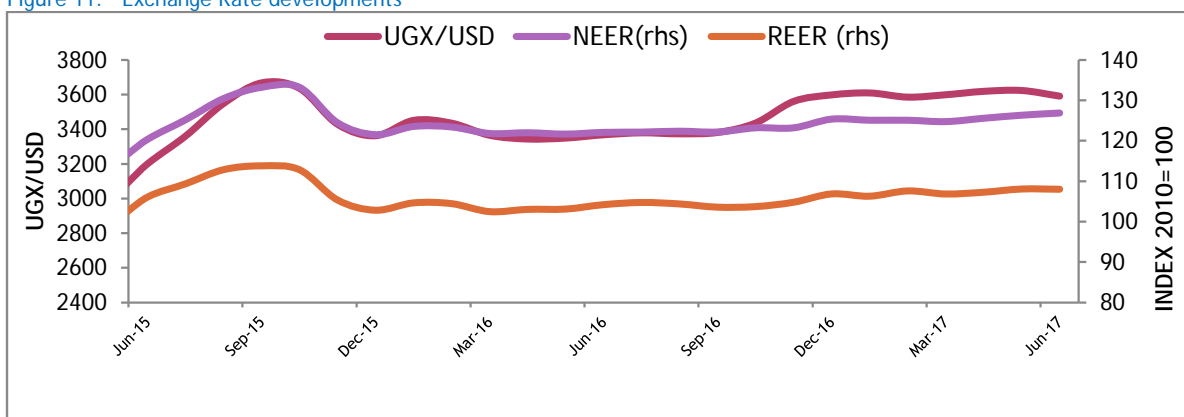
The stock of foreign assets amounted to USD 5,830.3 million an increase from USD 5,197.5 million as at end of June 2016. Reserve assets amounted to USD 3,384.7 million, accounting for 58.1 percent of the total. The "Other investment" assets comprising mainly currencies and deposits of residents held abroad and loans to non-residents amounted to USD 1,643.0 million. Portfolio investment assets amounted to USD 721.7 million, with debt securities assets accounting for 67.7 percent of the total portfolio investment assets.

### 7.8.3 Exchange Rates

Uganda's exchange rate is market determined, and is therefore vulnerable to both external and domestic shocks. In the FY 2016/17, the exchange rate depreciated by 2.7 percent to an average annual mid-rate of UGX. 3,529.7 per USD, compared to 22.4 percent depreciation in FY 2015/16. The shilling appreciated in the first four months of FY 2016/17 by 4.4 percent, but weakened thereafter, by an average of 6.2 percent.

In June 2017, the shilling appreciated, month-on-month (m-o-m), by 0.9 percent, but depreciated, year on year (y-o-y) by 6.6 percent, to an average mid-rate of UGX 3,591.17 per US Dollar. This rather short lived appreciation was due to stronger inflows, particularly from NGOs, coffee receipts, forex bureaus and receipts on NSSF investments in the diaspora and offshores. On a trade weighted basis, the Shilling appreciated, on average, by 0.5 percentage point in FY 2016/17, relative to an average depreciation of 12.7 percent in FY 2015/16 (Figure 10).

Figure 11: Exchange Rate developments



Source: Bank of Uganda

The appreciation at the start of the FY 2016/17 was largely on account of lower import bill and stronger inflows from offshore players. The slow depreciation thereafter was largely on account of global strengthening of the USD and relatively strong demand mainly from the key sectors of energy, manufacturing, communications, trade, and offshore institutional investors amidst subdued inflows. Intervention by the BoU in the Interbank Foreign Exchange Market (IFEM) is aimed at stemming disruptive volatility and not to influence the direction of the exchange rate. In the FY 2016/17, conditions in the IFEM enabled the BoU to purchase USD 654 million for reserve build-up, against the period target of USD 702 million.

The Real Effective Exchange Rates (REER), a measure of the price competitiveness of Uganda's exports depreciated by 2.9 percent, y-o-y, in June 2017, compared to June 2016 appreciation of 1.7 percent. The depreciation of the REER is a pointer to increased competitiveness of the exports in the tradeable sector.

Going forward, the shilling is expected to weaken further on account of recovery in aggregate demand, uncertain global financial market conditions stemming particularly from policy uncertainty in Advanced Economies and rising geopolitical tensions.





## 8 Financial Markets Developments

### 8.1 Foreign Exchange Reserves and Investment Management Operations

During the period under review, Bank of Uganda continued to manage foreign exchange reserves in line with the objectives of capital preservation, liquidity, with reasonable and consistent returns, as stipulated in the approved foreign exchange reserves management policy document.

Bank of Uganda reserves are divided into two portfolios; the internally managed and externally managed portfolios. The internally managed portfolio comprises a fixed income portfolio with duration of 0-3 years and a money market portfolio, while the externally managed portfolio is a Fixed Income Portfolio managed against a 1-5 year duration Fixed Income government Benchmark.

#### 8.1.1 Achievements

For the financial year 2016/17, the Bank's objectives to be achieved under the reserves management operations were set as follows:

- Increase efficiency through increased automation of reserves management processes and revision of the Strategic Asset Allocation to capture the changed global market dynamics
- Increase return on investments in the prevalent low yield environment
- Diversify the reserves portfolio to optimize return with minimal risk.
- Enhance existing skills of the staff involved in reserves management.

In light of the above, the following achievements were realised;

- i. Revision of the Strategic Asset Allocation document (SAA) using the Asset Allocation Work Bench provided by the World Bank Treasury. In this way, the return on reserves was increased by allocating more funds to 0-3 year duration Fixed income portfolio, risk was minimized through reduced allocation to emerging markets and realignment of currency composition in line with the rationale for holding reserves.
- ii. There was expansion of the universe of the BoU money markets counterparties through the addition of two banks. This has minimized counterparty risk and increased efficiency in the placement of investments.
- iii. During the period, the Bank increased presence in the fixed income space. Additional funds amounting to USD100,000,000 were committed to the internally managed fixed income portfolio. This action increased return and tactically minimized credit risk by reducing deposit holdings in favour of the USD fixed income space. The expansion of this portfolio further eased counterparty risk, through providing an alternative investment vehicle for USD denominated funds.
- iv. Staff in the Foreign Reserves Management Operations attended attachments with fund managers, workshops and missions with the World Bank Treasury (WBT) portfolio managers. The team was introduced to advanced portfolio strategy formulation techniques as well as structured approach to portfolio construction using an excel-based optimization model with



focus on process improvement. These skills have been applied to the internal portfolio management process and the department is now able to trade credit spread products.

- v. As part of the objective to increase efficiency in reserves management, Bloomberg Asset and Investment Management (AIM) system was proposed as a replacement for the current reserves management application. In the assessment of AIM, it was established that AIM's functionality would support the investment and risk management processes of reserves management as per the BoU requirements. This was approved and implementation commenced.

### 8.1.2 Challenges from Global Financial Sector Developments

#### 8.1.2.1 Low global market returns.

This was mostly driven by the uncertainty clouding the global financial markets and the geo political tensions across the major economies.

Although the US has increased their policy rates, interest rates are still relatively low compared to the rates prior to the 2007 financial crisis ranging 3-5 percent. This has been worsened by the divergent global monetary policies of the major central banks.

The US progressed on its tightening path and raised rates three times during the period to close at 1.25 percent, as it edged closer to its inflation target. Canada also raised rates by 25 basis points to 0.75 percent in June 2017, on account of a rebound in growth.

Australia maintained the policy rates at their current low levels of 1.5 percent, with expectation that this would support sustainable growth in the economy and achievement of the inflation target over time. Inflation in the Eurozone remained weak, leading the ECB to continue with the monetary stimulus in a bid to push inflation toward its target.

UK cut policy rates by 25 basis points and Japan introduced quantitative and qualitative easing (monetary easing with yield curve control), a measure that was expected to encourage spending and at the same time maintain interest rates at appropriate levels.

This divergence further fueled the weakness of all other currencies against the USD, and also suppressed the return on investments in these markets as well as other emerging markets

#### 8.1.2.2 Volatility of USD against other major currencies

The USD experienced volatility during the period under review. The first half of the financial year was characterized by a significant appreciation of the USD against other reserve currencies, following the election of President Donald Trump. The markets expected that the Trump administration would increase stimulus and therefore spur growth in the US.

The second half of the financial year experienced a mixed USD as the currency softened due to failure of the Trump administration to deliver on the key expectations. However, the USD was supported by the US Federal Reserve's monetary policy decision to raise rates in December 2016, March 2017, and June 2017, each by 25 basis points.



The GBP led the depreciation of major currencies, mostly on account of the uncertainty that followed the UK's surprising decision to leave the European Union in June 2016. The weakness in the other reserves currencies caused a drop in valuation of those currencies.

#### 8.1.2.3 Uncertainty of Brexit outcome

Since the Brexit vote, the UK government held back on its Brexit plans and this created uncertainty in the economy. The Prime Minister's failure to secure the majority vote in the snap elections held in June 2017 further aggravated the softness in the GBP. This caused further uncertainty as the government had to form a coalition government where they would have to reach a compromise on any Brexit plans previously tabled. This uncertainty deemed market expectations for a rate hike in the UK and interest rates received on BoU investments in the GBP reduced.

#### 8.1.2.4 Persistently low oil prices.

Whereas oil prices rose above the low levels experienced in 2016, where oil touched US\$28 / barrel, prices remained subpar during financial year 2016/17.

In the first half, oil prices fell below US\$40 on low demand and slow global economic growth. Oil later rose to US\$51, following reports that OPEC countries had agreed the first production cut in eight years.

However, by the close of the financial year, prices had fallen to about \$41 due to production that continued to outstrip demand, with expectation of increased supply from Iran after sanctions were lifted in early 2016.

This kept global inflation low below the desired target and consequently subdued growth prospects.

#### 8.1.3 Domestic Financial Markets Developments

During the year to June 2017, the Bank's monetary and financial market policies continued to support the development of domestic financial and money markets, particularly Government securities. As a fiscal agent of Government of Uganda, Bank of Uganda issued securities for fiscal operations. Treasury Bills consisting of 91-, 182-, and 364-day instruments and T-Bonds in 2, 3, 5, 10, and 15 year instruments were issued.

The spectrum of maturities is largely accommodative for investors who desire to invest in different maturities both on the short, medium and long term. Price discovery has greatly been enhanced and is supported by the yield curve on the Bank of Uganda website which increases efficiency of valuation and market understanding of the term structure of interest rates.

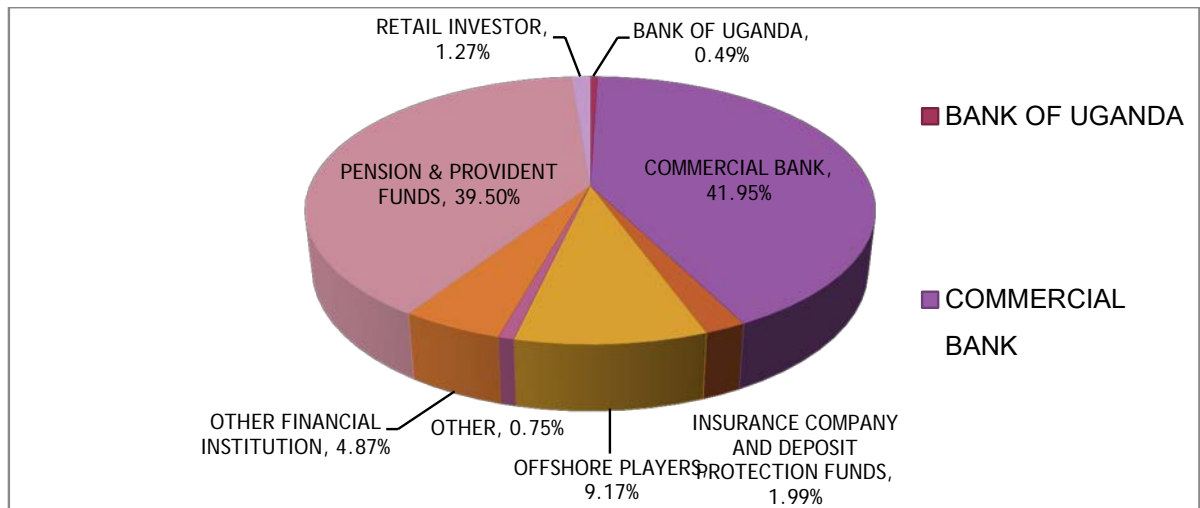
For its Open Market Operations, the Bank issued Repo and Reverse Repos consisting of maturities of up to 7 days, deposit auctions in tenors of 28 and 56-days as well as sale of Bank of Uganda recapitalization securities in the secondary market. The objective was to maintain the 7 day interbank interest rate within the Central Bank Rate (CBR) band.



#### 8.1.4 Treasury Bills and Bonds

In the year to June 30, 2017, a total of UGX 5,744.0 billion was issued at a cost of UGX 3,689.0 billion in Treasury bills and UGX 2,055.0 billion in Treasury bonds. Government securities redemptions in the period amounted to UGX 5,131.97 billion, of this, Treasury bills amounted to UGX 3,897.8 billion while Treasury bonds amounted to UGX 1,234.20 billion. The new money (net domestic borrowing) raised for government as per the budget during FY 2016/17 was UGX 612.0 billion. As at the end of June 2017, the total stock at face value of Treasury bills was UGX 3,600.00 billion whereas Treasury bond stock stood at UGX 8,448.89 billion an increase from UGX 3,655.91 billion and UGX 7,430.51 billion at end-June 2016 for Treasury bills and Treasury bonds, respectively.

Figure 12: Treasury Securities Outstanding Stock by Holder Category as at June 30, 2017



Source: Bank of Uganda

As at June 30, 2017, commercial banks held the largest portfolio of government securities at 41.95 percent of the total stock, 39.50 percent was held by Pension and provident funds, 9.17 percent was held by offshore investors. Bank of Uganda and other financial institutions held 0.49 percent and 4.87 percent, respectively while insurance companies and retail investors held 1.99 percent and 1.27 percent, respectively.

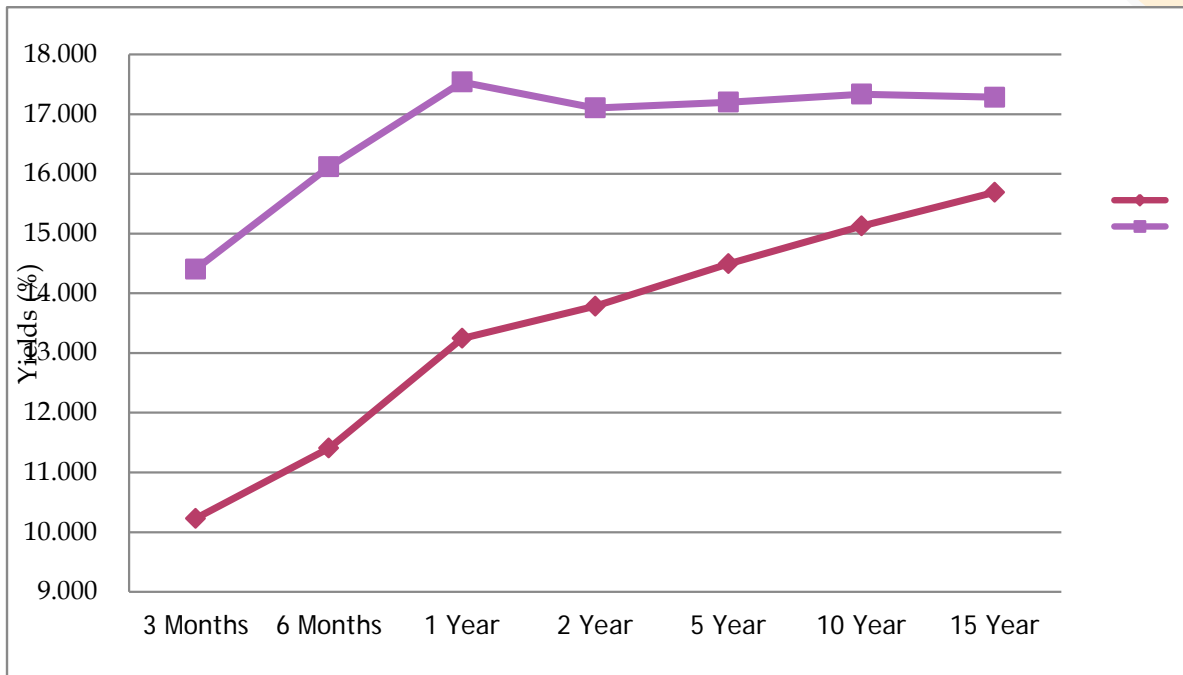
#### 8.1.5 Rates

The Bank of Uganda adopted an accommodative monetary policy stance for most of the period under review by reducing the Central Bank Rate (CBR) in order to support the recovery of private sector credit and hence support real economic growth and in line with inflation outlook. The CBR was gradually reduced by 5 percentage points to 10 percent in June 2017 from 15 percent in July 2016.

The Treasury bill yields fell during the period under review in line with monetary policy easing. By end-June 2017, the effective yields on the 91-, 182-, and 364-day Treasury bills stood at 10.816 percent, 11.817 percent and 13.353 percent, respectively, compared to the corresponding rates of 15.285 percent, 16.941 percent and 17.982 percent recorded at end-June 2016.



Figure 13: Government Securities Benchmark Yield Curve Comparisons: June 2016 vs June 2017



Source: Bank of Uganda

The government benchmark yields fell across all tenors as seen in the Figure 13 above. The yields on the 2-, 5-, 10-, and 15-year bonds fell to 13.783 percent, 14.492 percent, 15.125 percent and 15.692 percent at the end of June 2017 from 17.042 percent, 17.2 percent, 17.333 percent and 17.283 percent at the end of June 2016 respectively.

#### 8.1.6 The Vertical Repurchase Agreement (Repo) Market

Bank of Uganda uses the repo market as the main liquidity management tool in line with the monetary policy framework of Inflation Targeting Lite (ITL). The vertical Repo market used for short-term liquidity management registered a total volume of UGX 39.74 trillion, comprising of 98.17 percent (UGX 39.01 trillion) in Repos and 1.83 percent (UGX 0.73 trillion) in Reverse Repos. These were offered in tenors ranging from 1 to 7 days. The short term Repo market interest rates edged down due to monetary policy easing by the Bank of Uganda aimed at supporting the recovery of private sector credit and stimulating economic activity.

#### 8.1.7 Deposit Auction Facilities

Bank of Uganda uses the Deposit auction as an instrument for liquidity management alongside the Repo auctions. Deposit auctions are carried out in tenors of 28 and 56 days. Under this facility, the BOU invites commercial banks to place remunerated fixed term deposits at the Central bank.

During FY 2016/17, deposit auction volumes amounted to UGX 2,751.50 billion of which UGX 1,891.5 billion was awarded on the 28-day tenor and UGX 860.0 billion was awarded on the 56-day tenor.



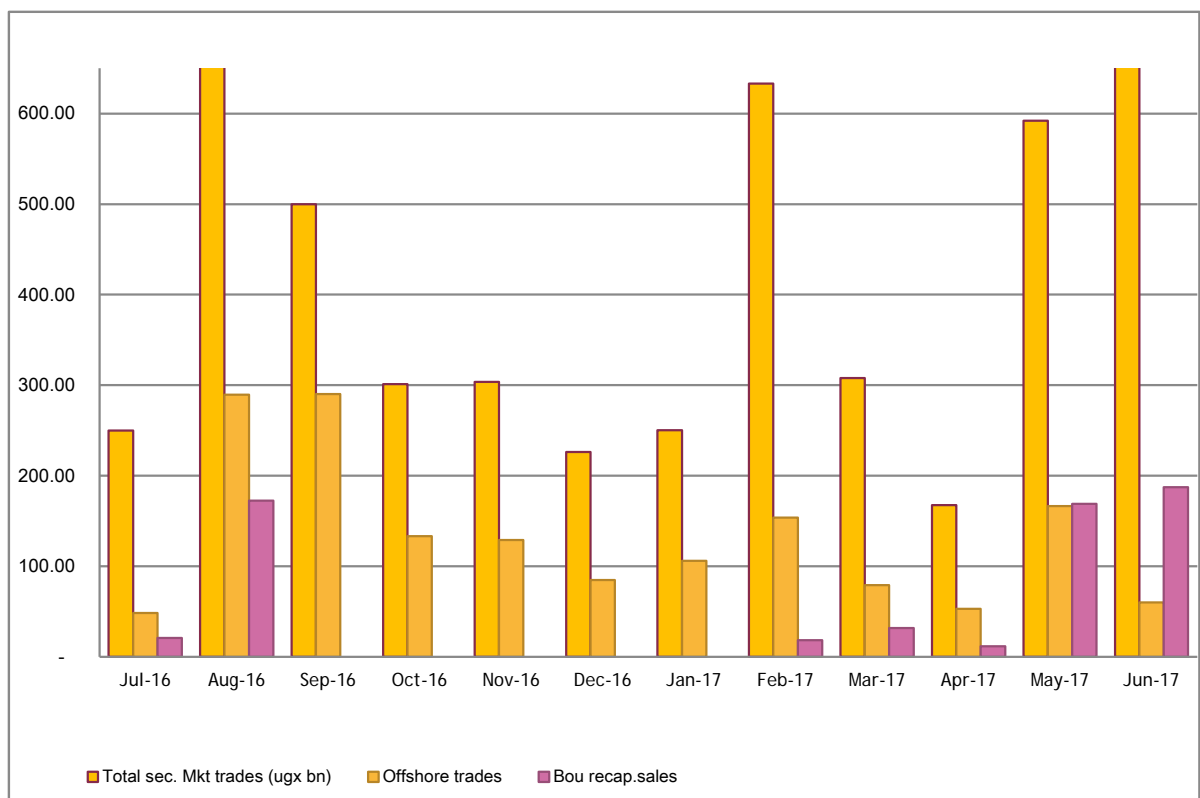
### 8.1.8 Bank of Uganda Recapitalization Securities

The Bank of Uganda also uses the sale of recapitalization securities in the secondary market as a supplementary tool to manage liquidity. During FY 2016/17, recapitalization securities amounting to UGX 655.19 billion were sold.

### 8.1.9 Secondary Market Developments

Bank of Uganda has an obligation to support the development and stability of the financial system in Uganda. During the period under review, trading in the secondary market for Treasury securities increased from UGX 3.599 trillion traded in the year to June 2016 to UGX 4.882 trillion traded. The monthly turnover in the secondary market for the period under review is shown in Figure 14.

Figure 14: Secondary Market Trades of Government Securities July-2016 to June-2017



Source: Bank of Uganda

The average number of secondary market transactions per month in the year 2016/17 increased to 209 compared to an average of 122 transactions in the year 2015/16. The increase in the volume and number of secondary market trades could be partly attributed to the sale of Bank of Uganda recapitalization securities.

## 8.2 Debt Market Development

In a bid to improve liquidity in the secondary market for government securities the Bank has instituted Primary Dealer Reforms for the government securities market. Phase I of the reforms commenced where all banks can open accounts on the Central Securities Depository (CSD) and also



submit and settle their clients' bids in the primary market. Evaluation criteria which are being used to assess the performance of the commercial banks were developed during phase I of the reforms.

Other domestic financial markets developments during the period included:

- i. Participation and exhibition of material relating to investment in government securities at the diaspora convention in Boston, USA.
- ii. Participation in public awareness and sensitization tours to inform the public about the government securities market and the ongoing PD reforms. The sensitization tours involved visits to Mbarara, Kabale, Fort Portal, Masaka, Gulu, Arua, Mbale and Jinja where staff from Financial Markets Department appeared on radio talk shows and held town hall sensitization meetings.
- iii. The Bank of Uganda in conjunction with the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) held an in-country workshop on Derivatives and Risk Management for the financial market players in Uganda including commercial banks, the Social Security Fund and the different regulators. This training was aimed at building capacity in derivatives by equipping participants with quantitative skills in the application of derivatives to risk management.
- iv. In partnership with ACI, the Financial Markets Association (ACI), BoU held training on the Interbank Repo Market and Global Master Repurchase Agreement for all commercial bank dealers in March 2017.
- v. The Bank in conjunction with Reuters developed and implemented contribution screens to enable commercial banks to electronically quote 2-way prices for financial instruments in the Ugandan money markets and government securities market. This was aimed at increasing visibility in financial instruments hence market development.
- vi. Bank of Uganda and the 1st Parliamentary counsel are in the process of drafting regulations that will allow the applicability of the Global Master Repurchase Agreement (GMRA) to the Ugandan financial markets. Once this is done, it will enable the use of government securities as collateral in the interbank market (horizontal repo market).
- vii. The Bank obtained funding to carry out a feasibility study on the viability of a mobile treasury product for trading and acquiring government securities using a mobile phone platform from Financial Sector Deepening Uganda (FSDU). The feasibility study is currently being undertaken by consultancy firms.

### 8.2.1 Capital Markets Infrastructure Development

Bank of Uganda is in discussions with the Uganda Securities Exchange (USE) to link the USE to the Bank of Uganda Central Securities Depository (CSD) to enable trading of government securities at the Securities Exchange.

The Primary Dealership Shared Gateway (PDSG) project went live, with commercial banks now able to directly open CSD accounts for their clients and also view their account statements. It is hoped that this will lead to improved market efficiency in government securities.



### 8.2.2 East African Community Regional Activities

The EAC Secretariat constituted a Technical Working Group (TWG) for Designated Market Makers for Government Securities (DMMGs). The TWG was constituted at the national and regional level, and was tasked with developing a framework for government securities market makers that will provide guidance to other market makers other than commercial banks. This will enable standardization of the dealers' code of conduct and streamline government securities trading resulting into more liquidity in the secondary market.





## 9 Banks Supervision

### 9.1 Commercial Banks

The banking system remained safe and sound in the year to June 2017. All banks met the minimum core capital requirement of 8 percent of risk weighted assets as at the end of June 2017. In addition, banks maintained adequate liquidity buffers as shown by the ratio of liquid assets to total deposits of 50.1 percent as at the end of June 2017, well above the minimum requirement of 20 percent. Credit risk has also improved over the period under review. The industry wide NPL ratio (non-performing loans to total gross loans) improved from 8.3 percent in June 2016 to 6.2 percent in June 2017.

The total assets of the banking sector grew by 9 percent from UGX.22.8 trillion in June 2016 to UGX.24.9 trillion at the end of June 2017. However, there was a slowdown in lending recorded in the year to June 2017. Bank loans grew by 0.9 percent from UGX10.9 trillion in June 2016 to UGX11.0 trillion in June 2017, lower than the 3.7 percent growth recorded in the previous year. Similarly, total deposits of the banking sector grew by 10.3 percent from UGX 15.5 trillion in June 2016 to UGX 17.1 trillion at the end of June 2017.

Bank of Uganda moved Crane Bank Limited from Statutory Management to Receivership to avoid a systemic problem in the financial sector and transferred the majority of its liabilities (including deposits) and assets to DFCU Bank Limited on January 24, 2017. Bank of Uganda incurred net intervention costs amounting to UGX 397,000 million towards Crane Bank statutory management. These costs are recoverable from the shareholders of Crane Bank Limited (in receivership) in line with the FIA 2004.

The total number of commercial bank branches was 546 as at the end of June 2017 compared to 566 branches as at the end of June 2016. Similarly, the number of Automated Teller Machines (ATMs) decreased from 862 as at end of June 2016 to 818 as at the end of June 2017. The decrease in branches and ATMs was mainly on account of the integration of Crane Bank Limited into DFCU Bank Limited where some branches were closed. In addition, some of the commercial banks undertook branch and ATM rationalization in an effort to scale down on operational costs and focused on alternative delivery channels.

### 9.2 Credit Institutions

All Credit Institutions were adequately capitalized and had strong liquidity buffers as at the end of June 2017. Total assets held by the sub-sector grew by UGX 55.5 billion or 12.6 percent from UGX.440.8 billion as at the end of June 2016 to UGX.496.3 billion as at the end of June 2017. Similarly, net loans and advances increased by UGX.23.8 billion or 10.2 percent from UGX.233.6 billion as at the end June 2016 to UGX.257.4 billion as at the end of June 2017. Total deposits rose by UGX.43.1 billion or 14.5 percent from UGX.296.6 billion to UGX.339.billion over the same period.



### 9.3 Microfinance Deposit-Taking Institutions

During the period ended June 2017, the Microfinance Deposit-taking Institutions (MDIs) were adequately capitalized. Aggregate core and total capital held was UGX 139.0 billion and UGX.151.0 billion, while the capital adequacy ratios of core and total capital to risk weighted assets were 38.9 percent and 42.3 percent respectively. The sub-sector's annualized Return on Assets (ROA) and Return on Equity (ROE) ratios were 2.8 percent and 8.8 percent, respectively.

Total assets held by the sub-sector increased by UGX.29.7 billion or 6.7 percent from UGX.442.0 billion as at the end of June 2016 to UGX.471.7 billion as at the end of June 2017. Total loans decreased by UGX.8.0 billion or 2.8 percent from UGX.285.7 billion to UGX.277.7 billion. Customer deposits increased by UGX.2.4 billion or 1.2 percent from UGX.198.8 billion to UGX.201.2 billion over the same period. Non-performing loans increased by UGX.4.0 billion or 40.0 percent from UGX.10.0 billion to UGX.14.0 billion.

### 9.4 Credit Reference Bureau

Bank of Uganda entered into a Memorandum of Understanding with National Identification and Registration Authority (NIRA) to validate the financial card records against the National Identification Numbers. Subsequently, NIRA commenced the process of validating the financial card records and once this process is completed, the National Identification Numbers will become the key identifier of all borrowers and for all other financial transactions.

### 9.5 Mobile Money

Mobile money services continued to register significant growth in the year to June 2017. This growth was propelled by the services' convenience. Besides being an avenue for money remittance and bills payments, mobile money has revolutionized the banking sector, complementing the Banks' operations. Notably, banks' customers are using mobile money to transfer funds between their bank and mobile money accounts. They can also save and borrow through the mobile money accounts. The number of mobile money transactions increased from 809.1million in the year to June 2016 to 1.1 trillion during the year to June 2017. The corresponding increase in the value of mobile money transactions was from UGX37.4 trillion to UGX52.8 trillion. The number of registered mobile money users increased from 19.6 million to 22.8 million during the period.

### 9.6 Deposit Protection Fund

The Minister of Finance, Planning and Economic Development inaugurated the Board of Directors of the Deposit Protection Fund (DPF) on April 13, 2017. The Bank of Uganda later seconded four members of staff to the DPF to steer the three-year transitional arrangements. The DPF commenced operations as a separate entity in June 2017.

The total market value of the DPF for commercial banks and credit Institutions increased by UGX.110.2 billion or 29.7 percent from UGX 371.5 billion as at the end of June 2016 to UGX.481.7 billion as at the end of June 2017. Similarly, the DPF for microfinance deposit-taking institutions had



a market value of UGX.13.3 billion as at the end of June 2017 compared to UGX.11.0 billion as at the end of June 2016.

## 9.7 Regulatory Framework

### 9.7.1 Financial Institutions Act of 2004 as amended

Bank of Uganda developed two regulations to operationalize some of the Financial Institutions Act amendments, which were gazetted on July 14, 2017. The two regulations are: The Financial Institutions (Agent Banking) Regulations, 2017 and The Insurance (Bancassurance) Regulations, 2017.

### 9.7.2 Financial Institutions (Credit Reference Bureau) Regulations, 2017

Bank of Uganda also finalized the review of the draft Financial Institutions (Credit Reference Bureau) Regulations, 2017 and forwarded them to the Minister of Finance, Planning and Economic Development for Legislative drafting. The draft Regulations broaden access to the credit reference services for the Accredited Credit Providers (ACPs); incorporate additional changes on corporate governance and dispute resolutions and permit CRBs to provide their services through agents.

### 9.7.3 Foreign Exchange Act, 2004

In order to address gaps in the regulatory framework for foreign exchange bureaus and money remittance companies, Bank of Uganda held follow-up meetings with Ministry of Finance, Planning and Economic Development to ensure that the proposed amendments to the Foreign Exchange Act, 2004 and the Foreign Exchange (Forex Bureaus and Money Remittance) Regulations, 2006 are acted on expeditiously.

### 9.7.4 External Auditors' Appointment Guidelines

Bank of Uganda issued External Auditors' Appointment Guidelines for the Forex Bureaus and Money Remitters. Under these guidelines, the auditors are now bound by clear responsibilities and obligations both to the licensees and to BoU.

### 9.7.5 Multi Stakeholders' Task Force

As a measure to address the risks posed by unlicensed foreign exchange trade, Bank of Uganda set up a multi stakeholder task force whose membership comprises Bank of Uganda, President's Office, Uganda Police, Financial Intelligence Authority, Kampala Capital City Authority and Ministry of Local Government. The mandate of the Task Force is to collect market intelligence on the illegal operators and to develop joint enforcement strategies.

### 9.7.6 Microfinance Deposit-taking Institutions Act, 2003

The Ministry of Finance, Planning and Economic Development, in conjunction with Bank of Uganda, held a stakeholders' workshop to discuss the proposed amendments to the Microfinance Deposit-taking Institutions (MDI) Act, 2003 and the proposals are now due to be discussed by Cabinet.



#### 9.7.7 Tier 4 Microfinance and Moneylenders Act, 2016

Section 110 of the Tier 4 Microfinance and Moneylenders Act 2016 requires Bank of Uganda to supervise Tier 4 institutions with voluntary savings in excess of UGX 1.5 billion and institutional capital of more than UGX 0.5 billion. In this connection, Bank of Uganda conducted onsite visits to the large Tier 4 institutions that are likely to meet the above criteria.



# 10 Financial Inclusion

## 10.1 Overview

In Uganda, 54 percent of the adult population was able to access formal financial services by 2013, up from 28 percent in 2009 (FinScope survey, 2013). According to the FinScope survey, 2013, 15 percent (2.6 million) Ugandan adults were financially excluded, down from 30 percent (4.3 million) in 2009. The Bank of Uganda (BoU) made a commitment under the Maya Declaration to, among others, increase the percentage of adult formally financially included population (16 years+) from 54 % (FinScope survey 2013) to at least 70 % by 2017.

The Bank of Uganda strategic Plan 2017-2022 has included financial inclusion initiatives aimed at closing the exclusion gap, by removing the barriers to access and usage of financial services. An increase in the number of users of financial services such as savers increases the size and stability of the deposit base. Similarly, an increase in the usage and access of financial services leads to better transmission of monetary policy; which contributes to financial stability. Financial Inclusion focuses on increasing access to and usage of appropriate financial services and it plays an integral role in the realisation of inclusive and sustainable growth. It is, therefore, vital for both the economic and social development of a country.

The Bank of Uganda continued to work closely with various stakeholders to strengthen financial inclusion under the four pillars;

Pillar 1: Financial Literacy

Pillar 2: Financial Consumer Protection

Pillar 3: Financial Innovations

Pillar 4: Financial Services Data and Measurement

Below are some of the achievements under each of the pillars during the period under review.

## 10.2 Financial Literacy

### 10.2.1 Training of Trainers for Financial Literacy

During the Financial Year 2016/2017, the Bank of Uganda in conjunction with GIZ and other partners conducted several Training of Trainers (ToTs) courses/workshops as a way of equipping skills and knowledge to individuals and organizations, who would in turn train others creating a multiplier effect. Currently, over 1,000 trainers from various organisations all over the country have attended the 5 day training of trainers.

The ToTs were held in Kampala with participants coming from different parts of the country. In addition, regional ToTs were held in Jinja, Fort Portal, Hoima and Tororo. Financial literacy training was conducted at different work places, churches, trade shows and learning institutions.

The Bank of Uganda joined other institutions worldwide to commemorate the world savings day on October 31, 2016. Activities undertaken include engagement with the public and Supervised Financial Institutions at the Constitutional Square, media campaign on the role of savings in the economy,



hosting of students from various learning institutions at the Bank of Uganda money museum and a knowledge sharing session about talk on savings was organised for Bank of Uganda staff.

In order to increase awareness of money matters among the youth, the Bank took part in the Global Money Week (March 2017) under the theme: 'Learn, Save, Earn.' A presentation was made to students from various learning institutions at Makerere University Business School focusing on their social and economic rights, importance of saving and developing livelihoods skills.

### 10.2.2 National Stakeholder Meetings

Since the launch of the National Financial Literacy Strategy in 2013 BoU has held 6 (six) financial literacy information sharing meetings to discuss progress of implementation of the strategy, challenges met and come up with solutions. The most recent meeting was held in December 2016, with attendance of over 150 participants, drawn from institutions such as Financial Sector Deepening - Uganda (FSDU), Commercial Banks, Micro Finance Deposit Taking Institutions, Credit Institutions, and Radio Stations, among others.

### 10.3 Financial Consumer Protection

To ensure that customers' rights are protected, the Bank of Uganda issued Financial Consumer Protection Guidelines to all Supervised Financial Institutions (SFIs) i.e. commercial banks, credit institutions and microfinance deposit-taking institutions in 2011. The guidelines clearly spell out the ways in which financial institutions should interact with their customers and focus on four principles of; fairness, reliability, transparency and complaints handling. The Bank continuously monitors SFIs to ensure that they comply with the issued guidelines.

Bank of Uganda continues to publish charges and fees levied by all supervised financial institutions to ensure that the public has relevant information to make informed decisions. In addition, all SFIs are required to disclose all salient features of products/services to prospective customers using a Key Facts Document.

In order to strengthen awareness among the public, the Bank is continuing to use print and electronic media (radio talk shows and adverts in newspapers) to sensitize the public about their rights when dealing with SFIs. A number of brochures and leaflets have been developed and are distributed to the public at public gatherings such as trade shows.

The process of issuing National Identification Cards (NIC) is ongoing. A process has started to link financial cards issued by the Credit Reference Bureau to the NICs. It is envisaged that the NIC will be the only accepted identification document for financial transactions in Uganda.

#### 10.3.1 Complaints Handling

All SFIs have been requested to develop and implement complaints' handling procedures. These procedures should be easily available to customers at branches, on websites and via all other communication channels of the financial institution. The Bank has directed SFIs to appoint dedicated customer service staff to handle customer complaints within their existing branch structure.



The Bank also receives and resolves complaints from customers of SFIs. A dedicated email to receive complaints from the public was established. In addition, the complaints handling mechanism has been strengthened further with the creation of a consumer assistance coordination system to complement the complaints handling desk. Onsite inspection of SFIs includes a review and evaluation of complaints handling procedures to ensure that SFIs have effective mechanisms in place to handle complaints.

#### 10.4 Financial Innovations

The Bank of Uganda continues to work with various partners to support extension of financial services in rural areas and digitise payments. The Bank of Uganda has provided an enabling regulatory environment for mobile financial services through the issuance of the mobile money guidelines. In addition, the Bank continues to review and approve innovative financial products such as cross border mobile money, savings and loans provided over the mobile money platforms.

To further strengthen the regulatory and supervisory framework for mobile money services, an MOU has been signed between the Bank of Uganda and the Uganda Communications Commission (UCC). The MOU aims at, among others, enabling the sharing of information between the two regulators.

The Bank of Uganda spearheaded the process of amending the FIA to allow for, among other things, agency and Islamic banking. The implementing regulations for agency banking have been issued. It is expected that commercial banks and credit institution will soon start contracting agents to provide permissible banking services on their behalf.

#### 10.5 Financial Services Data and Measurement

Bank of Uganda is a key participant in the preparation and conduct of the demand side survey on access and use of financial service in Uganda. Currently, preparations are underway to conduct the fourth demand side survey on access and usage of financial services.

In order to monitor usage and access of financial services, the Bank of Uganda collects bi-annual data based on core set of Financial Inclusion Indicators, which is published online.

#### 10.6 The National Financial Inclusion Strategy

The Inter Institutional Committee on Financial Inclusion (IICFI) chaired by Ministry of Finance, Planning and Economic Development and with Bank of Uganda as Secretariat was established to oversee the development and implementation of the National Financial Inclusion Strategy for Uganda (NFIS). The committee working with various stakeholders has finalised the process of developing the NFIS and will shortly embark on the process of implementing the strategy, following the launch scheduled for September 2017.



# 11 Banking, Currency and National Payment Systems

## 11.1 Banking Operations

One of Bank of Uganda's (BoU) statutory responsibilities according to the Constitution and Bank of Uganda Act, is to act as banker to Government and commercial banks. The Bank discharges this critical role through maintaining accounts for its customers, these are maintained in Banking Department on the Bank's core system, the BOU Banking System (BBS).

The operations between Bank of Uganda and Government are governed by the Public Finance Management Act, 2015 and the Memorandum of Understanding (MoU) signed between BOU and MOFPED. The MOU is currently under review and discussions between MOFPED and BOU have gone a long way with the objective of updating it to cater for the new developments that have emerged over the years and for the demands of the day.

### 11.1.1 Achievements registered during the FY 2016/17

The achievements in this area over FY 2016/17 are indicated below:

- i. Enhancement of BBS Connect module was done to allow domestic forex payments to be processed through the system (BBS Connect). This has provided efficiency and convenience to our customers. Consequently, there has been a significant reduction in errors of omission and commission, which would arise from manual processing of payment instructions.
- ii. The Bank organized a sensitization workshop for Accounting Officers (AO's) of Government Ministries Departments and Agencies (MDA's). The main objective of the workshop was to educate and equip the AO's with the requisite knowledge and skills necessary to execute business transactions on-line via the BBS Connect with greater customer convenience and control.
- iii. During the year, implementation of the Treasury Single Account (TSA) 3rd phase was carried out to include Local Governments onto the TSA system. As a result, all Local Governments are to be connected to BBS connect. The Local Government Accounting Officers were successfully trained on the features of the BBS connect and its usage.
- iv. In accordance with the EAC Monetary Affairs Committee (MAC) resolutions, five (5) repatriations of Kenya Shillings to the Central Bank of Kenya were successfully done.

During the year, uploading of the Tanzania Shilling detection software onto the currency counting and counterfeit detection machines was done. In this regard, communication was sent to commercial banks about Bank of Uganda's readiness to receive Tanzania shillings. This is in line with the EAC MAC resolutions on EAC currencies acceptability, collection and repatriation. In preparation to commence business, a team was sent to the Bank of Tanzania (BOT), to study the features of Tanzania's currency.





## 11.2 Currency Operations

The Bank has continued to fulfil its mandate of issuing legal tender based on economic demand and also in the appropriate denomination mix that support and ease the completion of transactions. In the process, the total value of currency in circulation rose by 13.9% in FY 2016/17 as seen in Table 9 below.

Table 9: Value of Currency in Circulation as at June 30, 2017

Year	Banknotes (UGX)	Growth %	Coins (UGX)	Growth %	Total Value (UGX)	Growth %
2015/16	3,255,066,183,000		145,855,620,236		3,400,921,803,236	
2016/17	3,715,988,575,000	14.20%	159,184,120,236	9.10%	3,875,172,695,236	13.90%

The data presented in the table above shows that the value of banknotes in circulation increased by 14.2% while coins increased by 9.1% during the FY 2016/17.

### 11.2.1 Currency withdrawals and Deposits by Commercial banks

The total value of withdrawals by commercial banks increased by 11.6% from UGX 6.7 billion to UGX 7.5 billion while deposits increased by 7.2% during the same period as may be seen in Table 11 below.

Table 10: Issuance Trend to commercial banks

Year	Withdrawals (UGX)				Deposits (UGX)			
	Banknotes	Growth	Coins	Growth	Banknotes	Growth	Coins	Growth
2015/16	6,717,717,000,000		14,295,530,000		6,562,748,000,000		4,074,337,000	
2016/17	7,498,789,000,000	11.60%	14,638,620,000	2.40%	7,037,864,000,000	7.20%	1,310,120,000	-67.80%
	Total Withdrawal				Total Deposits			
				Growth				Growth
2015/16	6,732,012,530,000				6,566,822,337,000			
2016/17	7,513,427,620,000			11.60%	7,039,174,120,000			7.20%
<b>Net effect in Circulation</b>					474,253,500,000			

Table 10 shows that coin withdrawals grew by 2.4 percent in contrast to coin deposits that contracted by 67.8 percent. The contraction in coin deposits in FY 2016/17 is on account of the fact that BoU undertook an intensive issuance of coins into the financial system in FY 2015/16 to address the shortage of coin supply in circulation. The withdrawals and deposits of bank notes grew by 11.6 percent and 7.20 percent respectively in FY 2016/17 compared to FY 2015/16.

The net increase of withdrawals by UGX.474.3 billion translates into an equivalent expansion of currency in circulation during the FY 2016/17.

### 11.2.2 Currency Processing

As a result of improving currency automation through procurement of currency processing machines, the value of currency processed increased by 10.2% between FY 2015/16 and FY 2016/17. This resulted in the amount of Re-issue increasing by 11.2% in the same period as reflected in the Table 11 below.



Table 11: Impact of Automation on the amount of currency re-issue

Year	Total deposits Issued for processing	Growth	Re-issue Output
2015/16	6,430,383,000,000		4,449,252,000,000
2016/17	7,083,592,000,000	10.20%	4,949,538,000,000

The ongoing upgrade of the existing currency processing machines is expected to improve on the efficiency of currency verification resulting into reduced unprocessed stocks and increased re-issue output for re-circulation that will impact on currency costs for the upcoming FY 2017/18.

### 11.2.3 Currency Infrastructure

The Bank embarked on a number of infrastructural projects to improve the management and processing of currency. These include the construction of a new Currency Building for Masaka Centre, to accommodate currency operations, a Business Resumption Centre and space for Bank Archives. The Bank also started the construction of an embankment wall at the Currency Centre in Kabale to stabilise the soil around the building and minimize the effect of soil and rock movements.

Figure 15: Artistic impression of the proposed Masaka Currency Centre under construction.



Furthermore, the Bank's capacity for timely countrywide distribution of currency to meet regional demand has greatly improved through acquisition of two new bullion vans and four Armoured Personnel Carriers. In addition, the Bank has embarked on the process of upgrading six high speed BPS processing machines.

## 11.3 National Payments and Settlement Operations

Bank of Uganda is mandated to promote safety and efficiency of payment system as part of its wider responsibilities of maintaining monetary and financial stability.

This is done through; the Real Time Gross Settlement System (RTGS) also known as the Ugandan National Inter-bank Settlement System (UNISS), the Electronic Clearing System (ECS), the East African



Payment System (EAPS) and the COMESA Regional Payment and Settlement System, the key systems managed by the Bank.

### 11.3.1 Uganda National Interbank Settlement System (UNISS)

UNISS is the real time gross settlement system that facilitates the transfer of high value and time critical payments. Availability of the system remained high throughout the year at an average of about 99.2%. UNISS is a multicurrency system settling transactions in Uganda shillings as well as foreign currencies including: USD, Euro, GBP, KES, TZS and RWF.

The volume of UNISS transactions (in UGX) for the year ending June 2017 rose by 10 percent to 763,598 from 693,664 in the year ending June 2016. The value of these transactions increased by 20.5 percent from UGX234.0 trillion to UGX282.0 trillion over the same period.

Currently, UNISS is being upgraded to cater for automatic confirmation of cross border transactions and enhance advanced statistics module by introducing a business intelligence module. The upgrade is expected to go-live in the last quarter of 2017.

In regard to the foreign denominated transactions, United States dollars (USD) registered the highest activity in terms of both value and volumes settled in the year ending June 2017, with USD 7.4 billion settled in 121,827 transactions (Table 12). However, this was an increase from USD 7 billion settled in 110,382 transactions in the previous year ending June 2016. The Kenyan shilling (KES) recorded the second highest number and value of transactions with an equivalent of USD 387 million settled in 6,100 transactions. The Euro (EUR) recorded the third highest number and value of transactions with an equivalent of USD 208 million settled in 2,331 transactions. Other currencies transacted include Great Britain Pound (GBP), Tanzanian Shillings (TZS), and Rwandan Francs (RWF).

Table 12: UNISS volume and values transacted in foreign currencies

	June 2017	June 2016
Total value settled in all foreign currencies(USD equivalent; millions)	8,103	7,724
Proportion by currency (value)		
USD	91.73	90.65
EUR	2.57	4.09
GBP	0.65	0.61
KES	4.78	4.61
TZS	0.07	0.05
RWF	0.19	0.0
Total volume settled	131,380	118,177
Proportion by currency (volume)		
USD	92.73	93.4
EUR	1.77	1.89
GBP	0.66	0.55
KES	4.64	4.0
TZS	0.15	0.15
RWF	0.04	0.01

Source: Bank of Uganda

### 11.3.2 East African Payment System (EAPS)

The East African Payment System (EAPS) is a payment platform that connects the real time gross settlement (RTGS) Systems operated by the Partner State Central Banks of the EAC region. Table 13 shows that in terms of value, the majority of EAPS transactions were made in Kenyan Shillings



representing 82.63 percent for inward transactions and 84.87 percent for outward transactions. Rwanda Francs registered the least number of EAPS transactions for the same period.

Table 13: Performance of EAPS

Year Ended	June 2017		June 2016	
	Inward	Outward	Inward	Outward
Total value settled (UGX equivalent; billions)	562.1	697.2	625.4	678.6
Proportion by currency (value)				
UGX (percent)	10.91	8.93	16.9	14.1
KES (percent)	82.63	84.87	82.0	84.8
TZS (percent)	1.96	1.59	1.0	1.0
RWF (percent)	4.50	4.61	0.1	0.1
Total volume settled	4302	5484	2,571	4,853
Proportion by currency (volume)				
UGX	69.74	20.62	56.2	30.2
KES	28.64	76.17	41.7	67.0
TZS	1.23	2.55	1.8	2.7
RWF	0.74	0.66	0.2	0.1

Source: Bank of Uganda

### 11.3.3 Common Market for Eastern and Southern Africa (COMESA) Regional Payment and Settlement System (REPSS)

The Common Market for Eastern and Southern Africa (COMESA) established, through its Clearing House, a Regional Payment and Settlement System (REPSS), the objective of which is to facilitate trade payments and reduce transaction cost for traders. It is expected that all COMESA countries will use the system in order to ease and enhance trade in the region.

The system is already operational in nine Member States, namely at the Central Banks of Uganda, Kenya, Malawi, Mauritius, Rwanda, Swaziland, DRC, Egypt and Zambia. Other COMESA member states are expected to join the system upon completion of the project implementation.

REPSS is a Multilateral Netting System with End-of-Day Settlement in a single currency (USD or Euro). The main aim of the system is to stimulate economic growth through an increase in intra-regional trade by enabling importers and exporters to pay and receive payment for goods and services through an efficient and cost effective platform. Local banks access the payment system through their Central Banks. Any participating bank is, therefore, able to make payments to, and receive payments from, any other participating bank.

### 11.3.4 Electronic Clearing System (ECS)

The Electronic Clearing System (ECS) facilitates the interbank clearing of cheques and Electronic Funds Transfer (EFT) transactions, both in Uganda Shillings and the widely used foreign currencies, namely: USD, EUR, GBP and KES.

In the year ending June 2017, 1.19 million cheque transactions valued at UGX6.06 trillion were cleared in the ECS as compared to the 1.10 million cheque transactions valued at 5.6 trillion that was cleared in the year ending June 2016. The total (credits and debits) volume EFT transactions increased by 21 percent to 8.6 million in the year ending June 2017 as compared to the 7.1 million transactions recorded in the year ending June 2016. Similarly, the value of these transactions



also increased by 25 percent to UGX19.1 trillion during the year to June 2017 from UGX15.3 transacted in the previous year ended June 2016.

During the year to June 2017, the ECS cleared 77,724 cheques and 72,384 EFTs in the foreign currencies - USD, EUR, GBP and KES. The transactions made in US dollars registered the highest activity with the USD cheque transaction volume at 77,266 with a value of USD 271.75 million, whereas EFT transactions were 70,792 with a value of USD 829.19 million.

Table 14: ECS Foreign Currency Activity

Year Ended	Jun-17		Jun-16	
	EFT	Cheques	EFT	Cheques
Total value Cleared (USD equivalent; millions)	866.3	272.9	649.5	248.9
Proportion (%) of Value by currency				
USD	95.7	99.6	94.5	99.7
EUR	3.8	0.3	5.2	0.2
GBP	0.4	0.1	0.2	0.1
KES	0.0	0.0	0	0
Total volume Cleared	72,384	77,724	53,831	71,578
Proportion (%) of Volume by currency				
USD	97.8	99.4	98.3	99.5
EUR	1.8	0.4	1.3	0.3
GBP	0.4	0.2	0.4	0.2
KES	0.0	0.0	0	0

Source: Bank of Uganda

Bank of Uganda is implementing a new Automated Clearing House (ACH) under the East African Community- Payment and Settlement Systems Integration Project (EAC- PSSIP). The project is funded by AfDB. Once the implementation is completed, clearing of cheques will be based on presentation of electronic images, instead of physical cheques as is currently the case. It is hoped that this will reduce the clearing cycle from the current three days to one day.

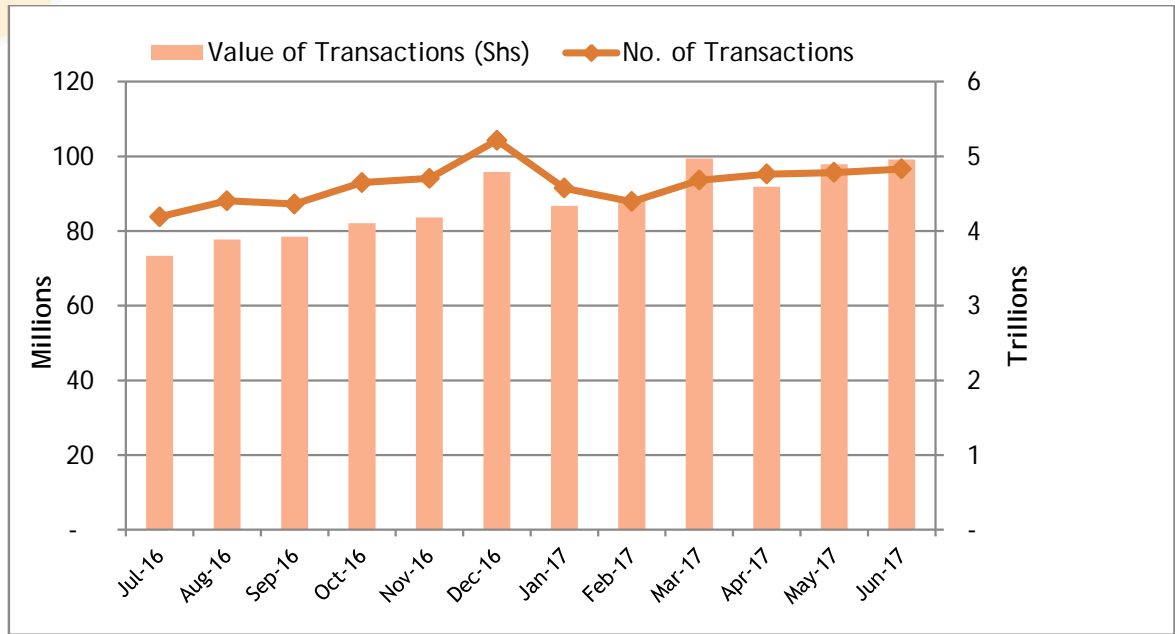
### 11.3.5 Mobile Money Services

Mobile money transfer services grew in volume and value of transactions during the year to June 2017. The number of mobile money transactions increased by 38 percent from 806.1 million during the year to June 2016 to 1.11 billion during the year to June 2017, while the value of mobile money transactions increased by 41 percent from UGX 37.4 trillion to UGX 52.77 trillion during the same time period. The number of registered mobile users increased from 19.6 million to 22.8 million during the last year. Currently, there are seven mobile money service providers namely; MTN, Airtel, Uganda Telecom Ltd (UTL), Africell, M-Cash, Ezeey Money and Micropay with a network of 147,146 agents combined. Currently mobile money customers are able to transfer funds domestically to persons and businesses, pay bills, save, borrow and transfer and receive funds across borders.

Following is a summary of Mobile Money industry trends for the year ended June 2017 indicated in the Figure 16 below;



Figure 16: Mobile Money industry trends for the year ended June 2017



# 12 Petroleum Revenue Investment Fund

## 12.1 Petroleum Revenue Management

### 12.1.1 Petroleum Fund

The Petroleum Fund (PF) was established under the Public Finance Management Act (PFMA) 2015 (Part VIII) to facilitate the efficient management of Uganda's petroleum resources for the benefit of both current and future generations.

The law prescribes the specific mandates to all parties involved in the management of the petroleum revenue. The entities involved in the management of the petroleum revenue operate independently but are accountable to one another in the decision making process.

According to the law, all petroleum revenues which accrue to Government shall be collected or received by the Uganda Revenue Authority (URA) and paid into the PF. The Minister is responsible for the overall management of the PF and oversees the transfer into and the disbursements from the PF.

The PFMA outlines limitations on withdrawals as follows;

- a. Withdrawals from the PF shall only be made under authority granted by an Appropriation Act and a warrant of the Auditor General to support the annual budget; and to the Petroleum Revenue Investment Reserve (PRIR) for investments; and
- b. The amount of money withdrawn from the PF to the PRIR in a financial year shall not exceed the amount authorized by Parliament except that any balance of money in the PF after appropriation to the Consolidated Fund shall be transferred to the PRIR.

In line with the law, the MoFPED opened an account at the Bank of Uganda (BoU) to separate the petroleum revenue from other government revenues in order to ensure transparency and accountability in the management of the PF.

### 12.1.2 Petroleum Revenue Inflows

Since the establishment of the Petroleum Fund in March 2015, Petroleum Revenue amounting to USD 109,014,084 and UGX 30,922,461,076 has been received as of June 30, 2017 as detailed in Table 15 & Table 16. In the FY 2016/17, a total of USD 36,897,062 was received which includes the last installment on the capital gain tax (CGT) of USD 36,058,521 from Tullow Oil Ltd. The UGX amount relates to funds originally received by the URA and Ministry of Energy and Mineral Development (MEMD) that was initially transferred to the UCF and subsequently to the PF.

In the absence of the Investment Policy and appropriations of the Petroleum Revenue, the Petroleum Funds continue to be held on call with minimum interest benefits. As of June 30, 2017 the interest earned amounted to USD 473,928.



Table 15: USD funds received by PF as of June 30, 2017

Date of receipt	USD	Particulars
22-Jun-15	36,058,501	Capital gain tax by Tullow (Total EP & CNOOCINTLTD)
30-Jun-16	36,058,521	Capital gain tax by Tullow (Total EP & CNOOCINTLTD)
06-Oct-16	157,500	Surface rental by Tullow
07-Oct-16	113,400	Surface rental Total
17-Jan-17	172,000	Annual Surface Rental by CNOOC
17-Jan-17	200,000	Training fees by CNOOC'
25-Jan-17	5,000	Advisory & Legal fees
21-Feb-17	641	Annual Surface Rental - Total EP
22-Feb-17	100,000	Training fees- Total EP
27-Mar-17	50,000	Training fees by Tullow <sup>2</sup>
30-Mar-17	36,058,521	Capital gain tax by Tullow (Total EP & CNOOCINT LTD)
5-May-17	40,000	Production license Total EP
30-Jun-17	473,928	Interest
Total	109,488,012	Position of the Petroleum Fund as of June 30, 2017

<sup>2</sup>Funds received through the Petroleum Authority of Uganda

Table 16: UGX funds received by PF as at June 30, 2017

Date of receipt	UGX	Particulars
From	to	
Mar-15	Jun-15	2,420,035,319 Training fees, data sale, rentals by MEMD to CF later to PF
1-Jul-15	Jun-16	10,003,386,387 Training fees, data sale, rentals & refund by MEMD to CF later to PF
1-Jul-16		6,770,660,000 Refinery Security bid bond encashment by MEMD to CF later to PF
3-Aug-16		337,849,317 Training fees by MEMD to CF later to PF
25-May-17		11,390,530,053 Income tax and royalties by URA to CF later to PF
Total		30,922,461,076 Position of the Petroleum Fund as of June 30, 2017

### 12.1.3 Capital gains tax

The last installment of the tax dispute of USD 36 million from Tullow was received on March 30, 2017. Uganda has been involved in two tax disputes that have generated USD 728,758,293 since 2010 of which USD 434 million was from Heritage Oil and USD 250 million as Capital Gains Tax (CGT) from Tullow Oil, and USD 43,833,312 in stamp duty. Of this USD 620,582,750 was spent in the National budget before the establishment of the Petroleum Fund. The historical details of the CGT are depicted in Table 17.

Table 17: Receipts on Capital Gains Tax

Date of receipt	USD	Particulars
4-Aug-10	121,477,500	Capital gains tax- by Tullow for Heritage oil & gas ltd
7-Apr-11	313,447,500	Capital gains tax- by Tullow for Heritage oil & gas ltd
11-Apr-11	14,500,000	Stamp duty -Tullow Oil Plc.
22-Feb-12	141,824,438	Capital gains tax by Tullow (Total EP & CNOOCINTLTD)
26-Mar-12	29,333,312	Stamp duty -Total EP & CNOOC INT LTD
22-Jun-15	36,058,501	Capital gains tax by Tullow (Total EP & CNOOC INT LTD)
30-Jun-16	36,058,521	Capital gains tax by Tullow (Total EP & CNOOC INT LTD)
30-Mar-17	36,058,521	Capital gains tax by Tullow (Total EP & CNOOC INT LTD)
Total	728,758,293	

### 12.1.4 Petroleum Revenue withdrawals

Since the establishment of the PF, government has made no appropriation from it. Prior to its establishment, revenue received into the Oil Tax Revenue account was spent by the government through the budget.





### 12.1.5 Petroleum Revenue Investment Reserve (PRIR)

The MoFPED is responsible for the overall management of the Petroleum Fund including setting the investment policy of the PRIR. The investment policy covers the objective, the broad asset allocation guidelines and the risk limits. Depending on appropriateness, consideration and weight is given to the long-term interest of Uganda's citizens.

As part of the governance framework of the PRIR, the law establishes the Investment Advisory Committee to advise the Minister on the Investments under the PRIR and the Minister is responsible for appointing its members.

The operational management of the PRIR is delegated to and carried out by the BoU which invests, and may delegate to external managers to invest, the PRIR's capital according to guidelines established by the MoFPED.

The law requires the BoU to manage the PRIR within the framework of a written agreement entered into between the Minister and the Governor of the BOU for that purpose.

### 12.1.6 Preparations for the PRIR Mandate

The draft Operational Management Agreement between the Minister and the Governor was forwarded to the MoFPED for review and concurrence prior to its sign off.

The BoU continues to reaffirm its commitment to the establishment of necessary infrastructure for the management and investments of the PRIR, including;

- i. The framework that facilitates investment management activities; providing front-end portfolio trading, middle office operations for portfolio management, end of day compliance, performance measurement, market monitoring and analysis to facilitate decision making.
- ii. Enhancing capacity in sovereign wealth related activities including initiating the process of enrolling the PRIR to the International Forum of Sovereign Wealth Funds.
- iii. Designing an internal administrative structure in relation to the workload that will be reviewed progressively as the funds grow.
- iv. Continuing with the benchmarking and consultative missions that help to provide insights into the ongoing designing of the infrastructure, policies, tools and procedures necessary for the management of the PRIR.

The Bank looks forward to receiving the Investment Policy of the PRIR in order to assess the options for investment.

The Bank remains committed to ensuring safe custody of the assets of the PF and will continue to pursue programs and activities consistent with good governance, transparency and accountability in the management of the PRIR.



# 13 Agricultural Credit Facility (ACF)

## 13.1 Introduction

Agriculture is critical for sustainable development and poverty eradication in the Ugandan economy. However, returns to farming are influenced by multiple factors including agronomy, market access, postharvest-handling and storage, industrial linkages and access to finance, among others.

The Government of Uganda has been implementing economic reforms since 1987 geared at economic growth and development. Such reforms include economic liberalization and privatization of public enterprises with the aim of promoting private sector participation in the development process. These reforms were consolidated into a development framework, the Poverty Eradication Action Plan (PEAP) whose major goal is to reduce poverty levels in Uganda to less than 10% by 2017. Modernization of the Agricultural sector is one of the major areas of concern for the PEAP, to be able to take into account its comparative advantage at home, regionally and globally. The plan for modernization of agriculture is aimed at transforming the agricultural sector to a “profitable, competitive, sustainable and dynamic agro-industrial sector”.

It is against this background that the Government of Uganda in partnership with Participating Financial Institutions (PFIs) i.e. Commercial Banks, Micro Deposit-Taking Institutions (MDIs), Credit Institutions (CIs) and Uganda Development Bank Limited (UDBL) instituted the Agricultural Credit Facility (ACF/Scheme) in 2009 whose operations commenced in 2010. The Scheme is administered by the Bank of Uganda (BOU) and its operations are guided by a Memorandum of Understanding (MoU) signed by all the stakeholders which is reviewed annually in order to address the unique challenges facing the farmers in Uganda.

## 13.2 Objectives of the ACF

The key objective of the Scheme is to facilitate the provision of medium and long term loans to projects engaged in agriculture and agro-processing at more favorable terms than are usually available from financial institutions with the aim of commercialization, modernization and value-addition. The Scheme also intends to improve food security and PFI's confidence in lending to the agricultural sector.

## 13.3 Sources of funds under the ACF scheme

The GOU has paid from the budget UGX 141.07 billion to the Scheme through BoU since inception to cover disbursements. Out of this, UGX 93.06 billion had been transferred to the ACF capital account as at June 30, 2017. The PFIs have also made a commitment to match the GoU contribution in equal proportion in accordance with the MoU. Replenishment for the GoU contribution is done on a need basis upon request by BoU. This is supplemented by the PFIs loan repayments which are ploughed back into the scheme for onward lending given that the ACF is a revolving scheme.



### 13.4 Performance of the Scheme

The ACF has steadily improved since it was established in the year 2009. This is attributed to a number of factors that include: continued Government effort to promote agriculture and agro-processing in the country, increased participation of the PFIs from eleven in December 2010 to sixteen in 2017. In addition, BoU has increased sensitization of the Scheme to the public through the various agricultural workshops and exhibitions across the country as well as TV and radio talk shows.

As at June 30, 2017, total disbursements amounted to UGX 236.55 billion, extended to 378 eligible projects across the country; of which GOU contribution amounted to UGX 117.34 billion. In addition, UGX 9.11 billion had been committed for projects pending receipt of proof of disbursement in order to refinance the PFIs.

### 13.5 Procedure of Accessing the Fund

ACF loan applications are prepared and appraised by PFIs in line with their credit policy to ensure that only eligible projects are financed and submitted to BoU for reimbursement. Satisfactory projects are then financed/disbursed by the PFIs upfront and a request for re-imburement of the GoU contribution is then tendered to BoU.

### 13.6 Loan Terms and conditions

Loans under the ACF are denominated in Uganda shillings and the terms and conditions that govern its operations are detailed in the MoU and the subsequent addenda whose salient features include the following;

#### 13.6.1 Loan Amount

The maximum loan amount to a single borrower is UGX 2.1 billion. However, this amount can be increased up to UGX 5 billion on a case by case basis (for eligible projects that add significant value to the Agriculture sector and the economy as a whole).

#### 13.6.2 Loan Term

The maximum loan period should not exceed 8 years and the minimum should be 6 months. The grace period is up to a maximum of 3 years.

#### 13.6.3 Interest Rate

The interest rate charged by the PFI to the final borrower is capped at 12 percent per annum.

#### 13.6.4 Eligible Purposes

The projects eligible for financing under ACF are indicated below;

- i. The acquisition of agriculture machinery and post-harvest handling equipment, storage facilities agricultural inputs that include; pesticides and fertilizers, land opening, paddocking, biological assets that include; Banana suckers, fruit seedlings, chicks, piglets, cows and goats for restocking the farm, agro processing facilities, purchase of Grain and any



other agricultural and agro-processing related activities. The maximum loan amount to an eligible borrower for biological assets shall not exceed UGX. 80 million.

- ii. Working capital required for operating expenses is considered provided this component does not exceed 20 percent of the total project cost for each eligible borrower. These will include among others wages for hired farm labour, overhead costs like utilities and installation costs, and hiring of specialized machinery for farming activities. The Scheme does not finance working capital for purchase of land, forestry, refinancing existing loan facilities and trading in agricultural commodities with the exception of grain.

### 13.7 Financing the Grain Trade

In a bid to address the challenges affecting Grain in the country such as Grain handling and the need to absorb excess grain from the bumper harvests that result in price fluctuations, the Grain Facility was introduced under the ACF. The scheme provides financing for working capital and infrastructure for projects engaged in grain trading and its terms include the follows:

- i. The maximum financeable amount to a single borrower is UGX 10 billion and the GoU contribution is 50 percent of the eligible amount.
- ii. The maximum tenure of a loan for working capital for an eligible project under the grain facility is 24 months from the date of disbursement to the borrower.
- iii. The maximum tenure of a loan for capital expenditure for an eligible project under the grain facility is 8 years from the date of disbursement to the borrower with a maximum grace period of 3 years.
- iv. The applicable interest rate for loans advanced to finance grain trading under the scheme is a maximum of 15 percent per annum.

### 13.8 Activities Funded under the ACF

Since inception, various areas have been financed. These include; On farm which addresses farm activities and farm machinery/equipment that facilitate improved farm production; Financing working capital for grain trade; Livestock; Post harvest management like warehouses, silos, etc., and; agro processing which involves value addition. The Table 18 and Figure 17 below show a breakdown of the Scheme disbursements as grouped by activity funded. Agro-processing accounts for 54 percent of the fund utilization which is consistent with one of the Scheme's key objectives of value addition.

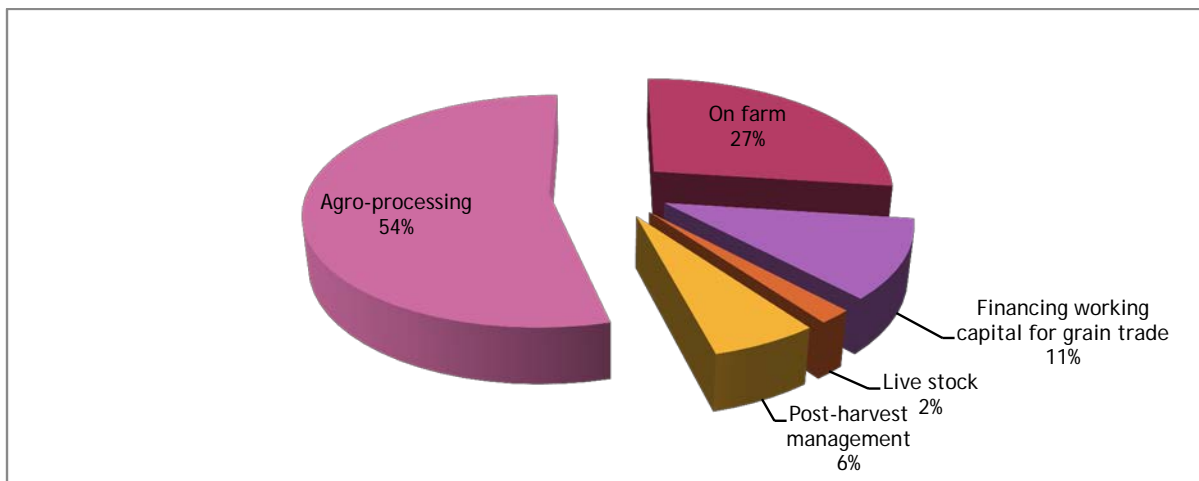


Table 18: ACF Portfolio grouped by activity funded as at June 30, 2017 (Disbursed & Committed Funds)

FUNDED ACTIVITY	NO. OF PROJECTS	TOTAL AMOUNT DISBURSED & COMMITTED (UGX)	GOU CONTRIBUTION (UGX)
On farm	243	68,997,428,044	33,940,616,934
Financing working capital for grain trade	8	27,880,000,000	13,940,000,000
Live stock	20	4,880,999,800	2,453,299,900
Post-harvest management	31	15,247,625,919	7,623,384,160
Agro-processing	87	137,760,551,740	68,495,173,340
<b>TOTAL</b>	<b>389</b>	<b>254,766,605,503</b>	<b>126,452,474,334</b>

Source: Bank of Uganda

Figure 17: Pie chart showing the ACF Portfolio grouped by activity funded as at June 30, 2017



Source: Bank of Uganda

Figure 18: Grain Storage Facility



A grain processing and storage plant in Jinja District.

Figure 19: on-farm (maize field)



Figure 20: Milk Processing Unit



A Dairy processing plant in Busunju, in Central Region



# 14 Information Technology

## 14.1 Business Automation

The Bank went live with the following applications in FY 2016/17:

- i. The Central Securities Depository Primary Dealership Shared Gateway (PDSG), to extend online access to CSD functionality to external stakeholders.
- ii. The Pension Administration System, to manage the administration of BoU staff pensions.

During the year, the Bank continued with the implementation of projects funded by the African Development Bank to overhaul the Automated Clearing House system, and to upgrade the Real Time Gross Settlement System. It is expected that the upgraded RTGS and new Automated Clearing House system will both go live in FY 2017/18.

## 14.2 IT Infrastructure

The Bank upgraded and extended the physical security system at BoU Headquarters. The Bank also commissioned several projects to improve its capacity to prevent and detect cyber-security threats. The Bank continues to effect improvements to other aspects of its IT infrastructure, in response to business requirements, and performance, capacity, security and maintenance imperatives.

## 14.3 IT Governance

Under the regional initiative to improve IT Governance at the central banks in the East African Community (EAC), the Bank conducted training for members of the Board, senior management and stakeholder departments on the Control Objectives for IT and related Technologies (COBIT) framework. The Bank continues to undertake IT process improvements in accordance with COBIT.

During the year, the Bank also completed its assessment of compliance with the Government of Uganda National Information Security Policy, and commissioned a program of activity to achieve full compliance.



# 15 Financial Results for the Year Ended June 30, 2017

## 15.1 Introduction

The Financial Statements of the Bank include the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash flows and accompanying notes.

The performance of the Bank is analysed on the basis of achievements in line with its Core Functions as spelt out in the BOU Act, Section 4 and outlined below:

- Maintain monetary stability;
- Maintain an external assets reserve;
- Issue currency notes and coins;
- Banker and advisor to Government;
- Regulation and supervision of financial institutions;
- Banker to financial institutions and clearing house for cheques and other financial instruments; and,
- Where appropriate, act as agent in financial matters for Government.

## 15.2 Statement of Profit or Loss and Other Comprehensive Income

### 15.2.1 Income

The Bank realized net operating income before foreign exchange and fair value gains of UGX 128,322 million in FY2016/17 compared to UGX 229,980 million of FY2015/16. A detailed discussion of income is presented below.

#### 15.2.1.1 Interest Income

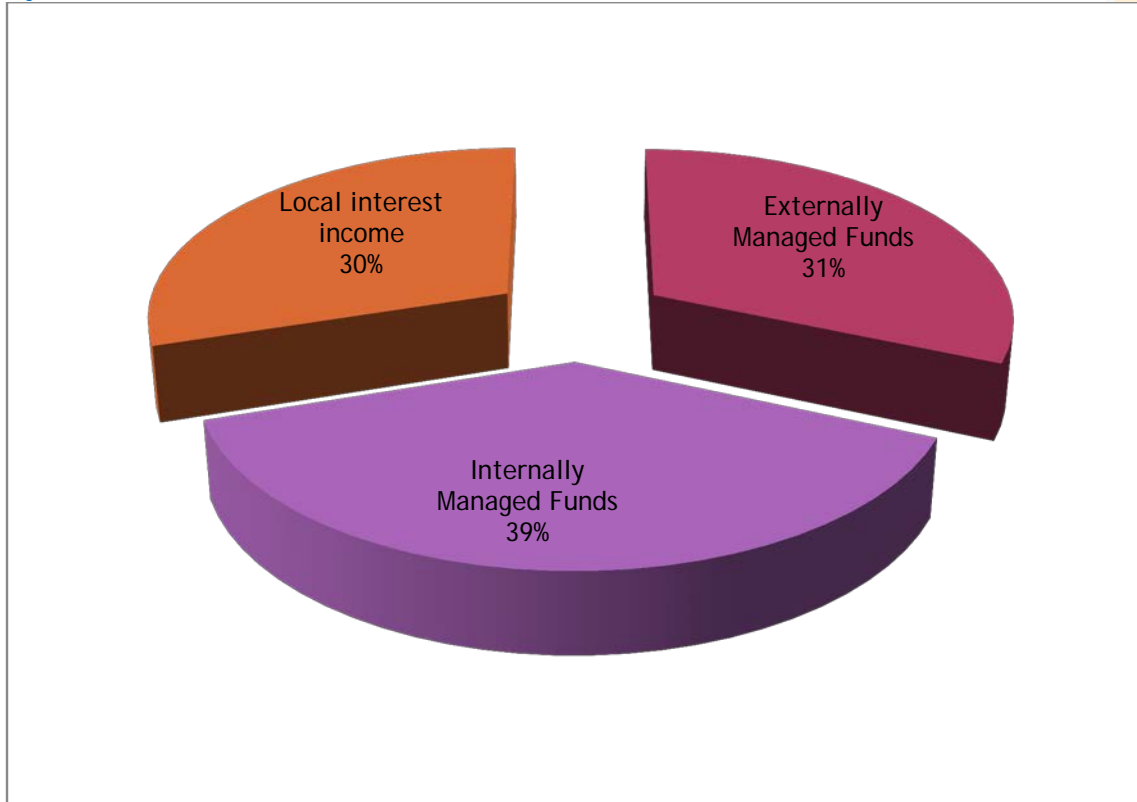
During the year ended June 30, 2017, the Bank posted interest income of UGX 179,883 million, a 13 percent decline from UGX 206,351 million of FY2015/16.

Interest income contribution from funds managed both externally and internally accounted for 70 percent of the total income, while local interest income contributed 30 percent. Figure 21 below shows the distribution of total interest income.





Figure 21: Distribution of interest income



Source: Bank of Uganda

#### 15.2.1.1.1 Externally Managed Funds

Interest income from the externally managed funds totalled UGX 57,004 million compared to UGX 53,772 million in FY2015/16. The growth in the interest income in Uganda Shillings terms during the year was explained by the depreciation of the Uganda Shilling against all major international currencies on account of mixed economic data during the period as well as policy uncertainties in major economies. In USD terms, the Bank realised 6 percent more interest income compared to the prior year due to increase in bond prices following the US Federal reserve modest interest rate hike. In addition, developed market government bond yields increased across the board during the year as several central banks issued optimistic statements on the future path of policy normalization in their respective jurisdictions. Generally, all the external fund managers outperformed their benchmarks during the year and were able to earn excess returns.

At the close of the year, the total portfolio with the external fund managers stood at USD 1,087 million compared to USD 1,080 million as at June 30, 2016. Nevertheless, the return on the externally managed portfolio was also affected by low yields and in respect of the Euro negative interest rates.

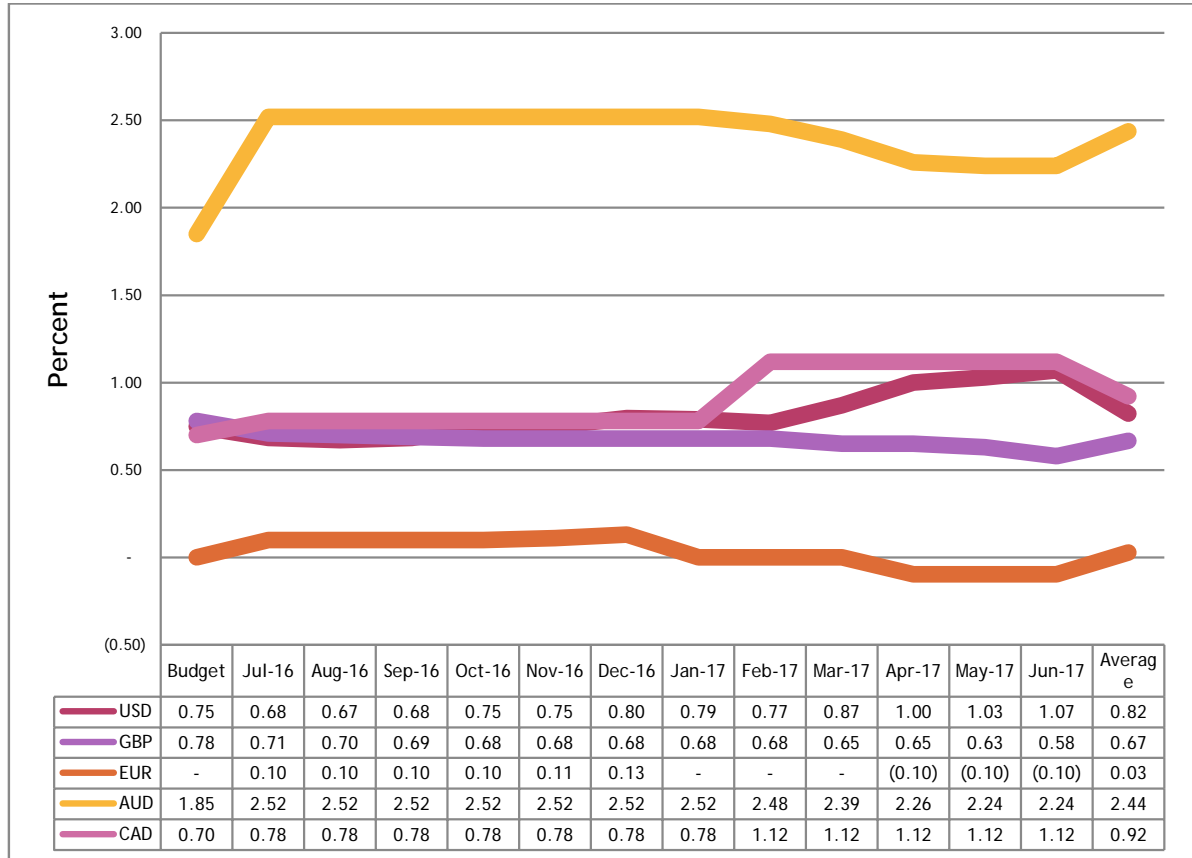
#### 15.2.1.1.2 Internally Managed Funds

Income from internally managed funds increased by 30 percent to UGX 68,603 million in FY 2016/17 from UGX 52,847 million in FY2015/16. This was mainly attributed to the Australian Dollar (AUD) denominated investments whose return averaged 2.44 percent, contributing 50 percent of the income.



It is noted that with the exception of the Euro investments where the Bank recorded negative interest rates, the internally managed portfolio performed better than the externally managed one mainly due to the positive returns from the money market Investments. In the fixed income investment space, the market value of the portfolio rose slightly as bond yields fell in some markets. Figure 22 shows the interest rate trends during the financial year.

Figure 22: Interest rate trends for the year ended June 30, 2017

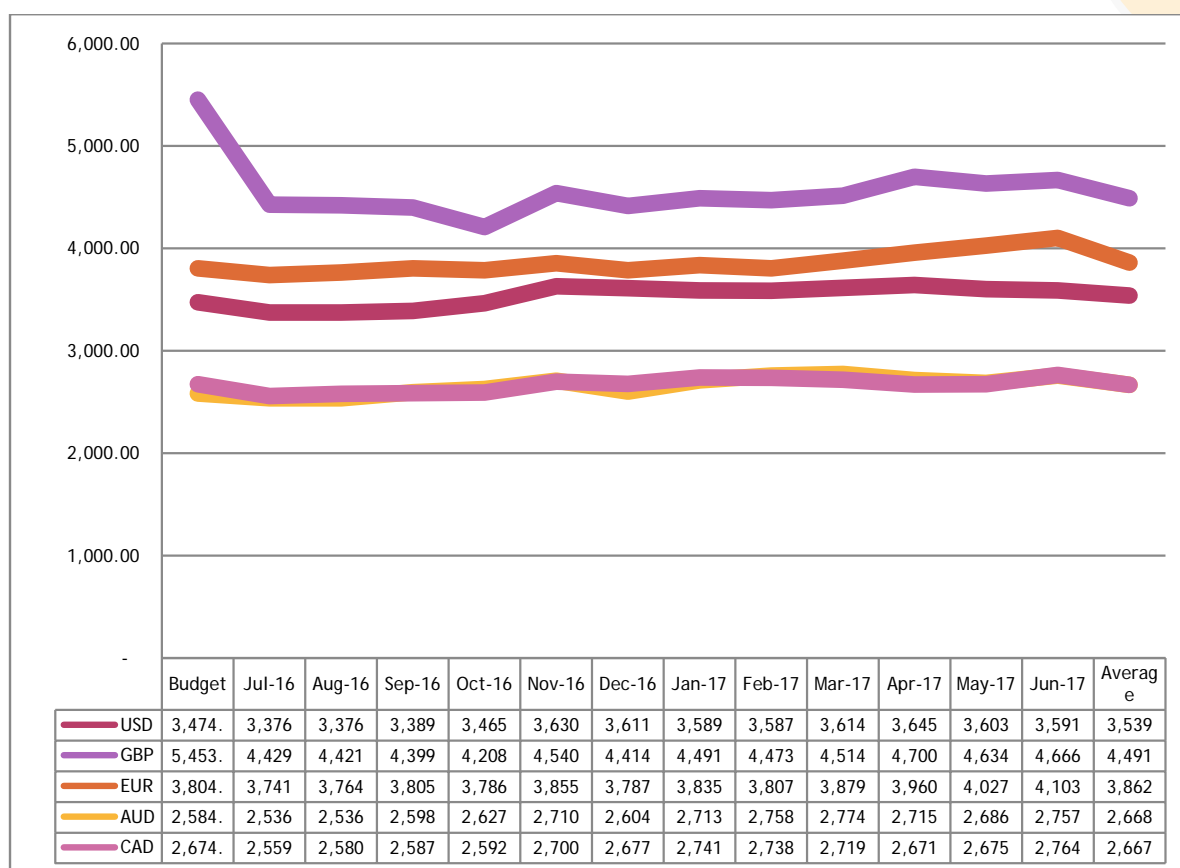


Source: Bank of Uganda

On average, the Uganda Shilling depreciated against all major currencies, reaching a peak in November 2016 before gradually easing and stabilising by the end of June 2017. In November 2016, the Bank intervened on the sell side and suspended reserve build-up purchases for some time to stem the exchange rate volatility, which subsequently contributed to the shilling stability in the latter months of the financial year. Figure 23 below shows the average exchange rates for the year.



Figure 23: Exchange rate trends for the year ended June 30, 2017



Source: Bank of Uganda

### 15.2.1.1.3 Local Interest Income

Recapitalisation Securities were the major sources of local interest income contributing 89 percent to this source, albeit on a small base of recapitalisation securities. However this income was 80 percent below expectation as the bulk of recapitalisation securities worth UGX 655,000 million were sold for monetary policy operations. The Bank therefore realised interest income on a smaller base of recapitalisation securities of only UGX 305,000 million compared to UGX 1,010,000 million that had been projected.

### 15.2.1.2 Non-Interest Income

#### 15.2.1.2.1 Profit on domestic forex trading

Bank of Uganda sells and buys foreign exchange from Government and earns a profit on trading. The bank realised UGX 22,427 million from forex trading with Government compared to UGX 47,718 million of the prior year. During the period, Government scaled down on infrastructural development projects, hence a reduction in the profit earned during the year.

#### 15.2.1.2.2 Fees and commissions

The Bank earned commission of UGX 6,184 million compared to UGX 2,588 million of FY 2015/16 mainly on letters of credit. The increase is mainly attributed to a letter of credit opened on behalf of Ministry of Works for earth moving equipment worth USD 150 million for road works.



### 15.2.1.2.3 Other Income

Other income amounted to UGX 27,430 million compared to UGX 14,933 million in the previous year. The increment of 84 percent is mainly due to the following:

- Unclaimed balances appropriated to income of UGX 9,640 million under Section 119(6) of the FIA 2004;
- Currency processing fees of UGX 6,261 million;
- RTGS Income contributing UGX 3,879 million;
- Dividend income from investment in Afreximbank of UGX 1,848 million;
- Financial Institutions Licenses UGX 1,153 million; and
- CSD maintenance & support UGX 791 million.

### 15.2.2 Expenditure

The total expenditure outturn for the year increased to UGX 712,285 million in FY 2016/17 from UGX 379,118 million in FY 2015/16.

The increase in expenditure is mainly attributed to currency and monetary policy costs. Furthermore, the Bank made a provision for impairment of UGX 197,883 million relating to the net intervention costs incurred in Crane Bank Ltd (in receivership).

The expenditure is tabulated according to the Bank's core functions in Table 19 and distribution shown in Figure 24 below.

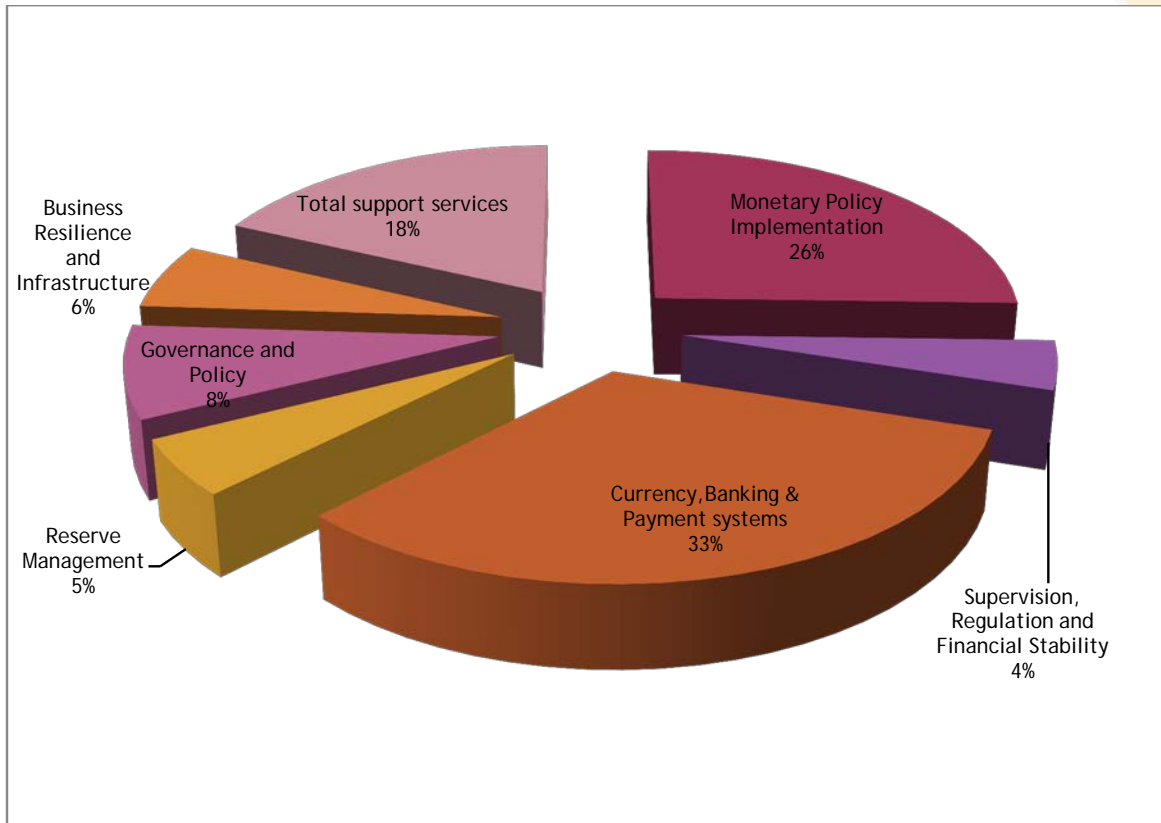
Table 19: Actual expenditure according to core functions of the Bank

	ACTUAL FY 2016/17	ACTUAL FY 2015/16	VARIANCE
	UGX (m)	UGX (m)	
Monetary Policy Implementation	131,412	61,321	114%
Supervision, Regulation and Financial Stability*	220,800	19,135	1054%
Currency, Banking & Payment systems	176,585	131,919	34%
Reserve Management	18,104	15,136	20%
Governance and Policy	43,490	35,446	23%
Business Resilience and Infrastructure	30,683	30,053	2%
<b>Total Core functions</b>	<b>621,074</b>	<b>293,010</b>	<b>112%</b>
Total support services	87,789	83,972	5%
Staff loan fair valuation	3,422	2,136	60%
<b>Total expenditure</b>	<b>712,285</b>	<b>379,118</b>	<b>88%</b>

\* Includes net intervention costs in Crane Bank amounting to UGX. 197,883 million.



Figure 24: Distribution of actual expenditure



Source: Bank of Uganda

#### 15.2.2.1 Implementing Monetary Policy

Key to the core mandates of the Bank is monetary policy implementation and in pursuance of this mandate, the Bank endeavours to maintain the medium term policy rate of 5 percent. In this regard, the Bank incurred costs through the use of Repurchase Agreements (REPOs), deposit auctions and sales of recapitalization securities in the secondary market to align domestic liquidity conditions with the prevailing monetary policy stance.

Expenditure towards the monetary policy objective amounted to UGX 131,412 million during the year compared to an outturn of UGX 61,321 million in FY 2015/16.

Monetary policy costs were significantly higher compared to the previous financial year. This was largely explained by the Bank's reserve build up program, which led to increased levels of liquidity in the economy and therefore the need to mop up the excess liquidity.

#### 15.2.2.2 Regulation, Supervision and Financial Stability

The Bank has a statutory responsibility for the prudential regulation and supervision of financial institutions. In a bid to promote sustainable growth in financial intermediation and institute safe and efficient financial systems, the Bank provided supervisory and regulatory oversight over the financial sector, through on-site inspections and off-site surveillance. Furthermore, the Bank carried out financial inclusion activities including sensitisation of the public through awareness campaigns, and holding stakeholder workshops on the range of financial products and services. In addition, the Bank



has provided for impairment of the expected recovery of the net intervention costs (UGX 197,883 million) incurred in Crane Bank Ltd (in receivership).

Overall, the Bank spent UGX 220,800 million in FY 2016/17 compared to UGX 19,135 million of FY 2015/16 towards regulation, supervision and financial stability.

#### 15.2.2.3 Currency, Banking and Payment Services

One of the key responsibilities of the Bank is to ensure availability of adequate, durable and clean notes and promote public awareness on the currency handling and security features. In addition, the Bank facilitates payments, settlements and clearing of payment instruments for the government and financial institutions. During the year, there was increased growth in demand by the public for currency notes and coins (UGX100 and UGX 200 denominations).

Total expenditure towards this objective amounted to UGX 176,585 million compared to UGX 131,919 million of FY 2015/16. The higher than anticipated expenditure was reflected in currency costs, which increased by 41 percent from the previous year mainly due to increased demand for currency by the public leading to issuance of more new notes and coins. In addition, the depreciation of the Uganda Shilling during the period had an impact on printing and minting costs given the fact that the contracts are denominated in foreign currency.

#### 15.2.2.4 Reserve Management and Financial Markets Operations

The Bank of Uganda Act 2000 under Section 31 vests the maintenance of the country's foreign exchange reserves in Bank of Uganda. The foreign reserves are managed in line with the objectives of capital preservation, liquidity and reasonable and consistent returns as stipulated in the foreign exchange reserves management policy framework. The Bank spent UGX 18,104 million on reserve management activities compared to UGX 15,136 million of FY 2015/16. Over 70 percent of this expenditure was spent on External Fund Managers and Custodian fees, as well as, providers of trading systems and Rating Agencies.

#### 15.2.2.5 Governance and Policy

The Bank has put in place a strong governance framework that steers the strategic direction in line with its mission and vision. The following were achieved in line with governance and policy:

- Maintained a satisfactory system of internal controls for the achievement of its objectives.
- The Bank marked its Golden jubilee and as part of the commemoration a number of activities were carried out namely; Town hall meetings, National Primary essay competition, television documentary, charity walk to support health care, and a panel debate .In addition the Bank published a commemorative book titled "The Golden Odyssey: Bank of Uganda 1966-2016" which covered the fifty year history of the Bank
- Evaluation of the Strategic Plan 2012-2017 was completed to pave way for the development and implementation of the new Strategic Plan 2017-2022.
- Continued public awareness campaigns, workshops for selected groups, monetary policy communication, dissemination of reports, internal newsletters and press briefings.



- Participated in Regional initiatives such as East African Community (EAC), Monetary Affairs Committee (MAC), Common Market for Eastern and Southern Africa (COMESA) and Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI). In addition there was collaboration with the International Monetary Fund (IMF), World Bank, Ministry of Finance, Planning and Economic Development (MoFPED) and Uganda Bureau of Statistics (UBOS).
- Received the 2016 Financial Reporting Award for excellence in financial reporting in the Regulatory Institutions category for the third year running.
- Extended support to various communities in the areas of institutional capacity building, education, health and social development as part of its CSR activities.

The Bank incurred UGX 43,490 million in FY 2016/17 compared to UGX 35,446 million of FY 2015/16 on governance activities.

#### 15.2.2.6 Business Resilience and Infrastructure

In order to build and enhance a resilient IT environment that adequately supports efficient service delivery, the Bank continued to ensure the efficient provision of IT infrastructure to support the payment systems, reserve management operations, financial system oversight banking services, monetary policy frameworks, currency operations and support services. The Bank incurred license fees and maintenance fees on software to support a number of core systems. These include RTGS, Banking Application (BBS), CSD, Oracle Human Resource and Integrated Financial System, Automated Clearing House (ACH), Bank Supervision Application (BSA), Reserves Management System, Swift, and Microsoft.

Towards this objective, the Bank utilised UGX 30,683 million compared to UGX 30,053 million in 2015/16.

#### 15.2.2.7 Support Services and Overheads

These cover administration costs such as security, utilities, repair and maintenance, transport, insurance, depreciation and amortisation, and other institutional support services to the Bank. Total expenditure towards support services amounted to UGX 87,789 million.

#### 15.2.3 Income and Expenditure Trends

The current economic environment presented both opportunities and challenges for BOU as it sought to execute its mandate. The depreciation pressures that started last financial year continued through most of the FY 2016/17 gradually easing by June 2017. The exchange rate remained volatile reaching peaks of UGX 3,630 and UGX 3,645 in November 2016 and April 2017 which greatly impacted the Bank's external income. The USD experienced volatility during the period under review. This was due to the uncertainty that followed the Trump victory in the USA and how it would affect key economic decisions. However, the USD was supported by the US FED's monetary policy decision to raise rates in December 2016, March 2017, and June 2017, each by 25 basis points.

On the expenditure front, increased demand for currency and the depreciation of the UGX against the major foreign currencies significantly impacted currency costs as well as other items purchased



in foreign currency. Table 20 below shows the analysis of the income and expenditure trends over the last five years.

Table 20: Income and Expenditure trends over a period of 5 years

	2012/13	2013/14	2014/15	2015/16	2016/17
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
<b>Income</b>					
Interest Income	82,724	116,833	133,808	206,351	179,883
Interest Expense	(37,700)	(59,997)	28,029	(41,610)	(107,602)
<b>Net Interest Income</b>	<b>45,024</b>	<b>56,836</b>	<b>161,837</b>	<b>164,741</b>	<b>72,281</b>
Fees, Commissions and other income	20,833	73,047	34,370	65,239	56,041
<b>Total Fees, Commissions and other income</b>	<b>20,833</b>	<b>73,047</b>	<b>34,370</b>	<b>65,239</b>	<b>56,041</b>
Net Operating Income	65,857	129,883	196,207	229,980	128,322
Translation Gains/(Losses)	157,885	267,608	1,536,077	(82,888)	380,379
<b>Net Operating Income</b>	<b>223,742</b>	<b>397,491</b>	<b>1,732,284</b>	<b>147,092</b>	<b>508,701</b>
<b>Expenditure</b>					
General & Administration Costs	(219,219)	(190,016)	(186,898)	(212,252)	(234,063)
Currency costs	(64,922)	(62,874)	(64,058)	(93,893)	(132,686)
Provision for Impairment Costs	(84)	(231)	(366)	(279)	(198,018)
Financial & Professional Charges	(11,190)	(11,985)	(13,554)	(15,400)	(17,039)
Depreciation and amortisation	(15,899)	(15,770)	(14,314)	(15,684)	(22,877)
<b>Total Operating Expenditure</b>	<b>(311,314)</b>	<b>(280,876)</b>	<b>(279,190)</b>	<b>(337,508)</b>	<b>(604,683)</b>
<b>Net Surplus/ (Deficit)</b>	<b>(87,572)</b>	<b>116,615</b>	<b>1,453,094</b>	<b>(190,416)</b>	<b>(95,982)</b>
Other Comprehensive Income	97,676	36,348	30,224	25,577	23,426
<b>Total comprehensive income</b>	<b>10,104</b>	<b>152,963</b>	<b>1,483,318</b>	<b>(164,839)</b>	<b>(72,556)</b>

Source: Bank of Uganda

### 15.3 Statement of Financial Position

The Statement of Financial Position shows the level of the Bank's assets and liabilities as well as the shareholder's funds as at June 30, 2017. The analysis of the position is presented below.

#### 15.3.1 Assets

Total assets increased by 18 percent to UGX 15,677,149 million from UGX 13,317,857 million when compared to FY 2015/16, with foreign assets accounting for 88 percent of the total assets at June 30, 2017.

##### 15.3.1.1 Foreign Assets

Foreign assets increased by 20 percent to UGX 13,779,523 million compared to UGX 11,510,778 million as at June 30, 2016. This was largely due to depreciation of the Uganda Shilling against the United States Dollar. The exchange rate as at June 30, 2017 was UGX 3,590.9 per USD unit compared to UGX 3,404.6 per USD unit recorded at June 30, 2016.





In USD terms, the foreign assets increased by 13 percent to USD 3,823 million on account of the internally managed portfolio comprising US Treasury bills and bonds, and Money Market deposits. The internally managed portfolio grew by 20 % to USD 2,437 million up from USD 2,025 million as at June 30, 2016. The growth was largely attributed to net inflows arising from the Bank of Uganda's foreign exchange intervention programme and inflows related to donor support and projects

At the close of the year, the total portfolio with the external fund managers stood at USD 1,087 million compared to USD 1,080 million as at June 30, 2016.

### Domestic Assets

The domestic assets increased by 5 percent to UGX 1,897,626 million as at June 30, 2017 from UGX 1,807,079 million of the prior year. The movement was largely explained by intervention costs of UGX 160,522 million arising from statutory management of Crane Bank Ltd.

### 15.3.2 Liabilities

Total liabilities increased by 24 percent to UGX 12,181,313 million as at June 30, 2017 from the UGX 9,849,465 million of June 30, 2016, with domestic liabilities accounting for 92 percent of the total.

### Foreign Liabilities

Foreign liabilities are mainly comprised of IMF obligations and are measured in terms of Special Drawing Rights units (SDRs). As at June 30, 2017, the Bank held SDR 173 million units, equivalent to UGX 864,229 million, up from UGX 822,541 million reported in the June 2016. The increase of 17 percent was due to depreciation of the UGX against SDR.

### Domestic Liabilities

Domestic liabilities increased by 25 percent to UGX 11,266,396 million during the year mainly due to growth in currency in circulation, Government Capital accounts and Repos.

### 15.3.3 Shareholders' Funds

The Bank's net worth increased by 0.8 percent to UGX 3,495,836 million from UGX 3,468,392 million at the end of June 2016. The movement in the net worth is largely explained by release of recapitalisation securities of UGX 100,000 million to BoU by MoFPED in December 2016 and the Bank's comprehensive income of UGX 72,556 million.



# 16 Directors' Report

## 16.1 Introduction

The Directors are pleased to present their report for the year ended June 30, 2017. The report on the performance of the Bank fulfils the provisions of the Bank of Uganda Act (Cap. 51) Laws of Uganda, which require the Bank to make a report on its activities and operations during the preceding year, within three months after the end of each financial year.

## 16.2 Nature of Business

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

## 16.3 Operating Financial Results

The Directors present the financial statements for the year ended June 30, 2017 as set out on pages 93 to 165 of this report. The Bank registered total comprehensive income of UGX 72,556 million (2016: UGX 164,839 million). The deficit is majorly explained by a provision for impairment losses on intervention costs in Crane Bank Ltd. (in receivership) amounting to UGX 197,883 million.

## 16.4 Dividend

Due to the slow recovery in the global financial markets and continued uncertainty of the future income, the Directors do not recommend payment of a dividend to government for the year ended June 30, 2017 (June 30, 2016: Nil).

## 16.5 Directors

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

Emmanuel Tumusiime-Mutebile (Prof.)	Chairman
Louis Kasekende (PhD)	Member and Alternate Chairman

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

Keith Muhakanizi (Appointed 18 July 2016)	Member
James Kahoza	Member
Ibrahim K. Kabanda	Member
William S. Kalema	Member
Judy Obitre-Gama	Member

None of the Directors had any financial interests in the Bank during the year, except for each of the executive directors of the Board who had a loan with the Bank. These loans were granted as part of



the entitlements of the Directors as outlined in the terms and conditions of service. The loans were therefore recovered from emoluments in accordance with the Bank's policy.

### 16.6 Auditors

In accordance with Section 43 of the Bank of Uganda Act (Cap. 51) Laws of Uganda, the financial statements shall be audited once every year by the Auditor General or an auditor appointed by him to act on his behalf. For the year ended June 30, 2017, M/s Ernst & Young, Certified Public Accountants, were appointed to act on behalf of the Auditor General.

### 16.7 Approval of the Financial Statements

The financial statements were approved at a meeting of the Board of Directors held on September 14, 2017.



Susan Kanyemibwa

Bank Secretary

September 14, 2017



## 17 Statement of the Directors' Responsibilities

According to the Bank of Uganda Act, the Directors are responsible for the general management of the affairs of the Bank, among other duties. They are therefore required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Bank as at the end of the financial year and its operating results for that year. The Directors should also ensure that the Bank keeps proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The Directors accept responsibility for the annual financial statements set out on pages 93 to 165, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Bank of Uganda Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank as at June 30, 2017 and of its net deficit for the year then ended. The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Directors have made an assessment of the Bank's ability to continue as a going concern and have no reason to believe that the business will not be a going concern for the next twelve months from the date of this statement.

The Auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with International Financial Reporting Standards and the requirements of the Bank of Uganda Act.

The financial statements were approved by the Board of Directors on September 14, 2017 and were signed on its behalf by:



Chairman

September 14, 2017



Director

September 14, 2017



Director

September 14, 2017



# 18 Report of the Auditor General to Parliament

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

## Report on the Audit of the Financial Statements

### Opinion

I have audited the financial statements of Bank of Uganda set out on pages 93 to 165, which comprise the statement of financial position as at 30 June 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Bank of Uganda as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Bank of Uganda Act.

### Basis for Opinion

The audit was conducted in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Bank in accordance with the International Federation of Accountants' Code of Ethics for Professional Accountants (IFAC code) and other independence requirements applicable to performing audits of Bank of Uganda. I have fulfilled my other ethical responsibilities in accordance with the IFAC Code, and in accordance with other ethical requirements applicable to performing the audit of Bank of Uganda. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Key Audit Matters

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

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report, including in relation to these matters. Accordingly, my



audit included the performance of procedures designed to respond to my assessment of the risks of material misstatement of the financial statements. The results of my audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements.

Key Audit Matter	How the matter was addressed in the audit
<b>Impairment of amount due from Crane Bank Limited (in receivership)</b>	
<p>During the period from October 2016 to June 2017, Bank of Uganda injected UGX 472,562 million into Crane Bank Limited (in receivership) as intervention costs.</p> <p>In January 2017, Bank of Uganda sold specific assets and liabilities of Crane Bank Limited (in receivership) to dfcu Bank for a consideration of UGX 200,000 million payable over two and half years. The receivable from dfcu Bank is fully secured by government treasury securities.</p> <p>As at 30 June 2017, the outstanding balance on this account was UGX 397,833 million recorded as amounts due from Crane Bank Limited. This has been disclosed in note 22 to the financial statements. This was composed of UGX 200,000 million due from dfcu Bank and UGX 197,883 million due from Crane Bank Limited.</p> <p>As the amount due from dfcu Bank is interest free and recoverable over 10 quarterly instalments over a two and a half year period commencing in the third quarter of 2017, the outstanding balance was discounted and recognised at its present value of UGX 160,522 million as disclosed in note 22. The difference of UGX 39,478 million was recognised in profit or loss. Significant assumptions and judgments were applied in determining the fair valuation of the UGX 200,000 million due from dfcu Bank which was discounted using estimated treasury bond rates over the two and a half year repayment period.</p> <p>The Bank also performed an impairment assessment of the intervention costs injected in Crane Bank Limited (in receivership) and concluded that the amount due from dfcu Bank was not impaired. However, a provision for impairment of UGX 197,883 million was recognised in respect of the amount due from Crane Bank Limited due to uncertainty of its recoverability.</p> <p>Due to the significant estimation uncertainty and judgment involved in determining the fair value and impairment assessments of the intervention costs due from Crane Bank Limited, I considered this to be a key audit matter. I also considered the disclosures relating to this matter to be fundamental to the users' understanding of the financial statements.</p>	<p>I obtained an understanding of the process to intervene in Crane Bank and reviewed the documents supporting the intervention costs.</p> <p>I reviewed the computation of the present value of the amount due from dfcu Bank.</p> <p>I reviewed management's assumptions used in the assessment of impairment of the asset and checked them for reasonableness.</p> <p>I reviewed the presentation and disclosures included in note 22 to the financial statements for appropriateness.</p>
<b>Impairment of Bank of Uganda's capital</b>	
<p>As per the Bank of Uganda Act, Section 14(3), the issued and paid-up capital of the Bank shall be a minimum of UGX 20,000 million.</p> <p>As at 30 June 2017, the core capital of the Bank was below the minimum required capital by UGX 37,313 million as disclosed under note 44 to the financial statements. This was as a result of a provision for impairment of amounts due from Crane Bank Limited (in receivership) amounting to UGX 197,883 million.</p>	<p>I reviewed the Bank of Uganda Act, Section 14(3) and checked for compliance of the Bank's capital.</p> <p>I discussed and evaluated management's explanation for the factors that led to the impairment of the capital.</p>



Key Audit Matter	How the matter was addressed in the audit
I considered this issue to be a key audit matter as the non-compliance with the minimum capital requirement may result in inadequate capital which poses a business risk to the Bank and its operations.	I discussed the steps with management that the Bank is taking to address the capital shortfall. We also assessed the reasonableness and feasibility of those plans. I reviewed the presentation and disclosures of the matter included in note 44 to the financial statements for appropriateness.

### Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Bank of Uganda Act and the appendices to the financial statements. The other information does not include the financial statements and our auditor's report thereon.

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

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

### Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in the manner required by the Bank of Uganda Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Bank's financial reporting process.

### Auditor's Responsibilities for the audit of the financial statements

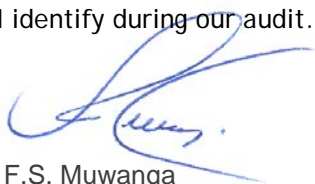
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material



misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

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

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



John F.S. Muwanga

**AUDITOR GENERAL**

**KAMPALA**

14 September 2017





# 19 Financial Statements

## 19.1 Statement of Profit or Loss and Other Comprehensive Income

Year ended	Note	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
<b>Operating income</b>			
Interest income	3	179,883	206,351
Interest expense	4	(107,602)	(41,610)
<b>Net interest income</b>		<b>72,281</b>	<b>164,741</b>
Profit on domestic foreign exchange trade	5	22,427	47,718
Fees and commissions	6	6,184	2,588
Other income	7	27,430	14,933
<b>Net non interest and other income</b>		<b>56,041</b>	<b>65,239</b>
<b>Net operating income before foreign exchange &amp; fair value gain</b>		<b>128,322</b>	<b>229,980</b>
Net foreign exchange and fair value gain/(loss)	9	380,379	(82,888)
<b>Net operating income</b>		<b>508,701</b>	<b>147,092</b>
<b>Expenses</b>			
General & administration costs	10	(234,063)	(212,252)
Currency costs	12	(132,686)	(93,893)
Financial and professional charges	13	(17,039)	(15,400)
Impairment loss	14	(198,018)	(279)
Depreciation	25	(19,127)	(14,204)
Amortization	27	(3,750)	(1,480)
		<b>(604,683)</b>	<b>(337,508)</b>
<b>Net deficit</b>	<b>15</b>	<b>(95,982)</b>	<b>(190,416)</b>
<b>Other comprehensive income</b>			
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>			
Revaluation of property, plant and equipment	8	52,214	-
Fair value (losses)/gains on Available for sale financial instruments	8	(12,507)	34,342
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>			
Actuarial losses on defined benefit pension plan	24	(16,281)	(8,765)
<b>Other comprehensive income for the year</b>		<b>23,426</b>	<b>25,577</b>
<b>Total comprehensive income for the year</b>		<b>(72,556)</b>	<b>(164,839)</b>



## 19.2 Statement of Financial Position

As at			30-Jun-2017	30-Jun-2016	
			UGX (m)	UGX (m)	
<b>Assets</b>	<b>Foreign assets</b>	Cash and cash equivalents	16	694,111	538,003
		Investments at fair value through profit or loss	17 (a)	7,666,964	6,555,028
		Investments held-for-trading	17 (b)	3,931,248	3,689,122
		Investments available-for-sale	17 (c)	1,229,444	487,402
		Derivative financial instruments	18	23,072	16,727
		Assets held with IMF	19	234,684	224,496
		<b>Total foreign assets</b>		<b>13,779,523</b>	<b>11,510,778</b>
	<b>Domestic assets</b>	Investments in government securities	20	19,810	404,339
		Loans, advances and drawdowns to government	21	928,765	739,750
		Loans and advances to commercial banks	22	160,522	-
		Staff loans	23	91,028	72,538
		Retirement benefits plan	24	11,616	21,207
		Property, plant and equipment	25	263,409	200,035
		Finance lease on land	26	46,725	46,765
Intangible assets		27	13,201	5,444	
Other assets		28	362,550	317,001	
		<b>Total domestic assets</b>		<b>1,897,626</b>	<b>1,807,079</b>
	<b>Total assets</b>		<b>15,677,149</b>	<b>13,317,857</b>	
<b>Liabilities</b>	<b>Foreign liabilities</b>	IMF obligations	19	864,229	822,541
		Other foreign liabilities	29	416	416
		Derivative financial instruments	18	50,272	27,692
		<b>Total foreign liabilities</b>		<b>914,917</b>	<b>850,649</b>
	<b>Domestic liabilities</b>	Currency in circulation	30	3,865,778	3,391,602
		Government deposits	31	3,208,771	2,779,187
Commercial banks' deposits		32	2,084,460	2,308,686	
Repos		33	2,025,480	452,986	
Special provident fund		34	-	2,967	
Other liabilities		35	81,907	63,388	
	<b>Total domestic liabilities</b>		<b>11,266,396</b>	<b>8,998,816</b>	
	<b>Total liabilities</b>		<b>12,181,313</b>	<b>9,849,465</b>	
<b>Equity</b>	Issued capital	36	20,000	20,000	
		BoU recapitalisation funds	37	960,017	860,017
		Reserves	38	2,515,819	2,588,375
		<b>Total Equity</b>		<b>3,495,836</b>	<b>3,468,392</b>
	<b>Total liabilities &amp; equity</b>		<b>15,677,149</b>	<b>13,317,857</b>	

The financial statements on pages 93 to 165 were approved by the Board of Directors on September 14, 2017 and signed on its behalf by:



Chairman



Director



Director



## 19.3 Statement of Changes in Equity

	Issued capital	BoU	Translation reserve	Asset	Fair value on	Revenue reserve	General reserve	Total
		recapitalisation funds		revaluation reserve	Available for sale financial instruments			
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
<b>At 1 July 2015</b>	<b>20,000</b>	<b>660,017</b>	<b>3,029,498</b>	<b>140,936</b>	<b>34,276</b>	<b>(794,956)</b>	<b>343,461</b>	<b>3,433,232</b>
Deficit for the year	-	-	-	-	-	(190,416)	-	(190,416)
<i>Other comprehensive income</i>	-	-	-	-	34,342	(8,765)	-	25,577
Total comprehensive income	-	-	-	-	34,342	(199,181)	-	(164,839)
Revaluation surplus release	-	-	-	(1,470)	-	1,470	-	-
BoU recapitalisation securities	-	200,000	-	-	-	-	-	200,000
Foreign Exchange and fair value gains	-	-	(82,888)	-	-	82,888	-	-
Transfer of realised foreign exchange gains	-	-	(55,816)	-	-	-	55,816	-
<b>At 30 June 2016</b>	<b>20,000</b>	<b>860,017</b>	<b>2,890,793</b>	<b>139,466</b>	<b>68,618</b>	<b>(909,779)</b>	<b>399,277</b>	<b>3,468,392</b>
<b>At 1 July 2016</b>	<b>20,000</b>	<b>860,017</b>	<b>2,890,793</b>	<b>139,466</b>	<b>68,618</b>	<b>(909,779)</b>	<b>399,277</b>	<b>3,468,392</b>
Deficit for the year	-	-	-	-	-	(95,982)	-	(95,982)
<i>Other comprehensive income</i>	-	-	-	52,214	(12,507)	(16,281)	-	23,426
Total comprehensive income	-	-	-	52,214	(12,507)	(112,263)	-	(72,556)
Revaluation surplus release	-	-	-	(8,865)	-	8,865	-	-
BoU recapitalisation securities	-	100,000	-	-	-	-	-	100,000
Foreign Exchange and fair value losses	-	-	380,379	-	-	(380,379)	-	-
<b>At 30 June 2017</b>	<b>20,000</b>	<b>960,017</b>	<b>3,271,171</b>	<b>182,815</b>	<b>56,111</b>	<b>(1,393,555)</b>	<b>399,277</b>	<b>3,495,836</b>



## 19.4 Statement of Cash Flows

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

Year ended	Note	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
<b>Cash flows from operating activities</b>			
Net deficit for the year		(95,982)	(190,416)
Amortisation	27	3,750	1,480
Depreciation	25	19,127	14,204
Dividends from AFREXIM Bank	7	(1,848)	(2,332)
Loss/ (Profit) on sale of PPE	7	362	(235)
Provision for impairment loss on other assets	28	131	168
Provision for impairment loss on staff loans	23	4	111
Provision for impairment loss on loans to commercial banks	22	197,883	-
Special provident fund costs	34	-	2,968
Defined benefit plan costs charged to profit or loss	24	6,286	9,420
		<b>129,713</b>	<b>(164,632)</b>
<b>Foreign Assets</b>			
Increase in investments at fair value through profit or loss		(1,111,936)	(237,878)
Increase in investments held-for-trading		(242,126)	(184,916)
Increase in investments available-for-sale		(754,548)	(379,511)
Increase in derivative financial instruments		(6,345)	(9,629)
Increase in assets held with IMF		(10,188)	(2,545)
		<b>(2,125,143)</b>	<b>(814,479)</b>
<b>Increase in total foreign assets</b>			
Decrease in investments in government securities		384,529	37,286
(Increase)/decrease in loans, advances and drawdowns to government		(189,015)	20,839
(Increase)/decrease in loans and advances to commercial banks		(358,405)	26,136
Increase in staff loans		(18,494)	(9,833)
Increase in other assets		(45,680)	(88,846)
		<b>(227,065)</b>	<b>(14,418)</b>
<b>Increase in total domestic assets</b>			
<b>Increase in total assets</b>			
		<b>(2,352,208)</b>	<b>(828,897)</b>
<b>Foreign liabilities</b>			
Increase in IMF obligations		41,688	20,698
Increase in other foreign liabilities		-	94
Increase in derivative financial instruments		22,580	17,003
		<b>64,268</b>	<b>37,795</b>
<b>Increase in total foreign liabilities</b>			
<b>Domestic Liabilities</b>			
Increase in currency in circulation		474,176	160,046
Increase/(decrease) in government deposits		429,584	(367,458)
(Decrease)/increase in commercial banks' deposits		(224,226)	444,095
Increase in repos		1,572,494	265,586
Decrease in retirement benefits plan		(2,967)	-
Increase/(decrease) in other liabilities		18,519	(10,377)
		<b>2,267,580</b>	<b>491,892</b>
<b>Increase in total domestic liabilities</b>			
<b>Increase in total liabilities</b>			
		<b>2,331,848</b>	<b>529,687</b>
<b>Net Cash from/(used in) Operations</b>			
		<b>109,353</b>	<b>(463,842)</b>
<b>Bank contribution to BoU defined benefit plan</b>			
	24	(12,976)	(11,449)
<b>Net Cash from/(used in) Operating Activities</b>			
		<b>96,377</b>	<b>(475,291)</b>
<b>Cash flows from investing activities:</b>			
Proceeds from sale of property, plant and equipment		678	782
Purchase of property, plant and equipment	25	(32,070)	(11,248)
Purchase of software	27	(10,725)	(2,734)
Dividends from AFREXIM Bank	7	1,848	2,332
		<b>(40,269)</b>	<b>(10,868)</b>
<b>Net Cash used in investing Activities</b>			
<b>Cash flows from financing activities:</b>			
BoU recapitalisation	37	100,000	200,000
		<b>100,000</b>	<b>200,000</b>
<b>Net Cash used in Financing Activities</b>			
<b>Increase/(decrease) in cash and cash equivalents</b>			
		<b>156,108</b>	<b>(286,159)</b>
<b>Add: Cash and Cash Equivalents at the beginning of the year</b>			
		<b>538,003</b>	<b>824,162</b>
<b>Cash and Cash Equivalents at 30 June</b>			
	16	<b>694,111</b>	<b>538,003</b>



# 20 Notes to the Financial Statements for the Year Ended June 30, 2017

## 1 Reporting Entity

Bank of Uganda is the Central Bank of Uganda as established under the Bank of Uganda Act 1966 as amended by the Bank of Uganda Act (Cap.51) Laws of Uganda 2000. Also the Constitution of the Republic of Uganda, 1995, Article 161, provides that the Bank of Uganda shall be the Central Bank of Uganda and therefore the Reporting Entity.

## 2 Principal Accounting Policies

The principal accounting policies adopted in preparation of these financial statements are set out in the following subsections. These policies have been consistently applied to all years presented unless otherwise stated.

### 2.1 Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities that are measured at fair value and the revaluation of certain property, plant and equipment. The financial statements are presented in Uganda Shillings (UGX) and all values are rounded to the nearest million shillings, except when otherwise indicated.

### 2.2 Statement of Compliance

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and in accordance with the requirements of the Bank of Uganda Act.

### 2.3 Significant Accounting Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.



In particular, information about significant areas of estimations and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 46 - Use of estimates and judgements.

## 2.4 New and Amended Standards and Interpretations

### 2.4.1 New or Revised Pronouncements, Interpretations and Amendments Which Became Effective

New or revised pronouncements	Effective Date	Effect on BoU
<b>IFRS 14 Regulatory Deferral Accounts</b>		
IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.	Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016.	IFRS 14 did not have any impact on the financial statements of the Bank.
<b>Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)</b>		
Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to: <ul style="list-style-type: none"> <li>• apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11</li> <li>• disclose the information required by IFRS 3 and other IFRSs for business combinations.</li> </ul> <p>The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).</p> <p>Note: The amendments apply prospectively to acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses, as defined in IFRS 3, for those acquisitions occurring from the beginning of the first period in which the amendments apply. Amounts recognised for acquisitions of interests in joint operations occurring in prior periods are not adjusted.</p>	Applicable to annual periods beginning on or after 1 January 2016	IFRS 11 did not have any impact on the financial statements of the Bank.
<b>Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)</b>		
Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to: <ul style="list-style-type: none"> <li>• clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment</li> <li>• introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated</li> <li>• add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in</li> </ul>	Applicable to annual periods beginning on or after 1 January 2016	The amendment did not have any impact on the financial statements of the Bank.



turn, might reflect a reduction of the future economic benefits embodied in the asset.		
<b>Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)</b>		
Amends IAS 16 Property, Plant and Equipment and IAS 41 Agriculture to:	Applicable to annual periods beginning on or after 1 January 2016	The amendment did not have any impact on the financial statements of the Bank.
<ul style="list-style-type: none"> <li>include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16</li> <li>introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales</li> <li>clarify that produce growing on bearer plants remains within the scope of IAS 41.</li> </ul>		
<b>Equity Method in Separate Financial Statements (Amendments to IAS 27)</b>		
Amends IAS 27 Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.	Applicable to annual periods beginning on or after 1 January 2016	The amendment did not have any impact on the financial statements of the Bank.
<b>Annual Improvements 2012-2014 Cycle</b>		
Makes amendments to the following standards:	Applicable to annual periods beginning on or after 1 January 2016	The amendments did not have any impact on the financial statements of the Bank.
<ul style="list-style-type: none"> <li>IFRS 5 – Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued</li> <li>IFRS 7 – Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements</li> <li>IAS 19 – Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid</li> <li>IAS 34 – Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference</li> </ul>		
<b>Disclosure Initiative (Amendments to IAS 1)</b>		
Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:	Effective for annual periods beginning on or after 1 January 2016	The amendment did not have any impact on the financial statements of the Bank.
<ul style="list-style-type: none"> <li>clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;</li> <li>clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;</li> </ul>		



- additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

#### Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

Effective for annual periods beginning on or after 1 January 2016

The amendment did not have any impact on the financial statements of the Bank.

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

#### 2.4.2 New or Revised Pronouncements, Interpretations and Amendments Which Are Not Yet Effective

New or revised pronouncements	Effective Date	Effect on BoU
<b>IFRS 9 <i>Financial Instruments</i> (2014)</b>		
A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . The standard contains requirements in the following areas: <ul style="list-style-type: none"> <li>• <b>Classification and measurement.</b> Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to IAS 39; however there are differences in the requirements applying to the measurement of an entity's own credit risk.</li> <li>• <b>Impairment.</b> The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.</li> <li>• <b>Hedge accounting.</b> Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures</li> <li>• <b>Derecognition.</b> The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.</li> </ul>	Effective for annual periods beginning on or after 1 January 2018.	The Bank is in the final stages of estimating the impact of IFRS 9 on the financial statements of the Bank.





<b>IFRS 15 Revenue from Contracts with Customers</b>		
IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.  The five steps in the model are as follows:  <ul style="list-style-type: none"> <li>Identify the contract with the customer</li> <li>Identify the performance obligations in the contract</li> <li>Determine the transaction price</li> <li>Allocate the transaction price to the performance obligations in the contracts</li> <li>Recognise revenue when (or as) the entity satisfies a performance obligation.</li> </ul> Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.	Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018.	The Bank is currently assessing the impact of the new standard on its financial statements.
<b>IFRS 16 Leases</b>		
IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	Applicable to annual reporting periods beginning on or after 1 January 2019.	The Bank is currently assessing the impact of the new standard on its financial statements.
<b>IFRS 17 Insurance Contracts</b>		
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.	Applicable to annual reporting periods beginning on or after 1 January 2021.	IFRS 17 does not have an impact on the financial statements of the Bank.
<b>IFRIC 22 Foreign Currency Transactions and Advance Consideration</b>		
The interpretation addresses foreign currency transactions or parts of transactions where: <ul style="list-style-type: none"> <li>there is consideration that is denominated or priced in a foreign currency;</li> <li>the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and</li> <li>the prepayment asset or deferred income liability is non-monetary.</li> </ul> The Interpretations Committee came to the following conclusion: <ul style="list-style-type: none"> <li>The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.</li> <li>If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.</li> </ul>	Applicable to annual reporting periods beginning on or after 1 January 2018.	IFRIC 22 does not have an impact on the financial statements of the Bank.
<b>IFRIC 23 Uncertainty over Income Tax Treatments</b>		
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: <ul style="list-style-type: none"> <li>Whether tax treatments should be considered collectively</li> <li>Assumptions for taxation authorities' examinations</li> <li>The determination of taxable profit (tax loss), tax</li> </ul>	Applicable to annual reporting periods beginning on or after 1 January 2019.	IFRIC 23 does not have an impact on the financial statements of the Bank.



<p>bases, unused tax losses, unused tax credits and tax rates</p> <ul style="list-style-type: none"> <li>The effect of changes in facts and circumstances</li> </ul>		
<b>New or revised Amendments</b>		
<b>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)</b>		
<p>Amends IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:</p> <ul style="list-style-type: none"> <li>require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)</li> <li>require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.</li> </ul> <p>These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.</p>	<p>Effective date</p> <p>deferred indefinitely</p>	<p>The amendment did not have any impact on the financial statements of the Bank.</p>
<b>Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)</b>		
<p>Amends IAS 12 Income Taxes to clarify the following aspects:</p> <ul style="list-style-type: none"> <li>Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.</li> <li>The carrying amount of an asset does not limit the estimation of probable future taxable profits.</li> <li>Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.</li> <li>An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.</li> </ul>	<p>Effective for annual periods beginning on or after 1 January 2017</p>	<p>The amendment did not have any impact on the financial statements of the Bank.</p>
<b>Disclosure Initiative (Amendments to IAS 7)</b>		
<p>Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.</p>	<p>Effective for annual periods beginning on or after 1 January 2017</p>	<p>The Bank is currently assessing the impact of the amendment to its financial statements.</p>
<b>Clarifications to IFRS 15 'Revenue from Contracts with Customers'</b>		
<p>Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.</p>	<p>Effective for annual periods beginning on or after 1 January 2018</p>	<p>The amendment did not have any impact on the financial statements of the Bank.</p>
<b>Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)</b>		
<p>Amends IFRS 2 Share-based Payment to clarify the standard in</p>	<p>Effective for annual</p>	<p>The amendment</p>



relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.	periods beginning on or after 1 January 2018	did not have any impact on the financial statements of the Bank.
<b>Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)</b>		
Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4:	Overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date.	The amendment did not have any impact on the financial statements of the Bank.
<ul style="list-style-type: none"> <li>an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;</li> <li>an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.</li> </ul> <p>The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.</p>		
<b>Transfers of Investment Property (Amendments to IAS 40)</b>		
The amendments to IAS 40 Investment Property:	Effective for annual periods beginning on or after 1 January 2018	The amendment did not have any impact on the financial statements of the Bank.
<ul style="list-style-type: none"> <li>Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.</li> <li>The list of examples of evidence in paragraph 57(a) - (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.</li> </ul>		
<b>Annual Improvements to IFRS Standards 2014-2016 Cycle</b>		
Makes amendments to the following standards:	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017	The amendment did not have any impact on the financial statements of the Bank.
<ul style="list-style-type: none"> <li>IFRS 1 - Deletes the short-term exemptions in paragraphs E3-E7 of IFRS 1, because they have now served their intended purpose</li> <li>IFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations</li> <li>IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition</li> </ul>		

## 2.5 Functional and Presentation Currency

The financial statements are presented in Uganda Shillings, in accordance with section 18 of the Bank of Uganda Act (Cap.51) Laws of Uganda 2000, which is the Bank's functional currency.



Except where indicated, financial information presented in Uganda shillings has been rounded to the nearest million.

## 2.6 Revenue Recognition

Income is recognised in the period in which it is earned. Income is recognised to the extent that it is probable that economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

### 2.6.1 Interest

Interest income and expense are recognised in profit or loss for all interest bearing instruments on an accrual basis using the effective interest method based on the actual purchase price. Interest income includes coupons earned from fixed income investments, trading securities and accrued discount and premium on treasury bills and other discounted securities.

### 2.6.2 Non-Interest and Other Income

Non-interest income, which consists of income from foreign currency trading, commissions from foreign currency operations, and realised translation and fair value gains, is recognised on accrual basis.

Other income comprises net gains related to trading assets and liabilities and gains from disposal of the Bank's assets.

## 2.7 Taxes

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

## 2.8 Recognition and Measurement of Financial Instruments

A financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Management determines the appropriate classification of its financial instruments at the time of purchase and re-evaluates its portfolio on a regular basis to ensure that all financial instruments are appropriately classified.

### 2.8.1 Financial Assets

#### 2.8.1.1 Initial Recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, which is the date that the Bank becomes a party to the contractual provisions of the instrument.



The classification of financial assets on initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial assets are measured initially at their fair value plus, in the case of financial assets not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

The six different types of financial assets held by the Bank are;

**i) Financial Instruments Held-To-Maturity**

Investments classified as held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are measured at amortised cost using the effective interest method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in 'Interest income' in profit or loss. The losses arising from impairment of such investments are recognised in the profit or loss line 'Impairment losses on financial investments'. Were the Bank to sell other than an insignificant amount of such assets, the entire category would be reclassified as available for sale. The Bank currently classifies investments in government securities as held to maturity.

**ii) Held-For-Trading Financial Assets**

The Bank recognises financial assets as held-for-trading assets on the date it commits to purchase the assets. Trading assets are those assets that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking. Financial assets which are classified as held for trading are held principally for purposes of generating a profit from short-term fluctuations in price or dealers margin, and are measured at fair value. Gains and losses resulting from changes in fair values are recognised in operating income in profit or loss.

**iii) Available-For-Sale Financial Assets**

These are unlisted equity financial assets which are not loans and receivables originated by the Bank; or those held-to-maturity; or financial assets held-for-trading, and are measured at fair value. Gains are recognised in other comprehensive income and accumulated in the available for sale reserve. Losses that offset previous increases are recognised in other comprehensive income.

Unlisted equity assets whose fair value cannot be reliably measured are measured at cost less provision for impairment losses.

**iv) Loans and Receivables**

Loans, advances and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money



or services directly to counterparty with no intention of trading the receivable. The Bank has classified the following financial assets as loans and receivables, and originated by the entity:

- a) Loans and advances and drawdowns to Government,
- b) Loans and advances to commercial banks,
- c) Staff loans,
- d) Assets held with International Monetary Fund (IMF),
- e) Cash and cash equivalents, and
- f) Sundry debtors.

After initial measurement, loans and receivables are measured at amortised cost using effective interest method less any allowance for impairment.

As the lender of last resort, the Bank may grant loans or advances for short term periods to commercial banks that pledge Government securities specified by the Bank. In its capacity as the fiscal agent and banker to the Government of Uganda, the Bank may make direct advances to the Government for the purpose of offsetting fluctuations between receipts from the budgeted revenue and the payments of the Government.

The Bank also operates a staff loans scheme for its employees for the provision of facilities such as house, house improvements, car loans and other advances at concessionary rates of interest. The Bank determines the terms and conditions for granting of the above loans.

Loans granted at a lower than market interest rates are measured at present value of anticipated future cash flows discounted using market interest rates. The difference between the fair value of the loans and the loan amount is treated as a long term employee benefit and is accounted for as a prepayment/deferred staff costs. The long term benefit is recognised as interest income while prepayment is expensed to staff costs as the services are rendered to the bank over the period of the loan.

#### v) Derivative Financial Assets

The Bank uses derivatives such as interest rate swaps, forward currency and futures contracts. Derivatives are recorded at fair value and carried as assets when their fair value is positive and liabilities when the fair value is negative. Changes in the fair value of derivatives are recognised immediately in profit or loss. The Bank has no derivatives which qualify for hedge accounting.

#### vi) Financial Instruments at Fair value through profit or loss

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions. It is classified as held for trading, if:

- acquired or incurred principally for purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial assets that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or



- a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)
- Upon initial recognition, it is designated by the Bank as at fair value through profit or loss.

### 2.8.1.2 Subsequent Measurement

Subsequent to initial recognition all trading instruments and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

The determination of fair values of financial assets is based on quoted market prices or dealer price quotations for financial instruments traded in active markets.

For all other financial instruments, fair value is determined by using valuation techniques. Valuation techniques include net present value, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Bank uses widely recognised valuation models for determining the fair value of common and simpler financial instruments like currency swaps. For these financial instruments, inputs into models are market observable.

Loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Gains and losses arising from change in the fair value of available-for-sale assets and trading assets are recognised in other comprehensive income and profit or loss respectively.

### 2.8.1.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Bank's statement of financial position) when:

The rights to receive cash flows from the asset have expired,

Or

The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Bank has transferred substantially all the risks



and rewards of the asset, or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Bank continues to recognise the transferred asset to the extent of the Bank's continuing involvement. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

The gains and losses on financial instruments are recognised in profit or loss when the financial instruments are derecognised.

## 2.8.2 Financial Liabilities

### 2.8.2.1 Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Bank's financial liabilities include IMF obligations, derivative financial instruments, Government deposits, commercial banks' deposits, repos and other liabilities.

### 2.8.2.2 Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

#### i) Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Bank that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Gains or losses on liabilities held for trading are recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Bank has not designated any financial liability as at fair value through profit or loss.





## ii) Loans and Borrowings

This is the category most relevant to the Bank. After initial recognition, the financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

### 2.8.2.3 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

### 2.8.3 Offsetting

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

### 2.8.4 Securities Lending

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

## 2.9 Impairment

### 2.9.1 Impairment of Financial Assets

The Bank assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in



the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### 2.9.1.1 Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Bank first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income (recorded as finance income in profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other income (note 7) in profit or loss.

#### 2.9.1.2 Available For Sale Investments

For AFS financial assets, the Bank assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss - is removed from OCI and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.



The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Bank evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

### 2.9.2 Impairment of Non-Financial Assets

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

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

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

### 2.10 Property, Plant and Equipment

Property, plant and equipment are initially recorded at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets



includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Freehold land, buildings, computer equipment, vehicles, furniture, equipment and plant & machinery are subsequently shown at their market values, based on valuations by external independent valuers. The Bank revalues land (freehold and leasehold), buildings, computer equipment, vehicles, furniture, equipment and plant & machinery after every five years. Increases in the carrying amounts arising on revaluation are recognised in other comprehensive income and accumulated in the asset revaluation reserve. Decreases that offset previous increases of the same asset are charged against revaluation reserve while all other decreases are charged to profit or loss. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating surplus. All assets are carried at cost or revalued amount less accumulated depreciation and impairment losses.

The release of the revaluation surplus to the revenue reserve is set to coincide with the useful life of the asset.

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

The Bank is in the process of converting leasehold land to freehold in accordance with the Uganda Land Act 1998. On this basis, the risks and rewards of ownership of the leasehold land are hence considered to substantially be with the Bank, and the leasehold land is carried at revalued amounts and not amortised. Buildings on leasehold land are depreciated on a straight line basis over 50 years. Other assets are depreciated over the term of their estimated useful lives at the following principal annual rates:

Major Category	Minor Category	Useful Life (Yrs.)	Depreciation Rate	Salvage Value
Computer Hardware	Fixed computer equipment and Laptops	5	20%	1.00%
	Mobile devices	3	33%	1.00%
	Processing peripherals	5	20%	1.00%
	Audio Visual equipment	5	20%	1.00%
	Servers	5	20%	1.00%
	Network devices	5	20%	1.00%
Equipment	Archives	8	13%	0.50%
	Catering	6	17%	0.50%
	Cleaning	5	20%	0.25%
	Currency & Banking	8	13%	0.00%
	Forklifts	8	13%	2.00%
	Medical	5	20%	1.00%
	Office e.g. Shredder	8	13%	2.00%
	Security	6	17%	1.00%
	Engineering	8	13%	2.00%
Furniture	Beds	5	20%	2.00%
	Chairs	4	25%	2.00%



Major Category	Minor Category	Useful Life (Yrs.)	Depreciation Rate	Salvage Value
	Desks	8	13%	2.00%
	Shelves	10	10%	2.00%
	Tables	10	10%	2.00%
	Fittings	8	13%	2.00%
Plant & Machinery	Currency	15	7%	0.00%
	Currency & Banking	15	7%	0.00%
	Engineering	15	7%	1.00%
	Forklifts	15	7%	1.00%
	Security	15	7%	1.00%
Vehicles	Executive & Pool	5	20%	10.00%
	Bullion vans	10	10%	5.00%
	Armoured Personnel Carrier	8	13%	5.00%
	Motorcycles	5	20%	5.00%
Land & Buildings	Buildings	50	2%	1.00%
	Land	N/A	N/A	N/A

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

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

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

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

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

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if appropriate.

## 2.11 Finance Lease on Land

The determination of whether an arrangement is (contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight line basis over the period of the lease.



Over the years management has noted that all risks and rewards from use of leasehold land accrued to Bank of Uganda. Considering the substance over form principle, the Bank has classified these leases as finance leases. The Bank has also embarked on the process of converting leasehold properties to freehold and ceased the amortisation of leasehold properties from 1 July 2008.

### 2.12 Intangible Assets

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

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

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

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

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

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

### 2.13 Consumable Stores Stocks

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

### 2.14 Currency Printing and Minting Costs

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



### 2.15 Currency In Circulation

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

### 2.16 Demonetisation of Currency

Demonetisation is the process of revoking the legality of designated issues of notes or coins. The Bank may demonetise any of its Bank notes and coins on payment of the face value under section 24 (3) of the Bank of Uganda Act provided that a notice of not less than fifteen days is given in the official gazette. The value of demonetised currency notes and coins that is not returned to the Central Bank is recognised as income in profit or loss and the liability to the public is extinguished.

### 2.17 Provisions

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

### 2.18 Cash and Cash Equivalents

Cash comprises foreign currency held in banking office and demand deposits held with foreign banks. Cash equivalents comprise short term highly liquid investments and term deposits that are readily convertible into known amounts of cash and which are subject to an insignificant risk in changes in value. The short-term highly liquid investments include balances with maturities of three months or less from the date of acquisition.

### 2.19 Repurchase and Sale Agreement

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

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

When the Bank mops money from commercial banks, it creates a liability in its financial statements and secures this borrowing (liability) by assigning part of the securitised debt owing from Government to the Bank to the commercial banks it has mopped from. The Bank freezes the money mopped and pays interest at market rates on the money. The money mopped stays until maturity (7 to 14 days).



Similarly, the Bank also lends money to commercial banks (reverse repo). In this process, the Bank creates an asset in its financial statements and takes a security from the borrowing bank usually in form of Treasury Bills or Bonds. The Bank earns interest on this lending. The injected money stays with the borrowing bank until maturity (7 to 14 days).

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

Effective 1 July 2012, both REPO and Reverse REPO as instruments of monetary policy are owned and issued by the Bank as opposed to prior years where the Bank issued them as an agent of Government and both interest expense on REPOs and interest income on reverse REPOs are recognised in profit or loss.

#### 2.20 Dividends

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

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

#### 2.21 Deposits

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

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

#### 2.22 Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Uganda Shillings at the exchange rate ruling as at the reporting date. Transactions in foreign currencies during the year are converted into Uganda Shillings at the rates ruling at the transaction dates. The resulting differences from conversion and translation are recognised in profit or loss in the year in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.





Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

## 2.23 Employee Benefits

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

### 2.23.1 Bank of Uganda Defined Benefits Scheme

The Bank of Uganda Defined Benefits Scheme was established under an irrevocable trust in 1995 and is governed by the appointed Trustees. Employees on permanent and pensionable terms of service contribute 4 percent of their pensionable pay to the Scheme, while the employer (Sponsor) contributes 17.1 percent of each member's pensionable pay. The Scheme was closed to new entrants effective 1 January 2014.

The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated cash outflows using the discount rate that is based on the 10-year government bond yield in line with the general requirements of IAS 19: Employee Benefits.

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

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

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

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements



- Net interest expense or income.

### 2.23.2 Bank of Uganda Defined Contribution Scheme

The Bank started operating a defined contributions (DC) pension scheme for contract staff and any other staff recruited in the Bank effective 1 January 2014. The scheme is administered by the Defined Contribution Scheme Board of Trustees. The Scheme is funded by contributions from both the Bank and employees (17.1 percent and 4 percent of gross salary respectively).

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

### 2.23.3 Bank of Uganda Special Provident Fund

The Bank operates a Special Provident Fund (SPF) for members of staff who left the services of the Bank under the Voluntary Termination of Service in 1994. The SPF, established under court order, is in respect of a defined group of 73 Voluntary Termination of Service ex-employees who left service as at 31 December 1994. The fund was closed during the year.

The SPF is unfunded and the benefits are paid directly by the Bank.

### 2.23.4 Gratuity

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

### 2.23.5 Other Employee Benefits

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

## 2.24 Fair Value Measurements

The Bank measures its financial instruments such as derivatives, and non-financial assets such as property and equipment, at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value are summarised in the following notes:

Details	Notes
• Disclosures for valuation methods, significant estimates and assumptions	42
• Quantitative disclosures of fair value measurement hierarchy	42
• Derivative financial instruments	18 & 42
• Investments in unquoted equity shares	17
• Property and equipment under revaluation model	25 & 26
• Financial instruments at fair value through profit or loss	17 & 42



## 2.25 Financial Assets and Financial Liabilities

## 2.25.1 Financial Assets

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
<b>Financial instruments at fair value through profit or loss:</b>		
Investments at fair value through profit or loss	7,666,964	6,555,028
Investments held for trading	3,931,248	3,689,122
Derivative financial instruments	23,072	16,727
<b>Financial instruments at fair value through OCI:</b>		
Investments available for sale	1,229,444	487,402
<b>Financial instruments held to maturity:</b>		
Investments in government securities	19,810	404,339
<b>Loans and receivables:</b>		
Loans, advances and drawdowns to government	928,765	739,750
Cash and cash equivalents	694,111	538,003
Assets held with IMF	234,684	224,496
Loans and advances to commercial banks	160,522	-
Other assets	143	1,131
Staff loans	91,028	72,538

## 2.25.2 Financial Liabilities

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
<b>Financial instruments at fair value through profit or loss:</b>		
Derivative financial instruments	50,272	27,692
<b>Other liabilities at amortised cost:</b>		
IMF obligations	864,229	822,541
Government deposits	3,208,771	2,779,187
Commercial bank deposits	2,084,460	2,308,686
Other liabilities	81,907	63,388
Repos	2,025,480	452,986

## 3 Interest Income

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Interest income on term deposits with external institutions	50,784	47,884
Interest income on treasury bills investments	7,724	1,570
Interest income on repurchase agreements	1,490	637
Interest income on World Bank one year deposit	-	155
Interest income on Bank of Uganda managed funds	7,972	2,480
Interest income-externally managed funds	57,004	53,772
Interest income on assets held with IMF	633	121
Interest income on investments in government securities*	48,193	83,382
Interest income on loans and advances to commercial banks	1,023	12,902
Interest income on staff loans**	5,060	3,448
	<b>179,883</b>	<b>206,351</b>

\* This relates to income earned on BoU recapitalisation securities as at June 30, 2017 (see note 20).

\*\* Included in interest income on staff loans is UGX 3,422 million (June 30, 2016: UGX 2,136 million) relating to notional interest arising out of staff loans fair valuation in accordance with IAS 39.

Notes to the Financial Statements for the Year Ended June 30, 2017



#### 4 Interest Expense

The expense below represents interest expense/charges on SDR allocation to the Bank as regularly advised by IMF and monetary policy costs.

	UGX (m)	UGX (m)
Interest paid to IMF ( SDR allocation charges)	2,330	449
Vertical repo interest	105,272	41,161
	<b>107,602</b>	<b>41,610</b>

#### 5 Profit on Domestic Foreign Exchange Trade

	UGX (m)	UGX (m)
Income from foreign currency trade	22,427	47,718

The above represents income earned on sale or purchase of foreign exchange to or from GoU.

#### 6 Fees and Commissions

	UGX (m)	UGX (m)
Commissions- foreign currency operations	6,184	2,588

Fees and commissions relate to charges on GoU foreign transactions and letters of credit.

#### 7 Other Income

	UGX (m)	UGX (m)
Gain on disposal of vehicles	-	60
Gain on disposal of property, plant and equipment	-	176
Licence and cheque fees	1,152	1,042
Sale of receipt books	8	44
Sale of currency	6	5
Rental income	47	47
Real time gross & national interbank settlement systems	3,879	3,569
Fines, penalties & hire of bullion vans	129	20
Write back of staff loans previously written off/provisions (note 23)	234	262
Write back of amounts previously written off/provisions	2,580	338
Other income	11,286	2,985
Dividends from Afrexim	1,848	2,332
Currency processing fees	6,261	4,053
	<b>27,430</b>	<b>14,933</b>

#### 8 Other Comprehensive Income

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Actuarial loss on defined benefit plan (see note 24)	(16,281)	(8,765)
Fair value (losses)/gains on available for sale financial instruments*	(12,507)	34,342
Revaluation of property, plant and equipment (see note 25)	52,214	-
	<b>23,426</b>	<b>25,577</b>

\*This relates to fair value losses as a result of valuation of the AFREXIM (UGX 10,120 million) as at June 30, 2017 (see note 17.3.1). Furthermore, the fair value losses relating to BoU Managed funds amount to UGX 2,387 million.



## 9 Net Foreign Exchange and Fair Value (Losses)/Gains

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Foreign exchange gains/(losses)	463,805	(120,104)
Fair value gains on investments at fair value through profit or loss	12,075	20,166
Fair value (losses)/gains on investments held for trading	(134,979)	17,050
Fair value gains on loans and receivables (note 22)	39,478	-
	<b>380,379</b>	<b>(82,888)</b>

The foreign exchange (losses) or gains arise from translation of foreign currency transactions at the foreign currency exchange rates prevailing at the date of the transactions and revaluation of monetary assets and liabilities denominated in foreign currencies to Uganda Shillings at the foreign currency exchange rates applicable on the reporting date.

The following exchange rates for major currencies have been used to convert foreign currency financial assets and liabilities to Uganda Shillings for reporting purposes as at year end;

	30-Jun-2017	30-Jun-2016
US Dollars	3,591	3,405
Euro	4,103	3,781
GBP	4,666	4,604
SDR	4,993	4,753

## 10 General and Administration Costs

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Staff costs (note 11)	168,251	154,962
Loss on disposal of property, plant and equipment	362	-
Business process enhancement	8,426	7,193
Communication expenses	6,182	5,554
Water & electricity	3,290	3,083
Ground rates & buildings insurance	1,102	987
Repairs & maintenance - premises & equipment	5,163	4,968
Motor vehicle expenses	3,325	2,751
Travel costs	7,303	5,684
Corporate contributions	7,334	4,623
Publicity & public awareness costs	5,141	3,504
Printing & stationery	1,879	1,913
Inspection costs	1,451	1,273
General & administration costs	42	3
Furniture & equipment repairs	2,820	2,534
Office expenses-uniforms	443	72
J Mubiru memorial lecture	330	207
Directors' fees and emoluments	1,983	1,992
Software license & maintenance	9,236	10,949
	<b>234,063</b>	<b>212,252</b>



## 11 Staff Costs

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Salaries, wages & allowances	131,193	114,827
NSSF- contribution & provision	9,468	8,515
Defined contribution scheme pension contributions	2,897	2,016
Defined benefit plan costs (see note 24)*	6,286	9,420
Other defined benefit plan expenses	1,952	1,905
Other defined contribution expenses	-	136
Special provident fund costs (see note 34)	-	2,967
Special provident fund - contributions	331	330
Gratuity	97	259
Death in service insurance	656	638
Staff welfare including medical	10,784	10,147
Projects and training	4,587	3,802
	<b>168,251</b>	<b>154,962</b>

\* Included in defined benefit plan costs is UGX 6,286 million relating to past and current service, and interest cost on the plan in accordance with IAS 19 (June 30, 2016: UGX 9,420 million).

The average number of employees during the year was 1,103 (2016: 1,022) as shown below;

	30-Jun-2017 No of Staff	30-Jun-2016 No of Staff
Governor	1	1
Deputy Governor	1	1
Executive Directors	11	10
Directors	26	24
Other	1,064	986
	<b>1,103</b>	<b>1,022</b>

## 12 Currency Costs

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Notes printing	116,518	78,283
Coins minting	11,421	9,623
Stock movement	720	1,065
Currency accessories	368	593
Currency machine maintenance	2,035	2,863
Bullion van maintenance	583	472
Other currency costs	1,041	994
	<b>132,686</b>	<b>93,893</b>



### 13 Financial and Professional Charges

	UGX (m)	UGX (m)
Consultancy costs	2,425	2,693
Litigation fees & legal damages	1,731	1,667
Staff loans fair valuation*	3,422	2,136
Reserve management fees and other charges	9,300	8,704
Valuers' fees	7	50
Audit fees	120	120
Other professional fees	34	30
	<b>17,039</b>	<b>15,400</b>

\*This relates to notional interest arising out of staff loans fair valuation in accordance with IAS 39.

### 14 Impairment Loss

	UGX (m)	UGX (m)
Provision for impairment loss on other assets (Note 28)	131	168
Provision for impairment loss on staff loans (Note 23)	4	111
Provision for impairment loss on loans to commercial banks (Note 22)	197,883	-
	<b>198,018</b>	<b>279</b>

### 15 Net Deficit for the Year

The net deficit for the year has been stated after charging/ (crediting):

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Audit fees	120	120
Other professional fees	34	30
Directors' emoluments	391	236
Directors' fees	1,592	1,756
Depreciation	19,127	14,204
Amortisation	3,750	1,480
Staff costs (note 11)	168,251	154,962
Litigation fees & legal damages	1,731	1,667
Other income	(11,286)	(2,985)

### 16 Cash and Cash Equivalents

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Foreign currency held in banking	30,742	26,991
Cash with foreign financial institutions	328,315	204,914
Repurchase agreements	335,054	306,098
	<b>694,111</b>	<b>538,003</b>

Foreign cash held in banking relates to foreign cash balances that were held in the banking hall as at year-end. Cash with foreign financial institutions relates to cash balances held with external financial institutions. Repurchase agreements relate to overnight lending to the New York Federal Reserve Bank.



## 17 Investments in Shares and Securities

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
<b>(a) At fair value through profit or loss</b>		
Term deposits with external institutions	5,804,009	5,327,905
Treasury bills investments	1,862,955	882,908
Bank of Uganda managed funds	-	344,215
	<b>7,666,964</b>	<b>6,555,028</b>
<b>(b) Held-for-trading</b>		
Externally managed funds	3,931,248	3,689,122
	<b>3,931,248</b>	<b>3,689,122</b>
<b>(c) Investments available-for-sale</b>		
Bank of Uganda managed funds	1,085,319	341,290
AFREXIM shares	143,027	145,101
SWIFT shares	1,098	1,011
<b>At 30 June</b>	<b>1,229,444</b>	<b>487,402</b>

Investments at fair value through profit or loss include fair value gains of UGX 12,075 million during the year (June 30, 2016: UGX 20,166 million) while investments held for trading include fair value losses of UGX 134,979 million (June 30, 2016: gain of UGX 17,050 million).

#### 17.1 At Fair Value Through Profit or Loss

The Bank invests in financial instruments with low risk/highly rated financial institutions. These investments include term deposits and treasury bills and the investments are carried at fair value in accordance with the accounting policy.

The World Bank one year deposit is callable at short notice.

#### 17.2 Held-For-Trading

Investments held-for-trading represent foreign denominated assets managed by appointed fund managers; PGIM (formerly Pramerica), Goldman Sachs, JP Morgan Chase and World Bank Treasury.

The externally managed fund portfolio of financial instruments is classified as "Held-for-Trading" and is stated at fair value, with changes in fair value recognised directly in profit or loss.

The Bank's externally managed portfolio of investments is denominated in US dollars as the base currency.

#### 17.3 Available-For-Sale Investments

##### 17.3.1 Afrexim Shares

The investment in African Export Import (Afrexim) Bank is in respect of Class A equity shares. As at June 30, 2017, the Bank held 2,317 Class A shares at a total cost USD 39,824,720. In accordance with IAS 39, the shares were valued at a price of USD 17,188 per share resulting in





a fair value gain which has been recognised under other comprehensive income. The Bank also holds a residual cash deposit of USD 5,702 arising from excess subscription under the general capital increase. This is to be used in funding future share calls. The performance trends in Afrexim's financial statements reflect a profitability position and dividends being declared hence in the opinion of the Board there is no indication of impairment.

### 17.3.2 Swift Shares

The Bank holds 78 shares in the Society for Worldwide Interbank Financial Telecommunication (SWIFT) at a total cost of Euro 267,540 as at June 30, 2017. The SWIFT is a cooperative society owned by its member financial institutions.

The fair value of the investments has been measured with reference to the net asset value per share, adjusted for currency revaluation and there has been no indication of any impairment in line with the accounting policy on impairment. The Bank has no intention of disposing of the shares in the foreseeable future.

There were no shares derecognised during the year.

### 17.3.3 BOU Managed Funds

The Bank invests in Treasury bonds with the US Federal Reserve Bank. These are classified as available for sale.

## 18 Derivative Financial Instruments

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the value of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk.

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
<b>Assets</b>		
Forward foreign exchange contracts	22,248	14,416
Interest rate swaps	824	2,311
	<b>23,072</b>	<b>16,727</b>
<b>Liabilities</b>		
Forward foreign exchange contracts	47,730	24,912
Interest rate swaps	2,542	2,780
	<b>50,272</b>	<b>27,692</b>
<b>Notional amounts</b>		
Forward foreign exchange contracts	3,855,643	2,796,348
Interest rate swaps	350,565	1,375,666
Futures	230,675	1,471

At their inception, derivatives often involve only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of



leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Bank. Over-the-counter derivatives may expose the Bank to the risks associated with the absence of an exchange market on which to close out an open position.

### 18.1 Forwards and Futures

Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements. The main differences in the risks associated with forward and futures contracts are credit risk and liquidity risk. The Bank has credit exposure to the counterparties of forward contracts. The credit risk related to future contracts is considered minimal because the cash margin requirements of the exchange help ensure that these contracts are always honoured. Forward contracts are settled gross and are, therefore, considered to bear a higher liquidity risk than the futures contracts that are settled on a net basis. Both types of contracts result in market risk exposure.

### 18.2 Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Bank with other financial institutions in which the Bank either receives or pays a floating rate of interest, respectively, in return for paying or receiving a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

## 19 Assets Held and Obligations with International Monetary Fund (IMF)

	30-Jun-2017 UGX (m)	30-Jun-2017 SDR (m)	30-Jun-2016 UGX (m)	30-Jun-2016 SDR (m)
<b>Assets</b>				
IMF SDR holdings	234,684	48	224,496	48
	<b>234,684</b>	<b>48</b>	<b>224,496</b>	<b>48</b>
<b>Liabilities</b>				
IMF account no. 2	29	1	26	1
IMF SDR allocation	864,200	173	822,515	173
	<b>864,229</b>	<b>174</b>	<b>822,541</b>	<b>174</b>

The assets represent IMF SDR Holdings held on behalf of Government of Uganda of SDR 48 million. The liabilities relate to SDR Allocations of SDR 173 million that funded the SDR holdings from IMF. The IMF Holdings and Allocations attract interest rates determined by the Fund as advised from time to time. Interest charged on the IMF holdings is the responsibility of Bank of Uganda. The liabilities and assets are not secured by collateral and the repayment terms are



not fixed. The IMF assets and liabilities above are reported in Uganda Shillings at the year-end exchange rates. Translation gains/losses are recognised in profit or loss.

### 19.1 Other IMF Accounts Not Recognised

Assets	30-Jun-2017	30-Jun-2017	30-Jun-2016	30-Jun-2016
	UGX (m)	SDR (m)	UGX (m)	SDR (m)
IMF Quota	1,803,674	362	1,617,710	362
	<b>1,803,674</b>	<b>362</b>	<b>1,617,710</b>	<b>362</b>
<b>Liabilities</b>				
IMF account no. 1	1,700,185	341	1,519,242	341
IMF Securities	103,489	21	98,468	21
	<b>1,803,674</b>	<b>362</b>	<b>1,617,710</b>	<b>362</b>

The Other International Monetary Fund accounts not recognised consist of the Uganda Government total membership capital subscription Quota of SDR 362 million and the corresponding IMF I and securities accounts which are the responsibility of Government of Uganda as a fiscal agent and as such are not accounted for in the financial statements of the Bank.

### 19.2 Uganda's Position In The IMF

Below is a Summary of IMF members' quota, reserve tranche position, SDR holdings, outstanding credit, recent lending arrangements, projected payments due to the IMF, and historical transactions with the IMF as at June 30, 2017.

#### 19.2.1 Membership Status: Joined: September 27, 1963

#### 19.2.2 General Resources Account

	SDR Million	% Quota
Quota	361.00	100.00
IMF's Holdings of Currency (Holdings Rate)	361.01	100.00
Reserve Tranche Position	-	-

#### 19.2.3 SDR Department

	SDR Million	% Allocation
Net cumulative allocation	173.06	100.00
Holdings	47.00	27.16

#### 19.2.4 Outstanding Purchases and Loans: None

#### 19.2.5 Latest Financial Arrangements

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF <sup>1</sup>	Sep 13, 2002	Jan 31, 2006	14	14
ECF <sup>1</sup>	Nov 10, 1997	Mar 31, 2001	100	100
ECF <sup>1</sup>	Sep 06, 1994	Nov 17, 1997	121	121

<sup>1/</sup> Formerly PRGF



## 19.2.6 Overdue Obligations and Projected Payments to Fund

(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2016	2017	2018	2019	2020
Principal	-	-	-	-	-
Charges/Interest	0.03	0.07	0.07	0.07	0.07
<b>Total</b>	<b>0.03</b>	<b>0.07</b>	<b>0.07</b>	<b>0.07</b>	<b>0.07</b>

## 19.2.7 Implementation of the HIPC Initiative

I. Commitment of HIPC assistance	Original Framework	Enhanced Framework	Total
Decision point date	Apr-97	Feb-00	
Assistance committed by all creditors (US\$ Million)*	347.00	656.00	
Of which: IMF assistance (US\$ million) (SDR equivalent in millions)	68.90	91.00	
Completion point date	Apr 1998	May 2000	
II. Disbursement of IMF assistance (SDR Million)			
Assistance disbursed to the member	51.51	68.10	119.61
Interim assistance	-	8.20	8.20
Completion point balance	51.51	59.90	111.41
Additional disbursement of interest income**	-	2.06	2.06
<b>Total disbursements</b>	<b>51.51</b>	<b>70.16</b>	<b>121.67</b>

\* Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.

\*\* Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

## 19.2.8 Implementation of HIPC Initiative

I. MDRI-eligible debt (SDR Million) <sup>†</sup>	87.73
Financed by: MDRI Trust	75.85
Remaining HIPC resources	11.88

## II. Debt Relief by Facility (SDR Million)

Delivery Date	Eligible Debt		Total
	GRA	PRGT	
January 2006	N/A	87.73	87.73

\* The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.



## 20 Investments in Government Securities

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
BoU recapitalization securities	19,810	404,339
	<b>19,810</b>	<b>404,339</b>

BoU recapitalisation securities represent the unredeemed treasury bonds arising out of the recapitalisation measures undertaken by the Government of Uganda. During the year, Government of Uganda provided the Bank with another tranche of recapitalisation worth UGX 100 billion. The terms and conditions on the recapitalisation securities are those that apply to similar treasury bonds issued by Government.

## 21 Loans and Advances to Government

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Letters of comfort*	140,487	140,487
Project charges	90	-
Government capital account**	106,175	286,950
Treasury bills for repos (zero coupon)***	822,500	452,800
Provision for impairment losses	(140,487)	(140,487)
<b>Total</b>	<b>928,765</b>	<b>739,750</b>
Provision for impairment losses; At the beginning of the year	(140,487)	(140,487)
<b>At 30 June</b>	<b>(140,487)</b>	<b>(140,487)</b>

The Bank grants loans and advances to the government in respect of temporary deficiencies in revenue as provided for in the Bank of Uganda Act. Most of these loans and advances are due on demand with no interest charged and thus their carrying amount approximates their fair value.

\* The letters of comfort of UGX 140,487 million relate to requests made by Bank of Uganda to various commercial banks to extend loans to Haba Group of Companies. The resulting loan was due from Government of Uganda. As at June 30, 2017, this amount was fully impaired.

\*\* Government capital account relates to interest on matured securities paid on behalf of GoU. The amounts were fully reimbursed on 24 July 2017.

\*\*\* Zero Coupon Treasury bills represent securities offered to the Bank by Government of Uganda so as to provide a pool of instruments to the Bank for managing liquidity in the market through the issue of vertical repurchase (repos) agreements with primary dealer commercial banks. These are zero coupons and have short maturity periods of less than fourteen days thus amortized cost is not materially different from the cost.

Treasury bills for Repos represent collateral amount related to the actual drawn down or utilisation of the vertical repurchase agreements that is outstanding at the end of the year (Note 33).



## 22 Loans and Advances to Commercial Banks

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Intervention costs in Crane Bank Ltd	397,883	-
Less: provision for impairment loss	(197,883)	-
Receivable from DFCU Bank Ltd	200,000	-
Fair value adjustment	(39,478)	-
<b>Net Receivable from DFCU Bank Ltd</b>	<b>160,522</b>	<b>-</b>

During the year, Bank of Uganda intervened in the affairs of Crane Bank Ltd under the Financial Institutions Act 2004. The Bank incurred net costs of UGX 397,883 million in this respect. A provision of UGX 197,883 million has been made in the financial statements of the Bank pending the finalisation of the liquidation process. The net balance of UGX 200,000 million relates to the amount due from dfcu Bank following the transfer of some of the assets and liabilities from Crane Bank Ltd (in receivership). The UGX 200,000 million, which is payable in two and a half years and does not accrue interest has therefore been subjected to fair valuation and the resulting difference of UGX 39,478 million recognized in the Bank's profit or loss in accordance with IAS 39. The receivable from dfcu Bank is fully secured by government treasury securities.

## 23 Staff Loans

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Staff loans, advances and imprest to staff	7,117	8,835
Staff building loans	39,008	27,559
<b>Staff loans, advances at fair value</b>	<b>46,125</b>	<b>36,394</b>
Deferred staff cost	45,776	37,247
<b>Staff loans, advances at cost</b>	<b>91,901</b>	<b>73,641</b>
Provision for impairment (see below)	(873)	(1,103)
	<b>91,028</b>	<b>72,538</b>
Provision for impairment:		
At 1 July	(1,103)	(1,254)
Additional provision during the year	(4)	(111)
Recoveries/write back of provisions (see Note 7)	234	262
<b>At 30 June</b>	<b>(873)</b>	<b>(1,103)</b>

The Bank provides loans and advances to staff at interest rates below the market rates. The rates range from 3 percent to 6 percent, depending on the loan type. The loans and advances have maturity terms ranging between 3 months and 20 years, depending on whether or not staff are on permanent and pensionable terms. The loans and advances have been marked to market and the fair value adjustment is deferred over the loan repayment periods. Apart from the house loans and five year general purpose advances which are secured by mortgages, annual general purpose advances and salary advances are not secured. All mortgages are covered by an insurance policy of an amount that is twice the outstanding loan balances.



## 24 Retirement Benefits Plan

The Bank's permanent and pensionable employees are eligible for retirement benefits under a defined benefit plan provided through a legally separate entity, The Bank of Uganda Defined Benefits Scheme.

The Scheme is licensed by the Uganda Retirements Benefits Authority and governed by a Trust Deed and Rules with a duly appointed Board of Trustees. The Trustees comprise six (6) Sponsor nominated representatives and three (3) member nominated representatives; two (2) of whom are nominated by active service members and one (1) nominated by pensioners. The Board of the Trustees is required by the law to act in the best interests of the plan participants and is responsible for setting certain policies –e.g. investment, contribution and indexation policies of the fund.

The benefits to members on retirement are determined as  $1/60 \times$  average salary for service prior to June 30, 2013  $\times$  Service Period less the value of NSSF Contribution balances. For service after June 30, 2013, the benefit is determined as  $1/65 \times$  average salary for service after June 30, 2013  $\times$  Service Period. This Amendment took effect from 1 July 2013.

Employees not participating in the Defined Benefit Scheme are eligible to join a Defined Contribution Scheme.

The net defined benefit asset in respect of the defined benefit pension plan is the fair value of the plan assets at the reporting date minus the present value of the defined benefit obligation. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The current actuarial certification was carried out by Actuarial Services (E.A) Limited as at June 30, 2017.

The actuarial certification only includes the funded pension arrangements; the Bank of Uganda Defined Benefits Scheme (DBS).

The key risks associated with the Scheme are as follows:

- i. Salary risk: The benefits are linked to salary and consequently have an associated risk to increases in salary.
- ii. Investment risk: The Scheme is funded with separate assets. Investment risk would therefore arise in the Scheme.
- iii. Interest rate risk: Decreases/ increases in the discount rate used (high quality corporate bonds) will increase/ decrease the defined benefit obligation.
- iv. Benefits in the Scheme are payable on retirement, resignation, death or ill-health retirement. The actual cost to the Bank of the benefits is therefore subject to the demographic movements of employees.

The pension fund is fully funded by Bank of Uganda. The funding requirements are based on the pension fund's actuarial measurement framework set out in the funding policies of the plan.



The funding is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions below.

The Bank expects to pay UGX 13,709 million in contributions to its defined benefit plan in the FY 2017/18.

The amounts recognised in the statement of financial position are as follows:

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Fair value of plan assets	346,924	319,771
Present value of defined benefit obligations	(335,308)	(298,564)
<b>Employee benefits receivable</b>	<b>11,616</b>	<b>21,207</b>

During the year, the Bank's asset in respect of the DBS was calculated by a qualified actuary using the projected unit credit method. Actuarial gains and losses are recognised in other comprehensive income.

The amounts recognised in profit or loss are as follows:

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Current service cost net of employees' contributions	8,817	9,405
Interest cost on net benefit obligation	(2,803)	(5,421)
Past service costs recognised in the year	-	7,116
Adjustment for prior year values	272	(1,680)
<b>Net actuarial losses recognised in profit and loss</b>	<b>6,286</b>	<b>9,420</b>

The amounts recognised under other comprehensive income are as follows:

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Net actuarial gains and experience adjustments arising from demographic assumptions	(10,104)	(20,656)
Net actuarial losses and experience adjustments arising from financial assumptions	1,534	31
Actual return less interest cost on plan assets	24,851	29,390
<b>Total included in other comprehensive income</b>	<b>16,281</b>	<b>8,765</b>

A reconciliation of the net benefit asset is as shown below:

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Net asset at start of the year	21,207	27,943
Net expense recognised in profit or loss	(6,286)	(9,420)
Actuarial loss recognised in OCI	(16,281)	(8,765)
Employer contributions	12,976	11,449
<b>Net asset at end of the year</b>	<b>11,616</b>	<b>21,207</b>





The major categories of the fair value of the Scheme's Plan assets are as follows:

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
<b>Investments quoted in active markets:</b>		
Treasury bills at amortised cost	39,146	57,375
Treasury bonds at fair value	201,177	126,845
Infrastructure bond	1,092	1,030
Corporate bonds at amortised cost	2,429	3,045
Listed equities	85,071	80,473
<b>Cash and cash equivalents:</b>		
Cash and bank	2,272	8,063
Short term deposits	7,195	7,205
Net current liabilities	(19,938)	(7,690)
<b>Unquoted investments:</b>		
Unlisted equities	180	176
Investment Property	28,300	43,249
	<b>346,924</b>	<b>319,771</b>

The principal actuarial assumptions in real terms are as follows:

	30-Jun-2017	30-Jun-2016
Discount rate	15.98%	17.63%
Expected return on plan assets	15.98%	17.63%
Future salary increase	14.98%	16.63%
Future pension increase	13.98%	15.63%

The discount rate used is 15.98 percent per annum. The discount rate is based on the 10-year government bond yield in line with the general requirements of the IFRS. However, the gap between the discount rate and the future salary and pension increases has been kept constant at 1 percent and 2 percent per annum respectively when compared with the FY 2015/16 assumptions.

As at June 30, 2017, the weighted average duration of the defined benefit obligation is 13.3 years. (June 30, 2016: 13.8 years)

The sensitivity analysis for reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would affected the defined benefit plan by amounts shown below:

	Scenario - 1 Base	Scenario - 2 Discount Rate Increased by 1%	Scenario - 3 Salary Rate Increased by 1%	Scenario - 4 Pension Rate Increased by 1%	Scenario - 5 Discount Rate Decreased by 1%	Scenario - 6 Salary Rate Decreased by 1%	Scenario - 7 Pension Rate Decreased by 1%
Discount Rate	15.98%	16.98%	15.98%	15.98%	14.98%	15.98%	15.98%
Salary Rate	14.98%	14.98%	15.98%	14.98%	14.98%	13.98%	14.98%
Pension Increase Rate	13.98%	13.98%	13.98%	14.98%	15.98%	15.98%	12.98%
	<b>UGX (m)</b>	<b>UGX (m)</b>	<b>UGX (m)</b>	<b>UGX (m)</b>	<b>UGX (m)</b>	<b>UGX (m)</b>	<b>UGX (m)</b>
<b>Net asset at start of year</b>	<b>21,207</b>	<b>21,207</b>	<b>21,207</b>	<b>21,207</b>	<b>21,207</b>	<b>21,207</b>	<b>21,207</b>
Net expense recognised in profit or loss	(6,286)	(6,286)	(6,286)	(6,286)	(6,286)	(6,286)	(6,286)
Net expense recognised in the other comprehensive income	(16,281)	30,063	(31,074)	(56,335)	(73,876)	(3,180)	17,387
Employer contributions	12,976	12,976	12,976	12,976	12,976	12,976	12,976
<b>Net (liability)/ asset at end of year</b>	<b>11,616</b>	<b>57,960</b>	<b>(3,177)</b>	<b>(28,438)</b>	<b>(45,979)</b>	<b>24,717</b>	<b>45,284</b>



Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

The maturity profile of the Defined Benefit Plan is disclosed below:

Time to Maturity of membership	Liability UGX (m)
<1 year	8,691
1-5 years	65,687
>5 years	132,024
Pensioners and Deferreds	128,906

## 25 Property, Plant & Equipment

	Freehold Land	Buildings	Plant & Machinery	Furniture	Equipment	Furniture & Equipment	Computer Equipment	Motor Vehicles	Capital Work- In- Progress	Totals
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
<b>Cost or Valuation</b>										
<b>As at 01 July 2015</b>	<b>23,373</b>	<b>135,596</b>	<b>116,562</b>	-	-	<b>9,432</b>	<b>33,582</b>	<b>16,306</b>	<b>1,058</b>	<b>335,909</b>
Additions	-	13	2,380	-	-	682	421	797	6,955	11,248
Reclassification	-	-	62	-	-	-	288	-	(350)	-
Reclassification from Leasehold land	3,989	-	-	-	-	-	-	-	-	3,989
Disposals/Write-offs	-	-	-	-	-	-	(1,374)	(1,466)	(149)	(2,989)
<b>As at 01 July 2016</b>	<b>27,362</b>	<b>135,609</b>	<b>119,004</b>	-	-	<b>10,114</b>	<b>32,917</b>	<b>15,637</b>	<b>7,514</b>	<b>348,157</b>
Additions	-	353	9,801	1,621	1,062	-	3,127	4,782	11,324	32,070
Reclassification	-	-	256	-	33	-	305	4,541	(5,135)	-
Reclassification to intangible assets	-	-	-	-	-	-	(9,792)	-	-	(9,792)
Revaluation surplus/ (deficit)	-	-	30,553	1,829	10,365	(1,377)	2,210	8,634	-	52,214
Eliminated on revaluation	-	-	(95,202)	-	-	(8,737)	(20,999)	(12,209)	-	(137,147)
Disposals/Write-offs	-	(105)	(50)	-	(4)	-	(63)	(975)	(432)	(1,629)
<b>As at 30 June 2017</b>	<b>27,362</b>	<b>135,857</b>	<b>64,362</b>	<b>3,450</b>	<b>11,456</b>	<b>0</b>	<b>7,705</b>	<b>20,410</b>	<b>13,271</b>	<b>283,873</b>
<b>Depreciation</b>										
<b>As at 01 July 2015</b>	-	<b>5,956</b>	<b>83,665</b>	-	-	<b>7,400</b>	<b>27,633</b>	<b>12,057</b>	-	<b>136,711</b>
Charge for the year	-	2,887	6,865	-	-	773	2,086	1,593	-	14,204
Disposals	-	-	-	-	-	-	(1,327)	(1,466)	-	(2,793)
<b>As at 01 July 2016</b>	-	<b>8,843</b>	<b>90,530</b>	-	-	<b>8,173</b>	<b>28,392</b>	<b>12,184</b>	-	<b>148,122</b>
Charge for the year	-	2,887	6,014	188	492	564	1,841	7,141	-	19,127
Reclassification to intangibles	-	-	-	-	-	-	(8,631)	-	-	(8,631)
Eliminated on revaluation	-	-	(95,202)	-	-	(8,737)	(20,999)	(12,209)	-	(137,147)
Disposals	-	(8)	(1)	-	-	-	(23)	(975)	-	(1,007)
<b>As at 30 June 2017</b>	-	<b>11,722</b>	<b>1,341</b>	<b>188</b>	<b>492</b>	-	<b>580</b>	<b>6,141</b>	-	<b>20,464</b>
<b>Net Carrying Amount</b>										
<b>As at 30 June 2017</b>	<b>27,362</b>	<b>124,135</b>	<b>63,021</b>	<b>3,262</b>	<b>10,964</b>	<b>0</b>	<b>7,125</b>	<b>14,268</b>	<b>13,271</b>	<b>263,409</b>
<b>As at 30 June 2016</b>	<b>27,362</b>	<b>126,766</b>	<b>28,474</b>	-	-	<b>1,941</b>	<b>4,525</b>	<b>3,452</b>	<b>7,514</b>	<b>200,035</b>

The Bank's land and buildings at June 30, 2013 were revalued by independent and certified professional valuers, East African Consulting Surveyors & Valuers. The valuation was based on market values defined as the price that would be received to sell an asset or to transfer a liability in an orderly transaction between market participants at the measurement date.

The market values for commercial properties in Kampala have been assessed using capitalization of adjusted and/or assumed market rents using appropriate rates of return. In adjusting/assuming the rents, the valuer considered the current market rents in similar buildings and localities and took these into account in arriving at the values of the buildings.



The market values in the rest of the buildings in upcountry towns and all residential properties have been arrived at either by direct comparison of sales of similar or near similar properties and locations or by depreciated replacement cost. The revaluation surplus of UGX 68,419 million was recognised in the Asset Revaluation Reserve in FY 2012/13. The revaluation surplus is distributable to shareholders.

During the FY 2016/17, the Bank revised its fixed assets policy of property, plant and equipment and as such revalued items of plant and machinery, furniture, equipment, computers and motor vehicles. The revaluation was carried on 31 March 2017 by Stanfield Property Partners Ltd. The valuation was based on market value. This was defined as the best reasonable price at which the sale of an interest in the property might reasonably be expected to have been completed unconditionally for cash consideration at the date of valuation.

Capital work in progress relates to PPE that are still in construction or yet to be put in use.

Fair value measurement disclosures for revalued land, buildings, plant and machinery, furniture, equipment, computers and motor vehicles are provided in note 42.

If land and buildings, plant and machinery, equipment, vehicles, furniture and computer equipment were measured using the cost model, the carrying amounts would be as follows:

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Free hold and leasehold land (cost)	31,554	31,554
<b>Net Carrying Amount</b>	<b>31,554</b>	<b>31,554</b>

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Buildings (cost)	116,094	116,094
Accumulated depreciation and impairment	(20,120)	(10,060)
<b>Net Carrying Amount</b>	<b>95,974</b>	<b>106,034</b>

	Plant & UGX (m)	Furniture UGX (m)	Equipment UGX (m)	Computer UGX (m)	Motor Vehicles UGX (m)	Totals UGX (m)
Cost	64,362	3,450	11,456	7,721	20,410	107,400
Accumulated depreciation	17,431	878	2,783	2,531	10,223	33,846
<b>Net carrying amount</b>	<b>46,931</b>	<b>2,573</b>	<b>8,673</b>	<b>5,191</b>	<b>10,187</b>	<b>73,554</b>

The Bank revalues its land and buildings, equipment, furniture, computers, vehicles, plant and machinery after every 5 years.

Items disposed comprised buildings, leasehold land, plant and machinery, vehicles, work in progress and computer equipment. All gains/ (losses) on disposal of assets are recognized in profit or loss.



## 26 Finance Lease on Land

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
At 1 July	46,765	50,754
Reclassification to property, plant and equipment	-	(3,989)
Disposal	(40)	-
<b>At 30 June</b>	<b>46,725</b>	<b>46,765</b>

Finance lease on land relates to all land for office space and residential premises under the current lease agreements. At inception of the lease, the obligation associated with the acquisition was paid upfront and as such, the would-be minimum lease payments were expunged at the beginning of the lease in a single payment.

Given the substance of this transaction, the risks and rewards are borne by the Bank with automatic renewal at the end of the lease. This in effect gives the Bank the right to own the land in perpetuity.

The Bank has commenced conversion of all leasehold land into freehold and accordingly ceased amortisation of the leasehold land on 1 July 2008.

The leasehold land was revalued on June 30, 2013. The assumptions relating to the revaluation of finance lease on land are included under note 25.

## 27 Intangible Assets

		Software UGX (m)	Work- In- Progress UGX (m)	Totals UGX (m)
Cost or Valuation	As at 1 July 2015	23,966	784	24,750
	Additions	856	1,878	2,734
	Reclassification	54	(54)	-
	Write off	(147)	(206)	(353)
	As at 1 July 2016	24,729	2,402	27,131
	Additions	7,068	3,657	10,725
	Reclassification	1,440	(1,440)	-
	Reclassification from Property Plant & Equipment	9,792	-	9,792
	Write off	(1,330)	(319)	(1,649)
	As at 30 June 2017	41,699	4,300	45,999
Amortisation	As at 1 July 2015	20,207	-	20,207
	Charge for the year	1,480	-	1,480
	As at 1 July 2016	21,687	-	21,687
	Reclassification from Property Plant & Equipment	8,631	-	8,631
	Charge for the year	3,750	-	3,750
	Write off	(1,270)	-	(1,270)
	As at 30 June 2017	32,798	-	32,798
Net Carrying Amount	As at 30 June 2017	8,901	4,300	13,201
Net Carrying Amount	As at 30 June 2016	3,042	2,402	5,444



Work in progress relates to IT systems that are under development and yet to be put in use.

## 28 Other Assets

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Consumable store stock	2,560	2,794
Prepayments & accrued income	57	50
Money remittance institutions	216	-
Deferred currency costs *	359,961	313,287
Sundry debtors	143	1,131
Provisions for impairment losses	(387)	(261)
	<b>362,550</b>	<b>317,001</b>
Provisions for impairment losses:		
At beginning of the year	(261)	(93)
Additional provisions	(131)	(168)
Write offs during the year	5	-
<b>At 30 June</b>	<b>(387)</b>	<b>(261)</b>

\* Deferred currency costs relate to currency printing and minting costs for notes and coins not yet issued into circulation in accordance with the Bank's accounting policy. The policy of the Bank is to expense currency costs upon issue of the notes and coins into circulation.

## 29 Other Foreign Liabilities

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Multi-lateral Investment Guarantee Agency (MIGA)	38	38
IDA 13 Subscriptions	56	56
IDAG MDRI Subscriptions	94	94
International Bank for Reconstruction & Dev't (IBRD)	228	228
	<b>416</b>	<b>416</b>

The balances on MIGA and IDA represent the Government of Uganda obligations in terms of subscriptions to those international agencies.

The IBRD balance related to notes substituted as Government of Uganda's national currency subscription to IBRD capital stock and held in IBRD's securities custody account with the Bank of Uganda as a depository.



## 30 Currency in Circulation

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Notes	3,715,989	3,255,065
Coins	159,184	145,856
Cash held in banking	(9,282)	(9,192)
Office imprest	(113)	(127)
	<b>3,865,778</b>	<b>3,391,602</b>

Currency-in-circulation represents notes and coins issued by Bank of Uganda as at June 30, 2017 while cash held in Banking relates to cash held in banking hall as at year-end.

The currency is issued in the following denominations:

	Notes	Coins
	1,000	1
	2,000	2
	5,000	5
	10,000	10
	20,000	20
	50,000	50
		100
		200
		500
		1,000

## 31 Government Deposits

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Petroleum Fund*	423,681	245,531
Government deposit letters of credit accounts	87,869	93,447
Government ministries accounts	146,737	134,315
Government projects accounts	1,341,216	1,028,781
Government of Uganda managed funds through DFS**	45,445	55,134
Government capital accounts	832,274	462,631
Uganda consolidated fund	331,549	726,785
EFT salary suspense accounts	-	32,563
	<b>3,208,771</b>	<b>2,779,187</b>

As a banker to Government, BOU maintains government accounts. The accounts maintained relate to government ministries and the government projects. The above deposit balances represent the amounts outstanding on government accounts as at June 30, 2017. The Bank does not pay interest on the accounts. The deposits are payable on demand and therefore the carrying amount approximates their fair value. Included in the Government Capital Accounts are Treasury bills and Treasury Bonds held at the Bank for monetary policy, recapitalisation and repo purposes. The securities for monetary policy and recapitalisation are re-discountable at the Bank rediscount rate.



- \* The Petroleum Fund includes USD 109 million (UGX 391,102 million) received in three tranches relating to Tullow Oil tax settlement. The first tranche of USD 36 million was received on 22 June 2015, the second tranche of USD 36 million was received on June 30, 2016 and a third tranche of USD 36 million was received on 31 March 2017.
- \*\* The Government of Uganda managed funds through Development Finance Schemes (DFS) includes a net balance of UGX 45,159 million outstanding on the Agricultural Credit Facility (ACF) capital account after offsetting ACF loans disbursed through the respective accredited financial institutions as shown in the table below. The securities held on those loans are in terms of promissory notes from participating commercial banks.

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Agricultural Credit Facility (ACF) Capital	97,437	93,064
Less:		
ACF Loans to commercial banks	(52,278)	(49,327)
<b>Net balance on ACF capital</b>	<b>45,159</b>	<b>43,737</b>
Other funds	286	11,397
<b>Total Government of Uganda managed funds</b>	<b>45,445</b>	<b>55,134</b>

As at June 30, 2017, the Bank was recapitalized by Government of Uganda in accordance with the Bank of Uganda Act section 14(4), through issuance of treasury instruments worth UGX 100,000 million. The securities were also issued as part of the stock of Government domestic debt. The issuance of recapitalization securities by Government of Uganda resulted in a receivable from GoU which has been matched with the securities issued. Therefore, the net receivable from GoU has been disclosed in the investments in treasury bills (Note 20).

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
BoU recapitalization securities	960,017	860,017
BoU recapitalization receivable account	(960,017)	(860,017)
<b>Net Position</b>	<b>-</b>	<b>-</b>

The net Uganda Consolidated Fund position at Bank of Uganda is a summary of government deposits and government loans, drawdowns and advances.

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Government Deposits	3,208,771	2,779,187
Government Loans, Drawdowns and Advances ( see note 21)	(928,765)	(739,750)
<b>Net Uganda Consolidated Fund Position</b>	<b>2,280,006</b>	<b>2,039,437</b>



### 32 Commercial Bank Deposits

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Current accounts by commercial banks	2,056,759	2,262,830
Cash recovered from closed commercial banks	-	18,221
Collection from closed banks' loans	27,701	27,635
	<b>2,084,460</b>	<b>2,308,686</b>

Current accounts relate to cash balances held by commercial banks with Bank of Uganda in line with statutory obligations. Cash reserve ratio is a statutory ratio for monetary policy and commercial banks are required to hold at the Central Bank of Uganda a prescribed percentage of their total deposits. The ratio is dependent on a monetary policy stance, revised from time to time and is currently 8 percent. There are currently 24 licensed commercial banks in Uganda. The Bank does not pay interest on these account balances.

### 33 Repos Collection

	UGX (m)	UGX (m)
Repos collection account	2,025,480	452,986
	<b>2,025,480</b>	<b>452,986</b>

REPO (Repurchase Agreements) is a flexible Open Market Operation instrument that provides for a simultaneous sale of securities and buy-back at a specified future date and price and hence facilitates flexible conduct of monetary policy.

A Repo involves the following transactions:

Change of legal ownership of securities between transacting parties.

Transfer of funds between transacting parties.

Vertical REPO

Where a Repo is used as a monetary policy instrument, one of the parties to the agreement is the Central Bank, while a Primary Dealer (PD) constitutes the other party. The Vertical Repo transaction allows the Central Bank to mop up short-term liquidity by selling securities to PDs with an agreement to repurchase them at a specified future date - where the PD receives back full amount of principal and interest.

### 34 Recognised Special Provident Fund

The Bank operates a Special Provident Fund (SPF) for members of staff who left the services of the Bank under the Voluntary Termination of Service in 1994. The SPF, established under a court order, is in respect of a defined group of 73 Voluntary Termination of Service ex-employees who left service on 31 December 1994. The fund was closed during the FY 2016/17.

The Uganda Retirement Benefits Regulatory Authority provided exemption for registration of the SPF as the membership was closed and therefore winding down.

The SPF was unfunded and the benefits were paid directly by the Bank.





The defined benefit obligation was calculated by independent actuaries using the projected unit credit. The last actuarial certification was carried out by Actuarial Services (E.A) Limited as at June 30, 2016.

The actuarial certification included only the unfunded Bank of Uganda Special Provident Fund.

#### Key Risks

The key risks associated with the SPF were as follows:

- i. Interest rate risk: decreases/increases in the discount rate used (high quality corporate bonds) will increase/decrease the defined benefit obligation
- ii. Benefits in the SPF are monthly pensions to the pensioners. The actual cost to the Bank of the benefits is therefore subject to the demographic movements of the pensioners.

The amounts recognised in the statement of financial position as at June 30, 2016 were as follows:

#### Approach Adopted

The VTS liability was recognised through profit or loss as "recognition of prior benefit obligation". Benefits payable under the VTS during the year were reflected separately in the financial statements.

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Present value of defined benefit obligations	-	2,967
<b>Net liability in the Statement of Financial Position</b>	<b>-</b>	<b>2,967</b>

During the FY 2015/16, the Bank's liability in respect of the SPF was calculated by a qualified actuary using the projected unit credit method. Past service costs were recognized in profit or loss as shown below.

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Past service cost/ Recognition of prior benefit obligation	-	2,967
<b>Closing benefit obligation</b>	<b>-</b>	<b>2,967</b>

The amounts recognised in the general and administration costs were as follows:

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Past service cost recognised in the year	-	2,967
<b>Total included in "staff costs"</b>	<b>-</b>	<b>2,967</b>

A reconciliation of the net benefit obligation is as shown below:



	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
<b>Net liability at start of year</b>	-	-
Net expense recognised in profit or loss	-	2,967
<b>Net liability at end of year</b>	<b>-</b>	<b>2,967</b>

The principal actuarial assumptions in real terms are as follows:

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Discount rate (% p.a.)	0.00%	17.63%
Future pension increases (% p.a.)	0.00%	15.63%

The discount rate used in FY 2015/16 was 17.63% p.a. The discount rate was based on the 10-year government bond yield in line with the general requirements of the IFRS. However, the gap between the discount rate and the pension increases was kept constant at 2% p.a.

Year End: 30 June 2016

	Scenario - 1	Scenario - 2	Scenario - 3	Scenario - 4	Scenario - 5
	Base	Discount Rate Increased by 1%	Pension Increase Rate Increased by 1%	Discount Rate Decreased by 1%	Pension Increase Rate Decreased by 1%
Discount Rate	17.63%	18.63%	17.63%	16.63%	17.63%
Pension Increase Rate	15.63%	15.63%	16.63%	15.63%	14.63%
<b>Net liability at start of year</b>	-	-	-	-	-
Net expense recognised in profit or loss	2,967	2,810	3,138	3,142	2,811
<b>Net liability at end of year</b>	<b>2,967</b>	<b>2,810</b>	<b>3,138</b>	<b>3,142</b>	<b>2,811</b>

### 35 Other Liabilities

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Uninvested pension fund cash	148	1,417
Deposit Protection Fund*	20,438	21,176
Accounts payable	16,474	10,089
Other creditors	44,847	25,824
UCBL sales proceeds	-	3,412
Provision for UCBL excluded liabilities**	-	1,359
Money remittance institutions	-	111
	<b>81,907</b>	<b>63,388</b>

\* The Bank manages and controls the Deposit Protection Fund (DPF) in accordance with section 108-111 of the Financial Institutions Act 2004 (FIA). The DPF is a self-accounting fund and is audited separately by an independent firm of Auditors. The balance on the account represents cash at hand for the DPF.

\*\* The Bank completed the dissolution of Uganda Commercial Bank Ltd (UCBL) on 21 February 2003 with the sale of the majority shares (80 percent) to Standard Bank Investment Corporation (Stanbic) through its subsidiary Stanbic (U) Ltd. Under the sale agreement, the Bank, on behalf of the shareholders, undertook to fulfil certain warranties, such as the payment of retrenchment costs for up to five hundred staff. The provision for excluded liabilities of UGX 1,359 million was set aside to cover other



incidentals. The funds were transferred to the consolidated fund during the financial year.

### 36 Authorised and Issued Share Capital

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Authorised 30,000,000,000 of UGX 1.00 each	30,000	30,000
Issued and fully paid 20,000,000,000 of UGX 1.00 each	20,000	20,000

The Bank of Uganda Act (Cap. 51), Laws of Uganda 2000 is the law that establishes the Bank with the authorised capital of UGX 30 billion. As at June 30, 2017, UGX 20 billion was issued and fully paid.

### 37 BoU Recapitalisation Funds

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
BoU recapitalisation securities	960,017	860,017
	<b>960,017</b>	<b>860,017</b>

During the FY 2016/17, the Bank was further recapitalized by Government of Uganda, in accordance with the Bank of Uganda Act section 14 (4), with treasury securities worth UGX 100,000 million bringing the total stock of recapitalisation securities to UGX 960,017 million as at June 30, 2017.

### 38 Reserves

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Asset revaluation reserve*	182,815	139,466
Revenue reserve**	(1,393,555)	(909,779)
General reserve***	399,277	399,277
Fair value gains on Available for sale financial instruments****	56,111	68,618
Unrealised translation reserve*****	3,271,171	2,890,793
	<b>2,515,819</b>	<b>2,588,375</b>

\* Assets revaluation reserve relates to surplus on revalued property and is distributable.

\*\* Revenue reserve relates to accumulated losses on operations.

\*\*\* General reserve includes realised foreign exchange gains and other special reserves.

\*\*\*\* Relates to gains on fair value of AFS financial instruments.

\*\*\*\*\* This relates to unrealised foreign exchange and fair value gains and losses on foreign assets and liabilities.

The distributable deficit is arrived at as follows:



	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Total comprehensive income for the year	(72,556)	(164,839)
Foreign exchange and fair value gains	(380,379)	82,888
<b>Deficit sharing with Government</b>	<b>(452,935)</b>	<b>(81,951)</b>

The distributable deficit refers to the net surplus for the Bank excluding foreign exchange and fair value gains.

### 39 Contingent Liabilities and Commitments

Contingent liabilities and commitments, some of which are offset by corresponding obligations of third parties, arise in the normal course of business, including contingent liabilities in respect of letters of comfort and indemnities in connection with liquidity support operations.

#### 39.1 Legal Proceedings

The Bank is a litigant in various cases for breach of contract arising in the normal course of business amounting to UGX 330 million (2016: UGX 675 million). The directors are of the view that the Bank has a high chance of success against the plaintiffs and none of the cases individually or in aggregate would have a significant impact on the Bank's operations.

#### 39.2 Capital Commitments

As at June 30, 2017, the Bank's capital commitments in respect of plant and equipment, office machine and equipment and building works amounted to UGX 39,595 million compared to UGX 66,354 million as at June 30, 2016.

#### 39.3 Commitments on Behalf of Treasury

The Bank issues treasury bills and bonds on behalf of Treasury. The commitments (interest) unless claimable from Treasury are not included in these financial statements as the Bank is involved in such transactions only as an agent.

#### 39.4 Letters of Credit

Letters of credit commit the Bank to make payments on behalf of Government to third parties, and reimbursement by the customer is normally immediate. As at June 30, 2017, the total outstanding letters of credit on behalf of Government amounted to UGX 87,869 million (2016: UGX 93,447 million).

### 40 Financial Risk Management

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



and liquidity are noted. Like most other central banks, the nature of the Bank's operations creates exposures to a range of operational risks and reputational risks.

The Board seeks to ensure that strong and effective risk management and control systems are in place for assessing, monitoring, and managing risk exposure. The Foreign Exchange Reserve Management Policy Committee (FERMPC), comprising the Governor and senior management, is responsible for advising on the monitoring and management of the business strategy, risks, and performance of all statement of financial position-related activities. This review includes the appropriateness of risk-return trade-offs underlying the business strategy and portfolio structure. Specialist staff conduct the Bank's foreign currency reserves management, and foreign exchange dealing operations in accordance with a clearly defined Reserves Management Policy/Framework, including limits and delegated authorities set by the Governor. The policy is subject to regular review by FERMPC.

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

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

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

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

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

#### 40.1 Operational Risk

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



#### 40.1.1 Management of Operational Risk

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

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

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

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

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

#### 40.2 Credit Risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and investment securities.

##### 40.2.1 Management of Credit Risk

The Board of Directors has delegated responsibility for management of credit risk to the senior management. Senior management oversight over credit risk includes;

- Establishing authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to the respective members of senior management. Large facilities require approval by the Board, Governor, Deputy Governor and Executive Directors, as appropriate.
- Limiting concentrations of exposure to counterparties, geographies and by issuer, credit rating band, market liquidity and country.
- Using advice, guidance and specialist skills to promote best practice.



- For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).
- For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

#### 40.2.2 Impaired Loans and Securities

Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s).

#### 40.2.3 Past Due But Not Impaired Loans

Loans and securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the state of collection of amounts owed to the Bank.

#### 40.2.4 Allowance For Impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures. The allowance for impairment is determined if there is objective evidence of impairment.

#### 40.2.5 Write-Off Policy

The Bank writes off a loan/security balance (and any related allowances for impairment losses) when the Bank determines that the loans/securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, charge off decisions generally are based on a product specific past due status.



Table 21: Credit Risk Profile

Loans and Advances In millions of shillings	Government		Commercial Banks		Staff Loans	
	30-Jun-2017	30-Jun-2016	30-Jun-2017	30-Jun-2016	30-Jun-2017	30-Jun-2016
<b>Carrying Amount</b>	928,765	739,750	160,522	-	91,028	72,538
Individually Impaired:						
Government ministries	140,487	140,487	-	-	-	-
Closed commercial banks	-	-	197,883	-	-	-
Staff loans	-	-	-	-	873	1,103
Gross Amount	140,487	140,487	197,883	-	873	1,103
<b>Allowance for impairment</b>	(140,487)	(140,487)	(197,883)	-	(873)	(1,103)
<b>Carrying amount</b>	-	-	-	-	-	-
<b>Collectively impaired:</b>	-	-	-	-	-	-
<b>Gross Amount</b>	-	-	-	-	-	-
<b>Allowance for impairment</b>	-	-	-	-	-	-
Past due but not impaired:						
Low-fair risk	-	-	-	-	-	-
<b>Watch list</b>	-	-	-	-	-	-
<b>Carrying amount</b>	-	-	-	-	-	-
<b>Past due comprises:</b>						
<b>180 days+</b>	-	-	-	-	-	-
<b>Carrying amount</b>	-	-	-	-	-	-
<b>Neither past due nor impaired:</b>						
<b>Carrying amount</b>	928,765	739,750	160,522	-	91,028	72,538
<b>Total carrying amount</b>	<b>928,765</b>	<b>739,750</b>	<b>160,522</b>	<b>-</b>	<b>91,028</b>	<b>72,538</b>

Set above is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets.

#### 40.2.6 Credit Risk Exposure

##### 40.2.6.1 Credit Risk Exposure by Credit Rating

Total assets of the Bank exposed to credit risk as of June 30, 2017 and June 30, 2016 are presented in Table 22 and Table 23 below according to the classification of assets (classification according to external credit rating is done based on credit ratings published by Moody's).





Table 22: Credit risk exposure by credit ratings FY 2016/17

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
<b>Cash and cash equivalents</b>		
Foreign currency held in banking	30,742	26,990
<b>Cash with external financial institutions</b>		
Central Banks	523,784	358,952
Multinational Institution	14,443	1,928
A1	-	205
A2	-	551
Aa3	-	101,905
Aa1	49,722	-
Aaa	75,421	-
Baa1	-	28,571
NR	-	18,901
<b>Investments at fair value through profit or loss</b>		
Central Banks	1,919,217	1,953,925
Multinational Institution	848,254	198,946
Aaa	1,916,347	-
A1	-	1,464,945
Aa1	2,983,146	-
Aa2	-	1,883,277
Aa3	-	839,226
Baa1	-	214,709
<b>Held for trading investments</b>		
A1	731,880	394,151
A2	20,888	30,929
A3	138,875	84,126
Aa1	295,026	291,628
Aa2	595,429	354,833
Aa3	142,590	131,727
Aaa	2,006,560	2,401,728
Derivatives	23,072	16,727
<b>Investments available for sale</b>		
Central Banks	1,085,319	341,290
Multinational Institution	144,125	146,112
<b>Assets held with IMF</b>		
Multinational Institution	234,684	224,496
<b>Investments in government securities</b>	19,810	404,339
<b>Loans, advances and drawdowns to government</b>	928,765	739,750
<b>Loans and advances to commercial banks</b>	160,522	-
<b>Others</b>	91,171	73,669
<b>Total</b>	<b>14,979,791</b>	<b>12,728,536</b>



Table 23: Credit risk exposure by credit ratings FY 2015/16

	30-Jun-2016 UGX (m)	30-Jun-2015 UGX (m)
<b>Cash and cash equivalents</b>		
Foreign currency held in banking	26,990	10,567
<b>Cash with external financial institutions</b>		
Central Banks	358,952	684,584
Multinational Institution	1,928	2,319
A1	205	-
A2	551	-
Aa3	101,905	-
Baa1	28,571	96,884
Baa3	-	29,751
NR	18,901	57
<b>Investments at fair value through profit or loss</b>		
Central Banks	1,953,925	576,319
Multinational Institution	198,946	1,105,941
Aaa	-	-
A1	1,464,945	-
A2	-	1,293,767
A3	-	-
Aa2	1,883,277	128,985
Aa3	839,226	652,050
Baa1	214,709	837,808
Baa2	-	1,102,168
Baa3	-	620,112
<b>Held for trading investments</b>		
A1	394,151	336,202
A2	30,929	7,204
A3	84,126	37,671
Aa1	291,628	472,147
Aa2	354,833	77,686
Aa3	131,727	260,008
Aaa	2,401,728	2,313,288
Derivatives	16,727	7,098
<b>Investments available for sale</b>		
Central Banks	341,290	-
Multinational Institution	146,112	73,549
<b>Assets held with IMF</b>		
Multinational Institution	224,496	221,951
<b>Domestic investments-Government securities</b>	404,339	441,625
<b>Advances to Government</b>	739,750	760,589
<b>Others</b>	73,669	88,952
<b>Total</b>	<b>12,728,536</b>	<b>12,239,282</b>



## 40.2.6.2 Credit Risk Exposure by Sector

The sectorial classification of the Bank's credit exposure as of June 30, 2017 is as follows:

Table 24: Credit risk exposure by sector FY2016/17

Details	Foreign Country Treasury UGX (m)	Supranational Institutions UGX (m)	Foreign Companies UGX (m)	Domestic Financial Institutions UGX (m)	Foreign Financial Institutions UGX (m)	Government Guaranteed Agencies UGX (m)	Uganda Government Treasury UGX (m)	Others UGX (m)	Total UGX (m)
Cash and cash equivalents	523,784	14,443	-	-	125,142	-	-	30,742	694,111
Investments at fair value through profit & loss	1,919,217	848,254	-	-	4,899,494	-	-	-	7,666,965
Held for trading investments	2,170,196	-	538,266	-	185,017	1,037,769	-	-	3,931,248
Investments available for sale	1,085,318	144,125	-	-	-	-	-	-	1,229,443
Derivatives	-	-	-	-	23,072	-	-	-	23,072
Assets held with IMF	-	234,684	-	-	-	-	-	-	234,684
Investments in government securities	-	-	-	-	-	-	19,810	-	19,810
Loans, advances and drawdowns to government	-	-	-	-	-	-	928,765	-	928,765
Loans and advances to commercial banks	-	-	-	397,883	-	-	-	-	397,883
Staff loans	-	-	-	-	-	-	-	91,028	91,028
Other assets	-	-	-	-	-	-	-	143	143
<b>Total</b>	<b>5,698,515</b>	<b>1,241,506</b>	<b>538,266</b>	<b>397,883</b>	<b>5,232,725</b>	<b>1,037,769</b>	<b>948,575</b>	<b>121,913</b>	<b>15,217,152</b>

The sectorial classification of the Bank's credit exposure as of June 30, 2016 is as follows:

Table 25: Credit risk exposure by sector FY2015/16

Details	Foreign Country Treasury UGX (m)	Supranational Institutions UGX (m)	Foreign Companies UGX (m)	Domestic Financial Institutions UGX (m)	Foreign Financial Institutions UGX (m)	Government Guaranteed Agencies UGX (m)	Uganda Government Treasury UGX (m)	Others UGX (m)	Total UGX (m)
Cash and cash equivalents	359,420	20,771	-	-	131,291	-	-	26,521	538,003
Investments at fair value through profit & loss	1,953,925	198,946	-	-	4,402,157	-	-	-	6,555,028
Held for trading investments	3,039,833	-	504,128	-	-	145,161	-	-	3,689,122
Investments available for sale	341,290	146,112	-	-	-	-	-	-	487,402
Derivatives	-	-	-	-	16,727	-	-	-	16,727
Assets held with IMF	-	224,496	-	-	-	-	-	-	224,496
Investments in government securities	-	-	-	-	-	-	404,339	-	404,339
Loans, advances and drawdowns to government	-	-	-	-	-	-	739,750	-	739,750
Staff loans	-	-	-	-	-	-	-	72,538	72,538
Other assets	-	-	-	-	-	-	-	1,131	1,131
<b>Total</b>	<b>5,694,468</b>	<b>590,325</b>	<b>504,128</b>	<b>-</b>	<b>4,550,175</b>	<b>145,161</b>	<b>1,144,089</b>	<b>100,190</b>	<b>12,728,536</b>

## 40.2.6.3 Credit Risk Exposure by Geographical Location

Geographical analysis of concentrations of assets and liability of the Bank as of June 30, 2017 is as follows:

Table 26: Credit risk exposure by geographical location FY 2016/17

Details	Uganda UGX (m)	USA UGX (m)	UK UGX (m)	Eurozone UGX (m)	Other European Countries UGX (m)	Other Countries UGX (m)	Total UGX (m)
Cash and cash equivalents	30,742	396,146	63,563	167,875	1,357	34,428	694,111
Investments at fair value through profit & loss	-	1,861,979	3,040,602	1,300,806	1,078,468	385,109	7,666,964
Held for trading investments	-	945,191	195,159	1,209,226	354,407	1,227,266	3,931,249
Investments available for sale	-	1,085,318	-	-	1,098	143,027	1,229,443
Derivatives	-	-	23,072	-	-	-	23,072
Assets held with IMF	-	234,684	-	-	-	-	234,684
Investments in government securities	19,810	-	-	-	-	-	19,810
Loans, advances and drawdowns to government	928,765	-	-	-	-	-	928,765
Loans and advances to commercial banks	397,883	-	-	-	-	-	397,883
Staff loans and advances	91,028	-	-	-	-	-	91,028
Other assets	143	-	-	-	-	-	143
<b>Total Assets</b>	<b>1,468,371</b>	<b>4,523,318</b>	<b>3,322,396</b>	<b>2,677,907</b>	<b>1,435,330</b>	<b>1,789,830</b>	<b>15,217,152</b>



Table 27: Credit risk exposure by geographical location FY 2015/16

Details	Uganda	USA	UK	Eurozone	Other European Countries	Other Countries	Total
	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
Cash and cash equivalents	26,990	307,008	63,610	101,905	1,928	36,562	538,003
Investments at fair value through profit & loss	-	1,227,142	3,282,978	1,006,756	198,927	839,225	6,555,028
Held for trading investments	-	1,614,320	259,572	916,863	128,604	769,763	3,689,122
Investments available for sale	-	341,290	-	-	1,011	145,101	487,402
Derivatives	-	-	16,727	-	-	-	16,727
Assets held with IMF	-	224,496	-	-	-	-	224,496
Investments in government securities	404,339	-	-	-	-	-	404,339
Loans, advances and drawdowns to government	739,750	-	-	-	-	-	739,750
Staff loans and advances	72,538	-	-	-	-	-	72,538
Other assets	1,131	-	-	-	-	-	1,131
<b>Total Assets</b>	<b>1,244,748</b>	<b>3,714,256</b>	<b>3,622,887</b>	<b>2,025,524</b>	<b>330,470</b>	<b>1,790,651</b>	<b>12,728,536</b>

### 40.3 Liquidity Risk

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

The Bank does face liquidity risk in respect of assets and liabilities as shown in Table 28 and Table 29 below. The analysis is based on undiscounted amounts:

Table 28: Liquidity profile 2016/17

			30-Jun-2017	Matured	<3 Months	4-12 Months	1-5 Years	> 5 Years
			UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)	UGX (m)
<b>Assets</b>	<b>Foreign assets</b>	Cash and cash equivalents	694,111	694,111	-	-	-	-
		Investments at fair value through profit or loss	7,666,964	-	-	7,666,964	-	-
		Investments held-for-trading	3,931,248	-	-	3,931,248	-	-
		Investments available-for-sale	1,239,350	-	-	1,085,319	-	154,031
		Derivative financial instruments	23,072	-	23,072	-	-	-
		Assets held with IMF	237,966	-	-	-	-	237,966
	<b>Total foreign assets</b>	<b>13,792,711</b>	<b>694,111</b>	<b>23,072</b>	<b>12,683,531</b>	-	<b>391,997</b>	
	<b>Domestic assets</b>	Investments in government securities	23,376	-	-	-	23,376	-
		Loans, advances and drawdowns to government	928,765	-	928,765	-	-	-
		Loans and advances to commercial banks	160,522	-	-	-	397,883	-
Staff loans		98,170	-	-	2,792	35,708	59,670	
Other assets		143	-	1,131	-	-	-	
<b>Total domestic assets</b>	<b>1,210,975</b>	-	<b>929,896</b>	<b>2,792</b>	<b>456,966</b>	<b>59,670</b>		
<b>Total assets</b>	<b>15,003,686</b>	<b>694,111</b>	<b>952,968</b>	<b>12,686,323</b>	<b>456,966</b>	<b>451,667</b>		
<b>Liabilities</b>	<b>Foreign liabilities</b>	IMF obligations	871,893	-	-	-	-	871,893
		Other foreign liabilities	416	-	416	-	-	-
		Derivative financial instruments	50,272	-	50,272	-	-	-
	<b>Total foreign liabilities</b>	<b>922,581</b>	-	<b>50,688</b>	-	-	<b>871,893</b>	
	<b>Domestic liabilities</b>	Government deposits	3,208,771	-	3,208,771	-	-	-
		Commercial banks' deposits	2,084,460	-	2,084,460	-	-	-
		Repos	2,025,480	-	2,025,540	-	-	-
		Other liabilities	81,907	-	81,907	-	-	-
		<b>Total domestic liabilities</b>	<b>7,400,618</b>	-	<b>7,400,678</b>	-	-	-
	<b>Total liabilities</b>	<b>8,323,199</b>	-	<b>7,451,366</b>	-	-	<b>871,893</b>	
	<b>Net liquidity gap</b>	<b>6,680,487</b>	<b>694,111</b>	<b>(6,498,398)</b>	<b>12,686,323</b>	<b>456,966</b>	<b>(420,226)</b>	



Table 29: Liquidity profile 2015/16

		30-Jun-2016 UGX (m)	Matured UGX (m)	<3 Months UGX (m)	4-12 Months UGX (m)	1-5 Years UGX (m)	> 5 Years UGX (m)
<b>Assets</b>	<b>Foreign assets</b>						
	Cash and cash equivalents	538,003	538,003	-	-	-	-
	Investments at fair value through profit or loss	6,555,028	-	-	6,555,028	-	-
	Investments held-for-trading	3,689,122	-	-	3,689,122	-	-
	Investments available-for-sale	419,252	-	-	341,290	-	77,962
	Derivative financial instruments	16,727	-	16,727	-	-	-
	Assets held with IMF	237,966	-	-	-	-	237,966
	<b>Total foreign assets</b>	<b>11,456,098</b>	<b>538,003</b>	<b>16,727</b>	<b>10,585,440</b>	<b>-</b>	<b>315,928</b>
	<b>Domestic assets</b>						
	Investments in government securities	507,869	-	-	-	507,869	-
	Loans, advances and drawdowns to government	739,750	-	739,750	-	-	-
	Staff loans	78,520	-	-	1,805	31,146	45,569
	Other assets	1,131	-	1,171	-	-	-
	<b>Total domestic assets</b>	<b>1,326,139</b>	<b>-</b>	<b>740,921</b>	<b>1,805</b>	<b>539,015</b>	<b>45,569</b>
	<b>Total assets</b>	<b>12,782,236</b>	<b>538,003</b>	<b>757,648</b>	<b>10,587,245</b>	<b>539,015</b>	<b>361,496</b>
<b>Liabilities</b>	<b>Foreign liabilities</b>						
	IMF obligations	871,893	-	-	-	-	871,893
	Other foreign liabilities	416	-	322	-	-	94
	Derivative financial instruments	27,692	-	10,689	-	-	-
	<b>Total foreign liabilities</b>	<b>900,001</b>	<b>-</b>	<b>11,011</b>	<b>-</b>	<b>-</b>	<b>871,987</b>
	<b>Domestic liabilities</b>						
	Government deposits	2,779,187	-	2,779,187	-	-	-
	Commercial banks' deposits	2,308,686	-	2,308,686	-	-	-
	Repos	187,400	-	187,466	-	-	-
	Other liabilities	63,388	-	63,388	-	-	-
	<b>Total domestic liabilities</b>	<b>5,338,661</b>	<b>-</b>	<b>5,338,727</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total liabilities</b>	<b>6,238,662</b>	<b>-</b>	<b>5,349,738</b>	<b>-</b>	<b>-</b>	<b>871,987</b>
	<b>Net liquidity gap</b>	<b>6,543,574</b>	<b>538,003</b>	<b>(4,592,090)</b>	<b>10,587,245</b>	<b>539,015</b>	<b>(510,491)</b>

#### 40.3.1 Management of Liquidity Risk

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

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

#### 40.4 Interest Rate Risk

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

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

##### 40.4.1 Management of Interest Rate Risk

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

The Bank separates its exposure to interest rate risk between the internally managed portfolio and the externally managed portfolio. The externally managed portfolio is held by fund managers.



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

Table 30: Interest risk analysis 2016/17

			30-Jun-2017 UGX (m)	0-3 Months UGX (m)	4-6 Months UGX (m)	7-12 Months UGX (m)	> 12 Months UGX (m)	Non-Interest Bearing UGX (m)
<b>Assets</b>	<b>Foreign assets</b>	Cash and cash equivalents	694,111	667,120	-	-	-	26,991
		Investments at fair value through profit or loss	7,666,964	-	-	7,666,964	-	-
		Investments held-for-trading	3,931,248	-	-	3,931,248	-	-
		Investments available-for-sale	1,229,444	-	-	1,085,319	-	144,125
		Derivative financial instruments	23,072	-	-	-	-	23,072
		Assets held with IMF	234,684	-	-	-	234,684	-
	<b>Total foreign assets</b>		<b>13,779,523</b>	<b>667,120</b>	<b>-</b>	<b>12,683,531</b>	<b>234,684</b>	<b>194,188</b>
	<b>Domestic assets</b>	Investments in government securities	19,810	-	-	-	19,810	-
		Loans, advances and drawdowns to government	928,765	-	-	-	-	928,765
		Loans and advances to commercial banks	160,522	-	-	-	397,883	-
		Staff loans	91,028	-	-	2,792	88,236	-
		Other assets	143	-	-	-	-	143
	<b>Total domestic assets</b>		<b>1,200,268</b>	<b>-</b>	<b>-</b>	<b>2,792</b>	<b>505,929</b>	<b>928,908</b>
	<b>Total assets</b>		<b>14,979,791</b>	<b>667,120</b>	<b>-</b>	<b>12,686,323</b>	<b>740,613</b>	<b>1,123,096</b>
<b>Liabilities</b>	<b>Foreign liabilities</b>	IMF obligations	864,229	-	-	-	864,229	-
		Other foreign liabilities	416	-	-	-	-	416
		Derivative financial instruments	50,272	-	-	-	-	50,272
	<b>Total foreign liabilities</b>		<b>914,917</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>864,229</b>	<b>50,688</b>
	<b>Domestic liabilities</b>	Government deposits	3,208,771	-	-	-	-	3,208,771
		Commercial banks' deposits	2,084,460	-	-	-	-	2,084,460
		Repos	2,025,480	2,025,480	-	-	-	-
		Other liabilities	81,907	-	-	-	-	81,907
	<b>Total domestic liabilities</b>		<b>7,400,618</b>	<b>2,025,480</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,375,138</b>
	<b>Total liabilities</b>		<b>8,315,535</b>	<b>2,025,480</b>	<b>-</b>	<b>-</b>	<b>864,229</b>	<b>5,425,826</b>
		<b>On balance Sheet interest Sensitivity Gap</b>	<b>30-Jun-17</b>	<b>(1,358,360)</b>	<b>-</b>	<b>12,686,323</b>	<b>(123,616)</b>	<b>(4,302,730)</b>

Table 31: Interest risk analysis 2015/16

			30-Jun-2016 UGX (m)	0-3 Months UGX (m)	4-6 Months UGX (m)	7-12 Months UGX (m)	> 12 Months UGX (m)	Non-Interest Bearing UGX (m)
<b>Assets</b>	<b>Foreign assets</b>	Cash and cash equivalents	538,003	527,435	-	-	-	10,568
		Investments at fair value through profit or loss	6,555,028	-	-	6,555,028	-	-
		Investments held-for-trading	3,689,122	-	-	3,689,122	-	-
		Investments available-for-sale	487,402	-	-	341,290	-	146,112
		Derivative financial instruments	16,727	-	-	-	-	16,727
		Assets held with IMF	224,496	-	-	-	224,496	-
	<b>Total foreign assets</b>		<b>11,510,778</b>	<b>527,435</b>	<b>-</b>	<b>10,585,440</b>	<b>224,496</b>	<b>173,407</b>
	<b>Domestic assets</b>	Investments in government securities	404,339	-	-	-	441,625	-
		Loans, advances and drawdowns to government	739,750	913	-	-	-	759,676
		Staff loans	72,538	-	-	1,260	61,556	-
		Other assets	1,131	-	-	-	-	1,131
	<b>Total domestic assets</b>		<b>1,217,758</b>	<b>913</b>	<b>-</b>	<b>1,260</b>	<b>503,181</b>	<b>760,807</b>
	<b>Total assets</b>		<b>12,728,536</b>	<b>528,348</b>	<b>-</b>	<b>10,586,700</b>	<b>727,677</b>	<b>934,214</b>
<b>Liabilities</b>	<b>Foreign liabilities</b>	IMF obligations	822,541	-	-	-	822,541	-
		Other foreign liabilities	416	-	-	-	-	416
		Derivative financial instruments	27,692	-	-	-	-	27,692
	<b>Total foreign liabilities</b>		<b>850,649</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>822,541</b>	<b>28,108</b>
	<b>Domestic liabilities</b>	Government deposits	2,779,187	-	-	-	-	2,779,187
		Commercial banks' deposits	2,308,686	-	-	-	-	2,308,686
		Repos	452,986	452,986	-	-	-	-
		Other liabilities	63,388	-	-	-	-	63,388
	<b>Total domestic liabilities</b>		<b>5,604,247</b>	<b>452,986</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,151,261</b>
	<b>Total liabilities</b>		<b>6,454,896</b>	<b>452,986</b>	<b>-</b>	<b>-</b>	<b>822,541</b>	<b>5,179,369</b>
		<b>On balance Sheet interest Sensitivity Gap</b>	<b>6,273,640</b>	<b>75,362</b>	<b>-</b>	<b>10,586,700</b>	<b>(94,864)</b>	<b>(4,245,155)</b>

#### 40.4.2 Interest Rate Risk Sensitivity

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

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



Table 32: Interest risk sensitivity analysis FY 2016/17

		30-Jun-2017 CARRYING AMOUNTS UGX (m)	0.5% Increase UGX (m)	0.5% decrease UGX (m)	
<b>Assets</b>	<b>Foreign assets</b>	Cash and cash equivalents	667,120	3,336	(3,336)
		Investments at fair value through profit or loss	7,666,964	38,335	(38,335)
		Investments held-for-trading	3,931,248	19,656	(19,656)
		Investments available-for-sale	1,085,319	5,427	(5,427)
		Assets held with IMF	234,684	1,173	(1,173)
	<b>Total foreign assets</b>	<b>13,585,335</b>	<b>67,927</b>	<b>(67,927)</b>	
	<b>Domestic assets</b>	Investments in government securities	19,810	99	(99)
		Loans and advances to commercial banks	160,522	803	(803)
		Staff loans	91,028	455	(455)
	<b>Total domestic assets</b>	<b>271,360</b>	<b>1,357</b>	<b>(1,357)</b>	
<b>Total assets</b>	<b>13,856,695</b>	<b>69,283</b>	<b>(69,283)</b>		
<b>Liabilities</b>	<b>Foreign liabilities</b>	IMF obligations	864,229	4,321	(4,321)
		<b>Total foreign liabilities</b>	<b>864,229</b>	<b>4,321</b>	<b>(4,321)</b>
	<b>Domestic liabilities</b>	Repos	2,025,480	10,127	(10,127)
		<b>Total domestic liabilities</b>	<b>2,025,480</b>	<b>10,127</b>	<b>(10,127)</b>
	<b>Total liabilities</b>	<b>2,889,709</b>	<b>14,449</b>	<b>(14,449)</b>	
<b>Net interest increase/(decrease)</b>		<b>10,966,986</b>	<b>54,835</b>	<b>(54,835)</b>	
<b>Impact on profits</b>		<b>10,966,986</b>	<b>54,835</b>	<b>(54,835)</b>	

Table 33: Interest risk sensitivity analysis FY 2015/16

		30-Jun-2016 CARRYING AMOUNTS UGX (m)	0.5% Increase UGX (m)	0.5% decrease UGX (m)	
<b>Assets</b>	<b>Foreign assets</b>	Cash and cash equivalents	527,435	2,637	(2,637)
		Investments at fair value through profit or loss	6,555,028	32,775	(32,775)
		Investments held-for-trading	3,689,122	18,446	(18,446)
		Investments available-for-sale	341,290	1,706	(1,706)
		Assets held with IMF	224,496	1,122	(1,122)
	<b>Total foreign assets</b>	<b>11,337,371</b>	<b>56,687</b>	<b>(56,687)</b>	
	<b>Domestic assets</b>	Investments in government securities	404,339	2,022	(2,022)
		Staff loans	72,538	363	(363)
	<b>Total domestic assets</b>	<b>476,877</b>	<b>2,384</b>	<b>(2,384)</b>	
	<b>Total assets</b>	<b>11,814,248</b>	<b>59,071</b>	<b>(59,071)</b>	
<b>Liabilities</b>	<b>Foreign liabilities</b>	IMF obligations	822,541	4,113	(4,113)
		<b>Total foreign liabilities</b>	<b>822,541</b>	<b>4,113</b>	<b>(4,113)</b>
	<b>Domestic liabilities</b>	Repos	452,986	2,265	(2,265)
		<b>Total domestic liabilities</b>	<b>452,986</b>	<b>2,265</b>	<b>(2,265)</b>
<b>Total liabilities</b>	<b>1,275,527</b>	<b>6,378</b>	<b>(6,378)</b>		
<b>Net interest increase/(decrease)</b>		<b>10,538,721</b>	<b>52,694</b>	<b>(52,694)</b>	
<b>Impact on profits</b>		<b>10,538,721</b>	<b>52,694</b>	<b>(52,694)</b>	

#### 40.5 Currency Risk

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

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



Table 34: Currency risk profile 2016/17

			TOTAL UGX (m)	UGX UGX (m)	USD UGX (m)	GBP UGX (m)	EURO UGX (m)	OTHER UGX (m)
Assets	Foreign assets	Cash and cash equivalents	694,111	-	470,952	16,533	161,840	44,786
		Investments at fair value through profit or loss	7,666,964	-	3,606,158	2,173,855	678,145	1,208,806
		Investments held-for-trading	3,931,248	-	3,931,248	-	-	-
		Investments available-for-sale	1,229,444	-	1,228,346	-	1,098	-
		Derivative financial instruments	23,072	-	23,072	-	-	-
	Assets held with IMF	234,684	-	-	-	-	-	234,684
	<b>Total foreign assets</b>		<b>13,779,523</b>	<b>-</b>	<b>9,259,776</b>	<b>2,190,388</b>	<b>841,083</b>	<b>1,488,276</b>
	Domestic assets	Investments in government securities	19,810	19,810	-	-	-	-
		Loans, advances and drawdowns to government	928,765	928,765	-	-	-	-
		Loans and advances to commercial banks	160,522	160,522	-	-	-	-
		Staff loans	91,028	91,028	-	-	-	-
		Other assets	143	143	-	-	-	-
	<b>Total domestic assets</b>		<b>1,200,268</b>	<b>1,200,268</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>		<b>14,979,791</b>	<b>1,200,268</b>	<b>9,259,776</b>	<b>2,190,388</b>	<b>841,083</b>	<b>1,488,276</b>	
Liabilities	Foreign liabilities	IMF obligations	864,229	-	-	-	-	864,229
		Other foreign liabilities	416	416	-	-	-	-
		Derivative financial instruments	50,272	-	50,272	-	-	-
	<b>Total foreign liabilities</b>		<b>914,917</b>	<b>416</b>	<b>50,272</b>	<b>-</b>	<b>-</b>	<b>864,229</b>
	Domestic liabilities	Government deposits	3,208,771	1,795,486	1,378,937	265	34,083	-
		Commercial banks' deposits	2,084,460	1,443,930	508,918	26,304	94,550	10,758
		Repos	2,025,480	2,025,480	-	-	-	-
		Other liabilities	81,907	81,907	-	-	-	-
		<b>Total domestic liabilities</b>		<b>7,400,618</b>	<b>5,346,803</b>	<b>1,887,855</b>	<b>26,569</b>	<b>128,633</b>
	<b>Total liabilities</b>		<b>8,315,535</b>	<b>5,347,219</b>	<b>1,938,127</b>	<b>26,569</b>	<b>128,633</b>	<b>874,987</b>
	<b>Net currency position</b>		<b>6,664,256</b>	<b>(4,146,951)</b>	<b>7,321,649</b>	<b>2,163,819</b>	<b>712,450</b>	<b>613,289</b>

Table 35: Currency risk profile 2015/16

			TOTAL UGX (m)	UGX UGX (m)	USD UGX (m)	GBP UGX (m)	EURO UGX (m)	OTHER UGX (m)
Assets	Foreign assets	Cash and cash equivalents	538,003	-	615,323	37,311	160,280	11,248
		Investments at fair value through profit or loss	6,555,028	-	2,237,938	2,426,169	583,545	1,069,498
		Investments held-for-trading	3,689,122	-	3,689,122	-	-	-
		Investments available-for-sale	487,402	-	486,391	-	1,011	-
		Derivative financial instruments	16,727	-	16,727	-	-	-
	Assets held with IMF	224,496	-	-	-	-	-	224,496
	<b>Total foreign assets</b>		<b>11,510,778</b>	<b>-</b>	<b>7,045,501</b>	<b>2,463,480</b>	<b>744,836</b>	<b>1,305,242</b>
	Domestic assets	Investments in government securities	404,339	404,339	-	-	-	-
		Loans, advances and drawdowns to government	739,750	739,750	-	-	-	-
		Staff loans	72,538	72,538	-	-	-	-
		Other assets	1,131	1,131	-	-	-	-
		<b>Total domestic assets</b>		<b>1,217,758</b>	<b>1,217,758</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Total assets</b>		<b>12,728,536</b>	<b>1,217,758</b>	<b>7,045,501</b>	<b>2,463,480</b>	<b>744,836</b>	<b>1,305,242</b>
Liabilities	Foreign liabilities	IMF obligations	822,541	-	-	-	-	822,541
		Other foreign liabilities	416	416	-	-	-	-
		Derivative financial instruments	27,692	-	27,692	-	-	-
	<b>Total foreign liabilities</b>		<b>850,649</b>	<b>416</b>	<b>27,692</b>	<b>-</b>	<b>-</b>	<b>822,541</b>
	Domestic liabilities	Government deposits	2,779,187	1,285,041	1,437,318	54	55,548	1,226
		Commercial banks' deposits	2,308,686	1,547,980	675,253	30,934	43,419	11,100
		Repos	452,986	452,986	-	-	-	-
		Other liabilities	63,388	63,388	-	-	-	-
		<b>Total domestic liabilities</b>		<b>5,604,247</b>	<b>3,349,395</b>	<b>2,112,571</b>	<b>30,988</b>	<b>98,967</b>
	<b>Total liabilities</b>		<b>6,454,896</b>	<b>3,349,811</b>	<b>2,140,263</b>	<b>30,988</b>	<b>98,967</b>	<b>834,867</b>
	<b>Net currency position</b>		<b>6,273,640</b>	<b>(2,132,053)</b>	<b>4,905,238</b>	<b>2,432,492</b>	<b>645,869</b>	<b>470,375</b>

#### 40.6 Management of Currency Risk

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

#### 40.7 Currency Risk Sensitivity Analysis

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





Table 36: Currency Risk Sensitivity analysis FY 2016/17

Currency of advance/borrowing	INCREASE/ (DECREASE)	15% DEPRECIATION UGX (m)	15% APPRECIATION UGX (m)
	IN % 2017		
USD	+15/(15)	1,098,247	(1,098,247)
GBP	+15/(15)	324,573	(324,573)
Euro	+15/(15)	106,868	(106,868)
Others	+15/(15)	91,993	(91,993)
	-	<b>1,621,681</b>	<b>(1,621,681)</b>

Table 37: Currency Risk Sensitivity analysis FY 2015/16

Currency of advance/borrowing	INCREASE/ (DECREASE)	15% DEPRECIATION UGX (m)	15% APPRECIATION UGX (m)
	IN % 2016		
USD	+15/(15)	735,786	(735,786)
GBP	+15/(15)	364,874	(364,874)
Euro	+15/(15)	96,880	(96,880)
Others	+15/(15)	70,556	(70,556)
	-	<b>1,268,096</b>	<b>(1,268,096)</b>

#### 41 Effective Interest Rates on Financial Assets and Liabilities

The effective interest rates of the principal financial assets and liabilities as at June 30, 2017 and June 30, 2016 were in the following ranges.

		30-Jun-2017	30-Jun-2016
		%	%
Assets	Cash and cash equivalents	0.44	0.21
	Investments at fairvalue through profit or loss	0.76	0.72
	Investments held-for-trading	1.45	1.19
	Investments available-for-sale	0.73	0.73
	Assets held for IMF	0.27	0.07
	Investments in treasury bills	7.90	7.78
	Staff loans	9.47	11.56
Liabilities	Loans and advances to commercial banks	25.40	27.28
	IMF Obligations	0.05	0.05
	Repos	0.10	0.15

#### 42 Fair Value of Assets and Liabilities

The following is a description of how fair values are determined for financial instruments and non-financial assets that are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

The fair values of other financial assets and financial liabilities are determined using valuation techniques. The fair values are based on net present value, discounted cash flow models and



comparison with prices from observable current market transactions and dealer quotes for similar instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price of that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Bank uses widely recognised valuation models for determining the fair value of financial instruments such as interest rates yields that use only observable market data and require little management judgment and estimation.

Foreign currency forward contracts and Interest rate swaps are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of contracts.

The fair values of the Available-for-sale investments have been estimated using the last available prices for FY 2016/17.

The assumptions applied for revalued property and equipment are included in Note 25 and Note 26.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The carrying amounts of the Bank's financial instruments approximate their fair values.

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

The following methods and assumptions were used to estimate the fair values:

- i. Long-term fixed-rate and variable-rate receivables are evaluated by the Bank based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables.
- ii. The fair values of the quoted notes and bonds are based on price quotations at the reporting date. The fair value of unquoted instruments is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- iii. The fair values of the unquoted ordinary shares have been estimated using the latest transaction price.



- iv. The Bank enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Foreign exchange forward contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying commodity. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty and the Bank's own non-performance risk.

Table 38 and Table 39 show an analysis of assets and liabilities recorded at fair value by level of their fair value hierarchy:

Table 38: Fair value hierarchy as at June 30, 2017

Assets measured at fair value	Level 1 UGX (m)	Level 2 UGX (m)	Level 3 UGX (m)
Investments at fair value through profit or loss	-	7,666,964	-
Investments held-for-trading	-	3,931,248	-
Investments available-for-sale	-	1,229,444	-
Derivative financial instruments	-	23,072	-
Furniture	-	-	3,262
Equipment	-	-	10,964
Vehicles	-	-	14,268
Computers	-	-	7,125
Plant and Machinery	-	-	63,021
Freehold land	-	-	27,362
Buildings	-	-	124,135
Leasehold land	-	-	46,725
<b>Liabilities measured at fair value value</b>			
Derivative financial instruments	-	50,272	-

Table 39: Fair value hierarchy as at June 30, 2016

Assets measured at fair value	Level 1 UGX (m)	Level 2 UGX (m)	Level 3 UGX (m)
Investments at fair value through profit or loss	-	6,555,028	-
Investments held-for-trading	-	3,689,122	-
Investments available-for-sale	-	487,402	-
Derivative financial instruments	-	16,727	-
Freehold land	-	-	27,362
Buildings	-	-	126,766
Leasehold land	-	-	46,765
<b>Liabilities measured at fair value value</b>			
Derivative financial instruments	-	27,692	-

The significant unobservable inputs used in the fair value measurement of land and buildings categorized within Level 3 of the fair value hierarchy are shown below:

Significant unobservable valuation input	Range USD
Price per acre (land)	1,500,000 - 4,500,000
Price per square metre (buildings)	80 - 120

Significant increases (decreases) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value. The last valuation was done in FY 2012/13.



The significant unobservable inputs used in the fair value measurement of Plant & Machinery, Furniture, Equipment, Computer Equipment and Motor Vehicles categorized within Level 3 of the fair value hierarchy are shown below:

Description	Valuation technique	Significant unobservable inputs
Plant & Machinery, Furniture, Equipment, Computer Equipment, Motor Vehicles	Market Value	Gross current replacement cost less depreciation

Significant increases (decreases) in estimated gross current replacement cost in isolation would result in a significantly higher (lower) fair value. The last valuation was done in FY 2016/17.

There were no transfers between levels during the year.

### 43 Current and Non-Current Assets and Liabilities

Table 40 and Table 41 below show the current and non-current assets and liabilities as at June 30, 2017 and 2016 respectively.

Table 40: Current and non-current assets and liabilities as at June 30, 2017

			Statement of financial position amount UGX (m)	Note	No more than 12 months after the reporting period UGX (m)	More than 12 months after the reporting period UGX (m)	Total UGX (m)
<b>Assets</b>	<b>Foreign assets</b>	Cash and cash equivalents	694,111	16	694,111	-	694,111
		Investments at fair value through profit or loss	7,666,964	17 (a)	7,666,964	-	7,666,964
		Investments held-for-trading	3,931,248	17 (b)	3,931,248	-	3,931,248
		Investments available-for-sale	1,229,444	17 (c)	1,085,319	144,125	1,229,444
		Derivative financial instruments	23,072	18	23,072	-	23,072
		Assets held with IMF	234,684	19	-	234,684	234,684
	<b>Total foreign assets</b>		<b>13,779,523</b>		<b>13,400,714</b>	<b>378,809</b>	<b>13,779,523</b>
	<b>Domestic assets</b>	Investments in government securities	19,810	20	-	19,810	19,810
		Loans, advances and drawdowns to government	928,765	21	928,765	-	928,765
		Loans and advances to commercial banks	160,522	22	160,522	-	160,522
		Staff loans	91,028	23	2,792	88,236	91,028
		Retirement benefits plan	11,616	24	-	11,616	11,616
		Property, plant and equipment	263,409	25	-	263,409	263,409
		Finance lease on leasehold land	46,725	26	-	46,725	46,725
		Intangible assets	13,201	27	-	13,201	13,201
		Other assets	362,550	28	362,550	-	362,550
	<b>Total domestic assets</b>		<b>1,897,626</b>		<b>1,454,629</b>	<b>442,997</b>	<b>1,897,626</b>
	<b>Total assets</b>		<b>15,677,149</b>		<b>14,855,343</b>	<b>821,806</b>	<b>15,677,149</b>
<b>Liabilities</b>	<b>Foreign liabilities</b>	IMF obligations	864,229	19	-	864,229	864,229
		Other foreign liabilities	416	29	416	-	416
		Derivative financial instruments	50,272	18	50,272	-	50,272
	<b>Total foreign liabilities</b>		<b>914,917</b>		<b>50,688</b>	<b>864,229</b>	<b>914,917</b>
	<b>Domestic liabilities</b>	Currency in circulation	3,865,778	30	-	3,865,778	3,865,778
		Government deposits	3,208,771	31	3,208,771	-	3,208,771
		Commercial banks' deposits	2,084,460	32	2,084,460	-	2,084,460
		Repos	2,025,480	33	2,025,480	-	2,025,480
		Other liabilities	81,907	35	81,907	-	81,907
	<b>Total domestic liabilities</b>		<b>11,266,396</b>		<b>7,400,618</b>	<b>3,865,778</b>	<b>11,266,396</b>
	<b>Total Liabilities</b>		<b>12,181,313</b>		<b>7,451,306</b>	<b>4,730,007</b>	<b>12,181,313</b>



Table 41: Current and non-current assets and liabilities as at June 30, 2016

	Statement of financial position amount	Note	(Current)	(Non-Current)	Total
			No more than 12 months after the reporting period	More than 12 months after the reporting period	
	UGX (m)		UGX (m)	UGX (m)	UGX (m)
<b>Assets</b>					
<b>Foreign assets</b>					
Cash and cash equivalents	538,003	16	538,003	-	538,003
Investments at fair value through profit or loss	6,555,028	17 (a)	6,555,028	-	6,555,028
Investments held-for-trading	3,689,122	17 (b)	3,689,122	-	3,689,122
Investments available-for-sale	487,402	17 (c)	341,290	146,112	487,402
Derivative financial instruments	16,727	18	16,727	-	16,727
Assets held with IMF	224,496	19	-	224,496	224,496
<b>Total foreign assets</b>	<b>11,510,778</b>		<b>11,140,170</b>	<b>370,608</b>	<b>11,510,778</b>
<b>Domestic assets</b>					
Investments in government securities	404,339	20	-	404,339	404,339
Loans, advances and drawdowns to government	739,750	21	739,750	-	739,750
Staff loans	72,538	23	1,805	70,733	72,538
Retirement benefits plan	21,207	24	-	21,207	21,207
Property, plant and equipment	200,035	25	-	200,035	200,035
Finance lease on leasehold land	46,765	26	-	46,765	46,765
Intangible assets	5,444	27	-	5,444	5,444
Other assets	317,001	28	317,001	-	317,001
<b>Total domestic assets</b>	<b>1,807,079</b>		<b>1,058,556</b>	<b>748,523</b>	<b>1,807,079</b>
<b>Total assets</b>	<b>13,317,857</b>		<b>12,198,726</b>	<b>1,119,131</b>	<b>13,317,857</b>
<b>Liabilities</b>					
<b>Foreign liabilities</b>					
IMF obligations	822,541	19	-	822,541	822,541
Other foreign liabilities	416	29	416	-	416
Derivative financial instruments	27,692	18	27,692	-	27,692
<b>Total foreign liabilities</b>	<b>850,649</b>		<b>28,108</b>	<b>822,541</b>	<b>850,649</b>
<b>Domestic liabilities</b>					
Currency in circulation	3,391,602	30	-	3,391,602	3,391,602
Government deposits	2,779,187	31	2,779,187	-	2,779,187
Commercial banks' deposits	2,308,686	32	2,308,686	-	2,308,686
Repos	452,986	33	452,986	-	452,986
Special provident fund	2,967	34	-	2,967	2,967
Other liabilities	63,388	35	63,388	-	63,388
<b>Total domestic liabilities</b>	<b>8,998,816</b>		<b>5,604,247</b>	<b>3,394,569</b>	<b>8,998,816</b>
<b>Total Liabilities</b>	<b>9,849,465</b>		<b>5,632,355</b>	<b>4,217,110</b>	<b>9,849,465</b>

#### 44 Capital Management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with capital requirements of the Bank of Uganda, Act (Cap 51), Laws of Uganda, 2000.

In implementing capital requirements, the Bank maintains a General Reserve Fund which is determined by the Board from time to time. The Bank may, in consultation with the Minister of Finance, transfer funds from the General Reserve Fund to the capital of the Bank. However, the Bank has not considered it necessary to transfer funds from the General Reserve Fund to the capital of the Bank. The total capital of the Bank is shown in the table below.



	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Revenue Reserves	(1,396,607)	(929,112)
General Reserves	399,277	399,277
Share Capital	20,000	20,000
BoU recapitalization	960,017	860,017
<b>Core Capital</b>	<b>(17,313)</b>	<b>350,182</b>
Revaluation Reserve	182,815	139,466
Fair value- available for sale	56,111	68,618
Actuarial Gains	3,052	19,333
Translation Reserve	3,271,171	2,890,793
<b>Cumulative Shareholder's Funds</b>	<b>3,495,836</b>	<b>3,468,392</b>

The Bank was re-capitalized by Government of Uganda in FY 2016/17 through issuance of treasury securities worth UGX 100,000 million bringing the total stock held at UGX 960,017 million as at June 30, 2017 in line with the Bank of Uganda Act.

As shown in the table above, the Bank's core capital stood at a deficit of UGX 17,313 million. As a result, the Bank's minimum required capital of UGX 20,000 million was short by UGX 37,313 million. In line with Section 14(4) of the Bank of Uganda Act, 2000; where the capital of the Bank is impaired at any particular time, the Government will furnish securities to the Bank to make good the impairment.

#### 45 Related Party Transactions

In the course of its operations, the Bank enters into transactions with related parties which include the Government of Uganda, the ultimate shareholder of the Bank and the Deposit Protection Fund.

##### 45.1 Loans to Executive Directors

The Bank extended loans to the Executive Directors on the Board. The outstanding amounts of the loans were UGX 230 million as at June 30, 2016 (June 30, 2016: UGX 352 million).

##### 45.2 Loans to Executive Management

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
At 1 July	2,564	3,099
Advanced during the year	856	585
Repayments	(787)	(1,120)
<b>At 30 June</b>	<b>2,633</b>	<b>2,564</b>

The Bank also extends loan facilities to Executive Management in accordance with the Bank policy. The advances are given at preferential rates ranging from 0 percent to 3 percent as determined by the Board of Directors. The loans are payable for periods between one and twenty years and are secured by collateral worth UGX 4,385 million (2016: UGX 2,835 million). The Bank earned interest of UGX 6 million (2016: UGX 10 million) on loans advanced to



Executive Management. The loans and advances to Executive Management were not impaired as at June 30, 2017.

#### 45.3 Directors' Emoluments

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Directors' fees and emoluments	1,983	1,992
Remuneration:		
Governor and Deputy Governor (short term employee benefits)	1,797	1,673
Governor and Deputy Governor (post employment pension benefits)	579	552
	<b>4,359</b>	<b>4,217</b>

#### 45.4 Compensation of Executive Management

	30-Jun-2017 UGX (m)	30-Jun-2016 UGX (m)
Short-term employee benefits	4,377	3,987
Post-employment benefits	749	747
	<b>5,126</b>	<b>4,734</b>

#### 45.5 Government of Uganda

Transactions entered into with the Government include;

- a) Banking Services
- b) Management of issue and redemption of securities at a commission
- c) Foreign currency denominated debt settlement.

The Bank earns commissions and service fees on various transactions with Government. Details for fees and commissions on GoU transactions and balances with Government of Uganda are included in Note 6, Note 21 and Note 31 respectively.

The Bank manages the Deposit Protection Fund (DPF) in accordance with Sections 108 and 109 of the Finance Institutions Act 2004 and investments are made by a Fund Manager. Cash at hand as at June 30, 2017 amounted to UGX 20,438 million (2016: UGX 21,176 million). The Bank also manages an in-house Retirement Benefits Scheme of which cash at hand was UGX 148 million (2016: UGX 1,417 million).

## 46 Use of Estimates and Judgements

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### 46.1 Impairment Losses on Loans and Advances

The Bank regularly reviews its assets and makes judgments in determining whether an impairment loss should be recognised in respect of observable data that may impact on future



estimated cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The impairment allowances in profit or loss are included in Note 14 to the financial statements. See Note 21, 22 & 23 for the carrying amounts of the loans and advances.

#### 46.2 Taxes

Whereas the Bank is tax exempt, it is subject to various government taxes under the Ugandan tax laws arising from specific transactions. Significant estimates and judgements are required in determining the provision for taxes on certain transactions. For these transactions, the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the profit or loss.

#### 46.3 Fair Value of Financial Instruments

Where the fair value of the financial assets and financial liabilities recorded in the statement of financial position cannot be determined from active markets, they are determined using valuation techniques including discounted cash flows models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Notes 17 & 18 for the carrying amounts of financial instruments measured at fair value.

#### 46.4 Pension Obligations

The cost of the defined benefit employee benefit plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of this plan, such estimates are subject to significant uncertainty. See Note 24 for the assumptions used.

#### 46.5 Held-To-Maturity Financial Assets

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such assets to maturity. If the Bank fails to keep these assets to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to classify the entire class as available-for-sale. Details are included in Note 20 of the financial statements.





#### 46.6 Property, Plant and Equipment and Finance Lease on Land

The bank carries its land, buildings, computers, equipment, furniture, vehicles and plant and machinery at revalued amounts, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The subsequent accumulated amortisation is not applicable for finance leases (Refer to Note 26).

Changes in fair value are recognised in other comprehensive income.

Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period (Refer to Notes 25 and 26).

#### 47 Events after the Reporting Period

There are no reportable events after the reporting period.



## 21 List of Appendices

Appendix 1:	Macroeconomic Indicators	167
Appendix 2:	Gross Domestic Product by economic activity at current prices (billions UGX.)	168
Appendix 3:	Balance of Payments (million USD)	169
Appendix 4:	International Investment Position: External Assets and Liabilities	171
Appendix 5:	Composition of Exports (Value in million USD)	172
Appendix 6:	Coffee Exports (quantity in 60 kg. bags; value in USD).	173
Appendix 7:	Composition of Imports (million USD)	174
Appendix 8:	Direction of Formal Trade (Exports, Million USD)	175
Appendix 9:	Direction of Formal Trade (Imports, Million USD)	177
Appendix 10:	Government Securities Outstanding by Holder (Face Value million UGX., at end of period)	180
Appendix 11:	Depository Corporations Survey (billion UGX.)	181
Appendix 12:	Central Bank Survey (billion UGX.)	182
Appendix 13:	Other Depository Corporations Survey Balance Sheet (billion UGX.)	183
Appendix 14:	Foreign Assets and Liabilities (million USD).	184
Appendix 15:	Monetary Survey Key Ratios and Growth Rates	185
Appendix 16:	Commercial Bank's Shilling Denominated Loans and Advances to the Private Sector	186
Appendix 17:	Commercial Banks' Forex Denominated Loans and Advances to the Private Sector	187
Appendix 18:	Commercial Banks' Activities (UGX. billion)	188
Appendix 19:	Structure of Interest Rates (annual percentage)	189
Appendix 20:	Foreign exchange rates (UGX. per USD)	190
Appendix 21:	Bureau and Inter-bank Transactions (million USD)	191
Appendix 22:	Composite Consumer Price Index, Uganda (2009/10 = 100)	192



## Appendix 1: Macroeconomic Indicators

	2012/13	2013/14	2014/15	2015/16	2016/17
<b>Real Sector</b>					
GDP at Market Prices (current prices), UGX billion	63,946	69,544	76,883	83,120	90,514
GDP at Market Prices (constant 2002 and 2009/10 prices), UGX billion	48,422	50,651	53,276	55,755	57,914
Real GDP growth (Annual Change %)	3.6	5.1	5.2	4.7	3.9
GDP per capita (current prices), UGX	1,936,069	2,046,005	2,198,909	2,316,318	2,452,717
GDP per capita (constant 2002 and 2009/10 prices), UGX	1,458,965	1,490,167	1,523,728	1,553,732	1,569,338
GDP per capita growth rate (%)	0.3	1.6	1.9	2.0	1.0
<b>Prices</b>					
Annual Headline Inflation, (%)					
End of Period (Base 2009/10)	5.3	2.6	4.9	5.9	6.4
Period Average (Base 2009/10)	4.8	5.3	2.9	6.5	5.7
<b>Exchange Rate (UGX/USD)</b>					
End of Period (e.o.p)	2,593.3	2,599.7	3,301.8	3,404.9	3,590.9
Period Average (p.a.)	2,588.9	2,538.3	2,823.2	3,443.0	3,528.3
<b>Interest Rates(% p.a., e.o.p)</b>					
Central Bank Rate	13.3	11.5	11.3	16.3	12.3
Rediscount Rate	16.9	14.5	14.3	20.2	16.3
Lending Rate	24.5	22.1	21.6	24.0	22.6
91 - day Treasury Bill Discount Rate	10.2	9.3	11.1	16.0	12.2
<b>Financial Sector</b>					
Money Supply, M3 (UGX billion)	12,047.3	14,142.2	16,376.7	17,556.8	19,936.0
Money Supply, M2 (UGX billion)	8,932.3	10,195.2	11,095.3	12,085.1	14,015.5
Currency in Circulation (UGX billion)	2,452.9	2,746.1	3,231.6	3,391.6	3,865.8
Base Money (UGX billion)	3,324.9	3,769.0	4,295.0	4,929.4	5,276.5
M2 growth (% p.a.)	15.7	14.1	8.8	8.9	16.0
M3 growth (% p.a.)	6.6	17.4	15.8	7.2	13.6
CIC/M2A (%)	27.5	26.9	29.1	28.1	27.6
M2A Velocity <sup>a</sup>	7.2	6.8	6.9	6.9	6.5
M3 Velocity <sup>a</sup>	5.3	4.9	4.7	4.7	4.5
Private Sector Credit (UGX billion)	7,975.4	9,097.0	10,948.2	11,421.4	12,082.6
Lending ratio (Loans/Deposits)	80.3	76.9	80.1	77.8	72.5
<b>External Sector</b>					
Exports, USD millions	2,912.1	2,706.3	2,738.4	2,687.8	3,168.8 <sup>P</sup>
o/w Coffee	422.7	404.0	400.5	352.0	490.4
Imports (goods), USD millions	-5,035.1	5,073.5	4,988.0	4,574.5	4,560.6 <sup>P</sup>
Current account balance (USD million)	-1,575.9	-2,103.4	-1,957.8	-1,530.5	-707.9 <sup>P</sup>
Current account balance (excluding grants, USD million)	-1,911.7	-2,301.9	-2,147.4	-1,691.0	-840.3 <sup>P</sup>
Overall Balance, USD million	-338.0	-378.5	352.8	-101.5	
Debt Service ratio, incl IMF as a percentage of exports of goods & services	2.3	2.9	3.2	3.2	3.6 <sup>P</sup>
Total External Reserves (USD million)	2,929.3	3,390.2	2,895.3	3,002.7	3,389.5
Reserve cover (months of future imports of goods & services)	4.5	5.2	4.9	5.4	5.5 <sup>P</sup>
<b>Macro-economic Linkages</b>					
M1/GDP (%)	8.2	8.7	8.7	8.6	9.0
M2A/GDP (%)	14.0	14.7	14.4	14.5	15.5
Private sector credit/GDP (%)	12.5	13.1	14.2	13.7	13.3
Exports to GDP (%)	11.8	9.7	9.9	10.9	12.4 <sup>P</sup>
Imports to GDP (%)	20.4	18.3	18.1	18.5	17.8 <sup>P</sup>
Current A/C balance as a percentage of GDP	-6.4	-7.6	-7.1	-6.1	-2.8 <sup>P</sup>
Current A/C balance (excluding grants) as a percentage of GDP	-7.8	-8.3	-7.8	-6.9	-3.3 <sup>P</sup>
Fiscal Deficit (Excluding Grants) to GDP (%)	-4.7%	-5.1%	-6.2%	6.3%	5.0%

**Notes:**

<sup>a</sup> M2A velocity = GDP/M2A; M3 velocity = GDP/M3

\*\* From 2009/10 onwards, Uganda Bureau of Statistics rebased GDP estimates from 2002 base year to 2009/10 base year. The rebasing exercise involved a complete revision, coverage and compilation methodology of economic activities. The compilation followed the use of international guidelines and recommendations such as International Standard for Industrial Classification (ISIC Rev4), System of National Accounts (SNA) 2008

Source: Bank of Uganda



Appendix 2: Gross Domestic Product by economic activity at current prices (billions UGX.)

Industry	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
<b>Agriculture, Forestry and fishing</b>	<b>11,649</b>	<b>15,737</b>	<b>16,240</b>	<b>17,372</b>	<b>18,351</b>	<b>19,661</b>
Cash crops	1,111	1,214	1,147	1,073	1,305	1,424
Food crops	5,875	8,031	8,323	9,225	9,532	10,058
Livestock	1,981	2,703	2,911	3,026	3,183	3,561
Agriculture Support Services	16	23	23	25	30	32
Forestry	1,871	2,814	2,897	2,975	3,078	3,263
Fishing	794	953	939	1,047	1,223	1,323
<b>Industry</b>	<b>9,586</b>	<b>12,633</b>	<b>13,171</b>	<b>14,173</b>	<b>15,348</b>	<b>17,186</b>
Mining & quarrying	423	562	536	525	528	551
Manufacturing	4,815	6,473	6,050	5,854	6,618	7,229
Electricity	358	463	585	633	677	801
Water	839	917	1,426	1,808	1,938	2,294
Construction	3,151	4,217	4,574	5,353	5,588	6,310
<b>Services</b>	<b>22,458</b>	<b>22,017</b>	<b>29,967</b>	<b>32,883</b>	<b>37,003</b>	<b>39,606</b>
Trade and Repairs	6,752	8,920	8,869	8,872	9,714	10,631
Transport and Storage	1,163	1,486	1,985	2,321	2,362	2,552
Accommodation and Food Service Activities	1,204	1,489	1,744	1,984	1,974	2,163
Information and Communication	1,775	1,573	1,815	2,176	2,851	2,149
Financial and Insurance Activities	1,200	1,619	1,609	1,918	2,195	2,591
Real Estate Activities	1,831	2,106	2,753	3,126	3,477	3,883
Professional, Scientific and Technical Activities	1,636	1,809	1,860	1,802	2,003	2,132
Administrative and Support Service Activities	880	984	979	1,099	1,408	1,294
Public Administration	1,259	1,745	1,864	1,949	2,385	2,610
Education	2,359	2,769	3,262	3,970	4,625	5,292
Human Health and Social Work Activities	1,355	1,494	2,058	2,361	2,595	2,772
Arts, Entertainment and Recreation	137	173	189	209	226	228
Other Service Activities	441	604	714	812	886	1,025
Activities of Households as Employers	195	246	265	284	301	284
<b>Adjustments</b>	<b>3,385</b>	<b>4,033</b>	<b>4,569</b>	<b>5,116</b>	<b>6,181</b>	<b>6,668</b>
Taxes on products	3,385	4,033	4,569	5,116	6,181	6,668
<b>Total GDP at market Prices</b>	<b>47,078</b>	<b>59,420</b>	<b>63,946</b>	<b>69,544</b>	<b>76,883</b>	<b>83,120</b>
<b>Per capita GDP (UGX)</b>	<b>1,504,377</b>	<b>1,843,130</b>	<b>1,936,069</b>	<b>2,046,005</b>	<b>2,198,909</b>	<b>2,316,318</b>

Source: Uganda Bureau of Statistics, UBOS



Appendix 3: Balance of Payments (million USD)

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
<b>A: Current Account Balance (A1+A2+A3)</b>	<b>-1,737.71</b>	<b>-2,033.92</b>	<b>-1,575.90</b>	<b>-2,103.42</b>	<b>-1,957.76</b>	<b>-1,530.53</b>
<b>A1. Goods Account (Trade Balance)</b>	<b>-2,373.35</b>	<b>-2,574.04</b>	<b>-2,122.96</b>	<b>-2,367.18</b>	<b>-2,249.64</b>	<b>-1,886.64</b>
a) Total Exports (fob)	2,297.77	2,667.43	2,912.11	2,706.33	2,738.37	2,687.83
Coffee	371.04	444.21	422.69	404.00	400.49	352.03
b) Total Imports (fob)	4,671.12	5,241.48	5,035.07	5,073.51	4,988.01	4,574.47
Government Imports	559.95	483.43	438.11	360.98	223.83	494.18
Project imports	173.01	303.93	358.62	300.55	194.12	449.09
Non-Project imports	386.94	179.50	79.50	60.43	29.70	45.09
Private Sector Imports	4,052.17	4,701.98	4,545.69	4,656.00	4,692.67	3,862.65
Oil imports	678.68	946.96	1,028.07	1,089.84	933.03	645.92
Non-Oil Imports	3,373.49	3,755.03	3,517.62	3,566.16	3,759.64	3,216.73
<b>A2. Services and Primary Income</b>	<b>-954.68</b>	<b>-874.33</b>	<b>-925.87</b>	<b>-940.59</b>	<b>-1,052.97</b>	<b>-1,055.25</b>
Services Account (net)	-637.99	-412.11	-404.78	-330.90	-561.37	-563.29
Inflows	1,530.81	2,030.83	2,139.42	2,341.41	2,218.51	1,822.63
Outflows	2,168.80	2,442.94	2,544.20	2,672.32	2,779.88	2,385.92
Primary Income Account (net)	-316.69	-462.21	-521.09	-609.69	-491.60	-491.96
Inflows	35.10	51.14	33.28	6.48	24.65	41.45
Outflows	351.79	513.35	554.37	616.17	516.24	533.42
<b>A3. Secondary Income (Net Current transfers)</b>	<b>1,590.32</b>	<b>1,414.45</b>	<b>1,472.94</b>	<b>1,204.36</b>	<b>1,344.85</b>	<b>1,411.36</b>
Inflows	1,848.29	1,622.42	1,632.22	1,398.50	1,531.11	1,558.16
Government Inflows	834.80	576.28	343.04	205.43	234.09	238.32
Grant Disbursements	834.80	576.28	343.04	205.43	234.09	238.32
Budget Support	172.05	174.74	25.74	30.27	39.42	43.11
Project Aid	160.18	176.28	264.49	115.31	90.73	100.82
HIPC Assistance	53.16	49.72	45.53	52.86	59.48	52.03
Other transfers	449.43	175.53	7.28	6.99	44.46	42.37
Private Transfers	1,013.48	1,046.14	1,289.17	1,193.07	1,297.02	1,319.84
Remittances	751.39	791.97	975.99	889.68	916.48	949.77
Other (NGOs, IAAs, Insurance, etc.)	262.09	254.17	313.19	303.39	380.54	370.07
Outflows	257.97	207.96	159.28	194.14	186.25	146.80
<b>B. Capital Account</b>	<b>0.00</b>	<b>17.60</b>	<b>32.74</b>	<b>91.05</b>	<b>99.08</b>	<b>119.81</b>
<b>C. Financial Account; excluding financing items</b>	<b>-801.04</b>	<b>-2,098.36</b>	<b>-1,485.90</b>	<b>-1,722.25</b>	<b>-852.73</b>	<b>-939.73</b>
Direct Investment	-706.40	-1,243.87	-939.86	-1,087.38	-785.01	-529.86
Portfolio Investment	-2.09	-264.67	46.52	-25.08	195.93	153.68
Financial Derivatives	2.74	-12.32	-0.76	-1.24	-5.24	-2.71
Other Investments	-95.29	-577.50	-591.79	-608.55	-258.41	-560.85
Assets	345.32	145.49	129.19	-145.43	277.05	96.31
Liabilities	440.60	722.99	720.98	463.12	535.46	657.16
<b>D. Errors and Omissions</b>	<b>330.71</b>	<b>664.51</b>	<b>395.30</b>	<b>668.61</b>	<b>653.14</b>	<b>572.45</b>
<b>E. Overall Balance (A+B+C+D)</b>	<b>605.96</b>	<b>-746.55</b>	<b>-338.05</b>	<b>-378.49</b>	<b>352.82</b>	<b>-101.47</b>
<b>F. Reserves and related Items</b>	<b>-605.96</b>	<b>746.55</b>	<b>338.05</b>	<b>378.49</b>	<b>-352.82</b>	<b>101.47</b>
Reserve Assets	-609.56	741.09	332.29	372.04	-354.64	98.76
Use of IMF Credit (Net)	0.00	-1.89	-1.84	-1.83	-1.76	-0.83
Purchases	0.00	0.00	0.00	0.00	0.00	0.00
Repurchases	0.00	-1.89	-1.84	-1.83	-1.76	-0.83
Exceptional Financing	-3.60	-3.57	-3.91	-4.61	-0.06	-1.87
<b>Memorandum items:</b>						
Exchange Rate (UGX per USD, end of period)	2,623.2	2,472.4	2,593.3	2,599.7	3,301.8	3,404.9
Average exchange rate (UGX per 1 USD)	2,323.4	2,559.1	2,588.9	2,538.3	2,823.2	3,443.0
Total Goods and Non-Factor Service exports	3,828.6	4,698.3	5,051.5	5,047.7	4,956.9	4,510.5
Nominal GDP at Market prices (UGX billion)	47,078.0	59,420.0	63,905.0	69,544.1	76,883.0	83,120.4
GDP at Market prices (USD million)	20,263.5	23,236.9	24,683.8	27,397.5	27,232.4	24,142.1
Exports as a % of GDP	11.3	11.5	11.8	9.9	10.1	11.1
Imports as a % of GDP	23.1	22.6	20.4	18.5	18.3	18.9
Current Account Balance (excluding Grants)	-2,138.2	-2,434.7	-1,911.7	-2,301.9	-2,147.4	-1,691.0
Current Account Balance as a percentage of GDP	-8.7	-8.8	-6.4	-7.6	-7.1	-6.1
Current Account Balance (excluding Grants) as a %age of GDP	-10.6	-10.5	-7.8	-8.3	-7.8	-6.9
BOP overall balance as a percentage of GDP	3.0	-3.2	-1.4	-1.4	1.3	-0.4
Total external Debt Stock (end of period)	2,904.9	3,254.1	3,825.2	4,300.7	4,380.1	5,309.2
o/w External arrears	82.7	80.9	81.6	76.0	75.7	69.8
Total Debt Stock (end of period) as a %age of GDP	19.5	16.7	15.5	15.7	16.1	22.0
Debt Service (maturities excl. IMF) as a %age of exports of goods	4.4	4.1	3.9	4.9	5.8	5.3



Debt Service (maturities excl. IMF) as a %age of export of goods and services.	2.7	2.3	2.3	2.8	3.2	3.2
Debt Service (maturities excl. IMF) as a percentage of GDP	0.7	0.6	0.5	0.5	0.6	0.6
Debt Service (maturities incl. IMF) as a %age of exports of goods	4.5	4.2	4.0	4.9	5.8	5.3
Debt Service (maturities incl. IMF) as a %age of export of goods and services.	2.7	2.4	2.3	2.9	3.2	3.2
Debt Service (maturities incl. IMF) as a percentage of GDP	0.7	0.6	0.6	0.6	0.6	0.6
Total external reserves (end of period) in months of imports of goods & services	3.2	4.3	4.5	5.2	4.9	5.4
Debt Stock to Exports ratio (%)	126.4	122.0	131.4	158.5	159.2	197.5
Total Aid to GDP (%)	3.9	3.3	2.3	2.0	2.1	2.3

## Notes:

1. In the Financial account sign (-): net borrowing from the rest of the world/surplus, sign (+): net lending to the rest of the world.
2. Overall balance sign (-): BOP is over financed or in surplus, sign (+): the BOP is under financed or in deficit.
3. Reserves assets sign (-): draw-down or reduction in reserves , sign (+): build-up or accumulation of reserves.

Source: Bank of Uganda



## Appendix 4: International Investment Position: External Assets and Liabilities

End of period (million USD)	2013	2014	2014	2015	2015	2016	2016
	Dec	June	Dec	June	Dec	June	Dec
<b>Assets</b>	<b>5,058.63</b>	<b>4,900.22</b>	<b>4,848.00</b>	<b>4,931.29</b>	<b>5,085.21</b>	<b>5,197.51</b>	<b>5,527.25</b>
<b>Direct investment abroad</b>	53.35	66.86	80.37	80.37	80.65	80.66	80.80
<b>Equity and investment fund shares</b>	53.20	53.49	53.78	53.78	54.06	54.07	54.22
<b>Debt instruments</b>	0.15	13.37	26.59	26.59	26.59	26.59	26.59
<b>Portfolio investment</b>	212.68	296.43	360.63	500.10	525.48	626.47	647.88
<b>Equity and investment fund shares</b>	33.45	38.70	59.74	175.47	170.92	219.98	208.15
<b>Debt securities</b>	179.24	257.72	300.90	324.63	354.56	406.50	439.73
<b>Bonds and notes</b>	179.24	257.72	300.90	324.63	354.56	406.50	439.73
<b>Money-market instruments</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Financial derivatives</b>	0.10	1.71	0.61	3.48	0.15	0.62	0.62
<b>Other investment</b>	1,689.52	1,160.91	1,187.78	1,470.12	1,589.06	1,541.58	1,781.61
<b>Loans</b>	56.10	52.59	40.02	36.89	40.43	14.80	12.39
<b>Currency and deposits</b>	1,633.41	1,108.32	1,147.76	1,433.23	1,548.63	1,526.78	1,769.22
<b>Other assets</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Reserve assets</b>	3,102.98	3,374.31	3,218.62	2,877.23	2,889.87	2,948.18	3,016.34
<b>Liabilities</b>	<b>15,761.15</b>	<b>16,526.30</b>	<b>17,010.55</b>	<b>17,521.18</b>	<b>18,271.17</b>	<b>19,177.12</b>	<b>19,541.33</b>
<b>Direct investment in reporting economy</b>	8,770.92	9,300.20	9,829.49	10,098.73	10,367.97	10,628.87	10,890.61
<b>Equity and investment fund shares</b>	7,004.20	7,374.91	7,745.63	7,922.00	8,098.38	8,354.12	8,584.31
<b>Debt instruments</b>	1,766.72	1,925.29	2,083.86	2,176.72	2,269.59	2,274.75	2,306.30
<b>Portfolio investment</b>	508.35	632.46	679.95	705.76	745.39	988.45	997.46
<b>Equity and investment fund shares</b>	274.65	320.32	334.05	346.37	413.03	624.84	583.84
<b>Debt instruments</b>	233.69	312.14	345.90	359.40	332.36	363.61	413.62
<b>Bonds and notes</b>	180.62	214.76	241.67	237.81	234.07	322.85	347.87
<b>Money-market instruments</b>	53.08	97.37	104.23	121.59	98.30	40.76	65.75
<b>Financial derivatives</b>	0.19	0.32	1.00	0.17	1.92	1.99	1.96
<b>Other investment</b>	6,481.68	6,593.32	6,500.12	6,716.52	7,155.89	7,557.80	7,651.29
<b>Trade credits</b>	80.05	72.67	62.76	68.02	71.00	98.42	95.19
<b>Loans</b>	5,854.23	5,964.65	5,873.85	6,053.67	6,465.62	6,861.30	6,979.51
<b>Currency and deposits</b>	107.18	114.75	138.52	179.22	208.05	185.20	170.07
<b>Other liabilities</b>	440.22	441.25	424.99	415.62	411.23	412.88	406.53
<b>International Investment Position, net</b>	<b>-10,702.51</b>	<b>-11,626.09</b>	<b>-12,162.54</b>	<b>-12,589.89</b>	<b>-13,185.97</b>	<b>-13,979.61</b>	<b>-14,014.08</b>

Source: Bank of Uganda



Appendix 5: Composition of Exports (Value in million USD)

		2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
<b>1. Coffee</b>	Value	371.04	444.21	422.69	404.00	400.49	352.03	490.41
	Volume, 60-Kg bags	2.78	3.04	3.37	3.65	3.24	3.56	4.19
	Unit Value	2.23	2.45	2.11	1.84	2.07	1.65	1.93
<b>2. Non-Coffee</b>	Value	1,508.37	1,839.89	2,020.87	1,906.65	1,899.29	1,946.10	2,189.62
Electricity	Value	13.93	17.28	15.57	27.19	24.43	17.10	45.14
Gold	Value	6.85	11.47	4.94	0.25	0.23	204.26	339.09
Cotton	Value	82.95	77.59	36.46	21.75	18.18	24.29	48.31
Tea	Value	63.60	71.59	86.20	83.22	73.37	74.50	67.83
Tobacco	Value	58.12	57.23	72.72	94.04	63.22	73.23	46.95
Fish & its Products	Value	143.19	137.81	108.61	110.18	136.82	115.15	131.04
Hides & Skins	Value	25.80	39.01	47.08	74.82	67.57	56.01	50.94
Simsim	Value	17.72	13.15	23.54	45.56	50.75	29.59	16.16
Maize	Value	25.59	47.03	54.43	35.74	74.19	81.97	72.26
Beans	Value	11.14	15.22	16.12	20.32	37.62	49.05	49.11
Flowers	Value	47.84	55.55	52.99	59.05	55.28	49.10	53.56
Oil re-exports	Value	104.62	117.59	137.34	142.04	143.33	123.08	124.12
Cobalt	Value	17.15	13.70	15.82	3.78	0.00	0.00	0.00
Others Exports	Value	889.87	1,165.67	1,349.05	1,188.72	1,154.31	1,048.77	1,145.11
<b>3. ICBT Exports</b>	Value	<b>418.36</b>	<b>383.33</b>	<b>468.55</b>	<b>395.68</b>	<b>438.58</b>	<b>389.70</b>	<b>488.76</b>
<b>Total Value Exports</b>		<b>2,297.77</b>	<b>2,667.43</b>	<b>2,912.11</b>	<b>2,706.33</b>	<b>2,738.37</b>	<b>2,687.83</b>	<b>3,168.80</b>

Source: Bank of Uganda





Appendix 6: Coffee Exports (quantity in 60 kg. bags; value in USD).

	2013/14		2014/15		2015/16		2016/17	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
<b>First Quarter</b>	<b>732,601</b>	<b>74,909,568</b>	<b>674,189</b>	<b>87,272,834</b>	<b>815,208</b>	<b>81,520,312</b>	<b>1,041,956</b>	<b>126,055,100</b>
<b>Oct</b>	210,552	22,737,119	229,438	28,000,828	223,858	22,933,326	209,478	24,232,079
<b>Nov</b>	264,103	26,709,567	219,948	29,493,823	248,921	25,002,230	408,027	50,406,739
<b>Dec</b>	257,946	25,462,882	224,803	29,778,184	342,429	33,584,756	424,451	51,416,282
<b>Second Quarter</b>	<b>1,094,774</b>	<b>113,287,054</b>	<b>913,051</b>	<b>117,539,321</b>	<b>851,670</b>	<b>80,127,274</b>	<b>1,212,472</b>	<b>147,926,727</b>
<b>Jan</b>	391,514	38,881,752	310,829	39,699,660	334,393	32,101,652	404,673	48,981,950
<b>Feb</b>	354,837	35,533,377	290,475	36,903,356	269,439	24,907,463	397,883	48,501,363
<b>Mar</b>	348,423	38,871,925	311,747	40,936,305	247,838	23,118,159	409,916	50,443,414
<b>Third Quarter</b>	<b>887,955</b>	<b>109,805,101</b>	<b>862,800</b>	<b>98,648,497</b>	<b>879,888</b>	<b>85,326,834</b>	<b>1,165,251</b>	<b>136,425,400</b>
<b>Apr</b>	336,676	41,071,820	264,065	32,805,613	326,793	31,200,627	326,232	39,262,589
<b>May</b>	286,668	35,910,195	263,330	30,580,317	286,758	27,594,778	408,454	47,571,639
<b>Jun</b>	264,611	32,823,086	335,405	35,262,567	266,337	26,531,429	430,565	49,591,172
<b>Fourth Quarter</b>	<b>790,260</b>	<b>97,031,912</b>	<b>1,010,000</b>	<b>104,925,558</b>	<b>768,491</b>	<b>80,006,177</b>	<b>0</b>	<b>0</b>
<b>Jul</b>	314,304	37,862,273	403,381	43,068,138	268,490	27,057,082		
<b>Aug</b>	268,033	32,469,005	320,297	32,536,657	291,045	30,084,415		
<b>Sep</b>	207,923	26,700,634	286,322	29,320,763	208,956	22,864,680		
<b>Total for Crop year</b>	<b>3,505,590</b>	<b>395,033,635</b>	<b>3,460,040</b>	<b>408,386,210</b>	<b>3,315,257</b>	<b>326,980,597</b>	<b>3,419,679</b>	<b>410,407,227</b>

Source: Uganda Coffee Development Authority



Appendix 7: Composition of Imports (million USD)

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
<b>Animal &amp; Animal Products</b>	19.603	18.41	24.10	24.39	21.27	24.24
<b>Vegetable Products, Animal, Beverages, Fats &amp; Oil</b>	444.354	447.09	413.08	441.54	352.68	454.66
<b>Prepared Foodstuff, Beverages &amp; Tobacco</b>	307.391	222.42	246.83	203.79	187.76	181.08
<b>Mineral Products (excluding Petroleum products)</b>	263.104	136.12	147.86	153.94	133.38	129.53
<b>Petroleum Products</b>	946.957	1028.07	1089.84	933.03	645.92	693.80
<b>Chemical &amp; Related Products</b>	415.368	447.77	476.02	530.80	438.46	430.61
<b>Plastics, Rubber &amp; Related Products</b>	242.277	245.88	252.15	302.06	261.07	272.07
<b>Wood &amp; Wood Products</b>	133.221	116.73	115.41	114.01	113.27	111.68
<b>Textile &amp; Textile Products</b>	136.985	132.97	162.43	165.93	148.82	157.61
<b>Miscellaneous Manufactured Articles</b>	181.755	230.33	226.19	238.63	212.58	225.38
<b>Base Metals and their Products</b>	344.905	283.97	319.31	345.28	286.68	316.04
<b>Machinery Equipment, Vehicles &amp; Accessories</b>	1,256.940	1,229.09	1,174.89	1,232.03	1,054.66	947.11
<b>Arms, Ammunitions &amp; Accessories</b>	0.031	0.11	0.04	0.10	0.08	0.10
<b>Electricity</b>	9.092	6.72	7.86	7.15	6.00	3.80
<b>Total</b>	<b>4,701.98</b>	<b>4,545.69</b>	<b>4,656.00</b>	<b>4,692.67</b>	<b>3,862.65</b>	<b>3,947.70</b>

## Notes:

1. This data is compiled based on the harmonized coding system
2. Data compiled on a fob basis

Source: Bank of Uganda



Appendix 8: Direction of Formal Trade (Exports, Million USD)

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
<b>European Union</b>	<b>550.04</b>	<b>561.33</b>	<b>508.69</b>	<b>502.99</b>	<b>414.29</b>	<b>506.94</b>
Austria	0.73	0.70	0.81	0.09	0.15	0.06
Belgium	28.82	36.66	38.67	25.57	13.73	27.53
Denmark	1.87	1.49	0.57	0.39	0.46	4.93
France	11.16	12.60	8.86	7.74	2.77	2.42
Germany	10.73	23.96	34.83	22.07	22.58	10.20
Italy	18.37	17.50	23.42	25.37	23.95	30.38
Netherlands	92.46	104.06	85.39	82.95	69.40	82.37
Poland	2.64	7.23	1.27	1.27	0.19	0.36
Portugal	11.95	2.51	3.51	4.51	4.57	7.93
Spain	12.88	8.28	11.44	11.82	12.39	10.14
Sweden	1.27	0.81	0.19	0.37	0.61	0.10
United Kingdom	54.28	33.52	25.18	37.00	14.55	16.15
Others	302.89	314.41	274.55	283.85	248.95	314.38
<b>Rest of Europe</b>	<b>51.19</b>	<b>57.95</b>	<b>54.15</b>	<b>43.28</b>	<b>51.85</b>	<b>41.14</b>
Bulgaria	0.06	0.01	0.13	0.27	0.00	0.09
Norway	0.53	0.56	1.00	2.09	0.64	0.46
Switzerland	46.15	44.45	43.71	36.59	35.03	33.65
Turkey	1.25	4.93	5.56	2.21	12.13	5.48
Other	3.19	5.59	3.75	2.11	4.05	1.46
<b>The Americas</b>	<b>47.38</b>	<b>39.63</b>	<b>49.77</b>	<b>42.06</b>	<b>48.04</b>	<b>54.06</b>
USA	34.97	30.40	36.42	32.85	34.31	45.27
Canada	3.04	2.97	8.65	8.18	8.45	6.26
Mexico	0.21	0.16	0.09	0.65	3.89	1.33
Brazil	0.02	0.17	0.04	0.00	0.02	0.01
Argentina	0.00	0.00	0.06	0.00	0.00	0.00
Other	9.14	5.92	4.51	0.38	1.38	1.18
<b>Middle East</b>	<b>213.05</b>	<b>180.42</b>	<b>136.39</b>	<b>213.76</b>	<b>356.61</b>	<b>505.26</b>
Bahrain	0.57	1.25	1.12	0.75	1.81	1.61
Israel	9.39	7.16	7.65	10.38	7.99	10.41
Saudi Arabia	0.81	1.65	0.93	1.80	1.74	1.78
United Arab Emirates	197.39	163.15	115.38	187.07	339.54	483.10
Jordan	1.72	1.35	2.04	1.66	2.22	2.62
Other	3.17	5.86	9.27	12.10	3.31	5.73
<b>Asia</b>	<b>149.83</b>	<b>130.25</b>	<b>167.48</b>	<b>178.05</b>	<b>196.23</b>	<b>194.32</b>
India	16.47	16.06	18.74	19.58	36.26	42.15
Japan	5.61	4.33	6.56	8.17	14.04	11.62
Malaysia	4.21	9.57	9.76	17.65	21.35	19.73
China	29.36	32.23	58.01	59.80	38.62	27.97
Thailand	0.19	2.18	0.32	0.22	0.68	1.87
Singapore	39.21	24.59	19.58	16.27	13.77	20.88
Pakistan	0.27	0.64	2.09	1.93	3.00	2.67
Korea (Rep)	0.10	0.66	5.45	0.78	0.14	0.20
Indonesia	0.00	0.23	1.40	0.84	9.07	14.28
Vietnam	10.31	4.65	2.82	1.08	2.02	2.21



Taiwan	0.43	0.27	0.46	0.62	0.50	0.36
Hong Kong	31.07	21.00	29.04	39.75	37.20	37.08
Other	12.59	13.85	13.25	11.37	19.58	13.30
<b>COMESA</b>	<b>1,110.84</b>	<b>1,282.74</b>	<b>1,224.75</b>	<b>1,235.31</b>	<b>1,129.95</b>	<b>1,243.29</b>
Ethiopia	8.20	7.92	1.12	1.10	1.57	0.81
Kenya	226.52	268.86	348.41	374.75	414.73	440.27
Malawi	0.09	0.57	0.42	0.13	0.36	0.27
Namibia	0.05	0.12	0.33	0.02	3.91	0.02
Mauritius	1.33	0.60	1.14	0.08	0.70	1.46
Zambia	0.88	2.46	1.44	0.91	2.57	7.09
Swaziland	0.01	1.23	0.30	0.05	0.34	0.25
Burundi	42.39	50.29	47.88	39.96	50.41	48.03
Rwanda	208.41	217.43	224.92	253.54	206.90	187.60
Madagascar	0.03	0.01	0.05	0.43	0.08	0.09
Sudan	390.65	346.54	128.06	92.25	58.46	68.37
Egypt	3.69	0.57	0.90	2.11	4.60	0.44
Congo (D.R.)	210.43	255.07	231.75	160.16	159.74	190.36
South Sudan	1.92	80.83	236.28	309.66	225.28	297.99
Other	16.24	18.56	1.76	0.18	0.29	0.23
<b>Rest of Africa</b>	<b>72.07</b>	<b>68.23</b>	<b>99.05</b>	<b>82.71</b>	<b>98.70</b>	<b>133.67</b>
Tanzania	45.39	54.02	50.08	56.47	61.97	74.11
South Africa	10.53	8.03	9.11	8.08	17.37	5.84
Nigeria	0.49	2.55	1.86	0.44	2.76	1.62
Other	15.67	35.30	38.00	17.72	16.59	52.10
<b>Unclassified</b>	<b>85.48</b>	<b>123.00</b>	<b>70.38</b>	<b>1.62</b>	<b>2.46</b>	<b>1.35</b>
Australia	2.41	1.57	1.81	1.45	2.10	1.31
Iceland	0.00	0.00	0.00	0.13	0.00	0.00
Other	83.07	121.43	68.57	0.04	0.37	0.04
<b>Total</b>	<b>2,277.1</b>	<b>2,443.6</b>	<b>2,310.7</b>	<b>2,299.8</b>	<b>2,298.1</b>	<b>2,680.0</b>
<b>Informal trade</b>						
BURUNDI	14.84	14.28	15.92	9.17	0.06	0.00
DR CONGO	140.19	151.45	131.41	163.76	192.32	234.65
KENYA	69.45	80.49	76.69	106.41	79.99	123.63
RWANDA	41.88	31.49	23.25	25.73	24.66	35.04
SUDAN	90.13	127.60	125.30	113.67	59.17	35.73
TANZANIA	26.84	63.23	23.10	19.84	33.50	59.71
<b>Total</b>	<b>383.3</b>	<b>468.5</b>	<b>395.7</b>	<b>438.6</b>	<b>389.7</b>	<b>488.8</b>
<b>Grand Total</b>	<b>2,660.4</b>	<b>2,912.1</b>	<b>2,706.3</b>	<b>2,738.4</b>	<b>2,687.8</b>	<b>3,168.8</b>

Source: Bank of Uganda



Appendix 9: Direction of Formal Trade (Imports, Million USD)

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
<b>Asia</b>	<b>2,039.86</b>	<b>2,240.18</b>	<b>2,612.65</b>	<b>2,703.52</b>	<b>2,541.27</b>	<b>2,336.97</b>	<b>2,051.73</b>
India	716.81	840.33	1,230.00	1,281.43	1,091.83	869.06	587.79
China	425.18	501.11	531.22	551.10	625.90	748.15	727.02
Japan	310.50	257.69	254.38	277.16	288.85	251.79	253.84
Malaysia	64.64	51.54	40.94	44.55	28.36	30.20	37.07
Korea (Rep)	92.80	95.80	36.94	47.86	33.95	31.38	27.89
Singapore	128.60	49.13	81.07	62.80	54.17	37.51	23.22
Indonesia	143.35	187.99	163.65	186.35	186.09	148.31	203.17
Thailand	31.87	64.66	60.43	57.74	43.62	33.64	40.63
Hong Kong	38.32	39.15	32.74	33.91	34.62	35.22	13.66
Russia	30.80	61.76	56.49	56.97	58.53	69.47	44.80
Pakistan	34.01	53.61	50.36	64.46	54.45	44.28	41.57
Taiwan	13.26	20.61	27.45	18.88	12.64	12.23	8.11
Vietnam	4.80	12.23	38.54	8.65	20.43	10.29	34.64
Bangladesh	1.76	1.62	1.93	1.80	1.74	12.37	3.14
Sri Lanka	2.16	1.77	1.18	1.22	1.09	1.29	2.56
Georgia	0.34	0.33	1.42	0.66	0.57	0.06	0.02
Philippines	0.56	0.53	0.88	1.01	1.44	0.87	1.57
Korea Dem.	0.00	0.07	0.64	5.00	1.23	0.52	0.70
Other	0.02	0.25	2.39	1.95	1.76	0.33	0.34
<b>European Union</b>	<b>704.95</b>	<b>630.06</b>	<b>542.06</b>	<b>551.68</b>	<b>642.62</b>	<b>470.75</b>	<b>399.25</b>
Germany	120.16	98.59	110.42	116.63	108.10	91.72	81.14
United Kingdom	131.19	123.44	98.30	95.03	93.82	67.82	55.32
Netherlands	142.22	49.80	68.01	59.54	69.52	61.34	43.82
Italy	52.51	32.28	48.82	37.03	44.64	34.21	25.23
France	66.28	89.75	58.49	66.02	117.43	36.60	20.02
Belgium	32.25	54.05	42.78	47.93	40.55	33.29	46.01
Sweden	68.14	56.32	24.78	22.36	21.49	17.02	13.97
Denmark	23.83	41.23	18.01	20.91	32.47	20.49	13.66
Ireland	15.20	15.72	18.17	18.81	22.80	19.10	19.08
Spain	11.11	12.87	12.98	11.42	20.35	14.79	17.86
Finland	2.99	4.75	2.02	2.38	6.72	4.90	2.42
Austria	8.15	6.62	4.61	5.93	5.39	5.45	5.88
Hungary	11.85	16.48	12.20	8.33	10.56	6.56	5.46
Poland	5.37	9.15	8.18	15.98	29.12	12.27	17.81
Czech Republic	0.88	0.92	1.10	1.12	2.74	10.31	18.23
Malta	0.19	0.02	0.00	0.00	0.00	0.16	0.00
Romania	5.53	5.94	0.65	0.62	0.63	0.78	0.28
Bulgaria	1.24	6.06	1.88	0.35	0.32	0.47	0.29
Slovakia	0.28	0.11	0.47	0.57	0.83	0.38	0.59
Luxembourg	1.45	0.05	0.65	0.74	1.31	0.40	0.87
Cyprus	1.25	1.60	2.53	1.76	1.54	1.35	0.84
Portugal	0.41	0.34	4.34	1.60	0.95	1.58	1.41
Greece	0.73	0.69	0.76	2.74	5.10	1.24	0.80
Lithuania	1.15	0.74	1.00	1.01	2.80	12.30	5.16
Estonia	0.12	0.18	0.38	0.20	1.24	2.62	1.15
Other	0.47	2.37	0.53	12.66	2.20	13.60	1.93
<b>Middle East</b>	<b>643.86</b>	<b>848.49</b>	<b>590.95</b>	<b>574.94</b>	<b>546.17</b>	<b>568.42</b>	<b>761.24</b>
United Arab Emirates	335.76	359.43	347.05	319.71	281.86	344.06	426.14
Kuwait	76.49	16.73	12.56	6.14	2.42	0.27	0.56
Saudi Arabia	162.38	274.62	119.42	119.13	173.63	168.77	269.88
Lebanon	3.94	4.26	3.69	3.98	3.95	3.26	1.99
Bahrain	32.86	87.09	75.06	96.97	41.63	9.88	21.21
Qatar	5.81	4.83	15.16	10.74	16.49	5.40	8.19
Israel	7.76	7.43	5.56	5.86	6.44	4.69	4.75



	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Iran	4.31	5.25	2.84	3.11	3.36	3.17	6.38
Syrian Arab Rep.	0.76	0.55	0.34	0.20	0.16	0.00	0.02
Jordan	1.29	2.14	2.62	2.87	2.51	2.66	1.89
Iraq	0.02	0.05	0.00	0.00	0.00	0.00	0.01
Oman	12.38	86.10	6.63	6.07	13.70	26.25	20.22
Other	0.11	0.03	0.02	0.15	0.02	0.00	0.00
<b>COMESA</b>	<b>628.40</b>	<b>796.72</b>	<b>708.21</b>	<b>729.36</b>	<b>748.96</b>	<b>708.89</b>	<b>776.96</b>
Kenya	535.07	680.82	591.25	602.60	608.69	582.66	499.72
Egypt	44.29	44.21	46.36	52.26	51.39	53.00	47.46
Swaziland	16.85	16.63	16.25	18.32	20.34	18.51	19.16
Congo (D.R.C)	6.72	25.58	30.09	24.89	31.50	22.25	142.35
Mauritius	9.85	7.98	7.71	6.24	9.68	6.16	3.93
Rwanda	6.12	8.94	7.48	12.09	9.52	11.79	10.27
Malawi	0.84	3.61	0.23	0.35	0.31	0.57	0.31
Sudan	3.89	4.82	5.91	5.29	2.58	0.06	0.16
Burundi	1.32	1.76	0.56	1.41	2.28	1.64	41.71
Zimbabwe	0.18	0.23	0.54	0.30	6.57	1.10	0.20
Ethiopia	0.60	0.37	0.23	0.14	0.25	0.67	0.12
Namibia	0.04	0.31	0.15	0.27	0.14	0.05	0.07
Zambia	1.61	1.27	1.15	4.38	3.15	5.28	2.99
Eritrea	0.00	0.00	0.08	0.02	0.05	0.00	0.00
South Sudan			0.00	0.00	0.76	4.67	7.31
Other	0.97	0.19	0.23	0.81	1.75	0.48	1.18
<b>Rest of Africa</b>	<b>292.51</b>	<b>340.65</b>	<b>285.60</b>	<b>302.44</b>	<b>300.96</b>	<b>297.06</b>	<b>359.49</b>
South Africa	245.96	232.32	227.82	232.83	235.86	211.52	184.94
Tanzania	32.47	54.82	47.48	55.12	55.11	76.34	163.57
Cote D'Ivoire	0.70	0.82	0.80	0.91	1.02	1.29	1.44
Ghana	8.37	2.07	4.40	4.72	2.55	0.39	0.17
Liberia	0.47	0.24	0.24	2.08	1.04	0.52	0.43
Nigeria	0.63	1.05	0.52	2.72	0.95	1.16	0.80
Benin	0.01	0.06	0.01	0.03	0.01	0.00	0.00
Gabon	0.15	0.22	0.36	0.25	0.12	0.01	0.01
Botswana	0.09	0.14	0.07	0.05	0.04	0.20	0.18
Mali	0.05	0.03	0.04	0.01	0.00	0.01	0.01
Cameroon	0.32	0.27	0.23	0.16	0.12	0.05	0.06
Burkina Faso	0.05	17.37	0.03	0.00	0.04	0.00	0.00
Senegal	0.03	0.12	0.05	0.07	0.13	0.11	0.06
Niger	0.35	0.20	0.13	0.13	0.03	0.05	0.00
Sierra Leone	0.00	0.00	0.04	0.01	0.03	0.02	0.00
Togo	0.07	0.12	0.16	0.25	0.22	0.23	0.16
Tunisia	0.56	30.80	0.76	0.54	0.32	0.06	0.15
Other	0.00	0.51	2.47	2.55	3.38	5.10	7.49
<b>Rest of Europe</b>	<b>72.56</b>	<b>91.67</b>	<b>80.14</b>	<b>64.83</b>	<b>75.39</b>	<b>48.71</b>	<b>60.79</b>
Ukraine	24.04	11.36	19.84	18.80	19.97	17.66	21.39
Turkey	25.29	54.12	23.38	17.04	19.73	15.77	22.46
Switzerland	19.58	23.87	33.82	23.97	31.30	12.24	11.47
Norway	2.02	1.40	2.60	4.23	3.48	2.55	3.42
Serbia	1.21	0.00	0.03	0.01	0.00	0.06	0.02
Croatia	0.09	0.00	0.05	0.03	0.04	0.01	0.02
Moldova Rep.	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.31	0.92	0.43	0.76	0.87	0.43	2.01
<b>Unclassified</b>	<b>286.78</b>	<b>274.23</b>	<b>215.45</b>	<b>146.75</b>	<b>132.65</b>	<b>143.68</b>	<b>151.11</b>
USA	167.50	114.79	121.16	77.46	73.96	112.27	64.12
Brazil	46.66	55.68	27.46	12.55	11.18	6.35	22.14
Canada	22.43	19.49	17.89	16.30	19.06	15.67	15.74



	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
<b>Australia</b>	14.78	27.64	17.85	16.61	6.07	3.49	10.05
<b>Chile</b>	0.59	0.08	0.33	0.07	0.09	0.10	0.09
<b>Peru</b>	0.13	0.00	0.00	0.03	0.02	0.03	0.02
<b>Jamaica</b>	0.07	0.12	0.06	0.08	0.03	0.01	0.01
<b>Colombia</b>	2.96	0.50	0.76	1.26	0.51	0.29	0.20
<b>Mexico</b>	1.08	5.22	0.59	2.97	1.72	1.58	1.25
<b>Panama</b>	0.43	0.00	0.14	0.05	0.14	0.06	0.01
<b>British Virgin Islands</b>	0.49	0.00	0.03	0.00	0.06	0.01	0.14
<b>Argentina</b>	11.77	31.16	19.48	13.14	14.49	0.29	33.15
<b>Dominican Rep.</b>	0.01	0.16	0.10	0.10	0.16	0.13	0.25
<b>New Zealand</b>	0.37	1.10	0.46	0.37	0.55	0.52	0.36
<b>Uruguay</b>	5.00	0.07	1.26	0.02	0.06	0.16	0.18
<b>Cuba</b>	0.00	0.00	0.00	0.27	0.00	0.03	0.07
<b>Liechtenstein</b>	0.00	0.04	0.02	0.02	0.01	0.00	0.00
<b>Other</b>	11.19	18.18	7.86	5.44	4.54	2.71	3.32
<b>Total</b>	<b>4,668.9</b>	<b>5,222.0</b>	<b>5,035.1</b>	<b>5,073.5</b>	<b>4,988.0</b>	<b>4,574.5</b>	<b>4,560.6</b>

Source: Bank of Uganda



Appendix 10: Government Securities Outstanding by Holder (Face Value million UGX., at end of period)

	Mar16	Jun16	Sep16	Dec16	Mar17	Jun17
<b>Treasury Bonds</b>	<b>7,566,689.0</b>	<b>7,654,106.6</b>	<b>7,762,437.6</b>	<b>8,013,345.1</b>	<b>8,192,835.2</b>	<b>8,451,235.2</b>
Bank of Uganda	630,480.0	394,565.9	205,376.0	294,376.0	243,975.0	19,000.0
Other Depository Corporations <sup>1</sup>	1,975,014.6	1,894,391.2	1,819,461.1	1,695,895.8	2,018,569.8	2,216,029.0
Offshore	832,124.4	1,014,633.3	1,282,107.2	1,246,090.1	965,644.5	1,020,184.7
Others <sup>2</sup>	4,129,070.0	4,350,516.2	4,455,493.3	4,776,983.2	4,964,645.9	5,196,021.5
<b>Treasury Bills</b>	<b>3,539,981.6</b>	<b>3,958,627.4</b>	<b>4,570,013.4</b>	<b>4,401,845.2</b>	<b>4,229,127.2</b>	<b>3,600,000.0</b>
Bank of Uganda	39,628.1	-	-	-	-	-
Other Depository Corporations <sup>1</sup>	2,794,647.4	3,315,859.9	3,687,060.3	3,604,233.0	3,478,363.4	3,014,818.1
Offshore	185,589.1	103,903.8	333,622.0	234,795.0	195,751.2	91,681.4
Others <sup>2</sup>	520,117.0	538,863.7	549,331.1	562,817.2	555,012.6	493,500.5
<b>Total</b>	<b>11,106,670.6</b>	<b>11,612,734.0</b>	<b>12,332,451.0</b>	<b>12,415,190.3</b>	<b>12,421,962.4</b>	<b>12,051,235.2</b>
<b>Bank</b>	<b>5,439,770.1</b>	<b>5,604,817.0</b>	<b>5,711,897.4</b>	<b>5,594,504.9</b>	<b>5,740,908.2</b>	<b>5,249,847.1</b>
<b>Non-Bank</b>	<b>5,666,900.5</b>	<b>6,007,917.0</b>	<b>6,620,553.6</b>	<b>6,820,685.4</b>	<b>6,681,054.2</b>	<b>6,801,388.1</b>

<sup>1</sup> Constitutes Commercial Banks, Credit Institutions and Micro Finance Deposit-Taking Institutions.

<sup>2</sup> Includes National Social Security Fund & others

<sup>3</sup> All values are at face value

Source: Bank of Uganda





## Appendix 11: Depository Corporations Survey (billion UGX.)

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
<b>Net Foreign Assets (NFA)</b>	10,256.25	10,268.48	10,328.79	10,293.91	12,120.86	12,476.01	12,910.89
<b>Central Bank(net)</b>	10,230.42	10,219.22	10,641.78	10,656.02	11,820.80	12,167.01	12,857.25
<b>O/w: Official Foreign Assets</b>	9,601.15	9,766.44	10,085.49	10,094.88	10,955.64	11,649.01	12,171.31
<b>Other Depository Corporations(net)</b>	25.84	49.26	-312.99	-362.11	300.05	309.00	53.64
<b>Net Domestic Assets (NDA)</b>	6,813.30	6,666.90	7,228.00	7,542.31	6,851.01	6,593.34	7,025.14
<b>Domestic Claims</b>	13,327.18	13,588.88	14,262.96	14,648.28	14,401.34	14,417.99	14,646.77
<b>Claims on Central Government(net)</b>	1,891.32	2,321.27	2,749.37	2,987.14	2,258.63	2,446.75	2,451.96
<b>Claims on Central Government</b>	6,229.03	6,599.05	7,097.36	7,727.34	7,704.97	7,483.59	7,109.90
<b>Less Liabilities to Central Government</b>	4,337.71	4,277.78	4,347.99	4,740.19	5,446.35	5,036.85	4,657.95
<b>Claims on Other Sectors</b>	11,435.86	11,267.61	11,513.59	11,661.13	12,142.71	11,971.24	12,194.82
<b>Other Financial Corporations</b>	49.77	51.29	57.55	61.68	58.60	52.89	56.46
<b>State and Local Government</b>	1.81	1.56	1.97	1.73	1.04	1.11	1.41
<b>Public Non-Financial Corporations</b>	31.15	28.14	31.87	28.40	24.59	40.42	51.96
<b>Private Sector</b>	11,353.13	11,186.63	11,422.20	11,569.31	12,058.48	11,876.82	12,084.99
<b>O/w: Loans</b>	11,349.50	11,184.79	11,421.37	11,566.99	12,056.64	11,875.24	12,082.65
<b>Other Items(Net)</b>	-6,513.88	-6,921.98	-7,034.96	-7,105.97	-7,550.32	-7,824.64	-7,621.63
<b>Shares and Other Equity</b>	7,280.46	7,453.20	7,456.70	7,421.68	7,501.22	7,765.36	7,913.94
<b>Consolidation Adjustments</b>	-18.02	31.18	0.93	-34.15	35.63	59.21	-17.06
<b>Other Items(net)</b>	784.61	500.03	420.81	349.86	-84.74	-118.50	309.37
<b>Broad Money-M3</b>	17,069.55	16,935.38	17,556.79	17,836.22	18,971.87	19,069.35	19,936.03
<b>Foreign Currency Deposits</b>	5,391.35	5,439.47	5,471.73	5,473.01	5,706.81	5,810.71	5,920.51
<b>Broad Money-M2</b>	11,678.20	11,495.91	12,085.05	12,363.21	13,265.06	13,258.64	14,015.51
<b>Other Deposits-Local Currency</b>	4,826.52	4,729.65	4,908.85	5,113.01	5,439.93	5,482.00	5,860.95
<b>Narrow Money-M1</b>	6,851.67	6,766.25	7,176.21	7,250.20	7,825.14	7,776.64	8,154.56
<b>Transferable Deposits-Local Currency</b>	3,683.75	3,871.47	4,240.89	4,323.57	4,349.89	4,603.48	4,812.36
<b>Currency Outside Depository Corporations</b>	3,167.92	2,894.78	2,935.32	2,926.63	3,475.25	3,173.16	3,342.20

## Notes:

- (i) From Feb 2010, the Depository Corporations Survey includes data for Credit Institutions and Micro Finance Deposit Taking Institutions.
- (ii) From Feb 2010, deposits excluded from broad money comprises Loan Insurance fund/ Compulsory Savings held by individuals at Credit Institutions and MDIs
- (iii) From January 2011, NFA of ODCs was revised to correct misreporting of nonresident borrowing wrongly classified as borrowing from residents by ODCs.

Source: Bank of Uganda



Appendix 12: Central Bank Survey (billion UGX.)

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
<b>Net Foreign Assets</b>	<b>10,219.22</b>	<b>10,641.78</b>	<b>10,656.02</b>	<b>11,820.80</b>	<b>12,167.01</b>	<b>12,857.25</b>
Claims on Non Residents	11,076.75	11,499.94	11,515.22	13,042.23	13,292.75	13,722.89
Of Which: Official Reserve Assets	9,766.44	10,085.49	10,094.88	10,955.64	11,649.01	12,171.31
Less Liabilities to Non Residents	857.53	858.16	859.20	1,221.43	1,125.75	865.64
Of Which: Short Term Liabilities	0.00	0.00	0.00	0.00	30.43	0.00
<b>Net Domestic Assets (NDA)</b>	<b>-4,897.36</b>	<b>-4,991.20</b>	<b>-5,316.49</b>	<b>-5,733.76</b>	<b>-6,378.97</b>	<b>-6,941.06</b>
Domestic Claims	-1,696.10	-1,638.66	-1,925.65	-2,169.37	-2,424.36	-2,242.29
Net Claims on Central Government	-1,753.21	-1,686.73	-1,979.82	-2,228.61	-2,488.27	-2,308.76
Claims on Central Government	2,023.20	2,004.11	2,337.90	2,557.09	2,090.41	1,908.59
O/w: Securities Other than Shares	844.30	857.14	866.54	1,089.16	1,018.88	842.31
Loans	1,178.90	1,146.97	1,471.36	1,467.93	1,071.53	1,066.28
Less Liabilities to Central Government	3,776.42	3,690.84	4,317.73	4,785.70	4,578.68	4,217.35
O/w: Deposits	3,776.42	3,690.84	4,317.73	4,785.70	4,578.68	4,217.35
Claims on Other Sectors	57.11	48.07	54.17	59.24	63.91	66.47
Other Financial Corporations	11.78	11.77	11.18	11.49	11.10	11.86
State and Local Government	0.00	0.00	0.00	0.00	0.00	0.00
Public Non-Financial Corporations	0.00	0.00	0.00	0.00	0.00	0.00
Private Sector	45.33	36.30	42.99	47.75	52.82	54.60
O/w: Loans	45.33	36.25	42.99	47.75	52.82	54.55
Claims on Other Depository Corporations	40.92	39.92	42.37	458.79	512.85	514.97
O/w: Loans	40.92	39.92	42.37	458.79	512.85	514.97
Other Liabilities to ODCs	248.21	500.99	707.75	891.30	1,275.13	2,132.17
O/w: Repos	192.57	452.99	659.47	787.49	771.92	830.52
Other Items(Net)	-2,993.98	-2,891.47	-2,725.46	-3,131.88	-3,192.34	-3,081.56
Shares and Other Equity	3,564.46	3,468.39	3,321.17	3,705.66	3,731.65	3,751.95
Other Items(Net)	570.48	576.92	595.71	573.78	539.31	670.39
Monetary Base Incl. foreign currency clearing balances	5,321.85	5,650.58	5,339.53	6,087.04	5,788.03	5,916.20
Monetary Base	4,754.89	4,929.40	4,663.27	5,272.56	5,089.88	5,276.51
Currency In Circulation	3,410.40	3,391.60	3,385.78	4,048.43	3,678.12	3,865.78
Liabilities to ODCs	1,344.49	1,537.80	1,277.50	1,224.13	1,411.76	1,410.73
Reserve Deposits	1,344.49	1,537.80	1,277.50	1,224.13	1,411.76	1,410.73
Other	0.00	0.00	0.00	0.00	0.00	0.00
Foreign Currency Clearing Balances	566.96	721.18	676.26	814.48	698.16	639.69

## Notes:

- (i) SDR Allocation was reclassified from Other Items net to liabilities to non-residents
- (ii) From Feb 2010, PRGF reclassified from short term foreign liabilities and included as part of Government deposits.
- (iii) IMF quota, IMF account number I and Securities eliminated from Central Bank Survey for consistency with Bank of Uganda Balance sheet.
- (iv) IMF Account number II reclassified to liabilities to nonresidents from Other items net.
- (v) Claims on Other Financial Corporations previously reported in Other Items net due to limited sectorisation reclassified to Claims on Other Sectors.
- (vi) Monetary base includes only the shilling reserve and clearing balances of operating Other depository corporations. The original level of Other depository corporations reserve and clearing balances is retained for comparison purposes only.

Source: Bank of Uganda



Appendix 13: Other Depository Corporations Survey Balance Sheet (billion UGX.)

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
<i>Net Foreign Assets</i>	25.84	49.26	-312.99	-362.11	300.05	309.00	53.64
<b>Claims on Non Residents</b>	2,396.14	2,332.32	2,123.99	1,952.65	2,520.06	2,427.35	2,146.55
<b>Of Which: Foreign Currency</b>	287.79	257.97	270.78	278.20	266.29	269.39	322.31
<b>Deposits</b>	1,918.55	1,645.49	1,758.38	1,586.83	2,164.74	2,075.26	1,672.62
<i>Loans</i>	136.54	368.75	50.38	46.40	44.72	45.44	130.61
<b>Less Liabilities to Non Residents</b>	2,370.30	2,283.06	2,436.98	2,314.77	2,220.01	2,118.36	2,092.92
<i>Of Which: Deposits</i>	702.58	577.72	630.59	606.17	614.03	517.10	438.24
<i>Loans</i>	1,657.68	1,694.96	1,706.59	1,602.71	1,590.60	1,589.81	1,620.02
<b>Net Domestic Assets (NDA)</b>	13,924.99	14,041.91	14,985.10	15,322.49	15,242.58	15,647.70	16,600.60
<b>Domestic Claims</b>	14,899.03	15,284.98	15,901.61	16,573.93	16,570.71	16,842.35	16,889.07
<b>Net Claims on Central Government</b>	3,543.77	4,074.48	4,436.10	4,966.97	4,487.23	4,935.02	4,760.72
<b>Claims on Central Government</b>	4,104.05	4,575.85	5,093.25	5,389.44	5,147.88	5,393.19	5,201.31
<b>Less Liabilities to Central Government</b>	560.28	501.36	657.15	422.47	660.65	458.17	440.59
<b>Claims on Other Sectors</b>	11,355.26	11,210.50	11,465.52	11,606.96	12,083.47	11,907.33	12,128.35
<b>Other Financial Corporations</b>	38.36	39.51	45.78	50.51	47.12	41.79	44.60
<b>State and Local Government</b>	1.81	1.56	1.97	1.73	1.04	1.11	1.41
<b>Public Non-Financial Corporations</b>	31.15	28.14	31.87	28.40	24.59	40.42	51.96
<b>Private Sector</b>	11,283.94	11,141.29	11,385.90	11,526.32	12,010.72	11,824.00	12,030.38
<i>Of which: Loans</i>	11,280.31	11,139.45	11,385.12	11,523.99	12,008.89	11,822.42	12,028.10
<b>Claims on the Central Bank</b>	2,570.49	2,712.59	3,223.48	3,092.43	3,542.20	3,950.60	4,687.44
<b>Currency</b>	548.57	515.62	456.29	459.14	573.19	504.96	523.58
<b>Reserve Deposits</b>	2,020.84	2,003.35	2,313.05	1,972.65	2,129.55	2,218.19	2,138.05
<b>Other Claims</b>	1.08	193.63	454.14	660.64	839.46	1,227.45	2,025.81
<b>Liabilities to the Central Bank</b>	71.86	47.05	46.21	48.30	462.26	514.23	513.30
<b>Other Items(Net)</b>	-3,472.67	-3,908.61	-4,093.78	-4,295.57	-4,408.07	-4,631.01	-4,462.60
<b>Shares and Other Equity</b>	3,705.22	3,888.74	3,988.31	4,100.51	3,795.56	4,033.71	4,161.99
<b>Other Items(Net)</b>	232.55	-19.87	-105.47	-195.06	-612.51	-597.30	-300.60
<b>Deposits Liabilities to the Public</b>	13,950.83	14,091.17	14,672.11	14,960.38	15,542.63	15,956.70	16,654.24
<b>Deposits Included in Broad Money</b>	13,901.63	14,040.59	14,621.47	14,909.59	15,496.62	15,896.18	16,593.83
<b>Foreign Currency Deposits</b>	5,391.35	5,439.47	5,471.73	5,473.01	5,706.81	5,810.71	5,920.51
<b>Local Currency Deposits</b>	8,510.28	8,601.13	9,149.73	9,436.58	9,789.82	10,085.48	10,673.31
<b>Transferable Deposits</b>	3,683.75	3,871.47	4,240.89	4,323.57	4,349.89	4,603.48	4,812.36
<b>Other Deposits</b>	4,826.52	4,729.65	4,908.85	5,113.01	5,439.93	5,482.00	5,860.95
<b>Deposits Excluded from Broad Money</b>	49.20	50.58	50.64	50.79	46.01	60.52	60.41

Note: From Feb 2010, commercial banks claims on and liabilities to both residents and nonresidents with regard to Shares & other equity, Securities other shares and financial derivatives are reported separately and not other items net.

Source: Bank of Uganda



Appendix 14: Foreign Assets and Liabilities (million USD).

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
<b>Central Bank</b>							
<i>Claims on Non Residents</i>	3344.68	3282.55	3377.51	3398.26	3612.31	3677.93	3821.57
<i>O/w: Official Reserve Assets</i>	2843.09	2894.25	2962.09	2979.11	3034.38	3223.13	3389.49
<b>Liabilities to Non Residents</b>	315.25	254.13	252.04	253.56	338.30	311.48	241.06
<b>Other Depository Corporations</b>							
<b>Claims on Non Residents</b>	709.54	691.17	623.81	576.25	697.98	671.62	597.78
<i>O/w: Foreign Currency</i>	85.22	76.45	79.53	82.10	73.75	74.54	89.76
<i>Deposits</i>	568.12	487.63	516.43	468.29	599.57	574.20	465.79
<i>Loans</i>	40.43	109.28	14.80	13.69	12.39	12.57	36.37
<b>Less Liabilities to Non Residents</b>	701.89	676.58	715.73	683.11	614.88	586.12	582.84
<i>O/w: Deposits</i>	208.05	171.21	185.20	178.89	170.07	143.07	122.04
<i>Loans</i>	490.87	502.30	501.22	472.98	440.55	439.88	451.15
<b>Domestic (Forex) Liabilities: Foreign Currency Deposits</b>	1596.49	1611.96	1607.04	1615.14	1580.61	1607.75	1648.75

Source: Bank of Uganda



## Appendix 15: Monetary Survey Key Ratios and Growth Rates

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
<b>Ratios to M3</b>						
Foreign Currency Deposits (%)	32.12	31.17	30.68	30.08	30.47	29.70
Currency Outside Depository (%)	17.09	16.72	16.41	18.32	16.64	16.76
Shilling Demand deposits (%)	22.86	24.16	24.24	22.93	24.14	24.14
Shilling time & savings Deposits (%)	27.93	27.96	28.67	28.67	28.75	29.40
Money Multiplier (M3/Base)	3.56	3.56	3.82	3.60	3.75	3.78
Money Multiplier (M2/Base)	2.42	2.45	2.65	2.52	2.60	2.66
M2/M3	0.68	0.69	0.69	0.70	0.70	0.70
Shilling Time and Savings Deposits/Total Shilling Deposits (%)	54.99	53.65	54.18	55.57	54.36	54.91
Shilling Time and Savings Deposits/Total Deposits (%)	33.69	33.57	34.29	35.10	34.49	35.32
Shilling Demand Deposits/Total Shilling Deposits (%)	45.01	46.35	45.82	44.43	45.64	45.09
Shilling Demand Deposits/Total Deposits (%)	27.57	29.00	29.00	28.07	28.96	29.00
VULNERABILITY M3/RESERVES	1.73	1.74	1.77	1.73	1.64	1.64
VULNERABILITY M2/RESERVES	1.18	1.20	1.22	1.21	1.14	1.15

Source: Bank of Uganda



Appendix 16: Commercial Bank's Shilling Denominated Loans and Advances to the Private Sector

	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17
Agriculture	283,402	295,015	390,639	429,750	480,934	571,773
Production	117,401	110,716	151,280	183,680	225,934	310,125
Processing & Marketing(crop finance)	166,001	184,299	239,359	246,071	255,001	261,648
Mining and Quarrying	14,171	14,083	11,051	31,022	31,579	26,653
Manufacturing	422,811	414,077	411,257	540,853	512,908	560,280
Foods, Beverages, Tobacco	214,969	221,648	222,423	302,514	303,797	269,185
Textiles, Apparel and Leather	15,738	9,624	13,907	13,542	9,385	14,687
Wood, Wood Products & Furniture	3,874	1,699	6,562	9,126	6,198	5,567
Paper, Paper Products, Printing & Publishing	17,837	17,659	17,018	17,103	37,172	28,527
Chemicals, Pharmaceuticals, Plastic and Rubber Products	34,754	21,423	20,117	26,776	25,176	20,384
Basic and Fabricated Non-Metal and Metal Products	50,641	57,422	48,647	60,484	52,863	46,361
Building & Construction Materials.	38,922	32,011	25,042	16,396	25,317	30,736
Other Manufacturing Industries	46,076	52,591	57,542	94,912	53,000	144,832
Trade	942,986	949,498	1,018,779	1,169,735	1,112,039	1,219,478
Wholesale	366,332	365,323	322,365	544,501	471,108	585,507
Retail	449,073	445,181	583,213	527,855	527,931	484,626
Transport and Communication	246,504	165,763	182,325	186,490	366,210	425,578
Electricity & Water	18,104	36,001	22,872	49,716	66,035	41,492
Building, Mortgage, Construction and Real Estate	1,067,191	1,013,422	1,081,954	1,136,238	1,190,810	1,176,323
Business Services	205,022	258,733	199,701	295,882	247,100	295,092
Community, Social & Other Services	219,394	179,635	229,207	240,030	254,236	247,959
Personal Loans and Household Loans	1,052,718	985,418	1,441,429	1,517,160	1,656,272	1,973,798
Other Services	204,512	314,982	72,848	78,322	84,875	58,646
<b>Total</b>	<b>4,676,813</b>	<b>4,626,628</b>	<b>5,062,063</b>	<b>5,675,197</b>	<b>6,003,000</b>	<b>6,597,071</b>

Source: Bank of Uganda



## Appendix 17: Commercial Banks' Forex Denominated Loans and Advances to the Private Sector

	Jun-12	Jun-13	Jun-14	Jun-15	Jun-16	Jun-17
<b>Agriculture</b>	<b>162,194</b>	<b>266,933</b>	<b>413,303</b>	<b>546,173</b>	<b>585,208</b>	<b>711,887</b>
Production	103,775	125,722	136,146	218,097	186,724	142,335
Processing & Marketing(crop finance)	58,418	141,211	277,157	328,076	398,484	569,552
<b>Mining and Quarrying</b>	<b>16,918</b>	<b>13,393</b>	<b>11,001</b>	<b>18,659</b>	<b>37,643</b>	<b>46,755</b>
<b>Manufacturing</b>	<b>580,177</b>	<b>689,079</b>	<b>790,179</b>	<b>1,149,527</b>	<b>1,084,182</b>	<b>984,746</b>
Foods, Beverages, Tobacco	265,091	202,914	212,972	329,967	320,842	234,777
Textiles, Apparel and Leather	19,211	26,273	25,404	56,400	81,764	73,364
Wood, Wood Products & Furniture	8,929	11,158	14,031	18,757	5,493	4,972
Paper, Paper Products, Printing & Publishing	37,229	71,182	78,340	110,823	98,598	89,202
Chemicals, Pharmaceuticals, Plastic & Rubber Products	72,668	69,493	103,650	110,671	115,990	130,018
Basic and Fabricated Non-Metal and Metal Products	43,120	76,786	103,937	178,240	162,586	133,780
Building & Construction Materials.	101,140	150,626	139,878	168,350	130,189	140,096
Other Manufacturing Industries	32,789	80,647	111,967	176,319	168,720	178,536
<b>Trade</b>	<b>622,842</b>	<b>609,192</b>	<b>803,909</b>	<b>890,909</b>	<b>848,779</b>	<b>983,723</b>
Wholesale	158,527	143,185	267,440	462,244	419,563	455,590
Retail	94,017	104,134	167,596	196,622	213,135	197,887
<b>Transport and Communication</b>	<b>227,892</b>	<b>278,885</b>	<b>287,650</b>	<b>357,419</b>	<b>411,651</b>	<b>361,530</b>
Electricity & Water	56,274	76,373	84,710	131,814	160,208	183,168
Building, Mortgage, Construction and Real Estate	614,316	771,884	958,784	1,309,671	1,382,535	1,277,057
Business Services	56,689	128,702	182,684	204,513	161,310	191,590
Community, Social & Other Services	36,638	64,112	67,930	110,967	117,756	130,669
Personal Loans and Household Loans	59,278	70,729	82,503	85,101	81,221	88,378
Other Services	107,005	80,517	38,953	60,127	56,246	23,003
<b>Total</b>	<b>2,540,221</b>	<b>3,049,799</b>	<b>3,721,606</b>	<b>4,864,880</b>	<b>4,926,738</b>	<b>4,982,506</b>

Source: Bank of Uganda



Appendix 18: Commercial Banks' Activities (UGX. billion)

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
<b>Liabilities</b>							
<b>Total Deposits</b>	14,347.8	14,457.1	15,167.7	15,197.0	15,887.4	16,102.2	16,762.4
Private Demand Deposits	3,700.6	3,901.1	4,268.5	4,356.2	4,375.2	4,652.3	4,865.3
Private Time & Savings Deposits	4,491.0	4,395.9	4,544.4	4,732.3	5,055.8	5,104.7	5,472.5
Foreign Exchange deposits	5,400.6	5,437.5	5,457.6	5,457.7	5,708.3	5,810.7	5,915.1
Government Deposits	560.3	501.4	657.2	422.5	660.6	458.2	440.6
Interbank deposits (excluding own)	195.4	221.3	240.0	228.4	87.4	76.2	68.9
Foreign Liabilities	2,127.3	1,951.0	2,020.1	1,879.3	1,877.0	1,778.1	1,726.4
Borrowing at Bank of Uganda	24.0	0.0	0.0	0.0	417.0	466.3	465.7
Items in Transit	0.0	0.9	0.4	0.1	0.0	0.1	0.2
Capital and Reserves	3,079.4	3,626.1	3,537.5	3,562.6	3,384.9	3,724.7	3,724.6
Other Liabilities	2,214.7	2,006.1	2,271.7	2,424.9	2,212.6	2,433.6	2,483.9
<b>Total</b>	<b>21,793.3</b>	<b>22,041.3</b>	<b>22,997.5</b>	<b>23,063.8</b>	<b>23,778.9</b>	<b>24,504.9</b>	<b>25,163.2</b>
<b>Assets</b>							
Cash held	525.0	491.9	429.0	431.8	546.4	476.2	489.5
Balances with Bank of Uganda	2,020.8	2,195.9	2,766.0	2,632.1	2,967.7	3,444.3	4,162.5
Foreign Assets	2,340.3	2,267.0	2,075.2	1,907.8	2,472.4	2,385.2	2,119.6
Government Securities	4,064.8	4,542.6	4,965.8	5,262.2	5,105.3	5,356.8	5,145.7
Advances and Discounts	10,819.4	10,675.1	10,902.2	11,017.1	11,489.3	11,337.4	11,549.9
Investments in Stocks and Shares	64.0	64.4	52.4	51.2	49.2	49.1	32.5
Other Assets	1,958.9	1,804.4	1,806.8	1,761.7	1,148.7	1,456.1	1,663.5
<b>Total</b>	<b>21,793.3</b>	<b>22,041.3</b>	<b>22,997.5</b>	<b>23,063.8</b>	<b>23,778.9</b>	<b>24,504.9</b>	<b>25,163.2</b>

Source: Bank of Uganda





## Appendix 19: Structure of Interest Rates (annual percentage)

	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
<b>Bank of Uganda</b>									
Ways and Means	12.76	16.68	17.60	15.07	13.88	13.06	13.01	10.82	10.06
Rediscount rate	16.00	20.00	21.00	21.00	19.00	18.00	16.00	15.50	14.00
Central Bank Rate	13.00	16.00	17.00	17.00	15.00	14.00	12.00	11.50	10.00
<b>Treasury Bills</b>									
91 Days	12.76	16.68	17.60	15.07	13.88	13.06	13.01	10.82	10.06
182 Days	13.55	17.69	19.55	15.65	14.77	13.95	13.61	11.44	10.88
273 Days	...								
364 Days	14.02	17.66	18.54	14.44	14.92	13.82	13.73	12.17	12.00
<b>Commercial Banks (Weighted Average)</b>									
<b>Local Currency</b>									
Deposit Rates	2.69	3.31	4.18	3.44	4.11	4.41	3.95	3.00	2.48
Demand deposits	1.50	1.59	1.50	1.51	1.90	2.32	1.90	1.78	1.60
Savings deposits	3.26	3.49	3.52	3.20	3.71	3.63	3.69	3.02	2.34
Time Deposits	10.39	14.53	16.98	13.74	12.24	11.85	12.08	10.30	8.86
Lending Rates	22.34	23.25	24.59	24.37	23.54	23.71	22.72	22.45	21.11
<b>Foreign Currency</b>									
Deposit Rates	1.32	1.29	1.29	1.33	1.26	1.26	1.20	1.33	1.63
Demand deposits	0.96	0.95	0.96	1.12	0.96	0.95	0.98	1.00	0.99
Savings deposits	1.51	1.50	1.80	1.76	1.49	1.49	1.51	1.67	1.68
Time Deposits	3.97	4.08	4.08	3.51	3.28	3.36	3.83	2.97	3.54
Lending Rates	9.87	8.51	9.42	10.45	9.47	8.73	9.15	8.14	8.15

Source: Bank of Uganda



Appendix 20: Foreign exchange rates (UGX. per USD)

	Bureau Weighted	Average	Bureau	Official	Nominal Effective	Real Effective
Year/Month	Buying Rate	Selling Rate	Middle Rate	Middle Rate	Exchange Rate (NEER, 2005/06 = 100)	Exchange Rate (REER, 2005/06 = 100)
<b>Calendar Year Average</b>						
2009	2,158.63	2,166.80	2,162.67	2,030.49	91.72	130.25
2010	2,170.24	2,179.44	2,174.80	2,177.56	92.22	131.11
2011	2,509.01	2,522.73	2,515.87	2,522.75	105.39	142.25
2012	2,493.89	2,504.29	2,499.09	2,503.31	100.65	128.69
2013	2,578.46	2,586.96	2,582.71	2,586.46	99.45	126.55
2014	2,592.25	2,597.24	2,594.75	2,600.33	96.71	124.34
2015	3,226.47	3,241.71	3,234.10	3,245.54	111.44	140.52
2016	3,406.55	3,421.89	3,414.22	3,420.45	113.34	142.91
<b>Fiscal Year Average</b>						
2010/11	2,315.90	2,324.95	2,320.43	2,323.43	96.00	137.55
2011/12	2,541.81	2,557.94	2,549.87	2,559.12	104.88	134.86
2012/13	2,580.33	2,589.22	2,584.78	2,588.95	101.94	130.74
2013/14	2,533.11	2,537.23	2,535.17	2,538.34	95.61	121.87
2014/15	2,815.51	2,825.41	2,820.46	2,823.22	104.84	131.95
2015/16	3,428.44	3,445.55	3,436.99	3,442.96	115.47	140.58
2016/17	3,514.72	3,562.66	3,538.69	3,528.30	114.88	144.86
<b>Monthly Average</b>						
2015 Jan	2,847.21	2,856.74	2,851.98	2,860.71	102.10	129.85
Feb	2,860.00	2,868.91	2,864.46	2,868.85	101.94	129.32
Mar	2,937.82	2,952.14	2,944.98	2,951.51	103.78	130.31
Apr	2,983.86	2,994.40	2,989.13	2,995.58	105.17	131.02
May	2,993.23	3,003.10	2,998.17	3,007.60	105.04	131.37
Jun	3,176.29	3,191.05	3,183.67	3,199.90	110.99	139.86
Jul	3,344.66	3,372.42	3,358.54	3,360.09	115.44	144.15
Aug	3,538.27	3,546.54	3,542.41	3,548.25	120.29	148.81
Sep	3,656.18	3,667.86	3,662.02	3,667.50	122.87	150.09
Oct	3,621.00	3,640.49	3,630.75	3,636.02	122.86	148.87
Nov	3,413.26	3,443.78	3,428.52	3,429.00	114.78	138.99
Dec	3,345.80	3,363.06	3,354.60	3,362.49	112.06	135.70
2016 Jan	3,426.09	3,443.56	3,434.82	3,451.21	113.94	138.05
Feb	3,414.59	3,431.04	3,422.82	3,435.11	113.82	137.77
Mar	3,354.37	3,368.22	3,361.30	3,365.50	112.33	135.18
Apr	3,332.43	3,343.46	3,337.94	3,343.57	112.50	135.89
May	3,337.36	3,355.41	3,346.39	3,348.92	112.19	136.01
Jun	3,357.22	3,370.80	3,364.01	3,367.99	112.58	137.44
Jul	3,357.11	3,388.31	3,372.71	3,379.29	112.65	138.06
Aug	3,363.44	3,375.51	3,369.47	3,373.54	112.85	137.58
Sep	3,372.80	3,382.79	3,377.79	3,381.41	112.67	136.63
Oct	3,428.11	3,440.18	3,434.14	3,435.85	113.62	137.40
Nov	3,551.87	3,564.71	3,558.29	3,560.62	115.60	140.09
Dec	3,583.23	3,598.72	3,590.98	3,598.17	115.35	139.36
2017 Jan	3,575.35	3,630.42	3,602.88	3,609.48	115.35	141.07
Feb	3,566.65	3,889.01	3,727.83	3,585.35	115.04	140.08
Mar	3,589.02	3,608.82	3,598.92	3,599.01	115.80	140.65
Apr	3,604.81	3,655.92	3,630.36	3,618.70	116.50	141.69
May	3,601.56	3,623.96	3,612.76	3,623.61	117.00	141.61
Jun	3,582.74	3,593.62	3,588.18	3,591.10	116.17	141.51

Source: Bank of Uganda



Appendix 21: Bureau and Inter-bank Transactions (million USD)

Period	Bureaux		Inter-bank	
	Purchases	Sales	Purchases	Sales
2010/11	1,871.85	1,735.10	6,493.76	6,599.90
2011/12	2,735.49	2,486.76	7,206.12	6,656.53
2012/13	3,878.37	3,704.34	7,870.56	7,191.50
2013/14	3,864.42	3,735.52	8,457.91	7,648.87
2014/15	4,040.46	4,059.80	8,130.50	7,861.87
2014 Jan	343.00	333.53	855.87	761.13
Feb	274.51	205.63	680.72	649.68
Mar	343.38	333.38	679.29	607.89
Apr	326.17	328.65	647.18	523.02
May	317.42	311.22	668.22	608.20
Jun	345.55	338.06	645.34	605.34
Jul	369.71	382.31	668.33	666.89
Aug	353.75	352.91	642.48	559.35
Sep	357.29	358.87	642.86	589.27
Oct	326.62	329.35	676.99	605.15
Nov	329.01	325.31	628.68	587.71
Dec	374.92	376.92	683.80	617.86
<b>Total</b>	<b>4,061</b>	<b>3,976</b>	<b>8,120</b>	<b>7,381</b>
2015 Jan	364.75	363.02	655.11	770.52
Feb	311.73	315.27	574.93	508.96
Mar	335.89	337.97	681.00	829.11
Apr	300.55	300.19	716.02	634.64
May	308.91	306.55	797.09	710.60
Jun	307.33	311.13	763.23	781.81
Jul	317.57	312.34	646.48	674.09
Aug	321.27	322.34	579.01	510.73
Sep	295.19	291.67	506.71	498.37
Oct	298.13	298.30	546.63	478.18
Nov	305.13	310.68	612.31	515.70
Dec	319.36	337.32	593.60	458.73
<b>Total</b>	<b>3,786</b>	<b>3,807</b>	<b>7,672</b>	<b>7,371</b>
2016 Jan	286.36	300.02	537.15	497.68
Feb	240.03	247.90	614.78	559.65
Mar	265.11	274.30	530.97	473.36
Apr	265.02	272.41	555.76	464.24
May	278.08	283.89	636.11	558.23
Jun	284.78	290.87	653.20	597.68
Jul	261.94	267.56	528.23	452.32
Aug	269.89	276.02	618.60	480.45
Sep	271.73	270.92	528.71	424.18
Oct	263.35	260.56	578.12	533.40
Nov	279.19	277.73	647.52	637.67
Dec	288.14	287.27	622.37	499.06
<b>Total</b>	<b>3253.62</b>	<b>3309.45</b>	<b>7051.52</b>	<b>6177.93</b>
2017 Jan	282.19	279.27	612.45	543.01
Feb	266.21	264.62	598.30	493.16
Mar	262.47	264.37	618.20	562.29
Apr	238.10	234.79	508.76	473.71
May	264.60	264.38	680.41	618.05
Jun	246.51	245.94	613.02	545.53

Source: Bank of Uganda



Appendix 22: Composite Consumer Price Index, Uganda (2009/10 = 100)

	Food and Non-Alcoholic Beverages	Alcoholic Beverages, Tobacco and Narcotics	Clothing and Footwear	Housing, Water Electricity, Gas and Fuels	Furnishings, Household Equipment and Routine Household Maintenance	Health	Transport	Communication	Recreation and Culture	Education	Restaurants and Hotels	Miscellaneous Goods and Services	All Items Index	Monthly % Change	Annual % Change
Weights	284.6	28.0	50.8	119.4	38.7	57.5	137.8	51.8	55.2	55.1	57.2	63.9	1,000.0		
<b>Calendar Year (Average)</b>															
2011	125.4	114.6	125.5	120.0	127.1	110.8	115.8	88.1	107.5	105.8	115.8	118.9	117.5		16.0
2012	141.5	127.8	146.2	144.4	143.5	131.0	124.2	91.4	114.1	117.9	129.8	134.4	132.7		12.9
2013	144.8	142.1	153.9	153.5	151.7	140.7	129.0	92.8	117.7	135.2	138.2	141.1	139.4		5.0
2014	149.8	143.4	161.0	158.0	157.0	146.8	129.4	96.6	120.1	147.7	139.7	144.1	143.7		3.1
2015	160.7	145.6	171.5	167.3	163.3	150.3	132.4	110.1	122.1	157.1	145.1	150.6	151.7		5.5
<b>Fiscal Year (Average)</b>															
2011/12	139.6	123.5	144.1	136.2	138.6	120.6	121.8	92.1	112.7	111.3	124.3	129.1	128.6		21.0
2012/13	140.5	135.0	146.1	149.3	146.9	136.4	126.5	92.0	115.4	125.5	134.4	137.8	135.0		5.0
2013/14	149.2	143.2	158.7	155.8	154.4	144.3	130.0	93.0	119.2	141.6	139.4	143.2	142.3		5.4
2014/15	153.2	143.9	164.7	161.2	160.3	148.6	129.5	103.8	120.8	152.8	141.6	146.4	146.6		3.0
2015/16	165.4	149.8	179.7	173.7	167.1	152.5	136.1	109.7	123.5	165.9	149.5	155.8	156.2		6.6
<b>Monthly</b>															
Jan-15	148.3	144.8	164.2	162.6	161.7	149.6	130.5	105.0	121.0	151.6	141.9	147.3	144.9	0.7	2.9
Feb	150.7	144.6	163.4	163.0	161.5	149.7	129.2	105.2	120.7	154.2	141.7	146.8	145.5	0.4	2.7
Mar	157.0	144.6	166.7	163.2	162.3	149.7	129.4	106.7	121.4	154.8	142.1	148.7	147.8	1.6	3.1
Apr	163.1	144.0	168.1	162.9	161.0	149.9	129.4	107.5	121.3	154.8	143.5	148.5	149.6	1.2	4.5
May	163.6	144.0	168.2	163.0	161.2	148.8	129.3	107.7	121.3	154.7	143.5	147.6	149.6	0.0	4.8
Jun	158.4	144.0	169.7	163.3	161.0	148.9	130.9	111.4	121.3	156.2	144.4	150.8	149.0	-0.4	4.9
Jul	159.2	144.9	171.9	165.8	162.1	149.0	133.0	115.0	121.9	156.2	144.9	151.7	150.3	0.9	5.4
Aug	160.0	145.6	173.8	168.9	164.6	149.1	134.4	118.7	122.0	156.2	146.3	152.3	151.7	0.9	5.7
Sep	164.6	146.8	176.5	168.9	165.7	152.2	134.6	121.0	122.9	160.6	147.2	152.9	153.9	1.5	6.6
Oct	168.2	147.4	177.5	174.3	165.8	152.4	135.8	107.5	123.1	162.1	148.0	153.4	155.3	0.9	7.7
Nov	168.1	147.5	178.1	176.1	166.0	152.4	135.9	107.5	124.0	162.1	148.4	153.2	155.6	0.2	8.0
Dec	167.8	148.9	179.6	176.3	167.0	152.4	136.5	107.5	123.9	162.1	148.9	154.4	155.9	0.2	8.4
Jan-16	165.2	151.1	181.9	175.9	167.4	153.1	137.4	107.5	123.9	162.1	150.1	154.8	155.5	-0.2	7.4
Feb	164.8	152.6	182.3	177.1	166.2	153.4	137.8	107.6	124.3	162.1	150.0	155.6	155.7	0.1	7.0
Mar	166.7	153.5	183.4	175.7	168.7	153.4	138.1	106.4	124.0	174.3	151.3	158.1	157.1	0.9	6.3
Apr	168.6	153.4	182.8	175.0	169.9	153.7	135.3	105.7	123.6	174.3	152.0	159.1	157.3	0.1	5.1
May	166.9	153.4	183.7	174.7	170.9	154.4	137.3	105.8	123.8	174.3	152.7	163.5	157.5	0.1	5.3
Jun	165.3	153.2	185.1	175.9	170.6	154.6	137.6	105.5	124.4	184.0	154.0	161.1	157.8	0.2	5.9
Jul	166.8	153.1	183.9	174.9	171.1	154.9	137.3	105.8	124.5	184.0	153.7	162.3	158.1	0.2	5.2
Aug	168.3	153.8	185.5	175.4	171.8	155.7	138.8	105.7	124.4	184.2	154.8	162.5	159.0	0.6	4.8
Sep	172.2	154.4	185.9	176.6	171.7	156.2	139.0	105.7	125.3	184.1	155.2	162.4	160.4	0.9	4.3
Oct	173.9	154.4	186.8	177.4	172.5	156.7	137.9	106.1	125.8	194.0	157.0	162.8	161.7	0.8	4.1
Nov	176.7	154.0	187.4	176.8	172.7	156.9	139.8	106.0	126.0	193.9	158.1	162.4	162.7	0.7	4.6
Dec	179.9	154.8	189.9	178.0	174.1	157.3	143.6	105.9	127.2	193.9	159.1	163.4	164.7	1.2	5.7
Jan-17	179.8	154.4	189.4	181.2	176.6	157.3	140.4	105.7	127.0	193.9	158.8	164.0	164.7	0.0	5.9
Feb	182.9	154.4	190.1	181.1	177.9	157.6	142.1	106.2	127.4	194.9	160.5	164.6	166.1	0.9	6.7
Mar	186.0	153.3	191.4	181.9	178.6	157.2	142.4	106.1	128.0	194.9	160.3	164.8	167.2	0.7	6.4
Apr	189.6	153.9	191.2	181.1	179.1	157.1	139.1	106.1	132.1	194.9	160.1	164.8	168.0	0.4	6.8
May	191.5	153.8	191.8	182.2	180.5	157.0	138.5	105.7	134.5	194.9	162.4	165.8	168.9	0.6	7.3
Jun	187.7	153.9	190.8	182.3	180.0	156.7	137.8	106.0	134.4	197.3	163.0	166.0	167.9	-0.6	6.4

Source: Bank of Uganda.

